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União da Floresta Mediterrânica

INITIATIVE FOR LABELLING THE WINE CLOSURES TYPE

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ÍNDICE

1.	INTRODUCTION.....	3
2.	THE CONTEXT.....	4
2.1.	THE IMPORTANCE OF CORK OAK FORESTS.....	4
2.2.	THE IMPORTANCE OF CORK STOPPERS.....	6
2.3.	THE MAJOR THREAT TO THE CORK OAK FORESTS.....	8
3.	THE PROBLEM DEFINITION.....	12
4.	THE SOLUTION STRATEGY.....	14
4.1.	CONSUMER PREFERENCE.....	14
4.2.	LABELLING.....	16
4.3.	WINE LABELLING.....	16
5.	ELO PROPOSAL.....	17

1. INTRODUCTION

Cork oak forest extends over an area of almost 2,2 million hectares (ha), concentrated mainly in the Mediterranean region, in the South of Europe and North Africa (Portugal, Spain, Italy, France, Algeria, Morocco and Tunisia). Born in harmony with nature, cork has proved for long to be a natural, renewable, recyclable and biodegradable raw material. Cork is produced in rich, complex, stable ecosystems - which are a feature of Mediterranean regions that are poor for farming - in an environmentally friendly process during which not a single tree is cut down.

However, cork is mainly associated to the wine stoppers production. Cork for bottle stoppers accounts for almost 70% of the total value of the cork market, ensuring a vital role in maintaining the economic value of cork and the cork oak forests.

Through cork, the EU is also the world leader in the wine stoppers sector, perhaps one of the few cases in which a natural product persistently holds on to its leadership of the market. With a total cork market value of about €1,1 billion, with EU exports worth €0,47 billion, cork stoppers also accounts for 70 % of the international wine stopper trade.

More than 11 billion cork stoppers are produced every year and sold worldwide to the wine industry. Still, in spite of the increase in the global wine production in these last years, the cork stoppers market shows an important decrease, due to the increase in the market share of alternative wine stoppers, specifically plastic stoppers and screwtops.

This change in the global cork stoppers market is reducing the economic value of cork forests and affecting the revenues for the cork forest owners, which is the major threat to the sustainability of these important landscapes.

Despite these current trends, cork stopper has numerous advantages over alternative wine stoppers, which cork producers must disseminate through information campaigns, information exchange and communication, etc., in order to inform and reach the wine consumer.

Even though wine drinkers continue to overwhelmingly prefer cork wine closures to the alternatives, they cannot express their preference and choices, because they can't know what type of closure they will find when they buy a bottle of wine, and are many times confused, due to the designations of alternative stoppers (referred as "cork"), as well as their appearance (imitating cork).

The promotion of an initiative for the labelling of the wine closures type, a label that clearly identifies the type closure, will ensure an informed purchasing decision, and, through the consumers choice, maintain the commercial value of cork stoppers, increase the demand for cork stoppers and improve the sustainability of the cork oak landscapes.

