AGRICULTURAL ECONOMICS REPORT 20 ISSN 0379 - 0827

TRENDS IN PRODUCTION, CONSUMPTION AND TRADE OF VINE PRODUCTS IN CYPRUS

S. Papachristodoulou and G. S. Panayiotou

AGRICULTURAL RESEARCH INSTITUTE
MINISTRY OF AGRICULTURE AND NATURAL RESOURCES

NICOSIA CYPRUS

MARCH 1988

TRENDS IN PRODUCTION, CONSUMPTION AND TRADE OF VINE PRODUCTS IN CYPRUS

S. Papachristodoulou and G. S. Panayiotou

SUMMARY

Grape production in Cyprus fluctuates around 200 000 tons and consists of wine grapes (85%) and table grapes (15%). The largest amount of grapes (67%) is delivered to the industrial wineries and smaller quantities are used for home production of vine products, raisin production, fresh consumption and fresh exports. The most important alcoholic beverages produced by the wineries are wines (39%), grape must/juice (33%), spirits (including eau-de-vie-de-vin) (21%), and intoxicating liquors (7%). Per capita consumption of wine in Cyprus is very low (12 L) because Cypriots prefer to drink brandy (6 L) with their meals during the cool part of the year and beer (45 L) during the hot part of the year. Demand analysis for table wines in Cyprus showed that wine competes strongly with intoxicating liquors, mainly brandy, but not with beer, which cannot be substituted by wine for most of the year. Exports of vine products account for 85-90% of total production. The export value of vine products, amounting to C£17.8 million, is distributed among six product groups of which wines and table grapes are the most important, accounting for 35% and 22% of the total, respectively. The other four are grape must/juice (16%), raisins (10%), intoxicating liquors/spirits (9%) and canned grapes (8%). Until now most of Cyprus wine exports were in bulk (88%) and only about 12% in bottles. The regime of wine exports in bulk had prevented the direct connection between the product and the foreign consumer and had deprived the Cypriot wine manufacturers of useful marketing experience. The customs union of Cyprus with EEC necessitates the rapid modernization of the Cyprus wine industry in order to increase exports to the EEC countries and minimize the losses in the local market due to free circulation of EEC wines after the transition period. The best way to do this is by producing new lines of improved products (quality, branded and AOC wines), which must definitely bear a national branded identity, and by embarking on a dynamic, centrally coordinated marketing effort.

ΠΕΡΙΛΗΨΗ

Η παραγωγή σταφυλιών στην Κύπρο κυμαίνεται γύρω στους 200 000 τόννους και αποτελείται κατά 85% από οινοποιήσιμα και 15% από επιτραπέζια σταφύλια. Η μεγαλύτερη ποσότητα σταφυλιών (67%) απορροφάται από τις οινοβιομηχανίες ενώ μικρότερες ποσότητες χρησιμοποιούνται για αυτοκατανάλωση (υπό μορφή κρασιού, σταφίδας, ζιβανίας και σουτζούκου), για παραγωγή σταφίδας, για επιτόπια κατανάλωση και για εξαγωγή. Τα σπουδαιότερα προϊόντα των οινοβιομηχανιών είναι τα κρασιά (39%), το γλεύκος/χυμός (33%), το οινόπνευμα (περιλαμβανομένης της ζιβανίας) (21%), και τα δυνατά οινοπνευματώδη ποτά (7%). Η κατά κεφαλήν κατανάλωση κρασιού στην Κύπρο είναι πολύ χαμηλή (12 λίτρα) διότι οι Κύπριοι προτιμούν να πίνουν κονιάκ (6 λίτρα) με τα γεύματα κατά τους ψυχρούς μήνες και μπύρα (45 λίτρα) κατά τους θερμούς μήνες. Ανάλυση της ζήτησης για επιτραπέζια κρασιά στην Κύπρο έδειξε ότι το κρασί αντιμετωπίζει ισχυρό ανταγωνισμό από τα δυνατά οινοπνευματώδη ποτά, κυρίως το κονιάκ, αλλά όχι από την μπύρα, η οποία δεν μπορεί να υποκατασταθεί από το κρασί κατά το μεγαλύτερο μέρος του χρόνου. Οι εξαγωγές αμπελουργικών προϊόντων αντιπροσωπεύουν τα 85-90% της ολικής παραγωγής. Η αξία των εξαγωγών, η οποία ανέρχεται στα 17.8 εκατομμύρια λίρες, κατανέμεται μεταξύ έξι ομάδων προϊόντων ως ακολούθως: κρασιά 35%, επιτραπέζια σταφύλια 22%, γλεύκος/σταφυλοχυμός 16%, σταφίδα 9%, δυνατά οινοπνευματώδη ποτά/οινόπνευμα 9% και εγκυτιωμένα σταφύλια 8%. Μέχρι τώρα η εξαγωγή Κυπριακών κρασιών γινόταν κατά 88% χύμα και μόνο 12% σε φιάλες. Η τακτική αυτή της εξαγωγής κρασιών σε χύμα έχει εμποδίσει τη δημιουργία άμεσης σχέσης μεταξύ προϊόντος και ξένου καταναλωτή και έχει αποστερήσει τους Κυπρίους οινοβιομηχάνους από απαραίτητες γνώσεις και εμπειρίες στον τομέα της εμπορίας. Η τελωνειακή ένωση Κύπρου-ΕΟΚ επιβάλλει τον γρήγορο εκσυγχρονισμό της Κυπριακής οινοβιομηχανίας με σκοπό την αύξηση των εξαγωγών στις χώρες της ΕΟΚ και τη μείωση των απωλειών στη ντόπια αγορά από την ελεύθερη κυκλοφορία των κρασιών της ΕΟΚ μετά τη μεταβατική περίοδο. Οι καλύτεροι τρόποι να επιτευχθεί ο πιο πάνω σκοπός είναι με την παραγωγή νέων βελτιωμένων προϊόντων (κρασιά ποιότητος και προέλευσης), με την υιοθέτηση κοινής εθνικής ονομασίας για όλα τα κρασιά, η οποία να προτάσσεται των διακριτικών των επί μέρους οινοβιομηχανιών, και με την ανάληψη δυναμικής και συντονισμένης προσπάθειας για προώθηση και εμπορία των Κυπριακών κρασιών.

INTRODUCTION

Cyprus leads the world in per capita production of grapes and produces all kinds of alcoholic beverages, grape must/juice and raisins. The total demand for vine products consists of the foreign export component, which accounts for 85-90% of total grape production, and the local consumption component which accounts for the remaining 10-15% (DSR, 1985).

