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REPORT FOR THE VITICULTURE AND WINE SECTOR IN THE WESTERN BALKANS

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"Facilitation of the exchange trough advice on harmonized wine regulations in all Western Balkan Countries"
The analysis, conclusions and recommendations in this report represent the authors` opinion and arenot necessarily representative of the position of the Regional Rural Development Standing Working Group in SEE (SWG) and the GFA Consulting Group GmbH

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List of abbreviations

ALL	Albanian Lek
BiH	Bosnia and Herzegovina
BMEL	German Federal Ministry of Food and Agriculture
CEFTA	Central European Free Trade Agreement
CMO	Common Market Organization
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organization
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
GIS	Geographical Identification System
GFA	GFA Consulting Group GmbH
ha	hectare
hl	hectolitre
INSTAT	Institute of Statistics (Albania)
IPARD	Instrument for Pre-Accession Rural Development
l	liter
KM	Bosnian Convertible Marka (BAM)
MAFWM	Ministry of Agriculture, Forestry and Water Management (Serbia)
MBUMK	Ministry of Agriculture (Albania)
MOFTER	Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina
OIV	Organisation Internationale de la Vigne et du Vin (International Organization for Vine and Wine)
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
RS	Republic of Srpska
QP	Quality Policy
SAA	Stabilisation and Association Agreement
SEE region	Southeast European region

Veronika Kovalenko/shutterstock.com

SWG	Regional Rural Development Standing Working Group
SORS	Statistical Office of the Republic of Serbia
SWOT	Strengths, weaknesses, opportunities, threats analysis
t	ton
TAIEX	Technical Assistance and Information Exchange instrument of the European Commission
Wine project	Project "Facilitation of exchange trough advice on harmonized wine regulations in all Western Balkan Countries"

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** This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence*

INTRODUCTION

The German Federal Ministry of Food and Agriculture (BMEL), as a carrier of the project "Facilitation of exchange through advice on harmonized wine regulations in all Western Balkan Countries", approved the realization of a 3-year regional project in South-East Europe (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and Serbia). The contract on cooperation has been signed between GFA Consulting Group GmbH (GFA) as German implementation body and Regional Rural Development Standing Working Group (SWG) as regional implementer for the implementation activities in the above mentioned SWG countries/territories.

The project "Facilitation of exchange through advice on harmonized wine regulations in all Western Balkan Countries" aims at strengthening the economic and political relations between all the Western Balkan countries/territories with the EU institutions.

The main objective of this project is to provide support to the Western Balkan countries/territories in their efforts to align the wine regulations with EU legislation and regulations with the Western Balkan countries/territories.

This report was prepared in order to better understand the situation in viticulture and wine production sector of SEE countries/territories. It presents the current situation in that sector in Albania, Bosnia and Herzegovina, Kosovo*, North Macedonia and Serbia. In addition, with a view to the future launch of activities on the national priorities proposed by countries/territories, the national experts have processed priorities for Albania, Bosnia and Herzegovina, Kosovo* and North Macedonia. In Montenegro and Serbia, the procedure for providing national experts who will implement project activities on the level of SWG member couriers/territories is currently ongoing.

** This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence*

1. ALBANIA

OVERVIEW OF ALBANIAN VITICULTURE AND WINE PRODUCTION SECTOR

Albania has a millennial tradition in grape growing and wine production. The sector has seen ups and downs, but during the totalitarian regime there was no wine industry in the country. Until the year 1987 the system was well organized, wine production destination was domestic and there was also export, and this year was the last of a realistic vineyard register in Albania.

The change of the political regime (in 1991) brought many changes where the vineyard and wine sector couldn't help being affected deeply. Most of vineyards were left to degenerate, without any agronomical intervention and many were brought to destruction as they were owned by the state, which was about to fall.

After this period most of wine production was home-made, almost totally informal and all was consumed within the country. Through the years, the industry started to redevelop slowly and certain brands "Made in Albania" were growing in experience and quality, end approximately 15 years ago the first exports started. Due to prolonged transition period in the country this industry was left without the attention of government policies, suppressed from imports of raw material and final product, and obliged to continue working in a marked full of problems and for most of it informal. Anyway, recently it seems it is finding its way towards a slow but steady development.

As can be evidenced by Table 1.1, the surface of vineyards is still far from what was inherited from the system (16969 ha in 1991 and 10533 ha in 2016), while total production has almost quadrupled to about 205 thousand tons, this is due mostly to the cultivation of new varieties with higher production potential, as well as intensive vineyards cultivation. However, the country still imports a significant amount of grapes, mainly from neighbouring countries such as North Macedonia, Greece and Italy. There are no clear figures on how much this quantity is destined for table grapes and for processing in the wine industry. The area cultivated with vineyards does not exceed more than 2% of agricultural land, less favoured than other region countries that have a strong trend of vineyard cultivation.

Table 1.1. Total vineyard area and number of pergolas through the years in Albania (1945-2016)

Year	1945	1991*	1994*	2000*	2005*	2010*	2016*
Vineyards (ha)	2 737	16 969	4 300	5 824	7 994	9 712	10 533
Pergolas (000 vines)	6474	2965	3564	4638	5364	5502	6197

** Statistical Yearbook 1991-2010; MBUMK and INSTAT 2010-2017*

Table 1.2. Total agricultural land and vineyards area in 2016

Year	2016*	%
Total land (m²)	2,875,000	100
Agricultural land	695,520	24.2 of total land
Forestry, pastures & others	2,179,489	75.8 of total land
Viticulture	10,533	1.51 of agricultural land

** MBUMK and INSTAT; 2010-2017*

Table 1.3. Destinations of grapes produced in Albania in year 2016

Year	Production (000 t)*	% of total production
Table grapes or raisins	36,769	17.9
Spirits (rakija, etc.)	26,870	13.1
Wine production, of which:	141,649	69.0

Table 1.4. Wine import-export in Albania in year 2016

Wine export-import	2016* (hl)
Import	27,975
Export	256
Difference Imort-Export	27,719

** MBUMK; 2017*

The wine industry is characterized by enterprises of quite different sizes and also heterogeneity of the technical and technological level and the strategic position of each. This phenomenon can be regarded as a normal evolution of the industry in question, due to different patterns of development.

Nevertheless, considering the geographical position of Albania, its climate and soil conditions, wine tradition and number autochthonous varieties, we are still far from a satisfactory level of wine industry in the country.

TASK 1 - SUPPORT IN DRAFTING THE LEGISLATION ON WINE AND BY-LAWS

Report from meeting and consultations with institutions staff, producers and from other meetings

The market

The wine industry, considering both domestic production and import, has a volume of fifteen million euros, where import occupies most of it (data from INSTAT - Institute of Statistics). Unfortunately, there are no reliable data on domestic production, producers and importers affirm this. One of the main importers professes that in 2017 3.2 million litres were imported, compared to 2 million from domestic production. Based on this estimation, domestic production would be around 40% of the total. Anyway, differences in opinions on the wine volumes imported and produced in Albania are considerable between various stakeholders.

Based on the interviews, most of the stakeholders speak of 30% of demand covered by domestic production, while 70% is covered by import. Even though not an official estimation, this is particularly good news for Albania considering that the ratio approximately 10 years ago was 10 to 90 for domestic production and import, respectively.

Anyway, from these numbers it is clear that domestic production has enormous potential and market opportunities for development.

Unfortunately, data on export are very scarce. In the official tables of the Albanian Ministry of Agriculture and Rural Development, the only category mentioned in export is "sparkling wine" where in 2017 it has had a considerable growth compared with the previous year, 13.6 t and 7.7 t respectively. Anyway, various producers among the best wineries in Albania, affirm that they export small amounts mainly in EU countries, the Balkan region and USA.

An informal market

The wine market is one of most informal ones in Albania. This because it is a relatively new market and manly because the law in force (Law No. 8443, date 21.1.1999) is very incomplete, leaving space for considerable abuse. Another factor is the lack of implementation of the mentioned law by responsible structures and the confusion created by their constant reorganization. And last, but noteworthy, is the lack of information consumers have on product safety and quality. It is quite common in Albania, especially in restaurants, for one to be served wine of unknown origin, called simply as 'wine of the house'.

Informality does not only exist during the production and distribution phases, but also in raw materials as very often grapes enter Albania from neighbouring countries as table grape and end up for wine production. Mainly grape import comes from Macedonia and after processing it is sold as wine with grapes of unknown origin or the worst case, as an autochthonous wine made from grapes produced in Albania. Not only is this a fraud to consumers, but also creates unfair competitiveness between producers.

Considering this situation, drafting and implementation of a new law on vineyards and wine is necessary for Albania.

Difficulty to access international markets

It is difficult for Albanian wine production to be competitive within the domestic market and these difficulties are even greater when the aim is the international market. Anyway, recently a number of wineries have started exports in modest amounts towards European Union countries and USA.

Interviewed producers highlight as main difficulties high costs of marketing, absence of help from governmental structures in information or documentation to enter international markets, and strict and different laws that destination countries apply.

Even though experience is being built through producers and the general trend of exports is positive, harmonized regulations and certifications that allow the products to circulate freely in export countries is needed.

Governmental support towards viticulture and wine production sector

Recent years, throughout National Supporting Schemes in Agriculture and Agro-processing, the Albanian Government has supported the wine sector, mainly in the cultivation of Albanian autochthonous varieties. Different wineries have gained support from these funds and also small farmers have received subsidies for new plants. This has been reflected in a slow but progressive growing of cultivated areas. Producers appreciate this policy but maintain that there is still a lot more that can be done.

As it is still a new and unconsolidated market, it is clear that producers need governmental policies to support them in the same direction for positive outcomes.

Interviewed producers demand that the law framework on wine and alcoholic beverages should be revised with all stakeholders being part of the process; it is urgently needed to perform a DNA analysis of varieties and their zoning, to revise the excise tax for Albanian producers and regulations of import rules.

Producers maintain that the current framework is unfavourable towards Albanian producers (mainly referring to excise and absence of subsidies in agriculture) and neighbouring countries are doing better because governments apply facilitating policies towards their colleagues in these countries.

Status of legal framework on wine/wine products and aromatised wine products in Albania

The current framework of the wine sector is formed by the Law No. 8443, from 21.1.1999 "PËR VRESHTARINE; VERËN DHE PRODUKTET E TJERA QË RRJEDHIN NGA RRUSHI" ("On vineyards, wine and other grape by-products").

The law is extremely limited in its specifications and outdated. It was also created in a period where the organization of the line ministry was very different from the current structure, and this creates confusion on which structures within the ministry are responsible for its requirements.

This has led to a situation where, as confirmed by various interviewed wine producers, the only controls made to wine production enterprises are made by Customs Services to verify the payment of excise tax and by the National Food Authority to verify compliance with general rules for food production enterprises and proper labelling of products.

Also, the standards in force for wine products are those defined in the year 1987 which are obviously entirely outdated. A new updated version of food standards, including wine categories, was drafted and publicized by the Ministry of Agriculture in 2014, but was never adopted.

Not only are there big gaps in the legislative framework, but even the actual law on wine that is quite old is not implemented for many aspects it addresses:

For example, Article 3 say that "*the strategy for viticulture development is based on the zoning made by authorized organs within the Ministry of Agriculture*", zoning that has not been made yet.

Article 20 talks about Denominations of Origin in which haven been determined and this is impossible without zoning of varieties cultivated in Albania.

Article 26 determines that "*Ministry of Agriculture and Food organizes and keeps the register of vineyards and wine industry…*", register, which if it exists, is totally not transparent and not organized within ministry structures.

As previously mentioned, the law on wine is very incomplete and, in many parts, defines that specifications will be established with By-laws, Ministers Council Decisions, and Ministry of Agriculture Orders. The expert of this draft could not find almost any of these documents, presuming that they exist, even after contacting officials from the Ministry of Agriculture and Rural Development responsible for the viticulture sector. The only available document is Minister's Order No. 392, date 2.12.2009 on approval of the regulation "*FOR THE DEFINITION, DESCRIPTION AND PRESENTATION OF AROMATIC WINES, BEVERAGES WITH AROMATIC WINE BASIS AND COCTAILS WITH AROMATIC WINE*". This Ministerial Order was created based on and in line with Regulation (EEC) No. 1601/91, Regulation (EEC) No. 3279/92, Regulation (EC) No. 3378/94, Regulation (EC) No. 2061/96, Regulation (EC) No. 1882/2003, Regulation (EC) No. 1334/2008 of the European Union.

The deficiencies and gaps of the wine law have been noted years ago and due to this another draft-law was prepared in 2012 based on COUNCIL REGULATION (EC) No 479/2008 of 29 April 2008 "*on the common organization of the market in wine, amending Regulations (EC) No 1493/1999, (EC) No 1782/2003, (EC) No 1290/2005, (EC) No 3/2008 and repealing Regulations (EEC) No 2392/86 and (EC) No 1493/1999*". This document, apart from some gaps, would help a lot in the alignment of Albanian legislation with that of the EU, but it never came to force as it never got approved.

So not only is there a sharp lack of legislation framework for the sector, but also a lack of implementation of the existing one.

The necessity of a new up-to-date law, harmonized with actual regional and EU framework is an urgent necessity for Albania.

TASK 2 - SETTING-UP THE SYSTEM OF VINEYARD REGISTER AND COMPULSORY DECLARATIONS

Report from meetings and consultations with institutions staff, producers and report on current situation and present stage in implementation of the Vineyard register

Part of the informal market and unregulated legislation of viticulture and the wine sector is also the vineyard register. According to experts of the sector, the last reliable and precise data on a vineyard register go back to 1987, during the totalitarian regime. With the change of the system and deep changes in vineyards extension, localization, varietal composition and their maintenance this information almost disappeared, and the few available data were not reliable.

Different attempts have been made to set up the vineyard register of Albania, especially after 2000. According to the Inter Sectoral Agricultural and Rural Development Strategy, 2014-2020, a vineyard register has been created according to regulation EC 2392/86/EEC and Commission Regulation 649/87/EC in order to orientate the development of vineyards and wine industry of Albania according to efficient development policies. The aim of this was the production of quality wines with guaranteed origin and also align regulations of this sector with those of the European Union. According to the above-mentioned document, until the end of 2012, 10,823 vine units have been registered in the GIS system, or 60% of total units in the country. This process of registering all vine units in Albania was expected to finish at the end of 2017.

The expert of this report has contacted structures of the Ministry of Agriculture and Rural Development of Albania in order to get information on the actual state of the vineyard register but could not get any reliable official documentation. Some officials state that the register is totally unorganized and not reliable, and the same opinion is shared by other experts of the sector working at the Agricultural University of Tirana.

The only data easily accessible in the line ministry is the surface extension of vineyard farms, also divided by regions, and their production rate.

One of the obstacles in setting up a proper vineyard register is the fact that registered varieties grown in Albania have no DNA analysis and no official clones of these varieties have been established. This means that wines from what is supposed to be the same variety, in very similar soil and climate conditions, give wines that can have moderate differences in composition and organoleptic profile. This is the case of Northern Wineries Association in Albania, where they attempted to register "Kallmet" wine as a PGI/PDO through an authorized body in Italy but could not reach their goal due to differences in their wines.

If the situation of the vineyard register is as stated by experts of the viticulture sector, the necessity of a serious and well organized initiative to create a realistic vineyard register for Albania is urgent and vital for the future of the sector and rightful coordination of government policies.

Attached to this report is a manual for the creation of vineyard register of Albania according to Commission Regulation 2392/86/EEC.

TASK 3 - PREPARING THE STRATEGY FOR DEVELOPMENT OF VITICULTURE AND WINE PRODUCTION SECTOR

SWOT analysis for viticulture and wine sector of Albania

STRENGTHS

Climatic conditions are very favourable for viticulture

Richness and diversification in autochthonous varieties and different microclimates

Employment and revenue in viticulture and wine production sector are still among the top rated compared to other agricultural products

Considerable know-how and expertise is coming into the sector due to Albanian immigrants coming from wine producing countries in EU (mainly Italy)

WEAKNESSES

Small farm size inhibits efficiency of investments and competitiveness of domestic production

Mistrust of Albanian farmers to unite in cooperatives

Weaknesses of legislation regarding land property

Weaknesses of legislation regarding vineyards and wine production

Improper technological infrastructure in general for viticulture and also for wine production

Very small number of wineries have their own vineyards creating additional cost and loss in quality

The price of wine in Albania is burdened with the excise duty, whereas many other competitive countries apply 0 excise tax

Absence of holistic and well-structured studies on viticulture and wine market

POSSIBILITIES

Surface cultivated with grapes is still low compared to the extension during the totalitarian regime. Together with the positive revenue of sector operators, it is a motivating factor to increase productivity.

Initial investment in new vineyards is very convenient as actually it is also supported by government subsidies.

Raise of farm size (for example through cooperatives) can increase competitiveness of Albanian wines through better coordination and cost reductions.

Government engagement with concrete actions to absolve wine from excise duty will reduce costs.

THREATS

Pressure from importing companies toward domestic production

Competitiveness from other neighbouring countries is high as they can offer wines with a satisfying ration quality/price.

Operation of a considerable amount of informal producers that damage domestic competitiveness and also consumer perception for Albanian wines

DRAFT STRATEGY FOR DEVELOPMENT OF VITICULTURE AND WINE PRODUCTION SECTOR

Production of grapes (for both scopes - production of wine/rakija and table grape) has seen a considerable growth (35%) compared to year 2007. Wine production in Albania has doubled since 2007, while also import has had almost the same trend due to increase of consumption.

Grape production is concentrated in districts of Fier (21.7% of total production), Berat (15,6%) Elbasan (13.1%) and Vlora (9.6%), which together sum up for approximately 60% of total production of grapes in Albania. As one of the main obstacles in the extension of vineyards is the extreme division of farms (approx. 1 ha per farm) new vineyards will be oriented to be situated in block plantations or adjacent to existing ones.

Most of wineries in Albania are too small compared to those situated in EU or Balkan countries and only a small number of them have the capacity to operate in international markets. A considerable part of wine production comes from an informal market and is traded illegally in the domestic market. The segment of formal quality and excellent wines is still not developed sufficiently, considering its potential. The only wines that have had positive feedback from both domestic market and export, and are showing potential in further growth are those from autochthonous varieties. Most wineries in Albania are not competitive with their main competitors in the region and with main producers in EU considering the ratio quality/price. This is the reason of a steady increase in the import of quality wines in the recent 15 years that follows the increase of demand for quality wines from better living standards and changes in the lifestyle of Albanians. At the same time, the formal sector of wine suffers from an unfair and sharp competition from the informal sector and has to face big challenges in terms of increase in quality to justify high prices.

The sector of vineyards and wine of Albania is characterized by different potentials for development. First of all, Albania has favourable climate conditions for grape production, which allow an early production compared to neighbouring countries resulting in an interesting window for export of table grapes. In general, production volumes and quality are in a steady increase for both, table grapes and industrial grapes. There is a clear increase in investment from main wineries which usually focus on the employment of the potential of local autochthonous varieties like Kallmet, Shesh i Zi, Vlosh (for red wines) and Shesh i Bardhe, Pulës (for white wines). As far as wine demand is concerned, it is in constant increase considering changes in consumer's lifestyle.

Some of main challenges of the sector include regulating and formalizing the informal market and lowering production costs. The general consolidation of trading and distribution of food and drinks in Albania is in favour of big producers and import wines, while in the sector of quality wines sold in bottles, the latter dominate the market. At the same time competitiveness from producers situated in the region is increasing.

Some of the main problems in the development of wines value chain is the lack of proper connection/coordination between farmers and producers, high production costs and almost absence of standardization of practices. Many wineries face difficulties in coordination with farmer regarding type of varieties cultivated, irrigation regime, vine treatments etc. This is why the general trend should be oriented towards expansion of vineyards that are property of wineries and coordination at a local level between farmers and producers. This not only would improve quality as final product due to a better management of the production chain but would also lower costs of production.

Considering table grape production, priority should be given to export due to the above mentioned favourable climate conditions of Albania towards neighbouring countries. Meanwhile in the wine production sector priority should be given to improvement of production for a better quality, improvement of wine distribution and marketing (Made in Albania wines) and real implementation of the legislation that forbids illegal trade of products. It is particularly important to focus on production of quality wines as given the small farm size in Albania, wineries cannot be competitive in high quantity-low price products, but the only feasible option is diversification of product with high quality and high price.

There is also need for investment to improve standards at farm level, including post-harvest technology, warehouses and categorization of product.

Governmental support should be oriented mainly towards block plantations, where investments are based on well-studied assessments. In the wineries there is need for investments that aim their improvement and also upgrade in main production phases such as maturation/ain ambient and equipment, fermentations, tanks and packaging and bottling equipment. Investments in wineries that integrate in their structure grape production, which have been considerable in recent years, have to continue. This has to be future trend.

Meanwhile, the Albanian government in the Inter Sectoral Agricultural and Rural Development Strategy (ISARD), 2014-2020, describes the priority sectors with development potential of competitive quality products for domestic and foreign market, among which is the viticulture and wine sector.

The strategy is being supported mainly from actions of the IPARD II program, but interventions that cannot be covered from IPARD II can get support through National Support Schemes in order to have a complete mass of actions.

National Supporting Schemes with a budged of EUR 20 million for 2018 and IPARD program with a total of EUR 94 million for investments in agriculture have and are showing a considerable attention on wine sector.

National Supporting Schemes dedicate almost one third of their fund on investment related to vineyards, grapes and wine. For example:

- Farmers/producers receive 300.000 of ALL for every ha cultivated with table grapes;
- 350,000 ALL/ha for vineyards cultivated with autochthonous cultivars;
- 200,000 ALL/ha for drop irrigation in vineyards with industrial or table grapes;
- Warehouses, collection points, refrigerated points, agro-processing receives in total 20.000.000 ALL.

On the other side, Action 1 supported by IPARD II foresees investments in farms with two main objectives:

- Improving general performance of farms that produce agricultural raw materials;
- Help farmers to adapt to EU standards on food safety, environment protection and animal's wellbeing.

In general vineyard farmers can get support on equipment/machinery for farm practices improving like this production and quality of grapes. Also, they have to get support in adapting EU standards.

As previously mentioned, a major problem in Albania is the small farm size. This is the issue addressed by Action 2 of ISARD, 2014-2020 for Supporting formation of group producers, as using the term 'cooperatives' scares Albanian farmers, who associate it with the previous totalitarian regime. Its main objective is fostering development of competitiveness and sustainability of agro-processing sector through inciting the creation of farmer-groups and collaborative agricultural associations in order to improve

quality and production planning, handling and trading of big amounts of product, and development of negotiating abilities of producers related to product price.

This action is important for grape farmers if they want to survive in the future market. It creates promises for lowering production costs and better coordination with a potential better wine quality.

Action 3 of ISARD 2014-2020 supported by IPARD II foresees investments in physical assets for processing and trading of agricultural products.