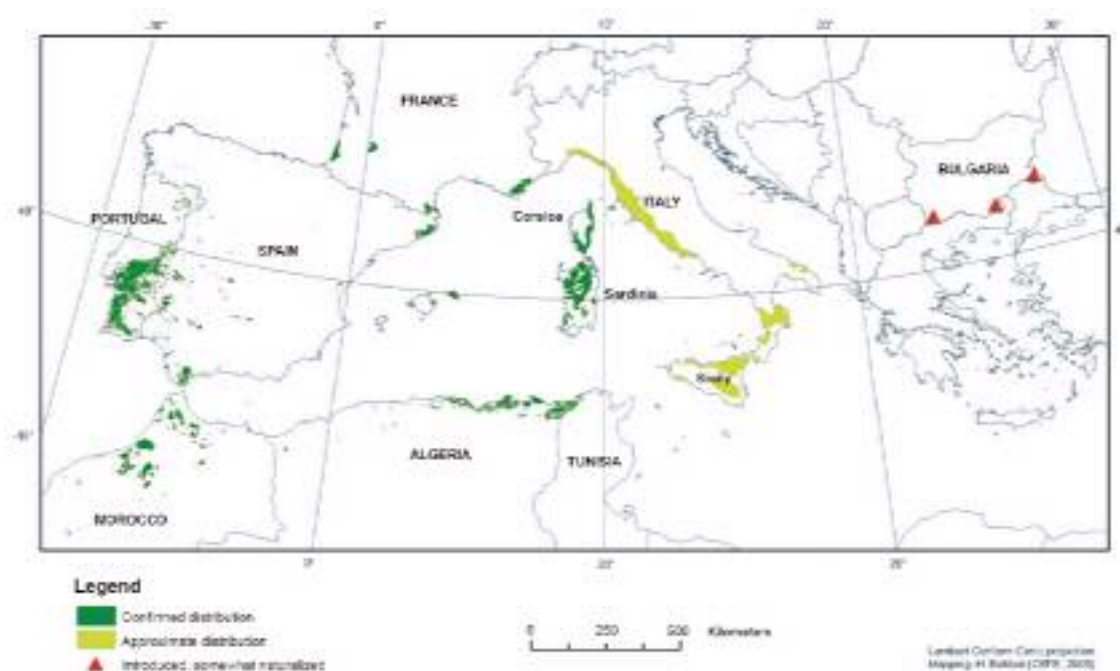
2. THE CONTEXT

2.1. THE IMPORTANCE OF CORK OAK FORESTS

CORK OAK DISTRIBUTION

Cork oak forests extend over an area of almost 2,2 million hectares (ha), concentrated mainly in the Mediterranean region, in the South of Europe and North Africa (Portugal, Spain, Italy, France, Algeria, Morocco and Tunisia). They have a wide range of positive merits assuming a great importance in the economic, social and environmental context of the rural Mediterranean economies:

Figure 1: Approximate cork oak (*Quercus suber*) distribution. H Bohbot, J Aronson & C. Fontaine CEFE/CNRS, Montpellier, 2005.



BARRIER AGAINST DESERTIFICATION AROUND THE MEDITERRANEAN BASIN

Cork oak forests are an effective barrier against desertification affecting a large part of the Mediterranean regions, playing a key role in ecological processes, such as water retention, soil conservation or carbon storage – environmental services with non-market value (externalities).

Under proper management, these forests are one of the best examples of sustainable development and prevent the spread of desertification, ensuring the role of combating desertification, adjusting hydrological cycles and preventing droughts, fighting erosion and conserving soils.

They provide rural populations with work, helping to settle people in areas where the population density is falling to a dangerous low, and where other sources of income and employment are limited.

A MULTIPLE USE SYSTEM – ENSURING CORK OAK FORESTS SUSTAINABILITY

The cork oak tree has a lifespan of around 170 – 200 years, during which time it will be stripped around 15 – 18 times (every nine to ten years). Stripping the outer bark is a very delicate operation carried out by skilled workers using special axes. After the harvest, the bark renews itself until the next harvesting.

In the undergrowth of cork oak forests, aromatic and medicinal plants, mushrooms, natural grazing with extensive livestock farming and a great deal of game complete this fantastic ecosystem of relevant economic and environmental value.

ONE OF THE HIGHEST LEVELS OF BIODIVERSITY AMONG FOREST HABITATS

In Portugal and Spain the cork oak landscapes are often dominated by a unique silvopastoral system shaped by men, combining open woodlands with more or less dense tree-cover, high quality pastures and rotation crops. These are called “Montado” in Portugal, and “Dehesa” in Spain. These habitats have been ranked among the most valuable in Europe and are listed in the EC Habitats Directive:

- HABITAT 6310 – *Quercus* spp. Stands of Perennial Leaf;
- HABITAT 9330 – *Quercus suber* Forests.