For a long time Cyprus exports of wine products were dependent on one market (UK), one product (sherry), and one style of sherry (cream) (Acumen, 1977; Arnaud, 1980; MEMRB, 1987). This was due to the preferential treatment of this product in the UK market which gave it a distinct advantage over Spanish sherry. However, after the British accession to the EEC, and the abolition of the Commonwealth preferential system, exports of Cyprus sherry to the UK market fell dramatically. The Cypriot wine industry, therefore, turned to the production of other types of wine and to eau-de-vie-de-vin which was exported in bulk to the USSR. The most important recent change in the structure of Cyprus wine exports is the increased percentage of bottled wine. This is an important change which will gradually establish a direct connection between the product and the consumer, which was impossible under the previous regime of exports in bulk (Acumen, 1977; Arnaud, 1980; Debus, 1987).

The customs union of Cyprus with EEC necessitates the rapid modernization of the Cyprus wine industry in order to increase exports to the EEC countries and minimize the losses in the local market due to free circulation of EEC wines after the transition period. The best possible way to do this is by producing new lines of improved products (various brands of table and quality wines) consolidated into a national branded identity, and by embarking on a dynamic, centrally co-ordinated marketing (Acumen, 1977; Debus, 1987; Ritson, 1987).

The objectives of this report are: a) to analyse the local consumption patterns of alcoholic beverages and estimate the demand elasticity for wine in relation to competing beverages, b) to examine the long and medium term trends in the exports of the different wine products, and c) to assess the current situation of wine products in the EEC and study the effects that the customs union will have on the Cyprus vine products industry.

BACKGROUND INFORMATION

Viticulture has been practiced in Cyprus since the dawn of history, and Cyprus wine was famous throughout the ancient world. Since then, wine production has had its ups and downs but wine grapes have remained one of the most important traditional crops of the island until today. The socioeconomic significance of viticulture for Cyprus is reflected in the fact that about 17 800 farms (40% of the total number of farms) have grapes in their cropping pattern either as a monoculture or in combination with deciduous fruits, cereals and dryland trees. The size of most of the farms is very small (80% are less than 5 ha). It is estimated that a total of 50 000 people depend totally or to a great extent on grape production (DSR, 1986).

In 1960 vines were grown on an area of about 28 700 ha and were expanding during the whole decade at an annual rate of 4.4% (Agricultural Economics Section, 1986). Due to marketing problems the planting of new vineyards was placed by legislation (1969) under the control of the Vine Products Commission (VPC), which was entrusted with, among other things, the task of improving the quality of the grapes produced in the country. In pursuing this objective the VPC encouraged the planting of improved varieties of grapes, promoted replanting of old vineyards in the traditional vine producing areas and allowed the expansion of local varieties only in the main vine areas. However, as the expansion of local varieties in the main wine areas far exceeded the planting of new varieties and replanting of old vineyards in the traditional areas, the VPC decided to ban the planting of new vineyards with the local black variety Mavro (1981). The legal restrictions coupled with the severe drought of 1972-73, which caused the destruction and abandonment of more than one fifth of the vineyards, have reduced substantially the growth of the vine industry so that in 1985 the area under vines was a little below 33 000 ha, of which 3 000 ha was under table grapes (DSR, 1986). Wine-grape varieties consist of local Mavro (83.7%), local Xynisteri (9.8%), Malaga (1.6%), Ofthalmo (0.7%) and new varieties (4.2%) (Viticulture and Oenology, 1986).

Grape production, which in the early sixties was a little over 100 000 tons, exhibited an annual growth rate of 2.9% in the period 1960-85 but, as with the area, this growth was not uniform. In the sixties the growth rate was 6% but it slowed down to 1.3% in the early seventies. In the 1975-80 period grape production was growing at the rate of 3.8% but again it levelled off in the period 1980-85. In the last 5-year period grape production fluctuated around 200 000 tons, of which 26-30 000 tons was table grapes, with a value of production of over C£15 million, representing 15-19% of the total crop production (Table 1). Presently, grapes (wine and table) are areawise the second crop, after cereals (22.1% vs 31.5%), and are among the larger foreign exchange earning crops (they alternate in first position with potatoes). In 1985 exports of grape products contributed C£17.8 million to the economy. In the last 5-year period their contribution to exports exceeded C£17 million or 8% of total domestic exports and accounted for about 25% of agricultural exports (Tables 2 and 3).

CONSUMPTION OF ALCOHOLIC BEVERAGES

Per capita consumption of wines in Cyprus is considerably lower than in other wine producing countries. In France and Italy, the leading countries in wine production, per capita consumption of wine is 80 L, in Greece it is about 40 L but in Cyprus it hardly reaches 12 L (Moulton, 1982; Marfels, 1984; DSR, 1985). The low consumption of wine is attributed to the hot weather and the unique custom of the Cypriots to drink brandy with their meals during the cool part of the year and beer during the hot part of the year. If this quantity of brandy is converted into wine equivalent the consumption is raised to about 32 L/capita (Table 5).

The consumption of beer increased by 7.1% per annum in the period 1970-86 with a peak of 9.8% in the period 1970-79. For the period 1980-86, however, it was much lower (3.9%). The consumption of wine exhibited an overall increase of 2.3% per annum in the period 1970-86 while in the period 1980-86 it reached 4.0%, being the highest increase among all alcoholic beverages. Wine consumption refers mainly to bottled table wine. Consumption of intoxicating liquors, mainly brandy, increased by 2.6% per annum in the period 1970-86, but only by 1.1% in the period 1980-86, which indicates that consumption of brandy with meals is slowly giving way to wine.

Demand analysis for table wines based on data on prices and per capita consumption of wine, intoxicating liquors, beer and soft drinks and per capita

Table 1. Area, production and value of grapes (1960-1986).

Year	Area* (ha)	Production** (000's t)	Value of production: of grapes (C£m)	Value of production: of grapes as % of all plant production
1960	28 730	102	1.8	13.8
1965	31 330	127	2.3	9.1
1970	45 330	183	4.2	13.9
1975	45 330	173	6.2	16.5
1980	34 400	208	13.7	18.7
1981	34 000	210	15.1	18.6
1982	33 330	201	15.5	16.6
1983	33 330	210	15.9	18.8
1984	33 070	198	16.2	14.6
1985	32 670	210	16.7	15.4
1986	29 735	151	12.7	12.0

* About 3 000 ha are under table grapes, mainly Sultanina.
** About 25-30 000 tons represent table grapes.

Source: Agricultural Economics Section (1986).

Table 2. Value of Cyprus exports of vine products 1981-86 (in C£000's).