Its objective is supporting development of human resources and physical assets, development of capabilities of the agro-food sector to face competitiveness pressure and market forces, and also support for the sector to fulfil EU standards. It will also foster efficiency in use of energy resources and renewable energy.

Beneficiaries are the economically productive, registered and certified enterprises for processing and trading of food products according to national legislation. A specific focus will be placed on small and medium enterprises.

This action fully complies with Albanian wineries needs and not occasionally they are considered as a priority sector within this action.

2. BOSNIA AND HERZEGOVINA

OVERVIEW OF VITICULTURE AND WINE PRODUCTION SECTOR IN BOSNIA AND HERZEGOVINA

Viticulture and wine production in Bosnia and Herzegovina (BiH), or, more precisely, in Herzegovina, has a millennial tradition and a decent reputation. Nevertheless, they have always represented a relatively small share of total agricultural production in BiH. Just for illustration, in 2011 the total value of the wine production in BiH was 66.3 million KM (about EUR 33 million) which was equal to 3.6% of the GDP from agriculture, hunting and related services and to 0.28% of GDP in BiH[1]. For a long period, the sector has been of particular importance to some areas in Herzegovina, even though during the last decades the spread of grape and wine production in other parts of the country can be noted.

By analysing and summing up the data of the domestic statistical agencies and the data provided by international organizations (OIV, FAOStat), with a lot of reserve, it can be said that today in BiH there are between 4,000 and 5,000 ha of vineyards, with an annual production of wine that fluctuates between 14 and 22 million litters. It is interesting to note that about 20 years ago almost the entire BiH production of wine was located in the part of Herzegovina which now belongs to the Federation of Bosnia and Herzegovina (FBiH), but in recent years in the Republic of Srpska (in Herzegovina and Northern Bosnia) wine production has reached about 1 million litres per year. According to the estimates of the Federal Agro-Mediterranean Institute in Mostar, the share of vineyards with table grape varieties is estimated at only 5 – 10% of the total vineyard area in BiH. It should also be emphasized that in Herzegovina the most cultivated varieties are still the indigenous Žilavka (white) and Blatina (red), with a significant share of the regionally widespread Vranac variety. In recent years vineyards of major wineries are also planted with the international varieties (Cabernet Sauvignon, Merlot, Chardonnay, Shiraz). During the last two decades in Northern Bosnia the first tens of ha of vineyards appeared, mainly with wine varieties adapted to the colder climate (Italian Riesling, Riesling, Chardonnay, Cabernet Sauvignon, and Sauvignon Blanc).

Estimates and a number of analyses and studies have shown that the wine sector in BiH has significant development opportunities. However, a number of reasons have caused stagnation or only a slow development of the sector. Among the important positive changes is the appearance of a relatively big number of small to medium-sized private wineries. Incomplete data indicate that there are more than 30 private wineries in the Herzegovinian part of FBiH. In the Republic of Srpska (RS) a total of 36 wine producers are registered in the republic ministry of agriculture. Among them, there are only four winer-

1 FAO Regional Office for Europe and Central Asia. 2012. The Wine Sector in Bosnia and Herzegovina. Preparation of IPARD Sector Analyses in Bosnia and Herzegovina. GCP/BIH/007/EC. p 90.

ies with significant capacities, while others are in the category of micro family wineries. Private wineries, especially those of the middle capacity category, are mostly well equipped, with the wine production based on their own grape production. The substantial change in the approach to wine production (from earlier mass production of low-quality wines to smaller volume production of high-quality wines nowadays) should be also noticed. Those high-quality wines are quite expensive, and it seems, that their prices are the highest on the BiH market.

It should be mentioned that the Protocol on wine was signed as part of the Stabilization and Association Agreement (2008), in which the first preferential exports (annual quota) of 16,000 hl of wines to the EU was increased to 40,600 hl (2017). However, all these years BiH wine producers have been using only a small part of the quota, which indicates the need for intensified marketing of BiH wines.

PRIORITIES IN THE TRANSPOSITION OF THE EU REGULATION WITH THE AIM OF DEVELOPING AND STABILIZING THE WINE SECTOR IN BOSNIA AND HERZEGOVINA

The sector of viticulture and wine production in Bosnia and Herzegovina still faces a number of problems, which separately, but also synergistically, affect its slow growth and development. An extremely large number of sectorial problems arises from inadmissibly outdated and extremely fragmented sectorial regulation. In relation to this, in December 2018, at the first working meeting under the project "Facilitation of exchange and advice on Wine Regulations in the Western Balkan Countries" in Struga, the three priority regulatory issues specific to the winegrowing sector in Bosnia and Herzegovina were identified. These are: adaptation/drafting of the legislation on wine and wine and aromatized wine products; preparation of action plans for transposition, implementation and enforcement of EU wine *acquis*; and viticulture zoning of wine growing areas, as a basis for PDO/PGI system/denominations, as a base for the regulation of using the oenological practices and restrictions and vine varieties classification. The following pages give a brief overview of the situation and possible assumptions for addressing these priority issues of transposition of the EU regulation, with the aim of developing and stabilizing the wine sector in Bosnia and Herzegovina.

Legislation on wine and other grape products in Bosnia and Herzegovina

Bosnia and Herzegovina has less than 5,000 ha of vineyards, and at the same time there are four wine laws in force. Namely, the laws currently in force in BiH are:

- Law on Wine, Brandy and Other Grape and Wine Products (BiH OJ, 25/08);
- Wine Law; (FBiH OJ, 55/12);
- Wine law (RS OJ, 80/15); and
- Law on Wine and Brandy (OJ Brčko District BiH; 35/05, 19/07).

Besides the four wine laws, the viticulture and wine production sector in BiH cannot be considered regulated, especially not regulated in a harmonized manner with the relevant EU legislation. It should be said that the exceptional administrative complexity of the state, along with a series of constitutions and the resulting constitutional competencies, is to a large extent the cause of this unsatisfactory situation. The wine sector in BiH practically operates in an environment without a harmonized regulatory framework, which is an immense challenge. In the absence of common or horizontal framework conditions

for the wine sector, different types of regulations on BiH entity levels cause non-harmonized and unfair competition in the sector. Institutional and regulatory weaknesses have been caused a number of problems, starting from periodic difficulties with the export of BiH wines to Croatia, through frequent and uncontrolled import of Macedonian grapes and their processing into wines labelled as "BiH wine" and lack of traceability in the whole chain, to the most recent BiH – Croatia dispute over the registration and use of some traditional wine terms in front of the European Commission.

It should be noted that in BiH, with the exception of (outdated) definitions in the state and law on wine of the FBiH there is no specific legislation for aromatized wine products. In the EU, this category of wine is treated in a separate set of regulations, so it is possible to consider the separate regulation of the aromatized wines in BiH, maybe through one or more by-laws, which could be prepared and proposed by the Food Safety Agency of BiH and adopted by the Council of Ministers of BiH.

Below is a very brief overview of the sectorial regulation at the level of BiH (state) and its entities.

Bosnia and Herzegovina

The current state law on wine – Law on wine, brandy and other grape and wine products (BiH OJ, 25/08) - was promoted and adopted before the signing the Stabilization and Association Agreement between the European Communities and their Member States and Bosnia and Herzegovina (2008). The law itself carried all the features of earlier laws on wine in Yugoslavia and its republics. For example, they had brandy in their title, while in the text of the law that was not mentioned at all. It contained old definitions and classifications of grape and wine products, the old model of protection of geographical indications of wine, with insufficiently defined institutional competences for the implementation of legal provisions. Among other issues, the law foresaw the adoption of a large number of by-laws that would regulate the following:

- the conditions to be met by an authorized institution in terms of personnel, equipment and premises;
- charges for the services of the authorized institution;
- the conditions to be met by producers and processors of grapes and wine and other products;
- the contents of the register, recording in the register and the way of entry into the register;
- content and the way of upkeeping the cadastre;
- a directory of geographical indications of wines and other products;
- conditions to be met by grapes for processing to wine and on permitted technological processes in wine production;
- conditions that must be met by wine in terms of quality, labelling and packaging;
- division into smaller wine-growing areas (zoning), absolute vineyard lands, and permitted and recommended vine varieties;
- methodology for the evaluation of wines, musts, and other products;
- exams for wine tasters;
- conditions to be met for direct sale of non-bottled wine to the final consumer
- winery records;
- examination of the ability of the agricultural inspector for organoleptic evaluation of wines;
- the way of sampling and procedure with sampled materials;
- preparation of an elaboration for the traditional naming of wines; and
- the form of the checklist, the way of the issuing, the price, and the record of the issued control sheets.

During 2009, the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MOFT-

ER) formed working groups for the elaboration and preparation of by-laws envisaged by the Law. Since the SAA was signed, the working groups were obliged, when drafting the by-laws, to make the alignments of their texts with the, at the time, current sector regulation in the EU. It was immediately obvious that such harmonization would be in contradiction with the provisions of the Law, and that proposals for possible amendments to the Law had to be made. As the scope of the required amendments exceeded the prescribed 30% of the text of the Law, it was concluded that a proposal of new wine law was needed.

The proposal for the new law on wine has been discussed in the BiH Parliament (Parliamentary Assembly of Bosnia and Herzegovina) in 2011. The proposal of the law was a conceptual fade, with some negative comments made by representatives of the European Commission in Sarajevo. Despite some attempts to improve the proposal through amendments in the parliamentary procedure, it was refused in front of the House of Peoples of the Parliamentary Assembly of BiH. At the same time, it was the last occasion when the proposal of the state wine law was harmonized between representatives of BiH entities (Federation of BiH and Republika Srpska).

With international assistance (the Cooperazione Italiana), the MOFTER subsequently engaged domestic and international experts to prepare the draft law on wine that would be aligned with sectorial regulations in the EU. The draft law was prepared during 2012 and 2103 and it was, to the necessary extent, harmonized with the principles of EU wine sector legislation. Apart from other issues, for the first time it contained consistent solutions for establishing PDO/PGI concepts of protection of geographical origin of wine. The draft law predicted minimal and basically coordinating regulations from the state (BiH) level, while virtually all implementing competencies were at the entity levels. However, the authorized ministry of the RS stopped the sending of the draft law to governmental and parliamentary procedures, insisting that was a transfer of the constitutionally guaranteed powers of the entity (agriculture) to the state level. The RS proposal was that the state wine law should regulate only issues of international trade in wine.

Meanwhile, the European Commission in its annual reports on BiH's progress in European integrations warns of the need to adopt a state wine law harmonized with the EU sectorial legislation. Unfortunately, over the last few years no concrete steps have been made in this direction.

Therefore, it could be said that there is the law on wine at the state level, but it is completely outdated and unmanageable. No sectorial by-law has ever been adopted at the state level. In such a situation, the adaptation of wine legislation practically could not be done on the state (BiH) level, and it is necessary to prepare a completely new corpus of sectorial regulations on this level. Bearing in mind previous difficulties, it is, through systematic preparations, absolutely necessary to ensure previous both expert and political consensus on sectorial issues that would be regulated at the state level, i.e. issues that will be regulated at the entity levels. Different approaches are possible in this regard. One could be the establishment of wine sector regulations on the state level basically with provisions prescribed in the EU sectorial framework regulation (currently (EU) 1308/2013). With this approach, the provisions of the European Commission's sectorial regulations could be left for laws and by-laws at the entity levels. In this way, the legal definitions of the principles and the necessary coordination tasks would be ensured at the state level, while practically all implementing regulations would be adopted at entity levels. The second approach may mean the subordinate model with elaboration and adoption of comprehensive and detailed sectorial regulations at the state level (the law and the necessary by-laws) and leaving regulations of technical issues at the entities' levels. It is possible that the solution may also be a reasonable combination of these conservative and liberal approaches.

Federation of Bosnia and Herzegovina (FBiH)

The Federation of Bosnia and Herzegovina has expressed and continues to express readiness to have and to implement the sectorial legislation at the state (BiH) level. However, in the situation when the proposal of the state law on wine was rejected in the Parliament of Bosnia and Herzegovina in 2011, the Federal Ministry of Agriculture, Water Management and Forestry had drafted a law that was adopted by the Parliament of the FBiH (Wine Law, FBiH OJ, 55/12). This law was *de facto* extorted by wine producers in FBiH who, facing unmanageable provisions of the wine legislation in power, were practically unable to place their wines on the market legally. The law basically represents the revised text of the law rejected in 2011 in the state parliament, with some improvements and with the necessary division of institutional competencies among the levels of FBiH, its cantons, and municipalities. A number of its provisions point to its provisional character, i.e. the readiness to make changes to it in accordance with national law and regulations, when and if they are adopted. The Federal Wine law envisages the adoption of nine by-laws. To date, the following by-laws have been adopted and are in force:

- By-law on Vineyard and Winery Register (FBiH OJ, 102/13);
- By-law on Wine Quality (FBiH OJ, 14/17);
- By-law on Technical and Professional Staff Conditions for Legal Bodies Authorized for Control and Other Tasks in Viticulture and Wine Production (FBiH OJ, 62/14);
- By-law on Labelling of Winery Wine Containers and Keeping Winery Records (FBiH OJ, 30/14);
- By-law on the Content and Way of Keeping the Vineyard Cadastre (FBiH OJ, 107/12);
- By-law on Minimal Technical-Technological and Personnel Conditions for the Production of Wine and Other Products from Grapes and Wine (FBiH OJ, 2/13); and
- By-law on Procedures and Methods of Organoleptic Assessment of Wines (FBiH OJ, 88/13).

Even though the Law foresees them, the bylaw on packaging, labelling, and naming of wines and other grape and wine products and the bylaw on conditions of transport and storage of grapes, wines and other grape and wine products have not yet been adopted.

Sectorial regulation in FBiH is partially aligned with the requirements of current EU regulations in the domains of vineyard register and compulsory declarations. The law and the relevant bylaws (Bylaw on Vineyard and Winery Register; FBiH OJ, 102/13) reflect provisions of the C.R. (EC) 436/2009, but not the latest provisions of the C.D.R. (EU) 2018/273 and C.D.R. (EU) 2018/274. Records in registers are made on requests submitted by grape and wine producers (request for vineyard register includes an excerpt from the vineyard cadastre) to relevant municipality offices. Municipalities keep primarily vineyard and winery registers which are transferred to the Federal ministry of agriculture, water management and forestry, which keeps the unified registers. The same bylaw requires compulsory declarations regarding grape production, wine production, and wine stocks. The cadastre of vineyards is kept by the Federal Agro-Mediterranean Institute Mostar.

The control system in the sector is regulated by the law on wine. Administrative (authority) supervision is under the Federal Ministry of Agriculture and cantonal ministers/offices for agriculture. Agricultural inspection (viticulture, wine production), market inspection (wine trade, wine import), tourist-catering inspection (wine selling in restaurants, cafes, etc.) are in charge of the inspection controls. Authorized control bodies are engaged for yearly controls of GI wine production. There are not yet regulated provisions for necessary accreditation of authorized control bodies.

Regarding additional required documents and certificates, certification is prescribed by the law on wine. Wine quality and GI certificates are issued by the authorized body and an accredited laboratory. Before being placed on the market all wines must have a report on the control of physical-chemical (for all wines) and organoleptic characteristics (for GI wines) issued by the authorized body (the Fed-

eral Agro-Mediterranean Institute Mostar). All the original packaged wines must have an approval for the placing wine in circulation before being placed on the market. The permissions are issued by the municipal body for wines without GI or by competent cantonal authorities for GI wines. To obtain the permission for GI wines a producer should submit: the declaration of wine quantity, the report of physical-chemical analysis of the wine, the expert opinion of the authorized body on grape production, and the credential of fulfilment of the conditions for use of the GI issued by the Federal ministry of agriculture. Consignments of bulk wine must be accompanied by a delivery document followed by a report of wine or other grape/wine product quality. After obtaining the approval for placing the wine on the market, producers address the Indirect Taxation Authority for obtaining excise stamps, in accordance with the Excise Law of BiH, which stipulates the registration procedure and the rights and obligations of the manufacturer or importer of excise products. There are not yet detailed rules (by-laws or similar) for additional documents. Wine transport and in-country trade requires with ordinary trade documents, supplemented by a certificate of wine quality and origin. The VI-1 form issued by the authorized body/laboratory follows wines exported to the EU.

Oenological practices and restrictions are prescribed by the By-law on wine quality (fully aligned with the regulation EC 606/2009, excluding its most recent amendments).

Federal wine legislation has not yet prescribed procedures for protection of wine GIs, i.e. procedures for PDO and PGI nor procedures for protection of wine traditional terms which is a crucial part of wine quality policy. Wine GIs are still managed in accordance with old Yugoslav schemes: viticulture zoning as basis for GIs – wine producer's technical file ("*elaborate*") with wanted GI submitted to governmental office in charge of wine issues – (new wine legislation foresees yearly control of grape and wine production by an authorized body, not yet with provisions for ISO/IEC 17065 for such bodies) – wine chemical and organoleptic analyses – separate permission for the release of each GI wine into circulation issued by the governmental body).

In conclusion, the current legislation of the wine sector in FBiH could be characterized as a good enough foundation which, with some necessary adjustments and modifications, could be transformed to consistent sectorial legislation aligned with that in the EU. Additions are necessary in the mandatory certification of bodies authorized for control activities in the sector and, especially, in the domain of protection and use of PDO and PGI and traditional wine terms. The latter is in a close connection with the need to revise the current viticulture zoning in BiH, which is discussed elsewhere in this text.

Republic of Srpska

The current wine law in the Republic of Srpska was adopted in 2015. The 2015 Wine Law envisages the adoption of the following 11 subordinate ordinances:

- By-law on vineyard and winery registers;
- By-law on labelling of winery wine containers and keeping winery records;
- By-law on minimal technical-technological conditions regarding professional staff, objects, premises, equipment and devices for wine production;
- By-law on conditions for the production and labelling of fruit wines;
- By-law on categories of wine and other grape and wine products and oenological practices;
- By-law on technical and professional staff conditions for legal bodies authorized for control and other tasks in viticulture and wine production;
- By-law on procedures and methods of organoleptic assessment of wine and methods for establishing of list of wine tasters;
- By-law on packaging and labelling of wines and other products of grapes and wine;

- By-law on the conditions of transport and storage of grapes, wines and other grape and wine products
- By-law on procedure for the recognition of geographical indications;
- By-law on procedure for the recognition of traditional wine terms.

So far, only the Bylaw on Minimal Technical-Technological Conditions Regarding Professional Staff, Objects, Premises, Equipment and Devices for Wine Production (RS OJ, 56/17) has been adopted and put into power. According to information from the Ministry of Agriculture, Water Management and Forestry of Republic of Srpska a number of bylaws from the above list have been prepared in the form of drafts or proposals.

The current Law on Wine in RS has many significant similarities with the Law on Wine in FBiH. Due to simpler administrative organization of RS (RS level, municipality level) it is easier to regulate the sector than in FBiH (FBiH, cantonal level, municipality level). Unlike the federal wine law, the Law on Wine in RS does not deal with legal definitions of categories of grape and wine products but foresees their definition by subordinate regulations. Such an approach may be wise, taking into account the relatively frequent changes of technical character in the definitions of grape and wine products in the EU.

The Law on Wine in RS stipulates the establishment of new viticulture zoning for the territory of RS, while the Law on Wine in FBiH anticipated viticulture zoning at the level of BiH. Another difference between the two entity laws is the ban on the production of wines from imported grapes. In FBiH the production of wines from imported grapes is prohibited, while in RS it is legally permissible in a transitional period of four years from the adoption of the law. It should be emphasized that these contradictory regulations, on however the single market of Bosnia and Herzegovina, may open up space for the potentially illicit activities of wine producers.

Regarding the Vineyard register and compulsory declarations, some basic provisions are provided in the wine law. There are not yet specific by-laws which would establish the fully functioning system of registers and compulsory declarations. A draft of the bylaw concerning vineyard and winery registers was made in 2017 (vineyard register based on producers' applications which includes excerpt from the vineyard cadastre; register in the RS ministry of agriculture; winery register based on producers' applications which includes: confirmation of fulfilments of minimal technical and technological conditions for wine production and copy of registration in the RS ministry of agriculture)

Principles of the system of control are prescribed by the wine law. Administrative (authority) control is under the Republic ministry of agriculture, while inspection controls are under republic and municipality agricultural inspections. Authorized control bodies shall be engaged for yearly controls in production of GI wines. There are not yet detailed implementing rules for inward/outward winery documentation.

Certification is prescribed by the wine law and wine certificates shall be issued by an authorized laboratory, but without mentioning ISO 17025. Regarding accompanying documents, a permission must be issued by the RS Ministry of Agriculture for all originally packaged wines before being placed on the market. The permission could be issued on the producer's application accompanied by the analytical report on the quality of the wine. The consignment of wine is accompanied by a delivery note and the analytical report on the quality of the wine.

Basic provisions regarding oenological practices and laboratories and analytical methods are provided in the wine law, but without implementing by-laws.

As is elaborated in the Chapter 3 of this document, BiH viticulture zoning is outdated and it is not good enough foundation for PDO/PGI wine quality schemes and policy. Some provisions similar to EU regu-

lated PDO/PGI schemes are provided in the RS wine law, but without implementing by-law(s). Wine GIs are still managed in accordance with old Yugoslav schemes, as it is already described with FBiH.

However, the Law on Wine in RS is relatively flexible and opens possibilities for transposition of relevant provisions of the EU sectorial into entity's legislation through future by-laws. This includes the space given for a proper regulation of protection, control and use of PDO/PGI and traditional wine terms.

PREPARATION OF ACTION PLANS FOR TRANSPOSITION, IMPLEMENTATION AND ENFORCEMENT OF EU WINE ACQUIS

Bosnia and Herzegovina doesn't have a strategy of the development of viticulture and wine production sector. Viticulture and wine production have only sporadically been mentioned in medium-term entity strategies for agricultural development, but the sector has never been successful in obtaining, for example, correct subsidies comparable to at least BiH-based subsidies for other crops. The lack of investment in the sector is evident from the stagnating or slow increase of its production capacities.

The mentioned administrative complexity of the state greatly impedes the establishment of a functional institutional-regulatory environment for the wine sector. It is obvious that in BiH, presuming the retention of the current constitutional arrangements, a functional coordination mechanism between different levels of administration, with a consensually accepted division of competences, needs to be established. It should be both in terms of powers to adopt regulations and in terms of powers for its effective implementation. Besides, due to the BiH international and international trade obligations, and above all due to the EU integration process, it is necessary to ensure a rapid and reliable flow of information to a single appointed place. The compiled information on e.g. production capacities and their changes, protected GIs and traditional terms, control bodies, etc. should be available at any moment.