These landscapes support one of the highest levels of biodiversity among forest habitats, including globally endangered species such as the Iberian Lynx, the Iberian Imperial Eagle, the Black Vulture, and the Black Stork, a large number of migratory and wintering birds from Northern Europe, a rich diversity of fauna, including endemic spiders, spade foot toads, geckos, skinks, vipers, mongoose, wild cats, roe deer, boars, Barbary deer and genets.

2.2. THE IMPORTANCE OF CORK STOPPERS

WHAT IS CORK?

Cork is the bark of the cork oak (*Quercus suber* L), and is formed by the phelogen (also called cork cambium) that is located in the outer bark of the cork oak. It is a one-cell layer with the capacity of cell division, that surrounds the tree stem and branches as a continuous cylindrical envelop. The phelogen forms numerous layers of cork cells to the exterior (and a few layers of another tissue, pheloderm, to the interior), each phelogen mother-cell producing a row of radially aligned cork cells. The cork may be easily stripped off from the tree, by separation at the phelogen. This is done when it is physiologically active in late spring and early summer because the cells are turgid and fragile, and tear without damage to the underlying tissues. The cork oak responds by regenerating new phelogen a few millimetres inside the phloem that quickly starts its activity of forming new layers of cork to the exterior, thus restoring this protective barrier (WWF/MEDPO, 2006. Cork screwed? Environmental and economic impacts of the cork stoppers market).

This noble tree with very special characteristics that grows in Mediterranean regions, it's an astonishing tree, very long-lived and with an enormous capacity for regeneration. It can live on average 170 to 200 years despite its bark being stripped around 16 times during its lifetime, at nine-year intervals.

Cork - this vegetable tissue that is harvested with such care, has unique and incomparable qualities, which no ingenious human has yet managed to imitate or improve:

- very light;
- impermeable to liquids and gases;
- elastic and compressible;
- an excellent thermal and acoustic insulator;
- incombustible;
- highly abrasion resistant.

But it is, above all, a material that is one hundred per cent natural, recyclable and biodegradable three essential qualities in a more environmentally friendly and less polluted modern society.

(Source: APCOR, Cork Information Bureau, 2006).

NATURAL CORK STOPPERS – PLAYING A VITAL ROLE IN CLIMATE REGULATION

The Mediterranean cork forests cover a worldwide area of over 2.2 million hectares, and act as a global carbon storehouse, influencing the Earth's climate.

The Portuguese cork forests alone, with an area of 736 thousand hectares, drained 4.8 million tons of CO₂, from the atmosphere in the past year according to a recent study carried out by the School of Agronomy (ISA), in Lisbon. Bearing in mind that total emissions in Portugal amount to around 85 million ton, it is calculated that cork oak Portuguese forests are responsible for fixing 5% of total CO₂ emissions (Source: 2006 sustainability report Corticeira Amorim SGPS SA).

Consequently, one can conclude that the Mediterranean cork forests provide a carbon sink of over 14 million tons annually.

The Cork Oak tree (*Quercus Suber* L) is harvested every nine years, for the extraction of cork, once the tree hits the young adult phase – approximately 25 years of age. A harvested *Quercus Suber* L will retain three to five times more carbon than an unharvested cork oak, since the growth process of the bark greatly increases photosynthesis.

Given the carbon retention potential of cork, every time a consumer reaches for a natural cork sealed wine bottle there is a direct contribution to the environment.

(Source: APCOR, Cork Information Bureau, 2007).

CORK STOPPERS – ENSURING CORK OAK FORESTS SUSTAINABILITY

Cork is mainly associated to the wine stoppers production. Cork for bottle stoppers accounts for almost 70% of the total value of the cork market, ensuring a vital role in maintaining the economic value of cork and the cork oak forests. However, considering their unique structural characteristics, cork has many other different applications, from construction to automobile and aerospace industries among many others.

CORK STOPPERS VERSUS ALTERNATIVE MATERIALS – ECOLOGICAL BALANCE

The ecological balance between cork stoppers and alternative wine stoppers, specifically plastic stoppers and screwtops (aluminium), shows a major difference that clearly distinguishes cork stoppers.