Product	1981	1982	1983	1984	1985	1986	Average 1981-6	%
Wines	6302	6897	6746	6988	5640	4282	6142	34.5
Spirits*	2368	1686	1719	1711	1311	407	1534	8.6
Grape must/juice	1622	1950	2483	3236	2148	5609	2841	16.0
Canned grapes	483	862	1069	1894	2779	1744	1472	8.3
Raisins	2378	2343	1745	1362	1602	1717	1858	10.4
Table grapes	3878	3921	3476	4406	4345	3758	3964	22.2
TOTAL	17031	17659	17238	19597	17825	17517	17811	100.0

* Eau-de-vie-de-vin, brandy and other distilled alcoholic beverages.

Source: DSR (1961-87).

Table 3. Export value of vine products in relation to agricultural and total domestic exports (1960-1986).

Year	Exports: Vine products	Exports: All Agricultural products	Exports: Total domestic	Exports of vine products as % of: Agricultural exports	Exports of vine products as % of: Total domestic exports
	------------C£ million (fob)------------				
1960	1.3	7.1	16.7	18.3	7.8
1965	2.6	13.7	23.1	19.0	11.3
1970	5.0	23.5	40.0	21.3	12.5
1975	6.6	23.9	48.8	27.6	13.5
1980	14.3	50.8	157.0	28.1	9.2
1981	17.0	62.1	200.6	27.3	8.5
1982	17.7	74.8	204.9	23.5	8.6
1983	17.2	63.1	189.0	27.3	9.1
1984	19.6	86.3	244.3	22.7	8.0
1985	17.8	76.2	210.7	26.5	8.4
1986	17.5	72.7	181.1	24.1	9.7

Source: DSR (1961-87 and 1985).

disposable income for the period 1975-86 was carried out using the ordinary least squares method (Table 5). Equation (1) shows that demand for table wines (Qw) is inversely related to the price of wine (Pw) and beer (Pb) and directly related to the price of liquor (Pl), soft drinks (Ps) and disposable income (Y). The regression coefficients and, therefore, the elasticities for the price of wine, the price of liquor and the level of disposable income are statistically significant at the 95% level. The coefficients and elasticities for the prices of beer and soft drinks are not statistically significant.

$$Qw = 3.89 - 0.072Pw + 0.079Pl_l - 0.110Pb + 0.084Ps + 0.002Y$$

$$\begin{array}{llllll} (t) & (2.77) & (3.87) & (1.47) & (1.45) & (2.45) \\ \eta & -0.36 & 0.86 & -0.39 & 0.17 & 0.32 \end{array}$$

$$R^2 = 0.986 \qquad (1)$$

The own-price elasticity (η) is -0.36 indicating that for every 1% decrease/increase in the price of wine there will be only 0.36% increace/decrease of the quantity demanded. The demand for wine is price inelastic which means that price does not play a very important role in the consumption of wine. Other factors such as consumer tastes (habit to drink brandy with meals) and weather conditions affect wine consumption to a greater extent. The cross-price elasticity with intoxicating liquors (mainly brandy) is 0.86 meaning that for every 1% increase/decrease in the price of liquor there will be a 0.86% increase/decrease in the quantity of wine demanded. This means that intoxicating liquors compete strongly with wine and that the two products are close substitutes. The cross-price elasticities with beer and soft drinks, as already mentioned, are not statistically significant. It can be concluded, therefore, that the price of beer and soft drinks, and consequently beer and soft drink consumption, does not significantly affect wine consumption. This may be due to the hot weather that prevails during most of the year which does not allow the switching from beer to wine when the price of beer is rising. The income elasticity of demand is 0.32 which means that for every 1% increase in disposable income there will be a 0.32% increase in demand for wine. The very low price and income elasticities of demand for wine suggest that its consumption will not increase unless a major change in consumer preferences occurs. The recently increased per capita consumption of wine is the result of increased number of wine consumers, due to the increased numbers of tourists and the demonstration effect they had on the local population, rather than actual increase in consumption by established consumers. Of course, the fact that the quality of locally produced wine has lately improved substantially facilitated the attraction of new customers. Wine promotion activities may now offer the means needed for major change in consumer preferences.

In the 1960s about 39% of total grape production went to the wine factories, 27% to raisin production, 12% was placed fresh on the local market, 4%

was exported fresh and 18% was used for home consumption as fresh or in the form of wine, raisins, zivania and grape must pudding (VPC, unpublished data). Encouraged by the relatively high producer prices (subsidized) of fresh grapes delivered to the factories, more growers chose to dispose of their grapes through this outlet. Such delivery freed a substantial portion of family labour, which was previously used in grape processing, for off-farm employment. In the period 1975-85, 66-73% of grape production was absorbed by the industrial wineries, 4-10% went into raisin production, 4-8% was placed fresh on the local market, 4-7% was exported fresh, 1-3% went to the canning industry, and 9-14% was used for home production of vine products and self consumption (Table 4). In 1985 total grape intake by the industrial wineries was 143 680 tons of which 28.2% went to SODAP, 26.8% to ETKO, 25.4% to KEO, 17.8% to LOEL and 1.8% to VEAP (ARI, unpublished data).

Table 4. Utilization of grape production, 1975-1985).

Year	Total production (000's t)	Grapes delivered to wineries	Grapes used by growers	Grapes used for raisins	Fresh grapes exported	Fresh grapes consumed locally	Canned grapes
		% of total					
1975	173	69	14	4	7	6	—
1976	168	68	13	5	7	7	—
1977	156	71	9	5	7	8	—
1978	184	73	9	3	7	7	1
1979	201	68	12	6	7	6	1
1980	208	67	13	8	7	4	1
1981	213	66	13	10	6	4	1
1982	197	67	11	8	7	5	2
1983	207	68	10	10	5	5	2
1984	199	70	10	7	6	5	2
1985	216	66	14	7	4	6	3

Source: Vine Products Commission (unpublished data),
Ministry of Commerce and Industry, Nicosia, Cyprus.

Table 5. Determinants of wine consumption (1975-1986).

Year	Population (000's)	Disposable income (C£/cap.)	Consumption of beverages: Wine	Brandy*	Beer	Soft drinks	Average retail price: Wine	Brandy	Beer	Soft drinks
			L/capita				cents/litre			
1975	487.3	522	7.5	4.7	22.7	30.0	36	82	24	14
1976	484.8	692	7.5	4.8	22.7	37.5	38	85	24	14
1977	483.0	879	7.8	5.2	27.5	46.3	38	84	26	15
1978	488.2	1 018	8.4	5.6	30.8	49.5	38	85	27	15
1979	495.0	1 238	8.7	5.5	35.1	50.9	41	95	31	15
1980	504.0	1 460	9.3	5.7	35.8	51.6	46	102	34	19
1981	516.1	1 624	10.1	5.7	38.1	51.1	47	110	38	22
1982	525.1	1 891	11.1	5.6	40.0	54.9	53	120	38	22
1983	536.1	2 044	11.1	5.9	42.6	57.2	57	121	38	22
1984	549.5	2 328	11.9	5.9	42.3	57.5	58	125	43	28
1985	559.2	2 532	11.8	6.0	44.1	63.6	63	130	45	28
1986	567.4	2 685	11.8	6.2	45.1	62.7	74	131	45	29

* To convert to wine multiply by 3.2.