The neglected legislative on the wine sector in BiH calls for a purposeful definition of successive set of activities that would lead, at least, to more functional sectorial regulations. Certainly, the development of the program of activities, with the elaboration of concrete action plans under the determined chapters and under the conditions of BiH implies the participation, contribution and, most importantly, the agreement of the institutional stakeholders (state level, entity levels, Brčko District BiH level). The lack of experience in strategic programming on local level requires the engagement of international experts with experience in developing similar programs and action plans. It would also be helpful to have support from international experts in implementing action plans, in particular in the segments related to the drafting of legal acts. Experts from neighbouring countries, who have successfully transposed the sectorial EU *acquis* into their national legislations, could be especially highly appreciated. Mentioned below is only the proposal of the possible activities or action plans for transposition, implementation and enforcement of the EU wine *acquis*, everything according to the modest understandings and capacities of the signatory of this text.

Action plan 1 – Preparation and adoption of mid-term strategy of the wine sector in BiH

As already mentioned, BiH has never had a produced and formally adopted strategy for the development of the wine sector. In close connection with the results of the here mentioned Action plan 2, either a state-level strategy or two strategies at entity levels would be produced. It is not necessary to stress that it would be more useful to prepare and adopt a state-level strategy, with the respect and incorporation of all guaranteed rights of the entities for the independent planning and arrangements of the wine sector. In addition to the usual chapters, the sectorial strategy should particularly articulate the objectives and indicate activities on the growth of production capacities; sectorial regulations; and quality policy and wine marketing. Depending on the model chosen (one or two strategies), the coordination work on drafting should be run by the relevant ministry in the field of agriculture and winemaking (MOFTER, on the state level; ministries of agriculture of FBiH and RS; relevant department of the Brčko District of BiH), with the active involvement of domestic and international experts.

Action plan 2 – Consensual agreement of institutions on competencies and structures of sectorial legislation at different levels

The activity basically implies discussion and assurance of consensus on the competencies, powers, and responsibilities of different levels of BiH and entity administrations for issues of planning, management and regulation of the wine sector. It is indispensable, according to the agreement of all actors (BiH, Entities BiH, Brčko District BiH, possibly cantons in FBiH), to create a set of topics and issues that will be regulated at different levels (or maybe all topics at one level only). Previous BiH experiences suggest that, in the absence of state regulation and even with the similarities of entity sectorial regulations, there are issues that are differently regulated in one and the other entity. It is likely that the consensus will not be easily achieved and that both state-level promoters and those who insist on the entities' constitutional rights (and possibly the constitutional rights of the cantons in FBiH) will have to make compromises, if the goal is to establish a functional regulatory framework that will be the service and stimulus of the sector and not its brake. Institutional stakeholders in BiH would probably reach the necessary compromises easier if the mediation of a respectable international organization would be ensured in the process of harmonization.

Action plan 3 – Analysis and thematic systematization of wine sector regulation in BiH

Bearing in mind a limited number of sectorial laws and by-laws (at all levels of administration in BiH, there are currently three wine laws and eight thematic ordinances, all mentioned elsewhere), this activity can be carried out in the short term. It is indispensable and should result in the characterization of regulatory solutions at different levels, at least in the following areas: definitions and categories of wine and other grape products; vineyard register; harvest, wine production, and stock declarations; winery records; oenological practices, means, and restrictions; laboratories and analytical methods; labelling, wine GIs and traditional terms (including PDO, PGO, certification, and control bodies); transport conditions; accompanying documents; system of control; and aromatized wines. After an elaboration of law and by-law provisions according to the above listed topics (or more widely set list), their double characterization is necessary. Firstly, the level of their consistency/inconsistency within BiH, and, secondly, the level of their compliance/non-compliance with the applicable EU sectorial regulations should be elaborated. There are some possibilities that certain support in realization of this activity could come from the implementation of the project "Facilitation of exchange and advice on Wine Regulations in the Western Balkan Countries".

Action plan 4 – Analysis and thematic systematization of wine sector regulations in the EU and OIV standards with reflection on sectorial regulation

The realization of this action plan is closely related to the realization of the aforementioned Action Plan 3. They can take place alongside or be integrated into one action plan. Here it is necessary to systematize thematically (on the topics mentioned in Action Plan 3) EU sectorial regulations, including its detailed characterization. At the time of producing this text, this includes a review and analysis of at least the following regulations:

- Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671–854),
- Commission Delegated Regulation (EU) 2018/273 of 11 December 2017 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the scheme of authorisations for vine plantings, the vineyard register, accompanying documents and certification, the inward and outward register, compulsory declarations, notifications and publication of notified information, and supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards the relevant checks and penalties, amending Commission Regulations (EC) No 555/2008, (EC) No 606/2009 and (EC) No 607/2009 and repealing Commission Regulation (EC) No 436/2009 and Commission Delegated Regulation (EU) 2015/560 (OJ L 58, 28.2.2018, p. 1–59),
- Commission Implementing Regulation (EU) 2018/274 of 11 December 2017 laying down rules for the application of Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the scheme of authorisations for vine plantings, certification, the inward and outward register, compulsory declarations and notifications, and of Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards the relevant checks, and repealing Commission Implementing Regulation (EU) 2015/561 (OJ L 58, 28.2.2018, p. 60–95),
- Commission Delegated Regulation (EU) 2019/33 of 17 October 2018 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards applications for protection of designations of origin, geographical indications and traditional terms in the wine sector, the objection procedure, restrictions of use, amendments to product specifications, cancellation of protection, and labelling and presentation (OJ L 9, 11.1.2019, p. 2–45),
- Commission Implementing Regulation (EU) 2019/34 of 17 October 2018 laying down rules for the application of Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards applications for protection of designations of origin, geographical indications and traditional terms in the wine sector, the objection procedure, amendments to product specifications, the register of protected names, cancellation of protection and use of symbols, and of Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards an appropriate system of checks (OJ L 9, 11.1.2019, p. 46–76),
- Commission Regulation (EC) No 606/2009 of 10 July 2009 laying down certain detailed rules for implementing Council Regulation (EC) No 479/2008 as regards the categories of grapevine products, oenological practices and the applicable restrictions (OJ L 193, 24.7.2009, p. 1–59),
- Commission Regulation (EC) No 555/2008 of 27 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 479/2008 on the common organisation of the market in wine as regards support programmes, trade with third countries, production potential and on controls in the wine sector (OJ L 170, 30.6.2008, p. 1–80),
- Commission Implementing Regulation (EU) 2016/1150 of 15 April 2016 laying down rules

for the application of Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the national support programmes in the wine sector (OJ L 190, 15.7.2016, p. 23–71),

- Commission Regulation (EC) No 1402/2003 of 1 August 2003 setting out a schedule of tables and laying down the definitions relating to basic statistical surveys of areas under vines (OJ L 199, 7.8.2003, p. 4–11),
- Commission Regulation (EEC) No 2009/92 of 20 July 1992 determining Community analysis methods for ethyl alcohol of agricultural origin used in the preparation of spirit drinks, aromatized wines, aromatized wine- based drinks and aromatized wine-product cocktails (OJ L 203, 21.7.1992, p. 10–10),
- Regulation (EU) No 251/2014 of the European Parliament and of the Council of 26 February 2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and repealing Council Regulation (EEC) No 1601/91(OJ L 84, 20.3.2014, p. 14–34),
- Commission Regulation (EC) No 122/94 of 25 January 1994 laying down certain detailed rules for the application of Council Regulation (EEC) No 1601/91 on the definition, description and presentation of aromatized wines, aromatized wine-based drinks, and aromatized wine-product cocktails (OJ L 21, 26.1.1994, p. 7–8),
- Commission Delegated Regulation (EU) 2017/670 of 31 January 2017 supplementing Regulation (EU) No 251/2014 of the European Parliament and of the Council as regards the authorised production processes for obtaining aromatised wine products (OJ L 97, 8.4.2017, p. 5–8).
- Overall, considering consolidated versions of the regulations, including their annexes, there are about 580 pages of text to be reviewed and analysed. This should not be a time-consuming job for one or two domestic experts, supported by one or two international experts and a competent servant of the BiH Directorate for European Integration. It is also necessary to evaluate and characterize the OIV standards with influence on sectorial legislation. Assistance in realizing this activity could potentially come from the implementation of the project "Facilitation of exchange and advice on Wine Regulations in the Western Balkan Countries". The results obtained by the realization of this activity, compared and incorporated with the results of the Action Plan 3, should provide a basis for the implementation of the next action plan.

Action plan 5 – Drafting of wine law (or wine laws) and by-laws harmonized with the EU wine legislation

Actions mentioned here should result in the drafting of a pre-draft version of the required number of laws and derived ordinance acts. Earlier practices in BiH, whereby drafting of sectorial legal acts were entrusted to numerous working groups, each with a relatively large number of members, seemed to be inefficient, long-lasting, and often resulted in incoherent results of various workgroups. It would probably be more appropriate to appoint a team of local and international experts who, with the help of jurists, would produce the pre-drafts of all law and subordinate legal acts. The pre-drafts should be done with the fullest possible alignment with the relevant EU sectorial regulations and their provisions. For these tasks the team should engage a competent servant from the Office of the Directorate for European Integration (compliance methodology and production of compliance tables). Implementation of the project "Facilitation of exchange and advice on Wine Regulations in the Western Balkan Countries" may provide assistance in realizing this activity. It is clear that these pre-drafts could be changed or amended through common procedures and public debates, however, they have to come to the stage of final drafts or proposals and eventually be adopted at the level of the government (by-laws) or the parliament (law).

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Table 2.1. Short overview of the proposed action plans

Action plan	Goals	Responsible parties	Priority	Notes
Preparation and adoption of mid-term strategy of the wine sector in BiH	Created and adopted middle-term sectorial strategy with articulated sector development policy	MOFTER; Entity ministries of agriculture	Medium	- A few months' work; resources necessary for expert analysis on analytical backgrounds and the creation of strategic and operational goals - The strategy should be officially adopted (the parliament or parliaments in charge)
Consensual agreement of institutions on competencies and structures of sectorial legislation at different levels	Consensually and obligatory determination of subordinated jurisdictions, with related structures of sectorial legislation at different administrative levels in BiH	- MOFTER (coordination) - Entity ministries of agriculture - Relevant international organization (mediator)	High	- The activity, along with the willingness to improve the state of the wine sector, can be completed in a short time and without particularly high resource engagement - It is extremely desirable to have engaged and participating the reputable international organization as a mediator
Analysis and thematic systematization of wine sector regulation in BiH	Determination and characterization of regulatory provisions in the state and entity sectoral legislations, based on a previously created list of regulatory topics	MOFTER	High	- Short-term work with the engagement of one or two domestic experts - Possible support through the Project implementation
Analysis and thematic systematization of wine sector regulations in the EU and OIV standards with reflection on sectorial regulation	Thematic systematization and characterization of sectoral legislative provisions in the EU based on a list of regulatory topics, with appropriate observations of the OIV standards with influence on regulation	MOFTER	High	- Activity that can take place in conjunction with the Action Plan 3 - Besides domestic, it is necessary to engage international experts - Possible support through the Project implementation
Drafting of wine law (or wine laws) and subordinate ordinances harmonized with the EU wine sector legislation	Expertly prepared internally consistent and with EU wine regulations harmonized pre-draft versions of all law(s) and subordinate regulations	- MOFTER (coordination) - Entity ministries of agriculture	Medium	- A complex and cost-intensive activity that requires the engagement of domestic and international experts - Possible support through the Project implementation

VITICULTURE ZONING OF WINE GROWING AREAS IN BOSNIA AND HERZEGOVINA

All the elements of the current viticulture zoning of BiH were elaborated by the Study of the viticulture zoning of the Socialistic Republic of Bosnia and Herzegovina under the guidance of prof. Vuksanović. The study was completed in 1977 by the Republic Commission for the Viticulture Zoning and the Creation of the Vineyard Cadastre of SR BiH[2]. The study of the viticulture zoning was carried out considering all at the time modern methodological recommendations made in 1975 by the Inter-Republic Commission for Creation of the Viticulture Zoning and Vineyard Cadastre of SFRJ formed within the Yugoslav Vineyard Research Society in 1974[3]. The extensive study determined some parts of BiH as prescribed vineyard areas, dividing them into: viticulture regions (*vinogardarski rejon*), viticulture sub-regions (*vinogradarski podrejon*) and viticulture districts (*vinogorje*)[4]. Data on climatic and soil characteristics had been presented for all winegrowing-geographical units. Recommended and permitted wine and table grape varieties and vine rootstocks are listed for all units. In accordance with techniques of the time, the precise boundaries of each of the described winegrowing-geographical units were established.

The viticulture zoning of BiH was legally established in 1984 through the still valid By-law on the Determination and Allocation of Viticulture Regions (SR BiH OJ, 24/84). The by-law decisively states that viticulture zoning is established in order to protect the geographic origin of wine and other grape and wine products.

The ordinance divides winegrowing-viticulture units in BiH in the following way:

- Hercegovina region
    - Srednja Neretva i Trebišnjca sub-region:
        - Mostar viticulture district (Mostarsko vinogorje),
        - Ličtica viticulture district (Ličtičko vinogorje);
    - Rama sub-region:
        - Jablanica viticulture district (Jablaničko vinogorje);
- Sjeverna Bosna region:
        - Kozara viticulture district (Kozaračko vinogorje),
        - Ukrina viticulture district (Ukrinsko vinogorje),
        - Majevica viticulture district (Majevičko vinogorje).

As stated in the later By-law on wine quality (FBiH OJ, 14/17), Kozara, Ukrina and Majevica viticulture districts belong to the climate zone A; Jablanica district to the zone B; Ličtica district to the zone C I; and Mostar district to the zone C II.

Although it does not give any indication of the territorial delimitation, the by-law on viticulture zoning

2 Vuksanović, P., Mijatović, D., Traparić, A., Tošić, S., Pediša, H., Aničić, Z., Kajtaz, E., Pehar, D., Mičević, M., Markota, Z., Nenzić, P., Rajić, I. (Republička komisija za rejonizaciju vinograda i izradu vinogradarskog katastra SR BiH). 1977. Rejonizacija vinogradarstva Socijalističke Republike Bosne i Hercegovine. [Viticulture zoning of Socialistic Republic of Bosnia and Herzegovina]. Faculty of Agriculture, Institute of Fruit Growing and Viticulture, Sarajevo.

3 In the light of today's "necessary harmonization of regulations in BiH with the regulations in the European Union" it is interesting that that at the period during the Yugoslav state and professional circles, without having the formal obligation to adapt its regulations to the European Economic Community (EEC), at that time, as the basic motives for creation of a new viticulture zoning, mentioned that it was necessary to adapt the sectorial regulations that had been set up in the EEC in the early 1970s as a reaction to the "massive appearance of wines of suspect origin and multiplication of wines that took on the character of a chaos" (Vuksanović et al., 1977).

4 It is quite possible that better English terms for *vinogradarski rejon* (viticulture region), *vinogradarski podrejon* (viticulture sub-region) and *vinogorje* (viticulure district) could be found and used, than the ones mentioned in this text.

just lists the following viticulture localities in its Article 8 concerning the Mostar viticulture district: Kotlina, Brotnjo, Ljubuški, Čapljina, Dubrava, Stolac, Popovo polje and Trebinje as small areas for the production of top quality wines.

Map 2.1. Rough demarcation of the borders of viticulture districts in BiH according to the current viticulture zoning

(Map: Karšić, 2011[5])

The viticulture zoning of BiH, enacted in 1984, had two important characteristics that emerged from the times, conditions and development projections at the time of its creation. The first feature is an attempt to introduce large winegrowing areas in the north part of BiH, as well as the newly established Jablanica viticulture district in winegrowing production. Along with the argument that there are favourable land and climate conditions for winegrowing in Northern Bosnia comparable to those in the established vineyards of continental Croatia, it has often been emphasized that the main obstacle in the progress of viticulture and winemaking in Northern Bosnia is the lack of tradition. Today it can be said that the delimitation of the three viticulture districts in Northern Bosnia and the establishment of the Jablanica district were a relatively weak impulse for the spreading of viticulture. The certain shifts and the first dozens of ha of vineyards in these areas were recorded only during the last decade or two.

The establishment of the Mostar viticulture district, in the way that it was done through the viticulture zoning, was under strong impact and, so to say, justified interests of HEPOK (state owned company). At the time, HEPOK was the owner of all four commercially profiled wineries (Čitluk, Ljubuški, Mostar and Stolac) and a number of plantation vineyards. Therefore, HEPOK's interest in establishing the relatively spacious Mostar viticulture district was in allowing its wineries to combine grapes harvested in all parts of the district and processing them into declaratively top-quality wine with geographic origin.

The wider scope of changes, as well as the viticulture and wine production practices in BiH, point to the need of comprehensive revision or creation of a completely new viticulture zoning. Bearing in mind the experiences of neighbouring countries in establishing their new viticulture zonings, besides the use of new technologies, the idea of proclaiming the entire territory of the state under certain altitude for the winegrowing region of BiH should be seriously considered. Additionally, expert circles are currently discussing the need for extensive revision of the current viticulture districts in Northern Bosnia and possible revision of the most important viticulture unit in BiH – the Mostar viticulture district.

5 Karšić, E. 2011. Novi koncepti zaštite geografskog porijekla vina. Mastar teza. (Mentor: Blesić, M.). [New concepts of protection geographical origin of wines. MA Thesis. (Mentor: Blesić, M.)]. University of Sarajevo, Faculty of Agricultural and Food Scineces. p. 137.

Coming to the possible extension of the winegrowing territory in BiH outside the current viticulture zones, first of all it is necessary to take into consideration the territory of the municipality of Neum. Most of the territory of the Neum municipality was omitted from the viticulture region of Herzegovina and the neighbouring Mostar viticulture district. Besides having all the conditions for the production of quality grapes and wines, there is already a respectable production of grapes and wines on the territory of this municipality. Although with a modest production for now, a situation similar to that of Neum can be seen in some parts of the municipalities of Žepče or Tomsilavgrad which are not covered by the current viticulture zoning. It is possible that some areas north of Popovo polje, i.e. parts of the municipalities of Bileća, Berkovići and Ljubinje also have the conditions for entering the winegrowing BiH. The third obvious opportunity for expansion of the winegrowing BiH is the area of Bihać and Cazin (*Cazinska Krajina*). Looking at the nearby Kozara viticulture district and vineyards and winery production in neighbouring Croatia, there are no objective obstacles for the inclusion of the area between the Una River and the border with Croatia in the winegrowing BiH.

Division of the presently large territories of Kozara, Ukrina and Majevica viticulture districts will be questioned. Significant parts of their territories are located at altitudes where it is difficult to have successful grape production. The Sjeverna Bosna viticulture region is currently not divided into sub-regions. One of the solutions could be a transformation of the currently very large districts (Kozara, Ukrina, and Majevica) into sub-regions, with their further dividing into new districts. The diversity of landscapes and soils are surely potentials which can give quality viticulture districts and localities for serious production of quality wines.

There are also discussions about possible reorganization of the Mostar viticulture district, mentioning the designation of new, narrower, districts within the present big Mostar district that would either disappear as a winegrowing-geographic unit or be categorized as a sub-region. Another possibility is to define and delimit localities within the present Mostar district, while retaining its district status. Both approaches have their good and bad sides. The positive side of the solution with the new districts is the emphasis on the characteristics of wines from different parts of the present Mostar viticulture district. Practice shows that the wines (especially wines of the autochthonous variety Žilavka) differ significantly coming, for example, from Brotnjo, Stolac or Trebinje areas.

The problem with the fracturing of the present Mostar viticulture district into newly named districts can be vineyards that many producers cultivate at considerable distances from their wineries. Having in mind some restrictions in the production of top-quality GI wines from grapes grown in one district and processed into wine in a winery which is territorially in another district, it is possible that newly established districts would damage some of the existing wine producers. Besides avoiding this problem, the good side of maintaining the present status of Mostar viticulture district, with the definition and territorial delimitation of the localities, could be the possibility of creating a smaller number of wine brands that could be produced in larger quantities and marketed as PDO wines.

Besides the general agreement among professional and producers' circles about the need for either fundamental review of the existing or establishing a completely new viticulture zoning of BiH, there are some serious problems related to this. First of all, viticulture zoning under new conditions and with necessary use of new technics and technologies is expensive. For now, there are not even good enough estimates of the costs or indications of funding sources for this project.

Some of the prerequisite resources needed for viticulture zoning could be found in BiH. Certain institutions and/or consultants (Faculty of Agricultural and Food Sciences of the University of Sarajevo; ARRA Consulting Sarajevo, Federal Institute of Agropedology Sarajevo, Federal Agro-Mediterranean Institute Mostar, Institute of Agriculture Banja Luka, etc.) have at their disposals e.g. pedological maps of Bosnia and Herzegovina (1: 50,000 and 1: 250,000), tools of CORINE Land Cover (1 : 100,000, some areas 1 :

25,000), orthophotos, satellite imagery, mapped climatic data for the period 1961-1990, new climatic records from 68 meteorological stations, GIS experts, etc. However, it is obvious that local experts will need the help of international experts, primarily due to the purposeful application of new technologies.

Bearing in mind the experiences of the countries in the region that have recently established their new viticulture zonings, it seems that the new viticulture zoning of BiH would be more purposeful than the possible revision of the existing zoning. This is not just a question of applying new techniques, technologies and methodologies, but also the possibility of opening up new opportunities for the viticulture and wine producing sector primarily based on high quality wines with PDO or PGI. Producing a study of the new viticulture zoning is an expensive project for which, above all, it is necessary to provide financial resources. Certainly, efforts should be made to involve already well-proven teams previously engaged in the production of studies of viticulture zoning in BiH's neighbouring countries in this project.

The important issue that has also been discussed in other chapters of this text should not be forgotten here. Namely, prior to possible engagement of funds for the production of the study of new viticulture zoning, an agreement (also political) is needed in BiH on whether to work on a single zoning or two zonings on the BiH entity levels (separately for FBiH and RS), as well as for Brčko District of BiH. Bearing in mind the provisions of the current Law on Wine in the RS, which stipulates the creation of the viticulture zoning of RS three years after the Law has been passed (a deadline which has expired), it seems that the attitude of RS is the creation of separate entity viticulture zoning. On the other hand, the Law on Wine in FBiH (2012; Article 3) and the still valid BiH Law on Wine, Brandy and Other Grape and Wine Products (2008; Article 23) explicitly stipulate that viticulture zoning shall be done at the state level, i.e. at the level of Bosnia and Herzegovina.

3. KOSOVO *

OVERVIEW OF VITICULTURE AND WINE PRODUCTION SECTOR IN KOSOVO *

Kosovo* currently has 3,298 ha of vineyards according to the register of vineyards. The entire vineyard sector is privately owned. The two most powerful companies operating in Rahovec ("Stone Castle Vineyards and Winery") and Suhareka ("Suhareka Verari") have been privatized with "special spinoff".