Table 1 – Ecological balance

	CORK	ALUMINIUM	PLASTIC
ORIGIN	Forestry production, non polluting, extracted every 9 years without damaging the tree	Mineral Non-renewable resource	Oil Non-renewable resource
ENERGY CONSUMPTION	Low	High	High
CLIMATE CHANGE	Cork is a carbon sink A significant part of the energy needs for the production process is satisfied by using biomass	Primary production of a ton of aluminium emits, on average, 12 tons of CO ₂ The industrial process of transforming aluminium into a final product (Screwcap) gives rise to additional CO ₂ emissions	Petrochemical processes have a strong impact in terms of greenhouse gas emissions
RECYCLABILITY	100% recyclable with low energy consumption	100% recyclable with high energy consumption	Lower recycling rates
BIODIVERSITY	The cork activity promotes and sustains the cork oak ecosystem on which many animal species depend	The bauxite mines have a very significant potential negative impact on ecosystems	Extracting and transporting oil and refining the respective products has a very significant potential negative impact on ecosystem

Source: 2006 sustainability report Corticeira Amorim SGPS SA.

Cairn Environment recently communicated its findings on the environmental impact of manufacturing differing closures (Carbon Footprint). The report stated that a natural cork closure releases four times less carbon into the atmosphere than that of a screwcap (aluminum) closure. A cork stopper's Carbon Footprint is 2.5 kg of CO₂ per ton with screwcap reaching a figure of 10 kg of CO₂ (Screwcaps worst for the environment says closure company", Decanter, 24 of July 2007).

2.3. THE MAJOR THREAT TO THE CORK OAK FORESTS

Over 11 billion cork stoppers are produced every year and sold worldwide to the wine industry. Cork for bottle stoppers plays a vital role in maintaining the economic value of cork and the cork oak forests and that is why the wine industry, by choosing other kinds of closures, can cause

severe problems to the cork producers - The increase in the market share of alternative wine stoppers, specifically plastic stoppers and screwtops, is causing a decrease in the commercial value of cork stoppers, reducing the economic value of cork forests.

Table 2 - World Total by Type of Closure

	Cork	Synthetic	Screwcap	TOTAL
2004	12.661	2.206	1.242	16.109
2005	12.011	2.595	1.863	16.468
2006	11.853	2.819	2.064	16.737
Variation (06/04)	-6,8%	21,7%	39,8%	3,8%

Source: APCOR (2007)

Table 3 - Market Share by Type of Closure

	Cork	Synthetic	Screwcap
2004	78,6%	13,7%	7,7%
2005	72,9%	15,8%	11,3%
2006	70,8%	16,8%	12,3%
Variation (06/04)	-11%	18,5%	12,3%

Source: APCOR (2007)

Still, in spite of the increase in the global wine production in these last years, the cork stoppers market shows an important decrease, almost 1 billion stoppers in the last 3 years, a loss of 11%, due to the increase in the market share of alternative wine stoppers, specifically plastic stoppers and screwtops.

This change in the global cork stoppers market is reducing the economic value of cork forests and affecting the revenues for the cork forest owners, which is the major threat to the sustainability of these important landscapes.

Actually, there is a real risk that the cork oak landscapes will face an economic crisis, an increase in poverty, intensification in forest fires, a loss of irreplaceable biodiversity and an accelerated desertification process (WWF/MEDPO, 2006. Cork screwed? Environmental and economic impacts of the cork stoppers market).

IMPACT ON PORTUGUESE CORK STOPPER EXPORTS

Portugal is the largest international producer and exporter of cork, currently exporting more than 800 million euros per year in products. Suffice is to say that 90% of the cork produced in Portugal is for the foreign market and only 10% for the domestic market. In global terms 60% of the world cork trade derives from Portuguese cork, this figure rising to around 80% for the trade in manufactured products.