Source: DSR (1987a and 1987b).

The wine grapes delivered to the commercial wineries in 1985 consisted of local Mavro (71.9%), local Xynisteri (12.5%), Malaga (5.3%), new varieties (4.1%), grapes used for commandaria (mainly Xynisteri) (1.4%), and Ofthalmo (0.8%). Table grape varieties, mainly Sultanina, processed into wine represented 4.0% of total deliveries. Total table grape production amounted to 28 000 t in 1985 consisting of Sultanina (85.7%), Cardinal (10.7%), Perlette (1.8%) and other (1.8%) (VPC, unpublished data).

Wine is the most important alcoholic beverage produced by the wineries. In 1985 it accounted for 38.7% of total production followed by grape must-/juice with a share of 33.2%, spirits (including eau-de-vie-de-vin) with 21.1% and intoxicating liquors with 7.0% (all on anhydrous basis) (DSR, 1987b). With the exception of bottled table wine, 77% of which is consumed locally, the vast majority of other types of wine produced are exported. In 1985, 92% of ordinary table wines, 99% of dessert and aperitif wines, 82% of commandaria, 99% of sherry and 98% of other wines were exported. Overall, more than 85% of the wine produced is exported. Intoxicating liquors (brandy, ouzo, liquers, whisky, gin, etc). and spirits (pure, industrial and methylated) are produced almost entirely for the local market while eau-de-vie-de-vin and grape must/juice are produced entirely for export. Also, about 90% of raisin production (82% Mavro scalded and 18% Sultanina Seedless) is exported (VPC, unpublished data).

Wine imports to Cyprus are limited. During the last five years, they varied between 600 and 700 hl per year, representing only 1 to 1.5% of total sales. Imports of intoxicating liquors, mainly whisky, are much higher ranging between 2 500 and 4 000 hl per annum during the same period (DSR, 1961-86). The reason for the very low imports of wines and brandy is the high import tariff which is rather prohibitive for lower quality wines and renders high quality wines and spirits luxury goods and makes them very uncompetitive in the local market.

EXPORTS OF VINE PRODUCTS

In the last 5-year period exports of vine products accounted for 85-90% of total grape production (DSR, 1985). This shows that Cyprus is almost wholely dependent on exports for disposing of its grape production. Local demand is extremely small due to the small population and the very low levels of per capita consumption. The export value of vine products (C£17.8 million on average in the years 1981-86) is distributed among six product groups of which wines and table grapes are the most important accounting for 35% and 22% of the total, respectively (Table 2). A striking development is the strong increase in exports of grape juice and canned grapes during the last five years, which compensated for some losses in the export value of raisins and the larger losses in the value of cream sherry and spirit (eau-de-vie-de-vin).

1. Exports of wine

Exports of wine have increased dramatically since Cyprus independence in 1960. They increased from 69 400 hl in 1960 to 406 500 hl in 1973, the highest level of the pre-1974 period. During the period 1960-74 wine exports exhibited an annual growth rate of 11.3%. After a minor decline in 1975, exports rose again and reached a new record level of 426 000 hl in 1982. After 1984, however, exports of wine showed a marked decline and in 1986 they stood at 228 500 hl. The long-term trend was an increasing one for both quantity and value and only during the last 2-3 years it has turned into a steadily declining one (Table 6). From the composition point of view Cyprus wine production and exports experienced a distinct movement away from sherry towards table wines. The share of sherry, which was 64.2% of total wine production in 1973, dropped to 54.8% in 1977 and continued its decline even more rapidly to reach 32% in 1981 and only 11% in 1985 (DSR, 1987b).

During the period 1960-79 the main destination of wine exports was the UK (43-75%) followed by the USSR (15-33%) and German Democratic Republic (6-22%). As from 1980, the USSR became the main customer of Cyprus wine (56% in 1985), followed by UK (27% in 1985) and other countries with smaller quantities (DSR, 1961-87). With the signing of the Customs Union Agreement of Cyprus with EEC in 1987 it is expected that the UK and other EEC countries will import more Cyprus wine, mainly bottled, which fetches higher prices. Until now most of Cyprus wine exports have been in bulk (88%) and only about 12% in bottles. Wine exports include commandaria, table wines, fortified wines and other wines.

Commandaria wine. Exports of commandaria were declining in the sixties at the rate of 6.2% per annum. The declining trend continued in the seventies (2.1%) but exports started increasing in the early eighties. During the 1980-85 period exports of commandaria were increasing at the rate of 2.4% per annum to reach the record level of 11 470 hl in 1985. During the period 1960-75 the main customer for commandaria was the UK (82%) followed by the USA, Canada, Australia and Nigeria. After 1980 the USSR became the main customer (72%) followed by Australia (12%) and various other countries (16%) (DSR, 1961-87).

Bottled Wine. In the period 1960-79 the quantities of bottled wine exported remained at very low levels reflecting in a way the fact that Cyprus was a bulk exporter of rather low quality wine. After 1974 Cyprus bottled wine improved tremendously and exports started to increase rapidly. Annual exports during the 1980-85 period stood at 42 400 hl and were 3.5 times higher than those in the 1973-79 period. The main countries importing Cyprus bottled wine were the USSR (55-60%) and the UK (24-34%). The quota given to Cyprus in the agreement for customs union with EEC (35 000 hl) will certainly enhance exports to the UK and other EEC countries.

Fortified Wine. Exports of fortified wine (sherry) showed a spectacular increase during the 1960-73 period and reached 300 000 hl in 1973 (70 000 hl in 1960). After 1973, exports of Cyprus sherry were substantially reduced (200 000 hl in 1976) reflecting the decreased imports by the UK due to accession of that country to the EEC. The fact, however, that during the transition period (1973-76) Cyprus sherry continued to enjoy favourable treatment with respect to excise duty under the Commonwealth Preference System, protected it from intensive competition by the Spanish sherry. Lower excise duty for Cyprus sherry meant lower prices and therefore larger consumption and exports, but this concession was not without consequences. The majority of British consumers, probably believing that the price discount reflected a quality difference, attached the image of lower quality product to Cyprus sherry (Planning Bureau, 1984). This had a negative effect on consumption when Cyprus sherry had to compete on equal terms with the Spanish produce. This occurred in 1977 when the artificial price advantage enjoyed by Cyprus sherry ceased to exist as the UK completed its transition to adopting the CAP and harmonizing the rates of its excise duty. As a result, exports of Cyprus sherry to the UK declined rapidly and in 1985 accounted for only 15% of the total as compared to 91% in 1974 and 75% in the period 1975-79 (DSR, 1961-87; VPC, unpublished data). Other destinations of Cyprus sherry are the USSR (50%) and East and West Germany.