In 1998, Kosovo* had around 9,000 ha of vineyards. Since then, the land surface areas planted with vineyards have been reduced for 5.702 ha. Such large losses of vineyard surface areas resulted from the great destruction that Kosovo* experienced during the war period and the organization of the viticulture sector in those years. The socially owned sector was nearly completely destroyed during these 20 years. The private sector also suffered huge losses.

In Kosovo* grape vine is cultivated in 18 municipalities, where are the biggest surface in municipality Rahovec/Orahovac (2,426.39 ha/73.55% of the total vineyards area, 5,389 vineyard parcels, 2,648 grape producers), Suhareka/Suva Reka (514.53 ha/15.59% of the total vineyards area, 1,416 vineyard parcels, 1,023 grape producers), Prizren (186.77 ha/5.66 of the total vineyards area, 884 vineyard parcels, 681 grape producers), Malisheva/Malisevo, Peja/Pec, etc. The total registered vineyard area is 3,298.82 ha with 8,251.00 vineyard parcels and 4,834 grape producers.

Structure of Vineyards

The structure of the vineyards of Kosovo* is made up of red varieties, white varieties, and table grapes. Red grape varieties are represented with 49%, white grape varieties represented with 26% and table grapes are represented with 25%.

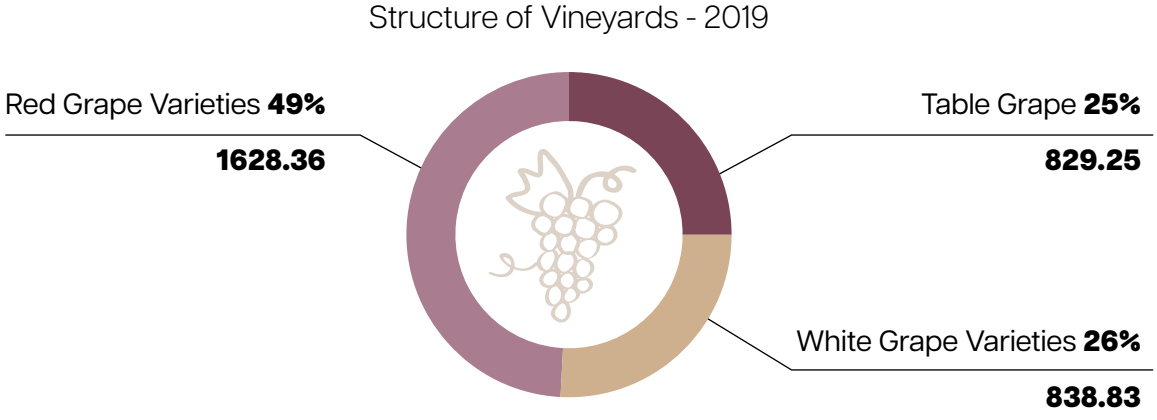


Chart 3.1. Structure of Vineyards

The structure of wine grapes for wine and table grapes is divided in the following manner. So, from the graph below we observe that varieties for wine production dominate by 75%.

Chart 3.2. Structure of vineyards, wine and table Grapes

The Kosovo* cultivars are mainly (about 66%) red grape varieties and 34% white grape varieties.

Chart 3.3. Structure of Vineyards, Red Grape varieties and White Grape varieties

Red wine varieties

Red Wine varieties are represented by 1630.36 ha. Red Wine varieties are divided between foreign and domestic (Balkans) origin. The dominant cultivars of Balkan origin are Vranac, Prokupa, Zhameta. Besides Vranac and Prokupa, other varieties include Game, Cabernet Sauvignon, Pino Noir, Merlot etc.

White wine varieties

White varieties are represented by 838.83 ha. White grape vineyards are divided between foreign and domestic origin cultivars. The dominant cultivar of Balkan origin is Smederevka. Besides Smederevka the other varieties are Italian Riesling, Rhine Riesling, and Chardonnay etc.

Table grape varieties

Table grape varieties are represented by 829.25 ha with Muscat Hamburg, Muskat Italia, Afuzali, Kardinal and Victoria varieties domination and all together constitute 77% of the table grapes.

Table 3.1. Farm classification by area and number of farmers

Classification by surface area / Condition	No. of farmers	No. of vineyards	Surface of vineyards / ha	Ratio of surfaces in %
S < 25ares	1,999	2,167	285.06	8.91
S>=25ares up to S < 50ares	1,104	1,573	392.24	12.26
S>=50ares up to S < 1ha	809	1,658	579.64	18.11
S>=1ha up to S < 2ha	446	1,390	598.55	18.70
S>=2ha up to S < 5ha	129	671	369.73	11.55
S>=5ha up to S < 10ha	13	100	77.18	2.41
S>=10ha	4	343	897.90	28.06
Total	4,504	7,902	3,200.29	100.00

The largest potential of grape production areas is from 0.25 to 2.0 ha, which represents about 58% of the total surface area of vineyards. The table clearly shows that viticulture in Kosovo* is characterized by a large number of small surface vineyards.

Table 3.2. Vineyards surface area and average yield in 2013-2017

		Wine grape			Table grape		
No.	Year	Sur./ha	Yield/t	Prod./ t	Sur./ha	Yield/t	Prod./ t
1	2013	2,408	8.5	20,473	751	9.5	7,137
2	2014	2,420	6.2	15,101	781	6.23	4,869
3	2015	2,321	7.94	18,426	747	9.36	6,996
4	2016	2,348	7.2	16,800	769	8.93	6,866
5	2017	2,400	5	12,178	799.23	3.98	3,180

The yield declared in 2017 is significantly lower than the real yield, because in the winter of 2016 - 2017 the temperatures were down to -26°C. The yield was 35% lower compared to 2016, while in 2014 there were significant damages by diseases

Table 3.3. The declared amount of grapes 2013-2017

Year	Amount of grapes in kg.
2013	12,571,696
2014	8,758,423
2015	22,398,816
2016	22,590,040
2017	15,440,290

Table above declared amounts for wine production, while the rest of the grapes are used for household consumption, grapes for consumption and processing, an amount is assumed to have been sold in the black market, mainly for the production of strong alcoholic beverages.

Table 3.4. Grape Export - Import 2013-2017

Year	Export in kg	Import in kg
2013	39,967	2,829,342
2014	256,484	3,166,932
2015	44,768	2,271,268
2016	45,368	2,905,080
2017	241,759	2,074,215

From the table we see that we have significantly more grape imports than exports. Storage facilities in Kosovo* are still small to extend the sales period. Additionally, new table grapes should be added to increase the amount of grape export.

Current situation in the wine production

Currently, in the Kosovo* there operate 27 companies licensed by the Ministry of Agriculture, dealing with grape processing and other grape and wine products.

In the last four years, from 2015 to 2018, stability has been created in wine production. The biggest difference is in 2017 when most of the vineyards were attacked by hailstorms and late spring frosts. The year 2018 was very difficult, and there was heavy rainfall. But the farmers have successfully protected the vines from the disease and achieved a high yield.

Main producers for wine are the three companies:

- L.L.C "Stone Castle Vineyards & Winery"– Rahovec/Orahovac,
- L.L.C "Bodrumi i vjeter"– Rahovec/Orahivac,
- L.L.C "Suhareka Verari"– Suharekë/Suva Reka.

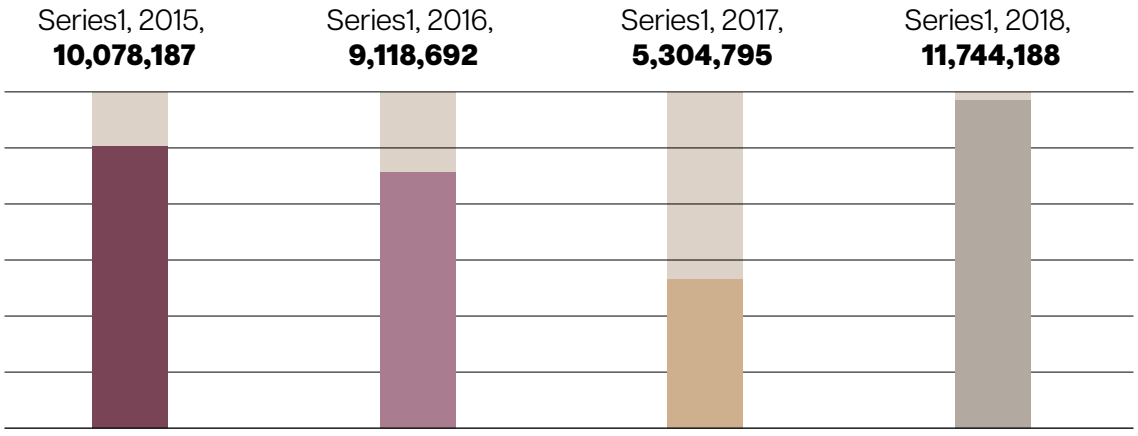


Chart 3.4. Wine Production from 2015 - 2018, mil. l

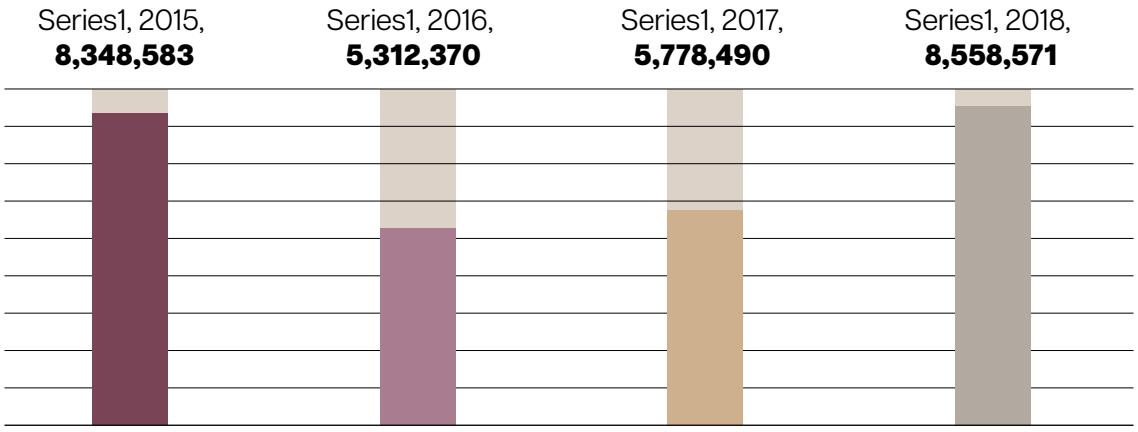


Chart 3.5. Wine Export from 2015 - 2018, mil. l

Kosovo* from 2013 to 2018 has exported wine to 31 countries. The countries in which Kosovo* has exported more wine are:

- Croatia - 14,216,165, milion l;
- Serbia - 12,892,127, milion l;
- Albania -5,934,046, milion l;
- Slovenia - 1,731,604, milion l;
- Switzerland - 1,120,394, milion l;
- Czech Republic - 1,126.46, milion l.

A large quantity of exported wine is still sold as open wine which is transported by tanker trucks and does not have a high price. In the last two years, there has been a positive trend in the sale of bottled wine.

In addition to the traditional markets in Croatia, Albania and Serbia, Kosovo* - produced wine is also finding new markets in European Union countries.

Wine is exported to several types of volumes. A large quantity in Croatia is exported in plastic bottles with a volume of 2 l. An amount close to one million l is exported in glass bottles in Albania. Over the last three years there has been a growing tendency for packaged exports.

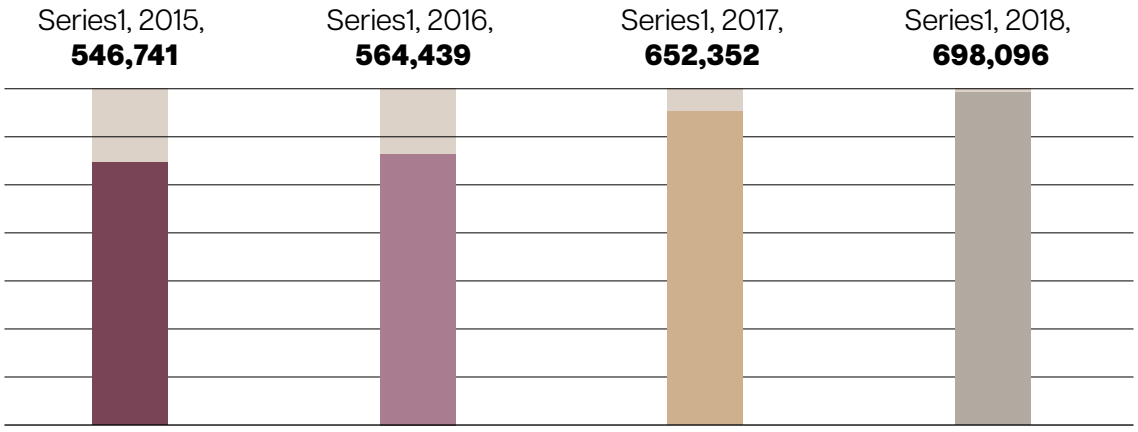


Chart 3.6. Wine Import from 2015 - 2018, mil. l

Kosovo* from 2013 to 2018 has imported wine from 37 countries. The countries in which Kosovo* has imported more wine are:

- Montenegro – 1,416,916, milion l;
- North Macedonia – 1,114,425, milion l;
- Italy – 563,142, l;
- France -239,761, l.

SWOT ANALYSIS

STRENGTHS

- Organized, compact and profitable sector;
- Vineyard cadastre, wine industry and completed wine control management system;
- Climatic-soil conditions suitable for grapevine cultivation;
- Increasing interest in developing the viticulture and wine sector;
- Sufficient terrestrial and human potential;
- Continuous support from MAFRD through supportive measures;
- Donor support (GIZ).

WEAKNESSES

- Lack of certified seedling production and seedling material in the country, does not meet the needs in terms of quantity, quality and variety;
- Lack of autochthonous varieties;
- Lack of capacity for storing table grapes and extension of trading period (the country's needs for grapes for consumption are not met);
- The old age of existing vineyards and poor conditions;
- Advisory services at a low level;
- Lack of Kosovo* wine identity in the foreign market;
- Lack of professional schools for viticulture and oenology.

POSSIBILITIES

- Improving the varietal structure of grapevine and new plantings;
- Improving wine processing technology and implementing innovations;
- Improving the performance of wine and grape companies;
- Improving promotion, marketing, labelling and quality on the basis of European standards;
- Increasing the competitive skills in the market (gaining new European markets);
- Usage of the necessary inputs in the production;
- Applying the "T" and "Y" systems in the table grape vineyards.

THREATS

- Vineyards fragmented into small surface areas;
- Inappropriate grapevine variety structure;
- High interest and short payback period for loans for vine growers and winemakers;
- The age of vineyards;
- Lack of experts in enology.

Institutional Developments

Vineyard Register

Kosovo* has established the Vineyard Register. In this register all vineyards are digitalized for all 18 municipalities where grape vines are currently cultivated. The system is a WEB application with 24/7 access. This system includes all the information needed for vine growers. The system enables farmers and grape processors companies digitized declaration for annual production. Also, the system issues certifications for annual subsidies in the form of direct payments.

Wine Quality Management System

This system has as its key function the digitalization of procedures in the declaration of harvesting, production and wine reserves, and digitalization of procedures from the receipt of wine samples and to the wine certification. The wine quality management system implements the physic chemical analysis procedures in wine in the accredited Oenology laboratory with ISO/ IEC: 17025 and the organoleptic evaluation procedures by applying the yes/no and 100-point rating schemes under the IOV.

Implementation of an Official Control Number and the protection logo approved by the Ministry for quality and high-quality wines and the implementation of the unique barcode for each type of wine (promotion, advertising, and control via internet by using smart devices). The importance of the Wine Quality Management System is expressed in the increase of the official declaration rate of grape harvest and wine production, protection of consumer health, creation of identity and credibility of Kosovo* wine and fighting of informality and avoidance of tax obligations.

National Wine Council

The National Wine Council was established as an intermediation mechanism between the Ministry, the Viticulture and Wine Associations and Civil Society. The council consists of 13 members. Its mandate lasts 4 years. Representatives are the Ministry, the largest viticulture municipalities (Rahovec, Suhareka and Prizren), Kosovo* Chamber of Commerce, Viticulture Associations, Wine Association, Industrial Property Agency, Consumer Associations and Civil Society.

There is also a strong interconnection between MAFRD, FVA and the Ministry of Trade and Industry. These three state mechanisms cooperate in determining the origin and the protected geographical indications. MAFRD is responsible for certification, FVA for control and inspection and MTI is responsible for application and registration.

LEGISLATION

Actual Status of Legal Framework

Kosovo* has adopted the Law on Wines in 2005, Law no.02/L-8, the Wine Law, and in 2011 amended and supplemented Law for Wines from 2005. Law No. 04/L-019, on Amending and Supplementing the Law no. 02/L-8 on Wines. The current legal framework for wines is partly harmonized with the legislation of the EU wine acquis.

The Wine Law is supplemented with administrative instructions, which are currently 10 (ten).

Administrative Instructions by years:

A.I. 24/2008 – On internal and external registers of the production companies, grape, wine and other production by grape and wine;
A.I. 03/2009 – On Determining of Vineyard Territory in Kosovo*;
A.I.11/2009 - On assessment of criteria for import, export and internal market of wine and other products from grape and wine;
A.I.15/2009 - On setting the parameters of physical and chemical analyses of wine;
A.I.16/2009 - On setting of criteria's for putting of indications on the label;
A.I. 02/2013 – On determining the amount of material compensation for services performed in the field of viticulture and oenology offered by the institute of Viticulture and Oenology;
A.I. 06/2013 – On registration of growers of grape, producers of wines and other products of grape and wine;
A.I. 01/2014 - On setting conditions for the designation of wines with a protected geographical origin and designations of locations with the protected geographical indications;
A.I. 04/2014 - On setting of criteria for taking of samples, analyses of must, wine and other grape and wine products and organoleptic evaluation of wine;
A.I. 01/2017 - On registration of vineyards, mandatory declarations, accompanying documents and evidences in wine cellars;

The first Wine Law (Law No.02/L-8) was more closely aligned with Regulation 1493/1999.

Most of the chapters were adopted by this regulation. Over the years the requirements for amendments and supplements to this law were increased. In 2011, amendments to the Law on Wine were amended after the approval of E.C. Regulations from 2009. In 2019, MAFRD has started to create the concept paper that preceded the drafting of the new Wine Law.

The drafting of the new Law on Wines is foreseen to be made during 2020, while the adoption will take place in 2021. The new Law on Wines will take into account all the changes from the (EC) regulations.

The provisions of the new wine law will be harmonized and in line with European Union legislation. Parts of the new Law that will regulate:

- Limitation of production potential (authorization to plant vineyards);
- Register of vineyards and inventory of production potential;
- Oenological practices and methods of analysis;
- Determination of origin and protected geographical indications;
- Labelling and presentation;
- Trading with third countries, import marketing standards, export and import licenses and

quota management;
- Wine Sector Support Programs (Support Measures);
- The scheme of authorizations for vine plantings;
- The vineyard register;
- Recognized accompanying documents, certification and rules for imports of wine;
- The inward and outward register;
- Compulsory declarations;
- Checks and the analytical databank of isotopic data;
- Competent authorities and mutual assistance between them;
- Penalties;
- Notifications and publication of notified information.

In 2019, it is foreseen to be amended and supplemented by these administrative instructions:

- ✓ A.I. 04/2014 - On setting of criteria for taking of samples, analyses of must, wine and other grape and wine products and organoleptic evaluation of wine.
- ✓ A.I. 02/2013 – On determining the amount of material compensation for services performed in the field of viticulture and oenology offered by the institute of Viticulture and Oenology
- ✓ A.I. 01/2017 - On registration of vineyards, mandatory declarations, accompanying documents and evidence in wine cellars.

These administrative instructions will be drafted in accordance with the European Union Regulations and the associations of winegrowers, wine makers, relevant ministries and civil society will participate in the drafting.

In the new Law on wines, a chapter will be reserved for the legal basis for the implementation of the SAA. Kosovo* has signed the SAA agreement which also contains PROTOCOL II, on reciprocal preferential concessions for certain wines, the reciprocal recognition, protection and control of wine, spirit drinks and aromatized wine names.

This protocol has defined relations between Kosovo* and the European Union in the field of wine production and trade. This protocol is supplemented by two appendices: 1. Agreement on reciprocal preferential trade concessions for certain wines (Annex I to this Protocol) and 2. Agreement on reciprocal recognition, protection and control of wine, spirits drinks and aromatized wine names (Annex II to this Protocol).

The overall objective is to strengthen institutional and operational capacity of the Ministry of Agriculture, Forestry and Rural Development responsible for wine sector in order to ensure the implementation of EU legislation, especially for the PDO/PGI system. Procedures and national legal mechanisms need to be developed on the basis of the harmonized legislation in the EU wine sector in order to establish and manage a system of wines with protected designation of origin and protected geographical indication PDO and PGI in the Kosovo* should be developed.

In this case, in the drafting of the law the implementation procedures for PDO and PGI will clearly be defined by applying the best practices of European Countries.

DRAFT STRATEGY FOR DEVELOPMENT OF VITICULTURE AND WINE PRODUCTION 2020-2025

Foreword

The Strategy for Development of Viticulture and Wine Production a strategic partnership document with the active participation of business representatives, vine growers, winemakers, wine traders, restaurant owners, representatives of public institutions and representatives of civil society. This strategic document has been prepared in view of its socio-economic importance, in particular in rural areas, and for the purpose of developing the viticulture and wine sector, in full compliance with strategic objectives, priorities and measures for developing the Strategy for Agriculture and Rural Development 2014 - 2020.

Having in mind the past and tradition in the viticulture and wine sector of Kosovo, the best localities for grape production, autochthonous grape varieties and with an orientation towards organic viticulture, it is necessary for us to be focused on the production of high-quality wines for which there is an increasing demand in EU countries. The Strategy is focused on realization of traditional values in viticulture in the vineyard regions, areas and localities with the cultivation of autochthonous varieties, ecological vineyards through the rural development program, preservation of traditional economic activities and preservation of biodiversity.

Competitiveness in viticulture and wine production in Kosovo* can be achieved by focusing on the preservation of its production potential, investments in new technologies, innovation, education and information. The development of rural tourism is a priority in the development of rural economy with infrastructure. Environmental conservation, protection of traditional natural heritage, development of viticulture and organic wine production are priorities within the environmental objectives.

Purpose

The purpose of drafting the Strategic framework for the development of viticulture and wine 2020-2025 in the Republic of Kosovo* is to establish a suitable, competitive and sustainable environment for grape growers, producers and traders of wines, alcoholic beverages and other products from grapes, wine and fruit wines.

Vision

The development of the viticulture and wine sector in 2025 will bring the sector into a fully consolidated state, with new areas of vineyards, high-quality wines, acknowledged in the Regional and European markets. This development will precede the Kosovo's* accession towards the EU membership.