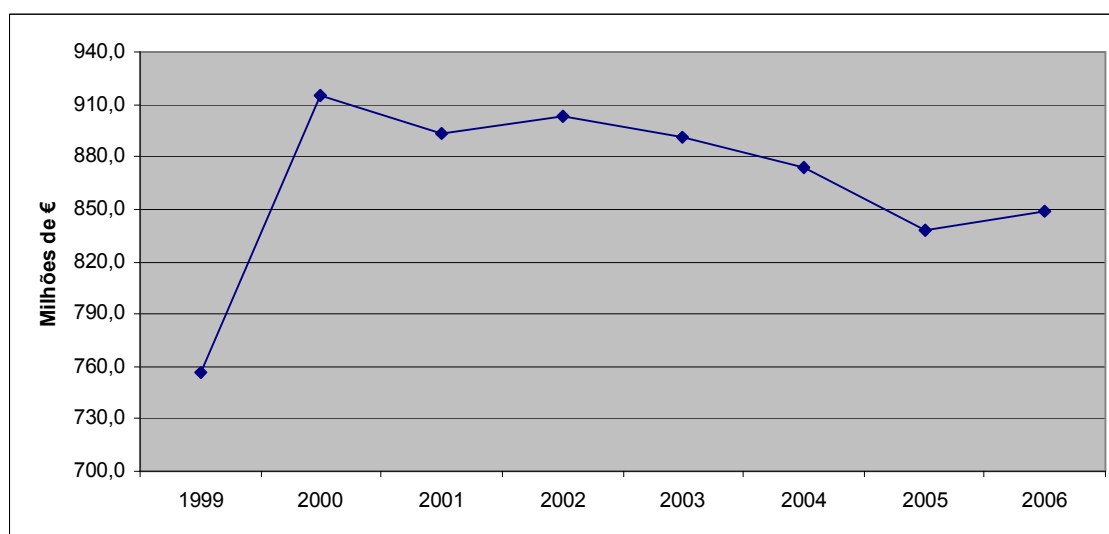
In domestic terms, the value of Portuguese cork exports represents around 0.7% of the GDP (market prices), 2.24 % of the value of Portuguese exports and 33% of exports of Portuguese forestry products.

It is to be noted that stoppers represent 70% of the total value of exports for the cork industry.

The data of the National Statistics Institute (INE) indicates a figure of 848 million euros concerning Portuguese cork exports for 2006. This value registered a decrease of 6 percent (-54,8 million €) compared to 2002's export values (graph 1). The same did not occur with the export volume, which registered an increase of 22,6 percent in relation to 2001's.

Concerning product type exports we verify that natural cork stoppers have registered a decrease of 20 percent (-101 million €) mainly in the Australian and French market. These trends are very worrying because in the "New World wines", from the United States, Argentina, China, Australia, South Africa and Chile, the wine production is developing at an impressive rate.

Figure 2: Portuguese cork exports (INE - National Statistics Institute)





IMPACT ON PORTUGUESE CORK PRODUCERS

These changes in the global cork stoppers market are reducing the economic value of cork forests and affecting the revenues for the cork forest owners, which show an increasingly decline over the last five years.

Despite the average incomes in the cork production sector vary widely depending on the region and the quality of the cork produced, the average income per cork unit fell by 34% between 2003 and 2007.

3. THE PROBLEM DEFINITION

Cork oak forests are of vital importance for the European non-wood forest product sector, both in terms of its weight and of its primary role within the agricultural and rural activity of cork-producing Member States (MS) and regions.