Table 6. Exports of wine, 1960-85.

	Quantity (000's hl)	Value (C£1000's)	% change over previous period	
			Quantity	Value
1960-64	98.4	551	—	—
1965-69	203.0	1 294	15.6	18.6
1970-74	344.7	3 240	11.2	20.1
1975-79	334.1	4 477	-0.6	6.7
1980-84	385.4	6 355	2.9	7.3
1983	399.4	6 746	-6.2	-2.2
1984	386.2	6 988	-3.3	3.6
1985	331.2	5 640	-14.2	-19.3

Period	Annual rate of change (%)	
1960/64 - 1985	5.4	10.6
1965/69 - 1985	2.8	8.5
1970/74 - 1985	-0.3	4.3
1975/79 - 1985	-0.1	2.9
1980/84 - 1985	-4.9	-3.9

Source: DSR (1961-87 and 1987b).

2. Exports of Intoxicating Liquors

Brandy is the most important product exported (80% in 1985), followed by ouzo (18%) and liquers, gin and whisky (2%). Table 8 shows that exports of intoxicating liquors were rather stagnating in the 1960s. In 1970-74 exports gained 6.1% per annum over the preceding 5-year period and another 4.6% in 1975-79. During the whole decade exports exhibited an annual growth rate of 4.6%. In the 1980s exports of brandy started declining and in 1985 they reached their lowest point with only 1 161 hl. During the 1980-84 period exports showed an annual decrease of 6.2% over the preceding 5-year period. The long-term trend in the exports of intoxicating liquors is a decreasing one particularly after 1985 (Table 7).

3. Exports of Spirits

Pure, industrial and methylated spirit is produced in small quantities (about 3 500 hl) for the local market and only eau-de-vie-de-vin is produced and exported in substantial quantities. The production of eau-de-vie-de-vin has been the last resort 'solution' to the increased production of grapes and, in fact, it followed the pattern of production.

In the period 1960-64, eau-de-vie-de-vin production was rather low (1 320 hl) and was totally absorbed by Scandinavian countries. In the period 1965-74 exports of eau-de-vie-de-vin increased sharply (Table 8) and reached their maximum level in 1969 with 68 700 hl.The main customer during this period was USSR which absorbed 97% of total exports. Since 1974, annual production and exports of eau-de-vie-de-vin averaged below 40 000 hl but after 1980 started increasing again as a result of increasing grape production and the inability to export increased quantities of wine. During the period 1980-85 export of eau-de-vie-de-vin averaged 54 500 hl annually and was exclusively directed towards the USSR. However, after 1985 the disposal of surplus grape production in the form of eau-de-vie-de-vin is not possible because the USSR has stopped all imports of alcohol from Cyprus as a part of its anti-alcoholism campaign.

4. Exports of Grape Must/Juice

Exports of concentrated grape must and unfermented grape juice averaged 26 700 hl per annum in the period 1960-69 and remained constant throughout the 1970s. The main customers were the UK (73%) and Venezuela (12%). In the early 1980s exports of grape must and juice increased substantially and reached the record level of 114 900 hl in 1984. The main importing countries during this period were the UK (70%), USSR (12%) and Hungary (9%). Table 9 gives the quantities of grape must/juice and values together with their change over time. Despite the small reduction in the quantities of grape must/juice exported in 1985, the concessions granted to Cyprus in the Customs Union Agreement with EEC and the increased demand by East European countries give promises that exports of this product will soon reach new record levels.

5. Exports of Raisins

Exports of raisins (mainly black scalded) followed a declining trend during the 20-year period 1960-79 due to the stagnating demand in the foreign markets, and only during the 1980s this trend was reversed. Exports of raisins averaged 7 000 tons annually in the period 1960-64, 5 800 tons in the period 1965-69, 3 200 tons in the period 1970-74, 1 720 tons in the period 1975-79 and 4 860 tons in the period 1980-84 (DSR, 1961-87). Marketing black scalded raisins was always problematic so the Vine Products Commission (VPC) was authorized to purchase the total production at prices fixed by the Government annually. Administered prices usually were above international market prices and served as income support mechanism for the vine growers. During the period 1964-69, due to unfavourable

Table 7. Exports of intoxicating liquors*, 1960-85.

	Quantity (000's hl)	Value (C£1000's)	% change over previous period: Quantity	Value
1960-64	1 050	26	—	—
1965-69	1 086	38	0.7	7.8
1970-74	1 463	72	6.1	13.6
1975-79	1 823	125	4.6	11.6
1980-84	1 327	123	-6.2	-0.3
1983	1 216	123	-6.8	3.3
1984	1 365	102	12.2	-17.0
1985	1 161	134	-14.9	30.9
Period			Annual rate of change (%)	
1960/64 - 1985			0.4	7.3
1965/69 - 1985			0.4	7.2
1970/74 - 1985			-1.8	4.9
1975/79 - 1985			-5.5	0.9
1980/84 - 1985			-4.4	2.9

* More than 80% is brandy.
Source: DSR (1961-87 and 1987b).

Table 8. Exports of eau-de-vie-de-vin, 1960-85.

	Quantity (000's hl)	Value (C£1000's)	% change over previous period: Quantity	Value
1960-64	1.3	21	—	—
1965-69	49.9	844	107.4	109.7
1970-74	43.9	768	-2.5	-1.9
1975-79	38.6	1 000	-2.5	5.4
1980-84	54.5	1 646	7.1	10.5
1983	57.9	1 783	27.2	18.7
1984	45.3	1 395	-21.8	-21.8
1985	36.5	987	-19.4	-30.7
Period			Annual rate of change (%)	
1960/64 - 1985			15.6	18.2
1965/69 - 1985			-1.7	0.8
1970/74 - 1985			-1.4	1.8
1975/79 - 1985			-0.7	-0.4
1980/84 - 1985			-12.5	-16.2

Source: DSR (1961-87 and 1987b).

prices in the world market, large stocks of black raisins accumulated in the hands of the VPC. These stocks were crushed and exported for industrial use at lower prices. Exports of raisins, and changes over time are shown in Table 10.

During the period 1960-86 black scalded raisins accounted for an average 85% of the total exports, and seedless raisins for 15%, but seedless raisins increased their share to 24% in the period 1981-86. Black scalded raisins are exported mainly to the USSR (65-75% of total exports) and seedless raisins to the UK (15-20% of total exports). Cyprus seedless raisins can compete favourably with those of other countries (Greece, Spain). The problem remains of black scalded raisins, but then it becomes part of the general vine problem. It should be borne in mind that scalded raisins are produced in an effort to limit the volume of grapes going to the wineries. Recent increases in raisin production and exports reflect the increased demand for this product by the USSR. The increased demand for Cyprus raisins by this country came as a compensation for the decreases in her demand for spirit (eau-de-vie-de-vin). The demand by the USSR exceeds total present production and the VPC advises the vine growers to produce more raisins in order to alleviate the problem of wine grape surpluses.