Mission

The mission of this strategy is the development of the viticulture and wine sector in Kosovo*, by setting up new plantations with vineyards, meeting the consumption needs with table grapes in Kosovo*, increasing exports to the countries of the region and the European Union.

Chapter I

Executive Summary

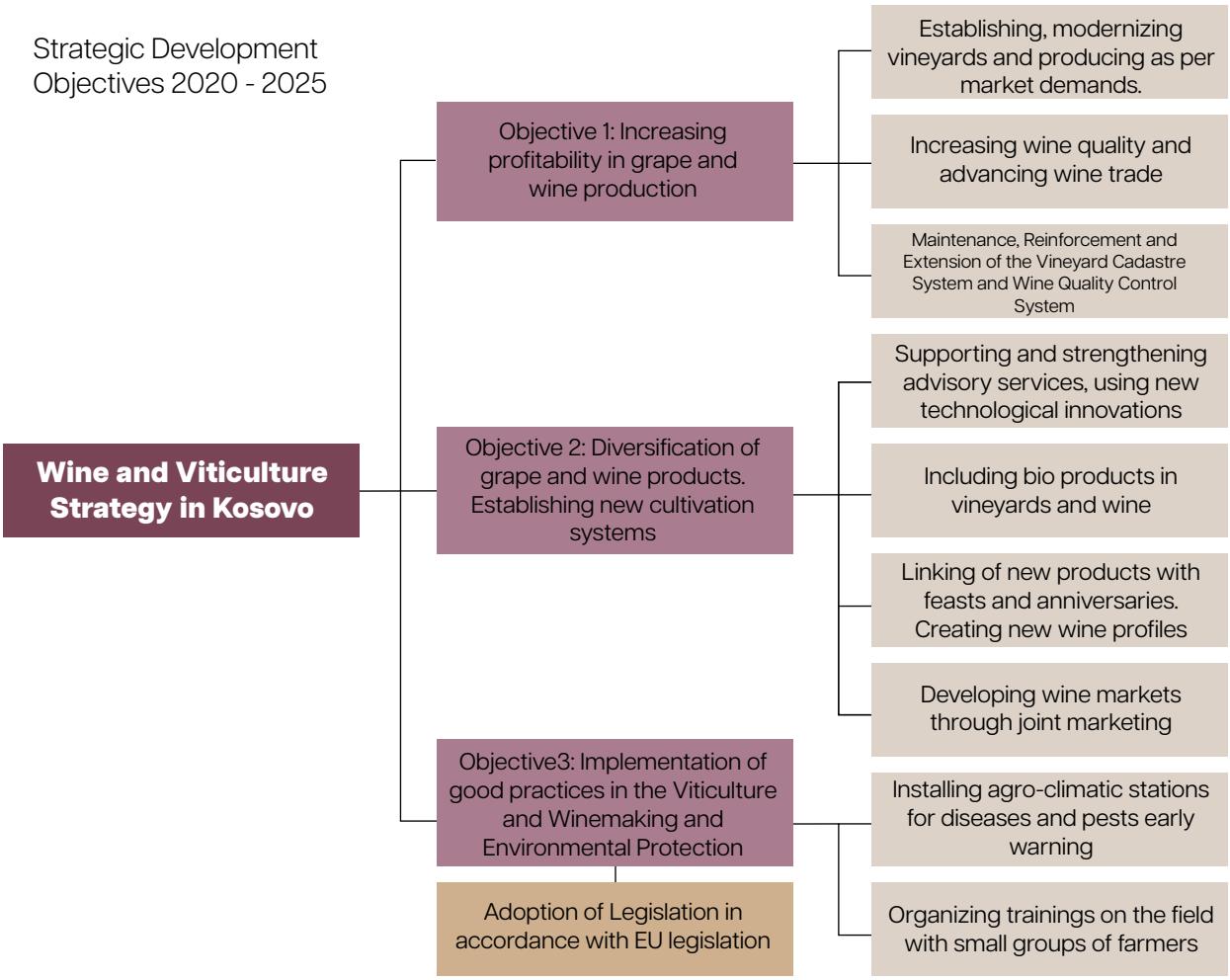
With the approval of the Strategic Policy Paper for the Viticulture and Wine in Kosovo*, the Government of Kosovo* will determine the directions of the sector's development, the way of its implementation through promotion of production, free competition, promotion and further development of grape and wine cultivation in Kosovo*.

Policies define clear strategic objectives, actions, recommendations, and activities to be undertaken for the implementation of the action plan. The problems identified to be addressed are the following:

- Fragmentation of farms into small surfaces;
- Lack of seedling production in the country;
- Lack of pesticide control and planting material;
- Insufficient and inadequate advisory services; and
- Lack of appropriate business environment and stimulation for new generations.

Main Objectives

1. Increasing profitability in grape and wine production;
2. Diversification of grape and wine products. Establishing new cultivation systems; and
3. Implementation of good practices in viticulture and wine and environmental protection.



Chapter II

Introduction

The art of vine cultivation and grape processing in Kosovo is similar to that of other Albanian and Balkan lands - with a tradition of over 2000 years in the cultivation of vine grapes. The evidence of vine cultivation in these areas is provided by historical records, different toponyms, and archaeological discoveries. Among the most important archaeological artefacts worth mentioning is the finding of two plaques in the village Reti of Rahovec Municipality, where the discovered text was referring to vines, with engraved leaves and grapes. Likewise, in the Great Helvetic Tekke in Rahovec on the tombstone (epitaph) dating from the 30s of the II century, where besides the Latin around the plaque, there is also an engraved inscription of a vine with a bunch of grapes - a thousand year ancient evidence of grape growing.

The Republic of Kosovo, with an area of 3,298 ha of vineyards, is amongst the small wine producing countries of Europe. Vineyards are grown only in a limited number of municipalities. The grape and wine sector it of special economic importance to the municipalities where vineyards are grown. The biggest vineyard regions include Rahovec, Suhareka, Prizren, Gjakova, Malisheva. The viticulture and wine sector has consistently been an important socio-economic sector, including the enterprises which deal with grape and wine production and export. About 30,000 people are directly involved in this sector and 4,000 people indirectly.

Rationale for initiating the drafting of the policy document

The document is compiled in compliance with the Rural Development Program 2014-2020 and the Wine Law, which also outline the need to take the necessary steps and actions to create a sustainable market.

The reasons for initiating the drafting of this strategic document are to provide preconditions for advancing the sector towards a profitable perspective for farmers and the economy of Kosovo*.

The Viticulture, Wine and Table Grape Sector Strategy 2020 - 2025 aims to meet the needs in:

- Increased production of table grapes for domestic consumption and export;
- Production of high quality wines;
- Revenue growth for farmers;
- Generating new jobs by encouraging youth involvement in this activity;
- Establishment of new vineyard surface areas,
- Creating opportunities for cooperation with other grape and wine cultivation countries.

Chapter III

Background

Kosovo* currently has 3,298 ha of vineyards according to the register of vineyards. The entire vineyard sector is privately owned. The two most powerful companies operating in Rahovec/Orahovac ("Stone Castle Vineyards and Winery") and Suhareka/Suva Reka ("Suhareka Verari") have been privatized with a "special spinoff".

Climatic conditions

Kosovo* has a mild continental climate influenced by the Mediterranean climate that penetrates the Dukagjini Plain through the Drini i Badhë (White Drin) Valley. Winters are usually cold, while summers are hot. Agro-climatic conditions are suitable for the development of vineyards, especially for early

varieties, while late varieties may have problems at harvest time. Solar Insulation in Kosovo* is present with 276 sunny days a year to help the ripening of the grapes, which is equal with some well-known wine producing regions. Vineyards are mainly established in steep hillsides that are well exposed to the sun. The altitude on the grape growing surface areas in Kosovo* ranges from 350 to 600 meters. The soil conditions are suitable for the development of vineyards in the sense that in many cases soil can hardly be used for other purposes. Geographic area creates the opportunity for our country to appear with the optimum of Mediterranean climatic conditions for the development of a vineyard with great potential for quantitative and qualitative production values. The influence of Drini i Bardhë (White Drin) and the valleys of numerous rivers flowing from east to west create a diversity of climates and microclimates, which make the economic range of vineyard cultivation quite wide. Sufficient lighting, annual average temperatures, sufficient autumn, winter and spring rainfall generate enough water reserves on the ground and enable growing of grapes from mid-July to mid-October, with high consumption values.

Inputs

In viticulture and viniculture, inputs are a crucial element of development, and are mostly imported from abroad. The agricultural machinery is not produced in Kosovo*. It is imported by some local companies. Depending on the economic circumstances, not all vinedressers have the opportunity to apply the appropriate mechanization. Importers purchase the machinery and equipment from countries in the region and from Europe. Efforts to improve the appropriate machinery and equipment for viticulture and wine are not lacking recently. The Ministry, within the supporting measures, has also included the improving of the mechanization in viticulture. Other inputs such as grapevine seedlings, fertilizers, pesticides, concrete pillars, wire, and biotechnological substances for wine production are imported too. The production of planting material (rootstock and scion material) is the basis for a successful production of not only grapevine seedlings but also for the overall development of viticulture. In Kosovo*, grapevine producers are scarce. There are two producers in Rahovec/Orahovac, one of them is licensed from the Ministry with a capacity of 25,000 - 30,000 seedlings. Another seedlings producer is from Suhareka/Suva Reka vineyard area. The price of domestic seedlings varies from 0.60 to 1 €/seedling. The seedlings produced in the country do not meet the required standards. In 2014, a nursery for seedlings production was set up with USAID support. This nursery will be able to produce certified planting material. The seedling production technology of the current producers is very old. There is no grafting, stratification facilities, warehouses for storing planting material and other repro material. A lack of training, counselling, and acquaintance with the latest seedling production technology currently applied in Europe has been identified.

The rest of the grapevine seedlings are imported from abroad, mostly from Serbia. The price of seedlings varies from 0.40-0.60 €/seedling. The quality of imported seedlings is quite suspicious. The planting material is not controlled at the desired level and consequently, seedlings by unauthorized traders (which do not provide any certainty for seedlings that they trade) are offered on the market, while seedlings imported from EU countries have a price of 0.9-1.5 €/seedling.

Protection of plants

Successful cultivation of grapevine requires the creation of favourable agro-technical conditions, climatic conditions, and other necessary measures. In this context, protective measures against diseases and pests in the grapevines are of great importance. Insects, bacteria, fungi, and viruses cause direct and indirect damage to the grapevine.

The following are diseases of economic importance that affect the grapevine:

Grape downy mildew (Plasmopara viticola): It is one of the most dangerous diseases of grapevine. As a result of lack of protective measures, the pathogen causes a yield loss of 50% to 80% in some cases.

Grape powdery mildew (Uncinula necator): Depending on the existing climatic conditions and protective measures taken, damage from pathogen can be up to 80%. Preparations based on Dinocap and sulphur can be used to fight the pathogens successfully. In recent years, fungicides with systematic action are also used.

Grape black rot (Guignardia biwdellii): Pathogens are present in all regions where the grapevine is cultivated. Guignardia biwdellii fungi cause for the black grape to rot, and it counter measures are applied before and after the flowering of vines.

Grey mould (Botrytis cinerea): The pathogen affects a large number of plants, but in our climatic conditions, during the rainy times at harvest time, the pathogens mostly affect the grapevines. The following are the general recommendations on diseases in grapevine:

- Inventory of diseases of economic importance;
- Compilation of a list of pesticides which are registered by the competent body for the problems of primary importance;
- Establishment of prognosis - signalling systems in those areas where the production of grapevines is focused.

Grapevine pests

Grape phylloxera (*Phylloxera vastatrix)*: The characteristic of this pest is that it appears in the form of limited hotbeds, causing considerable damage affecting the yield reduction, and the plants affected by this insect stall in growing and later the grapevines are completely destroyed.

Cottony Grape Scale (Pulvinaria vitis): The pest is quite dangerous, hampers the normal grapevine growth, also affecting the reduction in quantity and quality of production.

European grapevine moth (Polychrosis botrana): The pest is very widespread in vineyards, the damage signs appear as early as May.

General recommendations for pests of economic importance in the grapevines:

- Control of the import of seedlings that have a high infection with pests of economic importance;
- Inventory of pests in grapevine and identification of clean areas and those infected with pests of economic importance;
- Use of pesticides registered by the competent body, compilation of pesticide lists depending on the type of main insects;
- Continuous pest management.

The warning system for the protection of grapevines from diseases and pests can be a very effective measure for advising vine growers on the most optimal way and time of vineyards protection.

Chapter IV

Objectives

The Strategic Plan for the Viticulture, Wine and Table Grape Sector 2020-2025 is envisaged to have 3 objectives, 10 priorities and 40 implementing measures (Annex I), and a Budget Framework 2020 -2025, Implementing Measures).

The objectives are reflected through priorities:

1. Increase of profitability in grape and wine production
    a) Establish, modernize vineyard surface areas and produce according to market demands;
    b) Increase wine quality and advance the wine trading;
    c) Maintain, strengthen and expand the vineyard cadastre system and wine quality control system.
2. Diversity of grape and wine products. Establishment of new cultivation systems
    a) Support and strengthen the advisory services, the use of innovations; new technologies in the viticulture, wine and marketing sector;
    b) Support eco and bio products in vine and wine;
    c) Link new products with holidays and anniversaries;
    d) Establish new styles in wine;
    e) Develop wine markets through joint marketing.

The diverse potential of grape and wine products is quite large. Linking activities with holidays and anniversaries, as well as with culture, tourism and traditional food present a good basis.

3. Implementation of Good Practices in Viticulture and Wine, and Environmental Protection
    a) Establish an agro climate station for disease and pest early warning;
    b) Organize field training with small groups of farmers;
    c) Adopt legislation in accordance with EU legislation.

To accomplish the objectives, the strategy will be implemented through these measures:

The following measures have been foreseen within the framework of the Sector Strategy, which are described according to the implementation periods, priorities, funding sources and time frames. (Annex I), Budget Framework 2020 - 2025, Implementing Measures).

Chapter V

Addressing of problems

Viticulture represents one of the sectors with potential for socio-economic development, which enables rational use of land, employment, culture and tradition of cultivating grapevine. Based on the analysis of the sector weaknesses, a series of problems that hinder the development of the sector are noted:

- Fragmentation of vineyard parcels;
- Lack of surfaces with high-quality cultivars;
- Lack of planting material from own production;
- Lack of autochthonous varieties;
- Lack of genuine irrigation systems;
- Lack of control of agricultural inputs;
- Lack of wine promotion and marketing.

Proposed alternatives and recommendations for achieving the objectives

Based on these shortcomings in the sector, the Strategy for the Viticulture, Wine and Table Grape Sector is focused on establishing new vineyard areas, in which 2200 ha of wine grape and 600 ha of table grape are planned to be cultivated. It has been planned to establish 10 ha for production of rootstock and scion material in order to meet the needs of 50% of the domestic planting material by 2025. A scientific research group should be established with the aim to create new autochthonous varieties. Expansion of surfaces will decrease the import of table grapes, planting material and increase the production potential for high-quality wines. Improvements specified in the development objectives for viticulture and wine will:

- Increase income for agricultural households;
- Enable self - employment within the farm;
- Reduce the production cost;
- Increase packaged export;
- Present and promote the sector;
- Develop agro tourism; and
- Minimize demographic erosion.

Assessment of potential risks

In order to realize and implement the Strategy for the Viticulture, Wine and Table Grape Sector 2020-2025 in its entirety, the assessment of the potential risks has been made and also the measures to reduce risk are foreseen.

- Lack of planting material production in the country and poor quality of imported planting material;
- Prolongation of the implementation of the support measures 101, 103 and 302;
- Age of vineyards.

Chapter VI

Management, monitoring and review of the strategy

Implementation of the objectives, priorities, and measures of the 2019-2023 Wine and Table Grape Sector Strategy in Kosovo* will be continuously managed by the Department for Viticulture and Wine. The sub-working groups will continue with timely management and according to the budget framework set out in Annex 1 of this Strategy.

Monitoring and assessment will be done by a steering committee appointed by the Minister and composed of: MAFRD, MTI, AUV, Professional Associations of Farmers, Professional Associations of Winemakers, and Wine Marketing Promotion Associations, Consumer Associations, and Civil Society, representatives of the greater vineyard zones (Rahovec/Orahovac, Suhareka/Suva Reka, Gjakova/Djakovica, Prizren/Prizren and Malisheva/Malisevo). The Steering Committee is obliged to report to the Minister of MAFRD once a year, whereas at the request of the Minister, should report whenever required regarding the implementation of the 2019-2023 Wine and Table Grape Sector Strategy in the Kosovo*.

Chapter VII

Assessment of the Risk Framework

- Lack of representative market analysis prevents the best possible operational planning of mixed marketing activities;
- Constant implementation of the concept, i.e. effective support of the measures fails due to lack of knowledge and well-structured functioning of the working groups;
- Non-flexible monitoring procedures by the ministry will not be accepted by all market participants;
- Adverse climatic conditions can affect the quality of wine production;
- Wine producers do not consistently and unanimously implement the necessary measures in vineyards and grape fermentation in order to improve quality,
- The priority of quick return on investment through the sale of other products, such as fresh grapes (varieties used for wine production) which leads to the prevention of medium-term goal of continuous improvement of quality,
- Market participants (wine producers) are not ready to accept additional costs for quality improvement and marketing purposes.

Specific risks in the domestic market

- The black market hampers competitive behaviour in the market,
- Lack of transparency and marketing to consumers reflects on the lack of domestic wine consumption,
- Lack of assessment of own market position in relation to the competitive environment of the neighbouring countries consolidated in the market.

Specific risks in international markets

- Small companies with low capacity and lack of experience in modern market practices,
- The EU wine regulations are not treated with due attention,
- Lack of market knowledge regarding the preferred markets for export and the structure, branches, customers and their prices,
- Insufficient preparation and subsequent processing by companies (wine producers) related to market entry, especially in Western Europe,
- The tense situation of competition due to the homogenization and globalization of the wine market, especially in the lower price category,
- Lack of concept for international sales: production capacity, concept of distribution, price restructuring related to different distribution channels.

4. MONTENEGRO

OVERVIEW OF VITICULTURE AND WINE PRODUCTION IN MONTENEGRO

According to data from the Vineyard Register of the Ministry of Agriculture and Rural Development, there are more than 500 grape producers recorded in the register and a total area of registered vineyards units on the territory of Montenegro is 2561.3301 ha.

If it takes overall data, each grape producers have an average surface vineyards (vineyard units) of 5.11 ha, but if it does not take into account the area of wine producers "Plantaže 13. July" AD Podgorica, every recorded individual/family producer of grapes has average area of 0.62 hectares.

The average number of vineyard units per grape producer is 3.4, and without viticulture wine producers "Plantaže 13. Jul " AD Podgorica, this number is lower, or 2.1. These data point to the fragmentation of grape production and higher costs in the production of grapes within the individual/family farms. The largest number on registered vineyards are with autochthonous vine varieties Vranac and Kratošija. A small number of registered producers has vineyards with other wine varieties such as Cabernet Sauvignon, Chardonnay, and others, as well as the vineyards with table vine varieties.

The greatest number of grape producers is located within the region Crnogorski basen Skadarskog jezera (97%), while in other wine-growing regions grape producers number is much smaller (about 3% of the registered producers).

Vine varieties structure of Montenegro is in accordance with the warmer climatic conditions and tradition of red wine, looking at areas under vines, based mainly on the black wine varieties. More than two-thirds of vineyards (69.01%) recorded in the Vineyard Register of the Ministry of Agriculture and Rural Development are with wine grape varieties for the production of red/rosé wines, while the lower surface of the vineyard with white wine varieties and the lowest with table varieties.

Tradition of cultivation of Vranac and Kratošija is expressed through the presence of these varieties with a large number of vineards. Based on data from the Vineyard Register, almost every producer of grape in recorded register, owns vineyards with a variety Vranac (97.21%), and half of those of grape (50.50%) are planted with a variety Kratošija (Figure 1). These data, although the total area of vineyards with a variety Kratošija is relatively small, indicates about the importance of these two autochthonous vine varieties as the most represented in the individual vineyards.

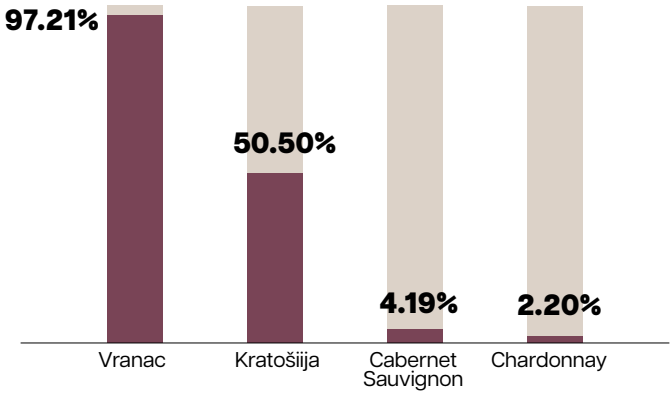


Figure 4.1: Percentage share of grape producers with leading domestic and some international vine varieties

In Montenegro is intensively cultivated 43 varieties which are registered in the International list of vine varieties and their OIV synonyms. The largest number of varieties is for table/consumer use of grapes and 18 varieties with different periods of ripening grapes, some of which are newly created and local varieties such as: Julska Razaklija, Rani Vranac and Vrani Biser. The larger range of varieties in cultivation vineyards are red wine varieties and of wine and 11 white wine varieties (Table 1).