However, the analysis in the changes in the natural cork stoppers market illustrate that they have a direct impact on the cork producers incomes, sector that is increasingly confronted with a series of shortcomings, caused by the following market tendencies:

DECLINE IN CONSUMPTION FOR CORK STOPPERS

- The world wine market is currently unstable as a result of structural surpluses. In the past few years, supply has exceeded demand by an average of around 30 million hl (i.e. 11 % of production);
- Around 43% of the wine production increase are concentrated in the producing countries in the New World, where the wine industry is choosing other kinds of closures, instead of cork (growing wine markets have no affinity with cork);
- The deterioration of the balance between supply and demand in the wine sector and the increasing challenges inherent in a European and international wine market are putting producers' price and income under pressure – more competition in prices on wine markets and cheaper closures has an impact on the price of the stopper and on the type of closure;

LOSS OF COMPETITIVENESS

- The arrival on the market of cheaper wines produced for quick consumption, which are not intended to be aged. This is particularly true of the Australian wine market, and also valid for other expanding New World wine markets such as New Zealand and South Africa (ICMC 2005);
- Strong marketing for the promotion for alternative closures;
- The growth in the use of cheaper alternative wine stoppers is increasing the pressure on cork stopper prices, which affects the sale price of cork;
- The significant shift that has occurred in the market for cork stoppers, specially with the new agglomerated cork closure, affects the sale price of cork;



- Information about tainting by TCA in various media often places the blame on the cork, and can confuse consumers. People tend to blame taint problems on the cork, on the basis of misleading or incomplete information;

INSUFFICIENT CONSIDERATION OF ENVIRONMENTAL CONCERNS

- Environmental concerns related to the wine production don't include the type of closure despite the cork stopper numerous advantages (environmental and socioeconomic values) over alternative wine stoppers;
- The notion of "sustainability" from an environmental and energetic point for wine closures is systematically absent for the wine producers;

INSUFFICIENT CONSUMER INFORMATION AND PROTECTION

- Alternative stoppers are often referred to as 'cork' and imitate the appearance of cork, which can confuse customers;
- Consumers can't know the type of closure they will find when they buy a bottle of wine, therefore they cannot express their preference and choices;

4. THE SOLUTION STRATEGY

Because of the competition in prices on wine markets, and his impact on the cork producers incomes, we consider that the only viable strategy is to develop an initiative for the labelling of the wine closures type, a label that clearly identifies the type closure. This will ensure an informed purchasing decision, and, through the consumer's choice, achieve the following objectives:

- to provide consumers with necessary information to enable them to make sustainable choices;
- to increase the demand for cork stoppers;
- to maintain the commercial value of cork stoppers;
- to enhance the competitiveness of European cork stoppers, thus consolidating EU leadership in the sector;
- to safeguard producers' incomes;
- to improve the sustainability of the cork oak landscapes.
- within the general objective of competitiveness, to preserve the authenticity and the traditional character of the product (wine + cork stopper), and to safeguard cork oak forests in sensitive areas, where these landscapes play an important role in protecting the environment, water retention, soil conservation or carbon storage, combating desertification, adjusting hydrological cycles and preventing droughts, fighting erosion and conserving soils, enhancing the biodiversity, promoting climate regulation, and providing employment in rural areas;
- to take into consideration wider society concerns, such as consumer protection and environmental matters.

4.1. CONSUMER PREFERENCE

Different surveys and market studies are unanimous in confirming a clear preference for cork stoppers to the alternatives among wine consumers:

- In an independent survey of consumers in Australia, UK and the US, conducted in January 2002, 75 per cent of wine drinkers preferred cork. The figure was at its greatest in the US at 81 per cent, with 73 per cent and 72 per cent in the UK and Australia respectively. The survey was repeated in June and December showing consistent

results. Indeed, the consumer preference had risen to 76 per cent at the year-end. In the UK, in particular there was a significant rise in consumer preference. Despite a fall to 66 per cent in June that figure rose significantly to 78 per cent in December. This preference is manifesting itself in purchasing decisions. A total 85 per cent of consumers would rather buy a wine closed with cork than screwcap.