MARKETING PROBLEMS AND FUTURE PROSPECTS

After 1973, when the UK joined the EEC, the Cyprus wine industry lost its most important customer. Although the Association Agreement between Cyprus and the EEC gave Cyprus wine exporters exemption from the EEC reference prices for a quota of 200 000 hl of sherry, exports of this product to the UK started to decline. From a peak of 300 000 hl in 1974, these exports fell to 60 000 hl in 1984. The reasons for this dramatic decline have been investigated by the Planning Bureau (1984). The most important are the following:

a) Since 1976, Cyprus sherry lost its duty preference in UK against Spanish products due to the abolition of the Commonwealth Preferential System.
b) Since January 1978, Cypriot exporters had to comply with the EEC reference prices also for sherry exported inside a tariff reduced quota of 250 000 hl.
c) The Spanish claim to the trade name «Sherry» and the substantial promotional efforts undertaken by them.
d) The low quality product image for Cyprus sherry established in the UK due to substantial price difference from the Spanish product.
e) The loss of the «Monte Christo» brand to the Spanish and the fact that the brands of Cyprus sherry do not belong to Cyprus wineries but to UK importers.

Table 9. Exports of grape must/juice concentrate, 1960-85.

	Quantity (000's hl)	Value (C£1000's)	% change over previous period	
			Quantity	Value
1960-64	28.4	192	—	—
1965-69	25.0	221	-2.5	2.8
1970-74	28.8	389	2.9	12.0
1975-79	39.5	1 086	6.5	22.8
1980-84	85.6	2 822	16.7	21.0
1983	93.5	3 085	22.0	22.0
1984	114.9	4 044	22.9	31.1
1985	90.6	3 235	-21.1	-20.0
	Period		Annual rate of change (%)	
	1960/64 - 1985		5.2	13.1
	1965/69 - 1985		7.4	16.1
	1970/74 - 1985		9.2	17.7
	1975/79 - 1985		10.9	14.6
	1980/84 - 1985		1.9	4.7

Source: DSR (1961-87 and 1987b).

Table 10. Exports of raisins, 1960-85.

	Quantity (t)	Value (C£1000's)	% change over previous period	
			Quantity	Value
1960-64	6 959	364	—	—
1965-69	5 804	330	-3.6	-1.9
1970-74	3 188	216	-11.3	-8.1
1975-79	1 721	409	-11.6	13.6
1980-84	4 935	1 854	23.5	35.3
1983	4 864	1 745	-24.4	-25.5
1984	3 986	1 362	-18.0	-21.9
1985	4 326	1 602	8.5	17.6
	Period		Annual rate of change (%)	
	1960/64 - 1985		-2.0	6.7
	1965/69 - 1985		-1.6	9.2
	1970/74 - 1985		2.4	16.7
	1975/79 - 1985		12.2	18.6
	1980/84 - 1985		-4.3	-4.8

Source: Agricultural Economics Section (1986); DSR (1961-87).

f) Competition by the British sherry.
g) The effects of the Spanish accession to the EEC. After 1987 Spanish sherry will enter the UK market free of any restriction (tariff, quota, reference price) thus discouraging imports of Cyprus sherry.

The Cyprus wine industry was able to substitute the declining exports of sherry by exports of table wines and grape must/juice concentrate. The loss of exports to the UK was balanced by exports to other destinations. Soviet Union became the most important importer of Cyprus vine products in bulk (eau-de-vie-de-vin, wines, black raisins). After 1985 however, when the Soviet Union banned the imports of alcoholic beverages, the situation of Cyprus exports of wines and spirits became serious again. The extra demand for raisins by this country cannot compensate for the loss of the eau-de-vie-de-vin exports.

Current situation for wine and vine products in EEC

The common organization of the wine-market distinguishes mainly two categories of wines, that of «table wines» representing the lower qualities and «quality wines produced in specified regions» (AOC) as an upper class of wines. In addition, special types of wine such as liquer wine, sparkling wine and semi-sparkling wine are also grouped into lower and higher qualities. The share of quality wines in Italy amounts to about 11%, in France to about 27% and in W. Germany to more than 88% of total production (Debus, 1987).

The basis of the common wine market organization are the guide prices which are fixed yearly for different types of table wines at the production stage. The guide prices and the whole intervention system are intended to protect the EEC producer from cheap imports. Quality wines are not subject to the intervention system. Minimum import prices (reference prices) and intervention prices are derived from the guide prices. When the import price (free-at-frontier) is lower than the reference price the difference is levied as countervailing charges. Countries respecting the reference prices are dispensed from the obligation to pay the countervailing charge. On the other hand, in order to enable wine products from EEC countries to compete with vine products from third countries on the world market price-support measures are practiced. Export refunds are granted for table wines, concentrated grape must, and ordinary liquer wines but not for quality wines. Also the exports to quite a lot of destinations (America and all countries respecting the reference prices), are exempted from the refunds. In order to guarantee a certain price level to vine growers it was necessary to intervene in the internal market as well. The following market interventions are currently in operation in the wine producing countries of the EEC: a) aids to long-term private storage of table wines and grape must, b) different kinds of distillation arrangements, c) aids for concentrated grape must used for the enrichment of wines, and d) aids for the production of grape juice, of «British» and «Irish wines», and of «home made wine» in the United Kingdom and Ireland.

Since the introduction of the common organization for wines in 1970, the development of the EEC wine market is characterized by a branching off between production and consumption. Production increased in the long run whereas consumption stagnated at first and even decreased during the last years. The space for imports to EEC countries became narrower and the pressure of EEC exports on the world market has risen considerably.

Production in the main grape producing countries of EEC has been increasing during the last 20 years and will probably continue to do so. Although the area under wine grape varieties has been decreasing in France and Italy since 1976, the growing yields have prevented a corresponding decrease in production. The accession of Spain and Portugal to the EEC in 1986 makes the situation in that market even more difficult. The adoption by these countries of the EEC market regime means that official prices as well as producer and consumer prices will increase. The price increase will serve as incentive for more production and as a disincentive for consumption. Consequently, the excess production over consumption will tend to rise further in the enlarged EEC. This will put more pressure against imports from third countries, including Cyprus.