Table 4.1: The wine varieties in production plantations of Montenegro

Red grape varieties	White wine varieties	Table varieties
Alianiko (Aglianico)	Šardone (Chardonnay)	Almeria (B)
Alikant Buše (Alicant Buschet)	Šenin Blan (Chenin Blanc)	Argentina (Rs)
Kaberne Fran (Cabernet Franc)	Krstač	Blek Medžik (Black Magic) (N)
Kaberne Sovinjon (Cabernet Sauvignon)	Muškaćela (Muscat à petits garins blancs)	Bulgaria (B)
Grenaž (Grenache)	Pino Blan (Pinot Blanc)	Korintsko bijelo besjemeno (*Korinthiaki Lefki*, Corinth Seedless) (B)
Kratošija	Rkaciteli (Rkatsiteli)	Rani Kardinal (Cardinal Early) (Rg)
Lisičina	Sovinjon (Sauvignon)	Julska Razaklija (Rg)
Merlo (Merlot)	Smederevka	Kardinal (Cardinal) (Rg)
Muskat Hamburg (Muscat Hambourg)*	Unji Blan (Ugni Blanc)	Matilda (Matilde) (B)
Negro Amaro	Žižak	Muskat Hamburg (Muscat Hambourg) (N)*
Pti Verdo (Petit Verdot)	Župljanka	Napoleon (N)

Red grape varieties	White wine varieties	Table varieties
Primitivo		Pleven (B)
Sanđoveze (Sangiovese)		Rani Vranac (N)
Sira / Širaz (Syrah)		Red Glob (Red Globe) (Rg)
Vranac		Ribijer (Ribier / Alphonse Lavallée) (N)
		Viktoria (Victoria) (B)
		Volujsko Oko (B)
		Vrani Biser (N)
** The variety of mixed use-value*		

Source: International list of vine varieties and their Synonyms, OIV, 2013 Edition

Based on Study of viticulture zoning of wine-growing areas, zoned areas of Montenegro are divided into folowing wine-growing regions (regions):

1. Wine-growing region Crnogorski basen Skadarskog jezera (Map 1), within which there are seven sub-regions:

1.1. Sub-region (Wine-growing district) Kuči.
1.2. Sub-region (Wine-growing district) Crmnica,
1.3. Subregion (Wine-growing district) Rijeka,
1.3. Sub-region (Wine-growing district) Podgorica,
1.4. Sub-region (Wine-growing district) Piperi,
1.5. Sub-region (Wine-growing district) Katuni,
1.6. Sub-region (Wine-growing district) Bjelopavlići;

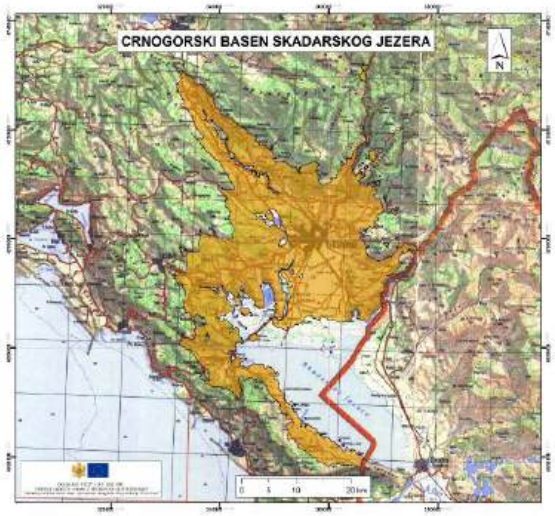
2. Wine-growing region Crnogorsko primorje (Map 2), within which there are four sub-regions:

2.1. Subregion (Wine-growing district) Boka kotorska,
2.2. Subregion (Wine-growing district) Budva-Bar,
2.3. Sub-region (Wine-growing district) Ulcinj,
2.4. Sub-region (Wine-growing district) Jadransko zaleđe;

3. Small wine-growing area (region) Nudo (Map 3);

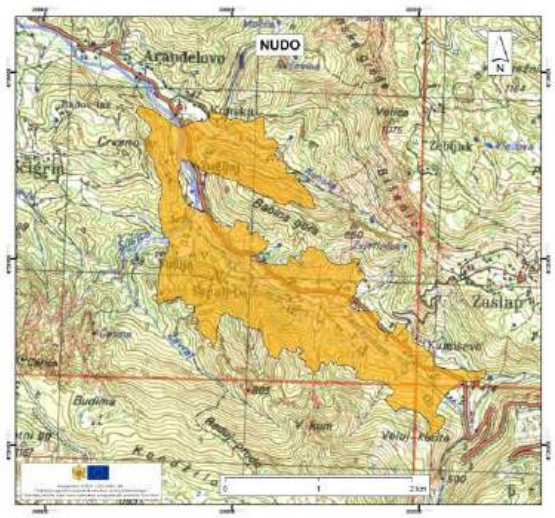
4. Wine-growing region Crnogorski sjever (Map 4), within which are set aside four sub-regions:

- Small area / subregion (Wine-growing district) Dragaljsko polje,
- Subregion (Wine-growing district) Nikšić,
- Small area / subregion (Wine-growing district) Šćepan Polje and
- Subregion (Wine-growing district) Bijelo Polje.

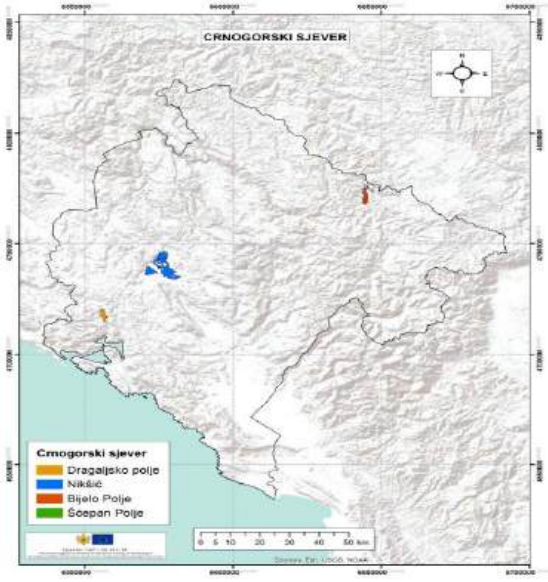


Map 4.1: Wine-growing region Crnogorski basen Skadarskog jezera

Map 4.2: Wine-growing region Crnogorsko primorje



Map 4.3: Small wine-growing area (region) Nudo



Map 4.4: Wine-growing region Crnogorski sjever

Based on OIV (International Organization for Vine and Wine) data for 2017, in Montenegro there is the area of 3.010 ha under the vineyards with grape production of 22,746 t and wine production in this year of 148,000 hl. In this year 51 wineries were registered. The wine import was about 30,000 hl and export 63.000 hl, while wine consumption was 111,000 hl.

PRIORITIES IN HARMONIZING MONTENEGRIN LEGISLATION WITH EU AND OIV LEGISLATION

For the production and preservation of wine and other grape products in Montenegro, in use are only oenological practices determined by the regulation of the Ministry of Agriculture and Rural Development and they are partly specified in the Law on Wine (Official Gazette of Montenegro, No. 41, July 2016), in the By-Low of the quality, marking, packaging and presentation of wine and other grape products (Official Gazette of Montenegro, No. 092/17 of 30.12.2017) and the Study on the Zoning of the Viticulture Production Areas of Montenegro.

Permitted oenological practices and limitations are defined, but not fully harmonized with the EU Regulation, ie. Regulation (EU), No 1308/2013 and Commission Regulation (EC) No 606/2009. Also, the EU requirement "Experimental use of new oenological practices", which defines Commission Regulation No 606/2009, Article 4, is not yet regulated by the regulations of our Ministry.

In accordance with the latest EU regulations and rules of the International Organization for Wine and Wine, entitled "International code of oenological practices" issued in 2019, the activities within the Wine Project will be focused on:

1. Complete harmonization of Oenological practices

2. Complete harmonization of Oenological means

3. Regulation of the experimental use of new oenological methods.

As a result of the work on this project, the following outcomes are expected:

1) Rulebook on permitted oenological practices, enological means and experimental use of new oenological practices;

2) Better knowledge of the Montenegrin producers about the permitted procedures and means during production, and

3) Simpler work of the Control bodies.

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5. NORTH MACEDONIA OVERVIEW OF VITICULTURE AND WINE PRODUCTION IN NORTH MACEDONIA

Wine has been traded internationally since ancient times. Many grapes that were considered "traditional" in Western Europe were in fact brought through ancient routes from the Eastern Mediterranean and the Black Sea Region.

Wine production and vine growing in the Republic of North Macedonia have been developing for centuries and the country has a deeply rooted wine culture and traditions in the sphere. In addition to the traditions kept from ancient times, Macedonia benefits also from its favourable climate, a diversity of soils which are suitable for cultivation of a myriad of grape varieties.

It is thought that the vine in this area used to be cultivated even 4000 years ago. Many artifacts found on ancient sites show this long tradition of cultivating vine. Part of these artifacts are drawings of grapes and vines carved in stone, marble and terracotta and can be seen in the museums in Kavadarci and Negotino, but also a large number of these artifacts are now decorating the showcases of museums in Sofia, Belgrade, Berlin and others.

Vine in these regions was grown in Roman times too. Viticulture in this period was booming. Near this area passes the old Roman road – Via Egnatia, which among other things, was of great importance for the development of viticulture and wine making. The wine produces here was transferred in amphorae to the ports of Durrës and Thessaloniki.

During the Turkish Empire (from XIV to the XX century) the viticulture and wine production in Macedonia was going through a period of stagnation and change of assortments. In this time and period, under the influence of the Islamic religion, the most frequently grown varieties were table varieties.

The appearance of the phylloxera in the grapevine, which was discovered between 1908 and 1914, decreased the area with vineyards till 1920. During the Second World War, viticulture and wine making in this region also went through stagnation.

After the Second World War, in the period of socialism, in Macedonia there were years of planned economic system, centralized viticulture and wine production, state monopoly and expansion of the sector. In the 60s and 70s of the last century, the area covered with vineyards in the central region, Povardarje, was estimated to be around 14000 ha. The most available red wine varieties were Vranec, Stanusina, Prokupec, Plovdina and Kratoshija and to a lesser extent Merlot, Plavec mal, Refosko and others. The most common white wines were Smederevka, Zilavka and Grenache white, while Italian Riesling, Rhine Riesling, Sipon and others were present, but not so frequent. The plantations were high-stemmed, wide-ranging and suitable for mechanized cultivation of the vineyards.

In 1981 are registered largest areas with vine. After this maximum, comes a period of destabilization of this branch by reducing of area with vine as a result of the transformation of society.

The changes enable the private sector to become the main carrier of development and modernization of viticulture and wine making in this region.

Privatization, although difficult, brought investment in the sector which led to improvement in wine production technologies and an increase in capacity. However, domestic capital has remained in possession of the large wineries in the country. In recent years, the wine industry has gone through a process of modernization and upgrading. A large number of small-scale wineries have mushroomed to produce limited batches of boutique wines of exceptional quality and flavour. Chateau-type wine estates with their own vineyards are a visible manifestation of that new wave in vine growing and winemaking. On the other hand, quality and attractiveness are sought in the raw material itself. Special attention is given to the terroir and its possibilities for making the most of a certain grape variety.

CURRENT SITUATION IN THE VITICULTURE AND WINE SECTOR

Despite its small territory, with its geographic location the Republic of North Macedonia has an extremely varied relief and climate. The small area of the country is distinguished for its various climatic zones – temperate continental, transitional continental, and Mediterranean continental. They define the warm and prolonged summer, comparatively not very cold winters, which are a prerequisite for the very good fertility of the vine and the sugar accumulation in grapes.

The continental climatic influence is more pronounced in the northern part of the country. In the southern part the climate is of a transitional Mediterranean nature. The Aegean Sea also influences, changes and forms the specific milder climate of the region in the southern part.

There is also a diversity of soils. On the territory of the country there are cinnamon and gray forests, humus-carbonate, leached chernozems, and alluvial-meadow and sandy soils.

Nowadays, the grapevine in Republic of North Macedonia is grown on an area of around 22.612 ha. The wine varieties are represented with 84% and the table wines with 16%. There are 50% white wine varieties and 50% red wine varieties. Most frequent white wine varieties are Smederevka, Chardonnay, Riesling, Sauvignon, Zilavka etc, while the red wine varieties are Vranec, Merlot, Cabernet Sauvignon, Kratoshija etc.

Table 5.1. Ten mostly spread varieties

Variety	Usage	Surface ha	% of total surface
Vranec	Wine	7335	32
Smederevka	Wine	5096	23
Merlot	Wine	837	3.7
Afus ali	Table grape	828	3.6
Cabernet sauvignon	Wine	768	3.4
Kratoshija	Wine	708	3.1
Rain riesling	Wine	670	2.9
Kardinal	Table grape	616	2.7
Chardonnay	Wine	553	2.4
Victoria	Table grape	410	1.8

**Source: Ministry of Agriculture, Forestry and Water management*

According to the EU climate characteristics and classifications, the Republic of North Macedonia belongs to the III-C-b viticulture zone, and it has adopted all the oenological rules related to this zone. The fundamental characteristic of this zone is that the wines are allowed to have acidification, but enrichment is banned which corresponds to the regulations and the momentary routine for wine production in the country.

There are almost 270 sunny days per year in Republic of North Macedonia. The mixture and the overlapping of the Mediterranean and continental climate give the Macedonian wines intense colours and complex aromas. The white wines are characterized by lower sourness, whereas the red wines are basically dark, ruby red in colour with wild berry fruit aromas and full in structure, possessing strong terroir characteristics. The current wine production is conducted through 74 officially registered wineries, compared to 2003 when there were 28 officially registered wineries.

The wine production is conducted through 74 officially registered wineries with a total capacity of 2,100,000 hl which is twice the total wine production (50% usage of the total capacities). Wineries have the following structure according to the registered capacity: There are 35 wineries to 500 hl (41.6%), 6 wineries from 500 to 1,000 hl (7.1%), 18 wineries from 1,000 to 10,000 hl (21.4%) and 25 wineries with a capacity of more than 10,000 hl (29.8%). The total capacity for draught wine is insufficient to cover the total wine production in the country. Despite the insufficient capacity, the capacities for draught wine in bottles remain unused because the largest part of the wine is presented as draught.

There is an association in Republic of North Macedonia, called "Wines of Macedonia" where 10 wineries participate with 50% of the total production and 80% of the total wine export.

The geographical presence of wineries is identical with the grapevine plantations, meaning that the greatest number of wineries is situated in the Central region, along the bank of the river Vardar, mostly near Skopje, Veles, Tikveš and Gevgelija – Valandovo vineyards.

The viticulture is an important and strategic industrial branch in the crop production sector in the Republic of North Macedonia. Together with the wine production sector, they contribute around 17%–20% to the GDP (Gross domestic product). Despite that, the wine is number one beverage in terms of the liquors export, and holds the second place, right after the tobacco, in terms of the export value of the agriculture products. This contributes to the realization of a high foreign exchange earnings.

The domestic wine consumption in the Republic of North Macedonia is relatively low, around 9 l a year per capita. Still, this number is exceeded taking into consideration the fact that wine is consumed in tourist capacities and restaurants, including the consumption of homemade wine. This means that the wine consumption per capita indeed is estimated at approximately 15 l in a year.

The most significant export market of the Macedonian wine is the European Union which participates with around 60% of the total wine export. From the European Union member countries, the greatest importer of Macedonian wine is Germany, participating with approximately 90% of the total wine export in the European Union.

The other member countries where the export of Macedonian wine is in abundance are Croatia, the Czech Republic, Slovenia and Bulgaria. Despite this, a certain amount of wine export is as well noticeable in some other countries that are also members of the European Union.

Serbia is a significant importer of Macedonian wine. In the last couple of years, the Macedonian wine made its way to the markets in the USA, Canada and Japan, where smaller amounts of wine are exported, but still they are important because those are thriving markets that prove the high-quality Macedonian wine.

TRENDS IN THE DEVELOPMENT OF THE VITICULTURE AND WINE SECTOR

During the last decades from the past century the wine represented an important status symbol and élite's product, however, the consumption in the new century is based on the family values, leisure time and life philosophy. In other words, it can be stated that "Wine belongs to life".

The trend for drinking red wines is more expressed due to the medical research that emphasized the positive effect it has on the cardiovascular system. The scientific research substantiates that the wine ingredients have antioxidant activity and prolong life span and those ingredients are called polyphenols of which the most famous is the resveratrol. The Macedonian red wines are well known for the high amount of polyphenols.

One of the trends is that the customers want to know more about the wine. The education of customers and the rise of wine culture become a greater priority. Another important trend is purchasing wine from one place, in supermarkets as a result of the busy life and less free time. The international wines are also fashionable. Chardonnay and Cabernet Sauvignon are preferable, and in the last couple of years, Merlot, Syrah and Sauvignon. The white wines show tendency for the fruity, fresh and light wines and the medium strong wines. The wine style of the relatively strong Chardonnay, ripened in oak barrels is considered outdated.

Even though in general wine is not consumed in big amounts, the consumption of quality wines is increased. The autochthonous and local wines, i.e., regional varieties gain great importance. The recognizability of the Macedonian wines comes from the growing of these varieties.

The ecological viticulture which creates an additional consumption value is also on trend, because it looks after and treats the traditional production of grape and wine.

Wine producers are responsible for receiving the grapes from growers and for the production, manufacture, and/or blending of wine products. Wine producers are the essential component in the production process and represent a crucial segment in the wine value chain. After the grapes are received, the wine making process can begin. Many wineries in Republic of North Macedonia have been able to carry out significant upgrading with the help of EU funds and in some cases foreign investors.

Process upgrading was driven by considerable investments in modern buildings and machinery such as grape crushers, de-stemmers, pressers, filtration systems, rotor and centrifugal pumps which have improved the winemaking process substantially.

After the privatization process, companies changed their management techniques and introduced total quality systems in line with the international standards. Product upgrading took place as well as more and more wineries introduced higher quality products, broadened their brand portfolios, and created new product lines with specialty reserve wines which allowed them to sell at higher prices.

The link between grape growers and wineries is a crucial element in the wine value chain. Given the nature of the product, the actual exchange and product flow between the supplier of raw materials and the producer takes place only once a year – when grapes ripen and after they are harvested. Each company decides on what type of relationship it will build with grape producers. Maintaining transparent and reliable contractual relationships with suppliers is a key factor for ensuring high product quality and achieving maximum return and profitability for both sides.

Since grape fermentation takes place just a few weeks after harvest and it is impossible to carry out the harvest on demand, grape growers can only pursue a push strategy with wineries. Grape growers have only a small window of time when they must sell their production for the year. Although grapes have no direct substitute and are in fact the most important raw material for winemaking, the bargaining power of the companies against wineries is not high.

An increasing number of commercial wineries prefer planting and cultivating their own vines and buying from outside suppliers only to complement their own crop if necessary. Despite involving some risks and large investment, this gives them a guarantee that they will have complete control over the whole process from the initial stage of planting the vines to producing the finished product.

On the other hand, some wine producers do not own vineyards and rely on grapes supply from a different source. Working with more grape suppliers allows wineries to produce larger volumes of wine using less capital which additionally reduces financial risks. In that case, there are a few options. Wineries can buy grapes on an open market or establish long-term relationships with grape growers through contracts. In the second case which is often referred to as contract farming, wine cellars usually engage more actively in the growing process.

LEGAL AND INSTITUTIONAL FRAMEWORK AND QUALITY POLICY IN WINE SECTOR

The GI system on wine is partially harmonized with the EU PDO/PGI system due to the outstanding issue between the Republic of North Macedonia and the EU on the use of the term "Macedonia" by both sides.

Since the resolution of the name issue, it is expected that the new GI system will be in the frame of the new wine law.

The geographical borders of the wine plantations in the Republic of North Macedonia are precisely marked for protection of the geographical wine origin. In that way, we establish the list of protected wine brands marked by geographic signs, as well as the rules for labelling the production regions. Geographical areas planted with grapevine are regions, vineyards and localities.

The geographical area of origin for a certain regional wine is called region. The whole territory of the Republic of North Macedonia is the geographical area, in other words, region for production of regional wine.

The geographical area of origin of the quality wine is called wine district. There are 16 wine district total in the Republic of North Macedonia:

1.	Skopje wine district	9.	Prespa wine district
2.	Veles wine district	10.	Ohrid wine district
3.	Tikvesh wine district	11.	Kicevo wine district
4.	Gevgelija-Valandovo wine district	12.	Tetovo wine district
5.	Strumica-Radoviš wine district	13.	Kumanovo wine district
6.	Ovcepole wine district	14.	Kratovo wine district
7.	Prilep wine district	15.	Kocani wine district
8.	Bitola wine district	16.	Pijanec wine district

Figure 5.1. Wine districts in Republic of North Macedonia

The geographical areas of origin of the high-quality wines are the localities situated in the vineyards. The fundamental production of grapes and wine is basically located along the bank of the River Vardar, through the Skopje, Veles, Tikvesh and Gevgelija–Valandovo wine district, which account for approximately 83% of the total production. In these vineyards, the climate conditions provide successful growing of all the varieties with different growing period.

The greatest vineyard in the Republic of Macedonia is the Tikvesh vineyard, where 80% of the biggest grape and wine production is accomplished.

The legal framework in the Macedonian wine sector is defined by the wine law that is in accordance with the EU regulation on the common organization of the wine market.

The main aims of the law are protection of the producers' interests for wine grapes and the wine customers, amelioration of the wine quality and other wine products, and positive functioning in the internal and external market for wine grape and wine.

The wine law determines planning and control of the production potential for wine grape, wine, wine market and commerce, wine classification, description, labelling and protection of the geographical name of the wines. In addition to the Sector of viticulture, wine producing, the State agriculture inspectorate at the Ministry of Agriculture, Forestry and Water Management is directly involved in the implementation of the Articles included in the wine law. The wine law introduces mandatory record for the vineyard plantations area and the output through the national register of vineyards and the system of mandatory declarations in order to obtain regular allocation of the production potential and guarantee geographical origin of the wine.

The national vineyards register, controlled by the Ministry of Agriculture, Forestry and Water Management, contains detailed maps of the planted areas with grapevine, data for the parcels (area, ownership, climate and soil characteristics) and grape varieties, as well as identification and register number of manufacturers for each parcel separately. These data provide detailed and complete preview of the wine production on the whole territory, detect eventual frauds and ease the administration of financial support in viticulture and wine production.

The wine law totally takes over the oenological means and actions that are applicable in the European Union viticulture zone III-C-b, as well as the labelling rules prescribed as mandatory for the home and foreign market.

According to the legal conditions for wine production, these are the quality categories of wines produced in the Republic of North Macedonia:

- High-quality wines with geographical origin (wine with controlled and guaranteed origin);

- Quality wines with geographical origin (wine with controlled origin);
- Table wines (regional) with geographic origin;
- Table wines without geographic origin;
- Special selection wines.

OPPORTUNITIES FOR THE VITICULTURE AND WINE SECTOR – NATIONAL STRATEGY

Disadvantages

Grape growers in the Republic of North Macedonia are largely fragmented and usually do not have bargaining power in negotiations with wineries. The fragmentation in grapes production and the high number of small vineyards and farms leads to problems with investment and marketing. Smaller farms often cannot effectively use farm equipment and afford buying quality planting material which leads to deteriorated quality and higher cost of grapes.

Some of potential disadvantages should be also mentioned here as well:

- Low purchasing on the domestic market;
- Little focus on strategic objectivities;
- Imperfect wine low (legislation);
- Low expenditures in researches.

Advantages

When the conditions imply a relative openness and bigger competitiveness at the international market, primarily from the New World countries (Australia, New Zealand, Argentina, Chile and South Africa), the only way out to the relatively small Macedonian Wine sector is amelioration of the quality and appeal of the Macedonian wine, especially if we have in mind the fact that the wine export is the key element in maintaining the development of the Macedonian wine sector.