- In 2003, Wine intelligence launched new information about consumer attitudes in UK. The distinctive 'pop' of a wine cork is still a key element of the wine drinking ritual, say consumers, and it is not one they are keen to give up. Some 99% of respondents to the survey, conducted between August 15 and August 24 with a national sample of wine drinkers, said they were positive or neutral about cork. By contrast, nearly 6 in 10 respondents said they did not like buying wine with screw-caps;
- In 2004, Wine Intelligence, the largest international wine industry consultancy, conducted the first major survey of American consumer attitudes to the two types of seal, cork stoppers and aluminium capsules. And there can be no doubts about the responses: for two thirds of the respondents it was positive to buy wine with a cork stopper, 52% rejected aluminium capsules and only 1% said that they did not like to drink wine sealed with a cork;
- The results of the online survey conducted by American magazine Wine Spectator, the "bible" of wine publications, which gave the results front-page coverage. When asked "What type of closure do you think is best for your wine?", thousands of internet users chose cork: 81% against just 18% who preferred screw caps;
- In 2005/2006 Napa-based Balzac Communications conducted a survey on wine bottle closures to members of the US wine trade to determine their opinions of cork closures. Survey participants included members of the US Court of Master Sommeliers, restaurateurs, retailers, wine buyers at hotels nationwide and member of the wine media. Nine out of ten consumers - a stunning 94% - think that non-cork closures sometimes or often cheapen a bottle of wine according to those questioned in the study.

(Source: APCOR - Portuguese Association for Cork)

At the present time, wine consumers are not being able to clearly see the type of closure and make an informed purchasing decision. The cork plays an important role in differentiating wine from other beverages and it is an integral part of the wine-drinking experience.

Wine drinkers must have information on the type of stoppers in their wine available when they are buying it, either on the bottle or shelf display, and that's why we must maximise labelling of bottles so consumers can make the active decision to choose cork - provoke greater consumer reaction.

4.2. LABELLING

Labelling is an important market tool that should be viewed as an integral part of communication between the different market players.

For the consumer, consumer information in general and labelling in particular provides the means for the operator to pass on essential information about products as well as information, which, whilst perhaps not essential, is considered useful. As such, the label has the role of allowing the consumer to make an informed choice at the point of sale about whether to purchase a product.

For the cork producers, labelling is a powerful tool that, not only ensures operators pass on essential information, but also enables them to highlight the benefits of cork stoppers when compared to those of their competitors.

4.3. WINE LABELLING

The Council Regulation on the common organisation of the market in wine and amending certain Regulations states that the new EU wine policy should also give due consideration to the increased concerns of society as regards health and consumer protection.

For the new labelling policy the Commission proposes to simplify the labelling provisions by setting up a single legal framework applying to all the different categories of wine and particulars relating to them. It will provide consumers with the information they need and be more consistent with the wine quality policy. In particular, this involves:

- Ensuring consumer information and protection, fully informing them of the origin of the product through appropriate labelling rules on traceability.

For the purposes of Council Regulation “labelling” means any words, particulars, trademarks, brand name, pictorial matter or symbol placed on any packaging, document, notice, label, ring or collar accompanying or referring to a given product.

The wine labelling marketed in the Community or for export contain a set of compulsory or optional particulars, with information regarding the wine.

5. ELO PROPOSAL

With this report we would like ELO to develop a proposal on an initiative for the labelling of the wine closures type, a label that clearly identifies the closure type, and that ensure an informed purchasing decision.

On that proposal, we would like ELO to identify:

- the lobby strategy, including:
 - o the ELO members that should be involved (or not);
 - o the partnerships that must be developed with other organizations, such as COPA-COGECA, USSE, CEPF, WWF, etc., (or not);
 - o the EU organizations to be contacted;
- the main tasks to be performed;
- the budget;
- method of payment.

It would also be quite important, if ELO could identify EU support for:

- Marketing and promotion of cork stoppers on EU wine or cork forests areas/Natura 2000, etc, for:
 - o Public relations;
 - o Promotional or publicity measures;
 - o Participation at events, fairs or exhibitions of international importance;
 - o Information campaigns.
- Informing consumers in the EU for wine closures options:
 - o Campaigns explaining the EU-wide framework for wine and its historical and natural relation with cork stoppers;
 - o Campaigns on the benefits of responsible purchase of wine with cork stoppers.