Following changes in cosumer demand there has been a marked shift in production from red to white wines, from ordinary to quality wines, and from high alcohol to lighter wines. The shifting from red to white wines has been a slow one because it involves the change of the plantation (1.4% from 1975-85). The shift towards quality wines was faster (29% in 10 years) with leading country France, followed by Italy. The tendency for lighter wines is illustrated by the growing production in West Germany, Luxembourg and Alsace (France) (Debus, 1987).

Total wine consumption in EEC has been declining since 1973 by 1% per annum but there are considerable differences among countries. In the main wine producing countries (France, Italy, Portugal) total and per capita consumption is high but decreasing, whereas in the northern member countries (UK, F.R.Germany, Belgium, Netherlands and Denmark) consumption is low but rising (Arnaud, 1980; Debus, 1987). Meinhard Associates (1980) report a rising consumption trend in the Scandinavian countries also. The last two groups of countries represent growing markets for wine and offer better opportunities for third countries like Cyprus to compete for larger sales.

In the UK, which is of special interest to Cyprus wine industry, wines have a fast growing market. But the strong increase of wine consumption is associated with a shifting to lighter wines. So, light wines, which in 1970 had a share of one third, now account for more than three quarters of the market. Other distinct trends in the UK wine consumption are the preference for white wine, which currently accounts for 70% of the total, and the preference for quality wines, which account for more than 50% of the total (Debus, 1987). Generally, wine prices are high in the UK due to high excise duty (C£1/L).

West Germany is the largest import market of the world with wine imports amounting to more than 9 million hectolitres per year, but about 85% of this quantity is imported from EEC countries and most of the rest from countries of south-east Europe. The characteristics of this market are the high share of sparkling wines (16.7%), the very high share of quality wines (97%), and the low consumption of liquer wines (1-1.5%). Prices of wines are lower than in UK because there is no excise duty on light still wines. There is only a value-added tax of 14%. Generally, German wines are more expensive than imported wines (Debus, 1987; Arnaud, 1980).

Protection of local vine products against imports

The main instrument to protect the Cyprus vine products industry against imports is the high tariff (C£1-1.2/L). This tariff rate is rather prohibitive for lower quality wines and explains why imports of wines into Cyprus are very low (716 hl in 1985 or 1.3% of total sales). The tariff reductions for EEC table wines are small and do not encourage larger imports from EEC countries. For other products, like grape must/juice concentrate, the Cyprus wine industry is competitive. The second instrument used to control imports into Cyprus is the import licensing system which concerns raw and processed agricultural and industrial products. Most of the vine products belong to these products for the importation of which import licenses are necessary.

While the above measures provide protection from imports, export subsidies are used to make exports possible or to increase them. Exports undertaken by the Vine Products Commission (VPC) are usually subsidized when world market prices are lower than buying or cost prices of these products. The VPC buys raisins and zivania from the farmers at guaranteed prices and exports raisins and eau-de-vie-de-vin made from zivania. In addition, the VPC buys eau-de-vie-de-vin from the wineries and exports it at subsidized prices. Subsidy expenditures on VPC exports have steadily risen and reached a peak of C£1.8 million in 1984. Since 1982 there is also an export subsidy on table wines, liquer wines and grape must/juice concentrate, which amounts to C£0.4-0.5 million per year (VPC, unpublished data).

Effects of Customs Union on Cyprus vine products industry

Although Cyprus has no obligation to change its policy for vine products during the transition period (first 10 years), it is expected that there will be considerable trade effects on both exports and imports between the parties. Cyprus exports to EEC will be enhanced by increased quotas, further tariff reductions for these quotas, and special reference prices, i.e. minimum import prices. These changes during the transition period are summarized in Table 11.

After the transition period, the harmonization of policies between EEC and Cyprus, as set out in the protocol, will most probably require the abolition of subsidy on grapes delivered to the wineries and of export subsidy for vine products (Protocol to the Association Agreement, Article 28). This will increase the cost of grapes to the wineries, and thereby the export prices if the extra cost cannot be absorbed.

Bottled wine. Presently, exports of bottled table wines from Cyprus to EEC enjoy a quota of 10 000 hl with 75% tariff reduction. During the transition period this quota will increase to 35 000 hl and will grow by 5% per year for 10 years. The tariff will be completely eliminated by the end of the transition period. The flat rate added to the reference price (43% at present) will also be eliminated in 7 years but only for the initial quota of 35 000 hl. These concessions will allow a decrease of import prices by 11-15% during the transition period. This price reduction gives Cyprus the chance to increase exports of bottled table wines to EEC countries at least up to 35 000 hl. With the full customs union there will be free circulation of bottled wines but there will be no concessions on quantities above 35 000 hl. On the other hand, due to the abolition of subsidy, the cost of grapes to the wineries will increase and, as the margins between costs and fob prices are rather low, the need may arise for a small increase in the export price of bottled wines. To overcome the high export prices due to the packaging disadvantage (imported bottles, high transportation costs) Cyprus wine industry should examine the possibility of using alternative packaging such as bag-in-box or cans (Ritson, 1984).

Bulk Wine. In spite of the fact that until now Cyprus had no tariff quota for bulk table wines, it exported to EEC 34 000 hl in 1984. During the transision period a quota of 26 000 hl will be granted to Cyprus. For this quota a special frontier price may be established if there is a fall in the level of exports of these wines to EEC. The objective of this provision is to secure bulk table wine exports to EEC of at least 26 000 hl per year. The export situation of

Table 11. Import conditions for Cyprus Vine Products in EEC at present and during transition period of Customs Union.

Products, Conditions	At present	During transition period
a) Bottled Wine		
— Tariff quota	10,000 hl	35,000 hl + 5% per year over 10 years
— Tariff reduction	75%	Remaining 25% gradually abolished.
— Reference price	To be respected	Flat rate added to the reference price gradually eliminated for 35,000 hl until 1.1.1992.
b) Bulk Wine		
— Tariff quota	—	26,000 hl
— Tariff reduction	—	—
— Reference price	To be respected	Special frontier price for 26,000 hl
c) Liquer Wines (bottled and bulk)		
— Tariff quota	250,000 hl	150,000 hl + 5% per year over 10 years.
— Tariff reduction	70%	Remaining 30% gradually abolished.
— Reference price	To be respected	Special frontier price for 73,000 hl.
d) Grape must/juice concentrate		
— Tariff quota	—	3,000 t = 22,500 hl, half must, half juice
— Tariff reduction	—	—
— Reference price	To be respected	—
e) Dried grapes (raisins)		
— Tariff quota	500 t	1500 t + 5% per year for 10 years end = 2250 t.
— Tariff reduction	100%	100%
f) Table grapes (fresh)		
— Tariff quota	7500 t	7500 t + 600 t in year 1, 500 t in year 2 and 300 t in year 3-10 end = 11,000 tons
Calendar period	8 June - 31 July	8 June - 4 August

Source: Protocol of Customs Union Agreement between Cyprus and EEC.

bulk table wines will become more favourable with full customs union because the tariff reduction (C£5.28/hl) is higher than the increase in grape cost (C£2.91/hl) after the abolition of subsidy. As the margins between cost of wine and fob prices are rather high and as Cyprus will no longer have to respect reference prices in a full customs union, a reduction of export prices for bulk table wines is possible.