A rising trend of foreign exchange earnings from the Macedonian wine export shows bright future awaits the Macedonian wine industry by changing the production from a low quality draught wine with low price to a production of high quality packed wine with recognition.

Being more recognizable than before is of great importance for the Macedonian wine since the viticulture and the wine production are dependable on the export, meaning, over 70% of the total production is exported. Macedonia has all the necessities for distinguishing its wine on a global level.

The long growing tradition of excellent, international varieties as well as the potential for the production of autochthonous (Stanushina) and regional (Vranec, Kratoshija) wines that are relatively unknown, yet appealing to the full market, provides a conspicuous image for the Macedonian wines. They also possess exclusive prestige amongst customers in the region which proves the story about their recognition.

Viticulture and winemaking are the sectors for North Macedonia to enter the international market successfully based on its customs, traditions and historical practices combined with modern technologies.

Following advantages are:

- The unique diversity of grape varieties;
- Long history and traditions of wine production;
- Favourable natural conditions and resource potential, especially in micro-zones;
- High quality raw materials;
- Favourable quality-price ratio.

In order to change the negative trends in grape and wine production in the country, some recommendations could be formulated:

- Increase the surface of autochthonous and local grape varieties;
- Production of wines from local and unique autochthonous commercially significant varieties;
- Focusing on the production of quality wines with Protected Geographical Name and Protected Designation of Origin, which are valuable for consumers worldwide and occupy a higher price;
- Consolidation of vineyards, innovative solutions in grape production, good practices for wine grapes;
- Implementation of technologies that lead to higher efficiency and productivity of vineyards and are environmentally friendly;
- Increasing the level of association and cooperation in the sector;
- Expansion of the application of the Global GAP and ISO standards;
- Macedonian wines should be introduced on various fairs and events worldwide;
- Development of concrete marketing strategies aimed at expanding the share on traditional markets and entering new attractive commercial destinations.

Finally, the significance and the structuring role of the wine sector in Republic of North Macedonia for the overall development of agriculture in the country can be highlighted. This is conditioned by the favourable natural conditions and traditions of the population for wine growing and wine production. Despite the great potential and prospects, the industry today faces a number of challenges influenced by both global and economic changes in the country.

There are a number of issues related to the production of high-quality wines, competition and the provision of new markets. In this respect, the preservation and exploitation of the potential of local varieties of vine and the production of wines with unique characteristics will provide new improved opportunities, market niches and competitive positions of Macedonian producers.

6. SERBIA

OVERVIEW OF VITICULTURE AND WINE PRODUCTION SECTOR IN SERBIA

Grape production

The grape production sector in Serbia is very specific since it is characterized by a large number of grape producers who have small surfaced vineyards. Based on the 2012 Agricultural Census, 80,341 holdings have their own vineyards, which is almost 13% of the total number of listed holdings (621,445 listed holdings).

Based on the data of the Statistical Office of the Republic of Serbia (hereinafter: SORS), in 2017, the share of wine production in the total value of agricultural production was 7.74%.

Number and size of grape producers

The structure of viticulture and wine production is quite heterogeneous; however, minor family holdings have a major share in the production. According to the inventory of agriculture more than one third of holdings (around 34%) have extremely small vineyards or vineyards smaller than 0.1 ha. The largest groups of grape-growing holdings (about 62%) are grape producers who have vineyards covering small areas, that is, vineyards from 0.1 to less than 0.5 ha. On the other hand, only 6 listed wineries in Serbia covered by the Agricultural Census had vineyards of 100 ha or more.

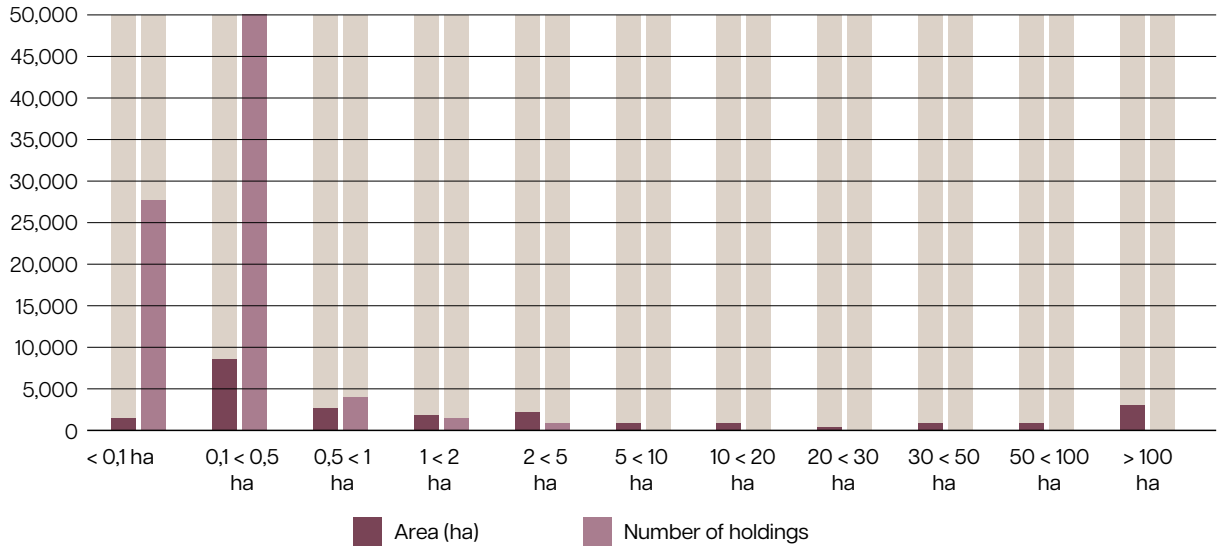


Chart 6.1. Area under vineyards (ha) and number of inventory listed holdings with vineyards; 2012
Data source: SORS

Compared to the total yield of fruits and grapes, grape production participates with about 10% in the total quantity of produced fruits observed by the SORS - pomes (apple, pear and quince), stone fruits (plum, cherry, peach, sour cherry and apricot), berry fruits (raspberries, blackberries and strawberries) and nuts (walnut).

Production

According to the data of the SORS, there were 21,328 ha of fertile areas under the vineyards in Serbia in 2018. In the last ten years, this area changed from 22,702 ha in 2009 to 21,201 ha in the period from 2012 to 2017.

As for the production of grapes, according to the SORS data, in 2018 it amounted to 149,595 t, which is about 10% less in relation to 2017 as well as in relation to the 10-year average (2009-2018). In the last ten-year period (2009-2018), the total production of grapes ranged from 122,489 t in 2014 to 204,369 t in 2009, while the total average annual grape production in this ten-year period (2009-2018) was 167,363 t.

According to SORS data, the average yield of grapes in 2018 was 7.0 t/ha, which is a decrease of 10.26% compared to 2017, and the average yield in 2018 is was 11.12% lower in relation to the 10-year average. The average yield of grapes in the last ten-year period (2009-2018) ranged from 5.8 t/ha in 2014 to 10.6 t/ha in 2009, and the average yield of grapes in the entire ten-year period was 7.88 t/ha.

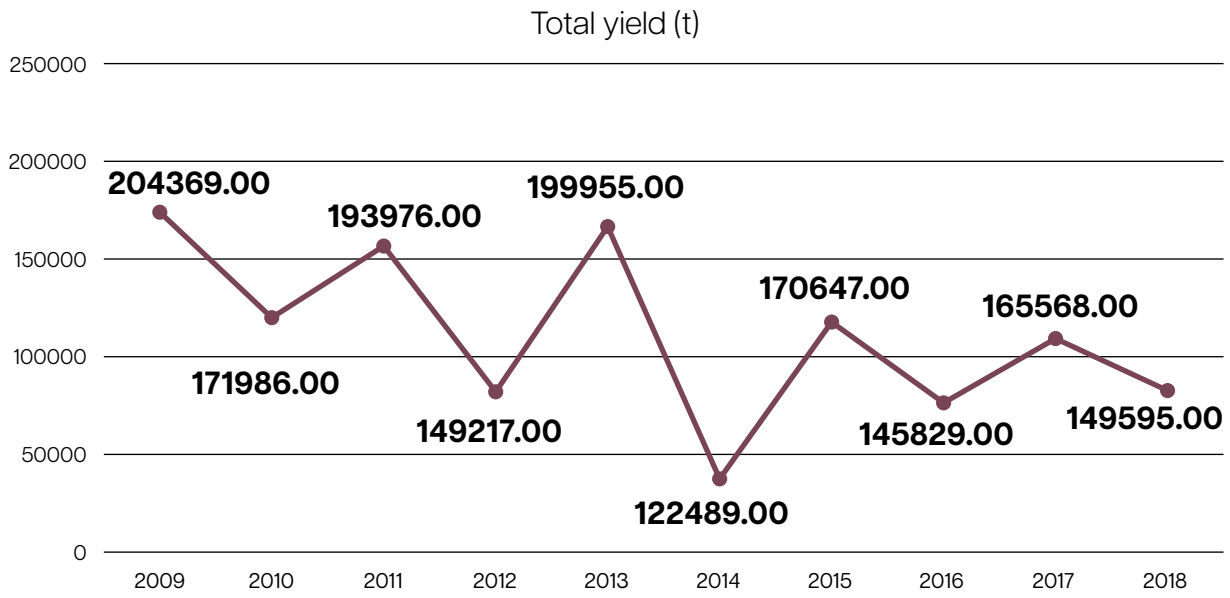


Chart 6.2. Total grape yield (t) by years; 2009-2018

Data source: SORS

According to the Vineyard Register, for the last three grape harvest in commercial vineyards kept in this register, the highest yields by grape types were achieved in the following years: for white wine grapes - harvest 2016 (6.182 kg/ha), for black (coloured) wine grapes - harvest 2018 (7.820 kg/ha) and for table grapes - harvest 2016 (8.197 kg/ha). The lowest average yield per ha in the last three years was achieved in the harvest of 2017, according to the types of grapes: for white wine grapes 4.734 kg/ha, for black (coloured) wine grapes 6.377 kg/ha and for table grapes 5.861 kg/ha.

Production quality level

Although there are modern vineyard plantations, due to the high costs of planting and maintaining vineyards, production in some cases is on a lower technological level. Some of the problems of viticulture production in Serbia are: the fragmentation of vineyard parcels, the absence of seedlings of certified clones from autochthonous, regional, and domestic vine varieties, the unsuitability of mechanization and equipment for modern vineyard production (vineyards with a larger number of vine plants per ha), as well as inadequate protection against diseases and pests.

Wine production

Serbia has a very long tradition of wine production, which has been based on large socialist systems with vast capacities in the previous period, while nowadays it is mainly based on family wineries with very small, small and medium capacities. A significant portion of processing capacities, that is, former socialist and cooperative wineries, with few exceptions, have not been privatized or have had an unsuccessful privatization during the transition process, resulting in their decay. Together with the collapse of these wine production systems vineyards were abandoned by the co-operatives, that is, natural persons who used to produce grapes, hence this resulted in a great reduction in the area under vineyards in all wine-growing areas of Serbia.

Number and size of wine producers

Based on the data from the Winery Register of the MAFWM (data does not include Kosovo*), currently (2019) there are 353 wineries in Serbia engaged in wine production. The total maximum grape processing capacities in market-oriented wineries within that Register analysed in 2019 (310 wineries) amount to 195,073,521 kg of grapes. Moreover, 312 wineries from the Winery Register in 2019 currently have a maximum wine production capacity of 71,520,850 l.

The common structure of wine producers in Serbia is similar to the structure of grape producers, where wineries with very low wine production capacity prevail in the number of producers. Namely, more than half or 136 wineries have limited capacities for wine production, below 20,000 l. A significant number of wineries (93) have slightly higher capacities (from 20,000 l to less than 40,000 l) for wine production, but there are still insufficiently large capacities for competitive wine production.

The largest wine production capacities are in 48 largest Serbian wineries, which have a maximum individual production capacity of 100,000 l and more. This group of wineries also includes 13 wineries that have the capacity for annual production of 1,000,000 l of wine and more.

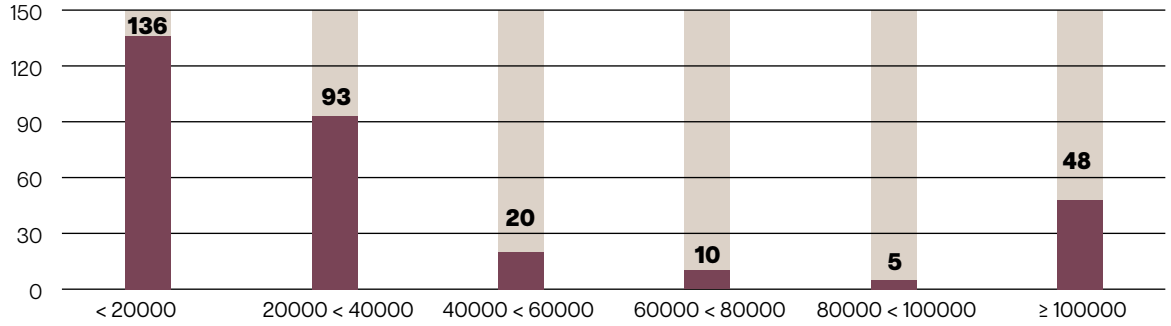


Chart 6.3. Number of wine producers registered in the Winery Register by maximum available capacities for annual wine production; 2019
Data source: MAFWM, Winery Register

General problems in wine production are the insufficient presence of controlled fermentation systems and cold stabilization system of wine, as well as the lack of modern equipment, suitable inert winery vessels, good quality vessels for wine aging and other equipment, appliances and containers. In the case of low-capacity wine producers, there are certain problems in production facilities in terms of maintaining adequate temperature and hygiene of facilities and vessels.

Production

According to data of the SORS, wine production registered in the industry in 2017 amounted to 37,500,000 l, which is 3% more than in 2016. However, here we should bear in mind that the registered wine production in the industry does not represent the entire wine production in Serbia, since the Statistical Office of the Republic of Serbia does not follow the production of wines on agricultural farms that produce wine from their own grapes starting from 2014. The average annual production of wine in the period from 2014, when SORS started monitoring production of wine only in the industry, to 2017 was 29,400,000 l.

Chart 6.4. Wine production (000 hl); 2008 - 2017
Data source: SORS

According to the data from the Winery Register on March 18, 2019, the total production of wine from the 2018 harvest, registered from 249 producers, was 24,979,583 l of wine (without aromatized wine). Based on the same data, the production of red/rose wines participated with 60.25%, while the production of white wines participated with 39.75% in the total production of wines from the 2018 harvest.

Chart 6.5. Structure of wine production (%); 2018
Data source: MAFWM, Winery Register

Production of Wine with Geographical Indications

Although the Serbian system of geographical indications is in compliance with provisions of the EU legislation[6], currently there is an unsatisfactory share of production of high-quality wines with geographical indications (the so-called PDO/PGI wines). Inadequate conditions and capacities for the production of high-quality wines, i.e. obsolete equipment and vessels in certain wineries, in addition to other technical and administrative obstacles and the absence of a certification bodies system, largely affect the limited production of wines with geographical indications.

In the structure of wine production, based on data from the Winery Register for the last three years (2016-2018), the production of wine without geographical indications was dominant in relation to wines with geographical indications. In the observed period, the production of wine without geographical indications participated with 87.33%, while the share of production of wine with geographical indications was significantly lower and amounted to 12.67% in relation to the total production of wines registered in the Winery Register.

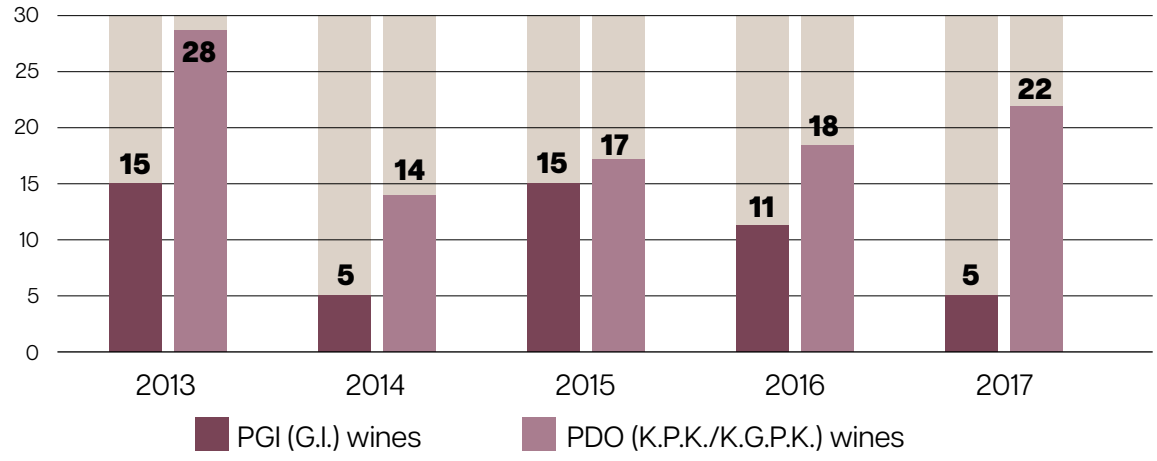
Table 6.1. The ratio of production of wine without geographical indications and wine with geographical indications; 2016-2018

Quality wine category	2016	2017	2018
Wines without geographical indications	92%	85%	85%
PGI wines	3%	7%	8%
PDO wines	5%	8%	7%

Data source: MAFWM, Winery Register

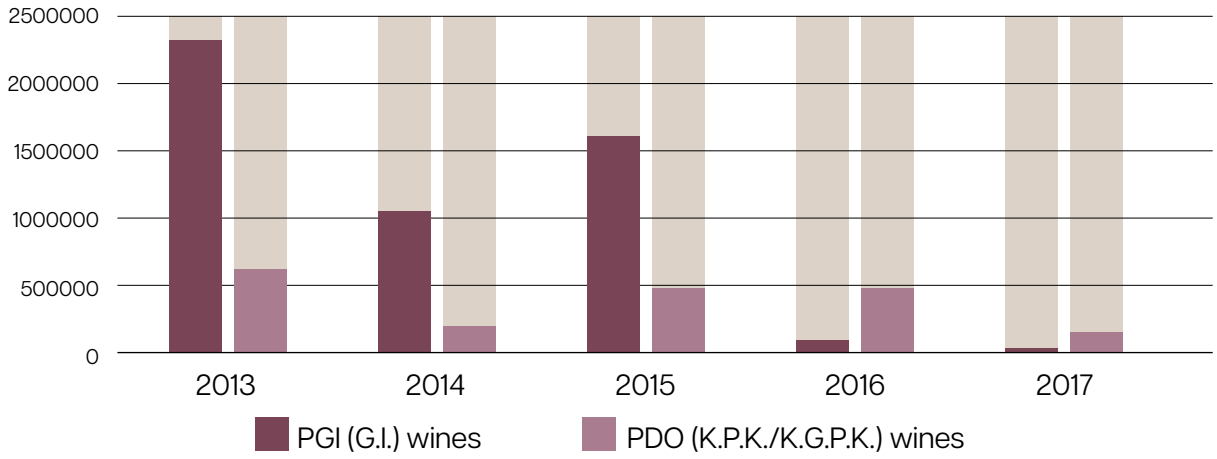
According to the data of the MAFWM, the Sector for Agricultural Policy in Serbia, between 2013-2018 (harvest 2013, 2014, 2015, 2016 and 2017), 150 wines with geographical indications were produced, and the total quantity of produced wines from these vintages was only 7,026,899 l. Of the total number of wines produced, 51 wines are PGI (G.I.) wines, while 99 are quality PDO (K.P.K. and K.G.P.K.) wines.

The total quantity of produced PGI wines from the mentioned harvest was 5,129,162 l, while the total quantity of produced quality PDO (K.P.K. and K.G.P.K.) wines in the same period was only 1,897,737 l.



Chard 6.6. Number of produced wines with geographical indications from vintages 2013, 2014, 2015, 2016 and 2017[7]
Data source: MAFWM

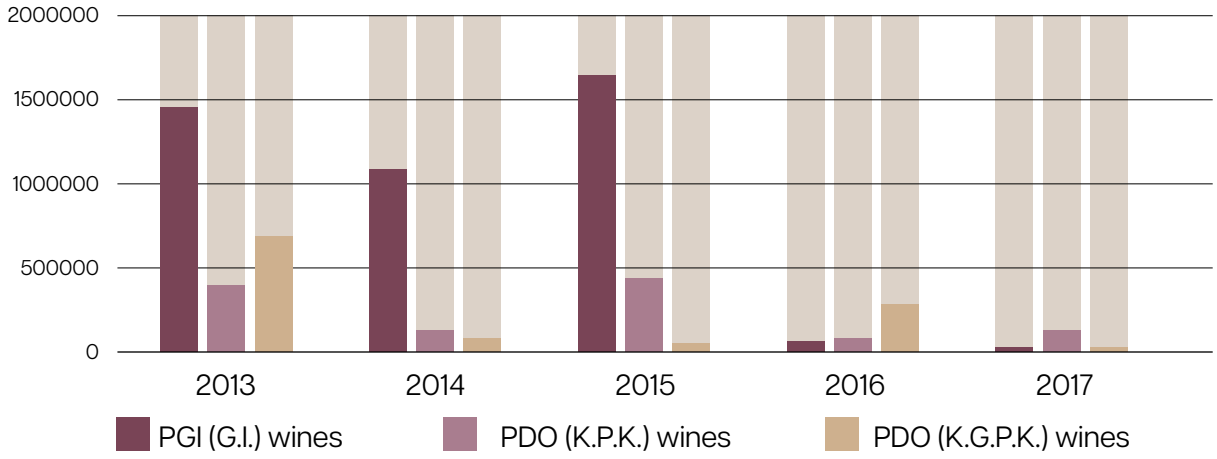
6 The compliance does not included new EU regulations from 2019
7 February, 2019



Chard 6.7. Quantity of produced wines with geographical indications from vintages 2013, 2014, 2015, 2016 and 2017[8]
Data source: MAFWM

According to the data of the MAFWM, for the period 2013-2018 (harvest 2013, 2014, 2015, 2016 and 2017), ending with 18 December 2018, a total of 6,487,976 registration marks for wines with geographical indications were issued. This total number of issued registration marks is divided into 4,183,821 green marks for PGI (G.I.) wines, only 1,177,574 red designations for PDO (K.P.K.) wines and only 1,126,581 purple marks for PDO (K.G.P.K.) wines.

The above data indicates that in Serbia there is insufficient production of high-quality wines with geographical indications, as well as labelling of such wines with registration marks for wines with geographical indications. In addition, the trend of further reducing the production of wine with geographical indications continues, so this kind of situation requires that institutions reduce administrative and technical obstacles, as well as provide better conditions for the production of high-quality wines with geographical indications, and increased promotion of geographical indications.



Chard 6.8. The number of issued registration marks for wine with geographical indications from vintages 2013, 2014, 2015, 2016 and 2017[9]
Data source: MAFWM

8 February, 2019
9 February, 2019

On the basis of the MAFWM data, in the period between 2010 and December 2017, a total of 40 best wines fulfilled the conditions to be labelled as premium PDO (K.G.P.K.) wines with geographical indications. Of this number, 29 are white wines, 11 are red wines. There were no rose wines that classified in the highest quality wine category. The largest number of wines that are labelled with purple marks for wines with geographical indications come from the 2013 vintage, which confirms that this year was one of the best years for the production of high-quality wines. The biggest number of high quality PDO (K.G.P.K.) wines in the observed period was produced within PDO Šumadija (13 wines marked with purple marks) and in the wine-growing region Tri Morave (10 marked wines with purple marks).

Prices of grapes and wines, export and import of wines

Price of grapes and wines

The average producer price of table grapes for human consumption in the period 2008-2017 ranged from 0.5 to 0.7 EUR/kg, while the average producer price of grapes for processing in the same period was from 0,2 to 0,3 EUR/kg.

Table 6.2. Approximate prices of grapes

Grapes	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Table grapes (RSD/kg)	46.7	44.7	68.4	62.9	68.6	51.1	73.1	70.6	63.1	75.2
Grapes for processing (RSD/kg)	20.7	20.1	19.8	26.7	38	27.3	24	39.2	31.3	37.5
Table grapes (EUR/kg)	0.6	0.5	0.7	0.6	0.6	0.5	0.6	0.6	0.5	0.6
Grapes for processing (EUR/kg)	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3

Data source: SORS

The approximate average price of white wines in the period 2008-2017 ranged from 1.5 to 2 EUR/l. In 2017, the price of white wine in retail amounted to 1.98 EUR/l, which is 4.4% higher than in 2016, and 5.5% higher than the average in the period 2012-2016, which was 1.88 EUR/l. The average price of red wine in the same period was from 1.8 to 2.1 EUR/l, and in 2017 was 2.09 EUR/l, which is 4.5% higher than in 2016, and 4.9% higher than the average price in the period 2012-2016 (2,00 EUR/l). Increased production of wines with geographical indications could have the impact of increasing the price of the Serbian wine.

Table 6.3. Approximate prices of wine

Wines	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
White wines (RSD/kg)	122.6	154.7	170	190.7	203	216.2	224.4	228.3	234.1	240.8
Red wines (RSD/kg)	146.3	181.8	189.3	206.5	216.8	230.7	232.5	244.9	246.4	253.7
White wines (EUR/kg)	1.5	1.6	1.6	1.9	1.8	1.9	1.9	1.9	1.9	2
Red wines (EUR/kg)	1.8	1.9	1.8	2	1.9	2	2	2	2	2.1

Data source: SORS

Export and import of wines

The supply of domestic wine is not sufficient for own needs of the Serbian market, and generally speaking, the import of wine is at least twice larger than export, both in terms of quantity and value of the wine.

The Stabilization and Association Agreement with countries of the European Union and the CEFTA Agreement allowed the export of wine to these markets, but due to the decay of wineries and the grabbed up of numerous vineyards in the previous period, Serbia is unable to respond to the demands of these markets in a quantitative manner. On the other hand, the Free Trade Agreement with the Russian Federation resulted in an increase of wine export to this market.

Trade of grapes

In the five-year period (2013-2017), Serbia achieved a negative balance in the trade of grapes (data from the Customs Administration).

Average annual grape imports in this period amounted to 12,689,880.25 kg (with an average value of EUR 7,514,919.98), while exports amounted to 4,741,267.71 kg (with an average value of 3,008,062.63 EUR). The largest import of grapes in this five-year period was in 2015, of 15,325,307.84 kg (7,054,428.13 EUR), and the largest export was in 2013, of 1,558,732.92 kg (907,153.52 EUR). In the trade of grapes, in the observed five-year period (2013-2017), an average negative balance in the amount of -11.899.668,97 kg was achieved, in the value of -7.013.576,21 EUR.

Table 6.4. Trade exchange of grapes; 2013-2017

Year	Export (kg)	Export (EUR)	Import (kg)	Import (EUR)	Balance (kg)	Balance (EUR)
2013	1,558,732.92	907,153.52	13,664,973.98	7,656,411.86	-12,106,241.06	-6,749,258.34
2014	305,529.20	276,392.44	12,296,599.74	7,606,914.10	-11,991,070.54	-7,330,521.66
2015	695,002.11	456,334.53	15,325,307.84	8,629,377.09	-14,630,305.73	-8,173,042.56
2016	610,346.68	365,937.11	12,158,883.26	7,054,428.13	-11,548,536.58	-6,688,491.02
2017	699,349.60	461,367.09	11,833,443.72	7,617,638.30	-11,134,094.12	-7,156,271.21

Data source: Customs Administration

Trade of wines

According to the data of the SORS, Serbia also achieved a negative balance in the trade exchange of wine in the ten-year period 2009-2018, both in terms of the quantity of wines and the value of traded wines. In the mentioned period, the average export of wine was 12,622,000 l with the average annual value of EUR 13,397,000, while the average annual import was 25,482,000 l with the average annual value of EUR 25,721,700. The total average negative balance in the observed ten-year period was -12,860,000 l in terms of quantity, and EUR 12,325,000 in terms of value.

Serbia has achieved the largest volume of the wine trade (excluding aromatized wines) in the 2009-2018 ten-year period, within the region of South-East Europe (CEFTA market), the import from this market being dominant.

The average import from that market was 23,467,800 l with a value of EUR 20,313,500, while the average annual export to the CEFTA market was 5,365,500 l (with an average annual value of EUR 6,734,100).

The total average negative balance in the trade of wine within the CEFTA region in the ten-year period was -18,102,265 l (with a value of EUR 12,443,700).

The biggest part of the wine trade (excluding aromatized wine), in the ten-year period from 2009 to 2018, also took place with countries of the European Union. In this period Serbia exported 2,733,000 l to the market of the European Union (with an average annual value of EUR 1,935,560), while the average annual import from this market was 1,935,000 l (with an average annual value of EUR 5,167,260). Looking at the average trade balance with countries of the European Union, Serbia recorded a positive balance of 798,100 l in the volume of exported wine during the observed ten-year period, but looking the value, Serbia had a negative balance which amounted to EUR 3,384,700.

A significant part of the wine trade (excluding aromatized wines) is taking place with other countries (export to the Russian Federation market dominates). The average export to this market in the ten-year period 2009-2018 was 4,523,500 l with the value of EUR 4,727,300, while the average annual import from this market was 79,200 l with the value of EUR 240,950. The average trade balance achieved by Serbia in the observed period with other countries is positive in quantity (4,444,300 l) and in the value of exported wine (EUR 4,486,500).

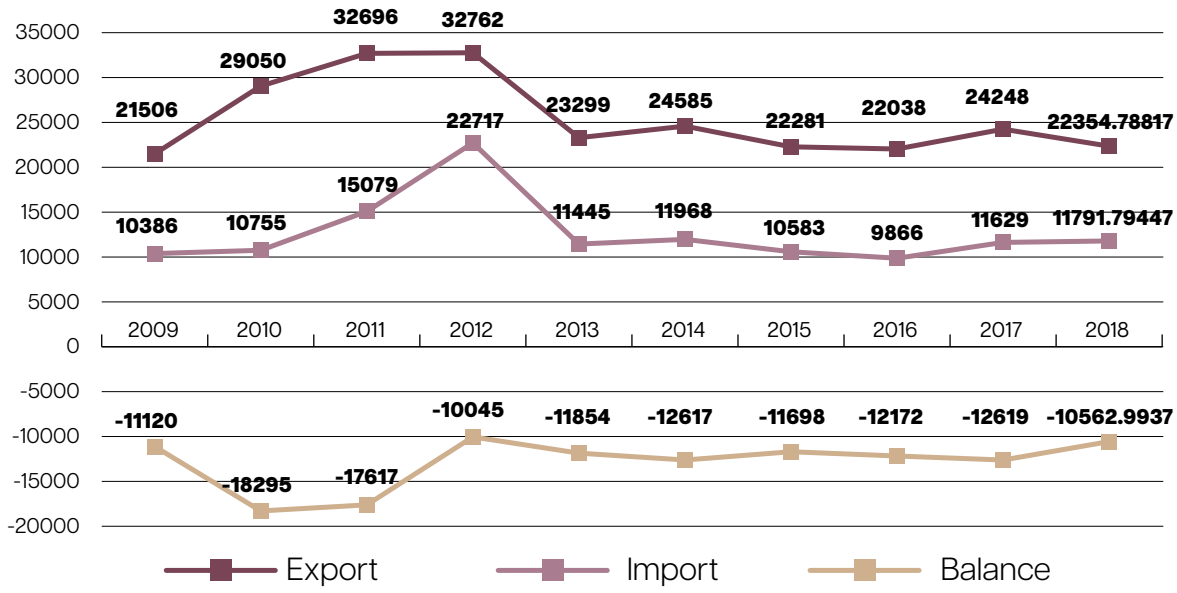


Chart 6.9. Trade exchange balance of wine (000 l) (excluding aromatized wines); 2009-2018
Data source: SORS

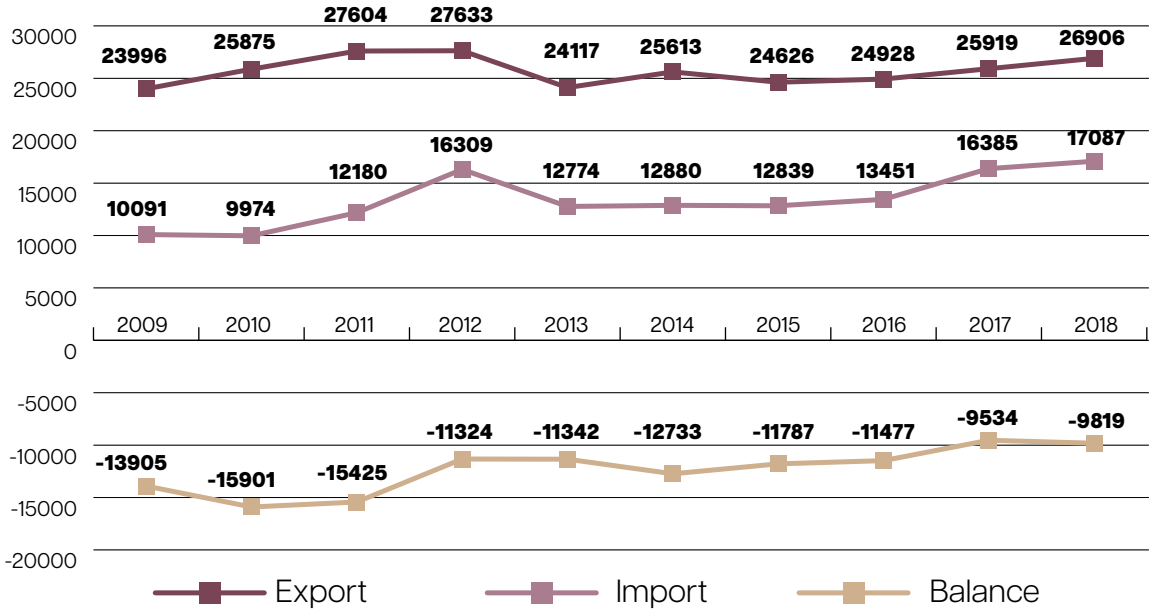


Chart 6.10. Trade exchange balance of wine (000 EUR) (excluding aromatized wines); 2009-2018
Data source: SORS

Trade of aromatized wines

Trade of aromatized wines in the ten-year period 2009-2018 took place on a much smaller scale. In the observed period, Serbia achieved a positive average balance in terms of quantity, but negative in terms of the value. The average quantity of exported aromatized wine in the observed period was 218,500 l (with the average annual value of EUR 229,200), while the average quantity of imported aromatized wine in this period was 194,560 l (with the average annual value of EUR 301,530).

A part of the trade of aromatized wines Serbia conducts with the countries of the European Union, with the dominance of imports from this market. In the observed period 2009-2018, 179,860 l of aromatized wines (EUR 281,429) was imported annually from the European Union, while exports to this market were negligible. In the last two years, the export of aromatized wine to the Russian Federation has increased.

SWOT ANALYSIS FOR SERBIAN VITICULTURE AND WINE PRODUCTION SECTOR AND MAIN OBSTACLES IN THE DEVELOPMENT

STRENGTHS

1. Favourable ecological conditions for the production of high-quality grapes and wine production
2. A long tradition in viticulture and winery
3. Positive interest in wine production with family holding
4. The existence of domestic created varieties, especially those suitable for integral and organic production.

WEAKNESSES

1. Poor price competitiveness with imported grapes and wine
2. Inadequate organization of producers in a professional context
3. Poor structure of grape and wine producers (dominant small producers)
4. The fragmentation of parcels in wine-growing areas favourable for cultivation of vines
5. The absence of certified plants from autochthonous, regional and domestic produced varieties
6. Low level of technical and technological equipment in wineries
7. Poor export of grapes and wine
8. Insufficient organized promotion of domestic wines and denominations of geographical indications
9. Demanding administrative procedures and conditions for registration of wineries, protection of geographical indications and conditions not required by the EU legislation.

SWOT ANALYSIS

POSSIBILITIES

1. Improvement and organization of the domestic market
2. Willingness of consumers to consume domestic wines in a greater extent
3. More active promotion and access to foreign markets
4. Establishing / transforming professional producer organizations and proper funds
5. Strengthening the certification systems and clonal selection of autochthonous, regional and domestic created varieties of grapevine
6. Improving the efficiency of the implementation of the procedures required by the EU legislation through authorization to do activities for professional institutions and organizations
7. Removal of all administrative and other requirements for producers of grapes and wines not required by the EU legislation, which reduce the competitiveness of domestic producers
8. Establishing measures to support the wine sector following the model of the EU requirements
9. Use of the EU funds

THREATS

1. Limitations in achieving better price competitiveness
2. Time-consuming process of obtaining building permits for investments
3. Poor implementation of regulations and controls regarding the use of unauthorized oenological practices and oenological resources
4. Failure to adopt new legislation for eliminating the conditions for the registration of wine producers and other conditions that make it difficult for the grape and wine producers, which are not mandatory under the EU legislation

The main obstacles in the development of Serbian Viticulture and Wine Production

The viticulture and wine production sector in Serbia is facing significant problems and difficulties in the production and trade of grapes and wines. The main problem affecting the poor competitiveness of grape producers in Serbia is the fragmentation of vineyards (especially in Central Serbia), which induces high production costs and thus reduces the competitiveness of grape and wine producers. In addition, the average area under vineyards per individual holding is small, i.e. unsatisfactory for making the profit which would further be put in new investments in the viticulture and wine production sector.

Grape producers are not highly specialized for this type of production, and they also encounter the following problems:

1) small possibility of growing new vineyards with certified cloning planting material from autochthonous, regional and domestic created varieties of grapevine, as well as the existence of vineyards that need to be restructured and replaced with new vineyards in order to achieve greater competitiveness;
2) insufficient diversity of vine rootstocks in commercial vineyards adapted to specific soil characteristics and general ecological conditions;
3) presence of incurable diseases in vineyards, where it is necessary to eradicate the vineyards, i.e. do the conversion with new vineyards;
4) a small share of the modern supports in vineyards, that is, metal pillars which reduce the costs of depreciation and increase the price competitiveness of the produced grapes;
5) poor capacities in terms of viticultural machinery and connecting machines that would be suitable for use in modern, newly developed plantations with dense planting (higher number of plants per ha);
6) presence of "non-competitive" vineyards in the vineyards of large (former socialist) systems.

Producers of grapevine planting material are facing the problems of lack of proper modern facilities, mechanization, and mother plants necessary for the production of quality clonal planting material of higher phytosanitary categories.

The wine sector, that is, the production of wine/wine products and aromatized wine-based products is an area that requires a lot of investment, knowledge and training of the producers, but also an additional effort to set a number of EU standards in this field. Given that consumers are increasingly demanding in terms of quality with acceptable wine prices, wine producers and producers of wine-based product need to improve wine quality and achieve appropriate competitiveness. Increasing competitiveness on the domestic and foreign markets and achieving EU standards requires investment in the reconstruction of production facilities and related facilities and purchase of new equipment, devices and vessels.

WINE LEGISLATION IN SERBIA

Legislation in Serbia regulating the viticulture and wine production sector is modelled after and mostly harmonized with EU legislation[10], which is the basis for some standards applied for wine/wine products and aromatized wine products. The current legislation regulating the viticulture and wine production sector is presented below through a brief review of laws and by-laws.

Viticulture and wine production (Common Market Organization and Quality Policy of wine and aromatized wine products)

- The Law on wine (Official Gazette of the RS, No. 41/09 and 93/12);
- The By-Law on the content and the manner of maintaining the Vineyard Register, as well as on the registration application form for the Vineyard Register (Official Gazette of the RS, No. 33/10 and 9/14);
- The By-law on technical and staff requirements to be fulfilled by the Expert organization for maintaining the Vineyards Register, as well as on the methods for performing tasks relating to the Vineyards Register (Official Gazette of the RS, No. 46/10 and 27/15);
- The By-law on the format, content, and manner of displaying registration marks for wines with geographical indications (Official Gazette of the RS, No. 67/10);
- The By-law on the manner and procedure for the production and quality of wines without geographical indications and wines with geographical indications (Official Gazette of the RS, No. 87/11);
- The By-Law on conditions to be fulfilled by an authorized laboratory which analyses the quality of must, wine and other products and regarding technical and professional equipment, reference methods for physical, chemical and microbiological analyses of wine, as well as sensory assessment (Official Gazette of the RS, No. 100/11);
- The By-Law on the packaging, declaration, and labelling of still wine, certain special wines and other products in production and on the market (Official Gazette of the RS, No. 38/12, 50/15, 62/16 and 24/17);
- The By-Law on the conditions for recognition, procedure of recognition of designations for still wines and certain special wines with geographical indications, as well as the method of production and labelling of still wines and certain special wines with geographical indications (Official Gazette of the RS, No. 121/12, 102/14, 78/15 and 94/17);
- The By-Law on the List of wine evaluators and the amount of compensation for the work of the evaluators (Official Gazette of the RS, No. 31/12 and 10/2017);
- The By-Law on parameters and analysis methods, as well as determining the quality of grape must, wine and other products from grapes, must, grape marc and wines used in the production of wine (Official Gazette of the RS, No. 107/14);
- The By-Law on the zoning of wine-growing geographical production areas in Serbia (Official Gazette of the RS, No. 45/15);
- The By-Law on oenological practices and oenological means for the production of grape must, wine and other products (Official Gazette of the RS, No. 26/15, 93/15, 41/17 and 84/2018);
- The By-Law on the procedure and methods for sensory testing of wine and the manner of training and assessment of professional competencies of sensory evaluators (Official Gazette of the RS, No. 93/15);
- The By-Law on the conditions for the production and market of aromatized wine (Official Gazette of the RS, No. 110/16 and 20/2018);

10 Not including the new EU regulations from 2018 and 2019

- The By-Law on conditions to be met by the Control organization, as well as manner and procedure of work of Control organization (Official Gazette of the RS, No. 30/17).

Quality Policy (Geographical Indication) for aromatized wine-based drinks and aromatized wine-product cocktails

- The Law on geographical indications (Official Gazette of RS, No. 18/2010 and 44/2018).

General regulations (including wine and aromatized wine products)

- The Law on food safety (Official Gazette of RS, No. 41/2009 and 17/2019);
- The By-Law on declaring, labelling and advertising food (Official Gazette of RS, No. 19/2017 and 16/2018);
- The By-Law on aromas (Official Gazette of RS, No. 52/2018) *(for aromatized wine products)*;
- The By-Law on nutritional additives (Official Gazette of RS, No. 53/2018);
- The By-Law on food enzymes (Official Gazette of RS, No. 51/2018).

Strategy for Harmonizing the Wine Sector

Strategy of Agriculture and Rural Development

Within the EU negotiations process and in order to develop agriculture, food industry and rural areas within the framework of EU integration, Serbia has adopted the Strategy of Agriculture and Rural Development for 2014 - 2024 (Official Gazette of the RS, No. 84/14).

National Program for Agriculture

National Program for Agriculture for the period 2018-2020, which represents a further elaboration of the Strategy of Agriculture and Rural Development at the medium-term level and brings concrete solutions in the field by defining and implementing agricultural policy in the period of 2018-2020 was adopted in 2017 (Official Gazette of the RS, No. 120/17). The main objective of this National Program in the wine sector is complete harmonization of Serbian wine legislation with the EU *acquis* through adoption of the Law on Wine and Other Products of Grapes and Wines and all by-laws by the end of 2020. Second, the Wine Support Program is planned to be adopted by 2020, as a legal basis for implementation of support measures for producers in the wine sector. The third objective of the National Program is the establishment of the electronic system by 2020 for the purpose of implementation of the Common Market Organisation of Wine (first of all system of accompanying documents).

Action Plan for the transposition, implementation and enforcement of the *acquis* in agriculture and rural development

Upon completion of the screening process for Chapter 11 - Agriculture and Rural Development, the Council of the EU has submitted a benchmark for opening negotiations on Chapter 11 - creating the Action Plan for the transposition, implementation and enforcement of the *acquis* in agriculture and rural development. The Government of the Republic of Serbia adopted the Conclusion on the adoption of the Action Plan for the Transposition, Implementation and Enforcement of the *acquis* in Agriculture and Rural Development on 18/10/2018.

The Action Plan provides for the following adoption dynamic of laws and by-laws (adoption of new or amendment of existing legislation):

- Law on Wine and Other Grape and Wine Products (Q4 2018);
- By-law regulating content and method of handling winery records and the conditions of transport, storage and marketing of grape and wine products (Q2 2019);

- By-law regulating categories of grape and wine products, oenological practices and applicable restrictions, experimental application of new oenological procedures and handling of products which do not conform to the Law (Q3 2019);
- National support program for the wine sector and by-laws regulating aid measures in the wine sector (Q4 2019);
- By-law regulating producer organizations in agriculture (Q4 2019);
- By-law regulating the area of isotopic analyses (Q4 2020);
- By-law laying down detailed regulations on the Vineyard Register, compulsory declarations, gathering of information and documentation to monitor the wine market, accompanying documents and records maintained for the wine sector, marketing of grape and wine products, as well as trade with third countries (Q1 2021);
- By-law ammending the By-law on the conditions for the production and marketing of aromatized wine (Q1 2018);
- By-law regulating aromatized wine-based drinks and aromatized wine-product cocktails (Q4 2019).

On the basis of the above-mentioned data, it can be determined that there are delays in in the realization of the Action Plan regarding the adoption of Law on Wine and Other Grape and Wine Products.

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