Liquer Wine. The tariff quota for liquer wines (sherry) will be reduced from 250 000 hl to 150 000 hl in exchange for quotas for other wines and vine products. Exports of liquer wines amounted to 61 000 hl in 1984. A special frontier price may be fixed for 73 000 hl which means that, as long as this special frontier price is low enough, Cyprus will be able to dispose of up to 73 000 hl of sherry. After full customs union the export price for sherry may have to be increased due to increased cost of grapes to the wine factories. As the elimination of the remaining 30% of the tariff will not offset the price increase of grapes, there will probably be a slight increase in the EEC import price as well.

Grape must/juice. The export of grape must/juice concentrate to EEC amounted to 65 000 hl in 1984 although there was no tariff quota for this product. The tariff quota for 3 000 t or 22 500 hl agreed upon in the protocol is much lower than present exports but, nevertheless, it is significant. After full customs union the burden on export prices due to higher cost of grapes and abolition of the export subsidy will be higher than the advantage of the EEC tariff to be eliminated but the margin between production costs and fob price seems to be high enough to absorb the extra cost.

Raisins. The tariff quota for raisins (mainly seedless Sultanina) is increased from 500 t to 1500 t at the beginning of the transition period increasing thereafter 5% each year for the whole period. For the above quotas tariff is completely eliminated. This concession is not very important, however, because production of Sultanina raisins is small and the product is quite competitive in the world market. With full customs union the abolition of grape subsidy will lower the marketing margins of the VPC, which is the only body dealing with raisin marketing.

Table Grapes. The tariff quota for fresh table grapes will gradually increase from 7 500 to 11 000 t by the end of the transition period (by 600 t in the first year, 500 t in the second and 300 t in each of the remaining eight years). In addition, the marketing period of 8 June to 31 July is extended to 4 August. The above concessions do not cover total production of exportable table grapes but constitute a considerable improvement on the existing situation.

The price effects of full customs union, with the exception perhaps of bulk wines, on Cyprus wine products will not be favourable because the high cost of production will not allow substantial reduction of their export prices. Bulk table wines are the only product for which the wineries could substantially reduce export prices due to the high margins between cost and fob prices, but total market for bulk table wines in EEC is decreasing. It is evident, therefore that growth of exports to the EEC cannot be expected from full customs union alone or its price effects but must rather be achieved by improvement of export marketing. It is high time that Cyprus wines (table and quality) develop a strong national identity so that the foreign consumer first and foremost identifies the product by this identity and only secondly by the winery. This requires considerable co-ordination in export marketing on behalf of the wineries, which is not easy. The extent, however, to which Cyprus wine idustry will be able to adopt the effective marketing necessary to exploit freedom of access will decide the success of customs union for the sector (Debus, 1987; Ritson, 1987)

Regarding Cyprus imports of vine products from the EEC countries the present situation will continue more or less unaltered at least during the transition period. Import taxes on vine products from EEC are maintained with minor changes regarding the licencing system. Licences will be granted automatically within the traditional limits of import but not above these limits. Concessions were granted for imports of grape juice (2 728 hl/year) and grape must (20 t/year). With full customs union, however, imports of wine from the EEC is expected to increase considerably due to substantial price decrease in the local market. Price decreases of the EEC wine will be effected by the abolition of the tariff (73 c/bottle), and economies in transport and trading because of higher import quantities. In addition, once the tariff is abolished, cheaper wines will also be imported. But it is expected that losses of the share of Cyprus wine industry in the local market will arise more by deliveries of quality wines from the EEC countries than by cheap table wines. EEC quality wines have a good image all over the world and the trend of consumption is towards quality wines in many countries, including Cyprus. The losses to Cyprus could be minimized only if Cyprus wine industry would be successful in the EEC market. The decision to proceed to full customs union between Cyprus and the EEC requires success of the Cyprus wine industry in gaining additional market outlets in the EEC through production of high quality products at competitive prices, and improved export marketing on behalf of the wineries during the next ten years.

ACKNOWLEDGEMENTS

The authors wish to thank the director of the Vine Products Commission for making available a variety of unpublished data, and Miss Skevoulla Philippou for typing this report.

REFERENCES

Acumen Marketing Group. 1977. *Market study on Cyprus wines* (Restricted)

Agricultural Economics Section. 1986. *Time Series Data on Crops, 1960-86.* (Internal Use). Agricultural Research Institute, Nicosia, Cyprus.

Arnaud, C. 1980. *The market for Cyprus wines in Belgium, Denmark, the Netherlands and the Federal Republic of Germany.* (Restricted).

Debus L. 1987. *The vine products sector of Cyprus and customs union with the European Community.* (Internal Use). AFC Agriculture and Food GmbH. Bonn, F.R. Germany.

DSR (Department of Statistics and Research). 1986. *Agricultural Statistics, 1985.* Ministry of Finance, Nicosia, Cyprus.

———. 1987a. *Economic Report for 1985.* Ministry of Finance, Nicosia, Cyprus.

———. 1961-87. *Imports and Exports for 1960-86.* Ministry of Finance, Nicosia, Cyprus.

———. 1987b. *Industrial Statistics for 1986-87.* Ministry of Finance, Nicosia, Cyprus.

———. 1985. *Sales of Vine Products Manufactured in Cyprus for 1984.* Ministry of Finance, Nicosia, Cyprus.

Marfels, C. 1984. *Concentration, competition and competitiveness in beverages industries of the European Community.* Commission of the European Communities, Luxembourg.

Meinhard Associates. 1980. *The export potential of Cyprus wines in the Scandinavian countries.* (Restricted) The Commonwealth Fund for Technical Co-operation.

MEMRB. 1987. *A Feasibility Study for the Agros winery.* (Restricted). Nicosia - Cyprus.

Moulton, K.S. 1982. The factors influencing wine consumption: A comparison between the United States and Europe. *Proceedings of the International Symposium of the International Office of Vines and Wines.* Verona, Italy. (Mimeographed).

Planning Bureau. 1984. *A historical appraisal of the problems and an evaluation of the prospects of Cyprus sherry.* Ministry of Finance, Nicosia, Cyprus. (Mimeographed).

Protocol to the Association Agreement between Cyprus and EEC, 1987. Brussels, Belgium. (Mimeographed).

Ritson, C. 1987. *Comment on the report: The vine products sector of Cyprus and customs union with the European Community.* University of Newcastle upon Tyne, England. (Mimeographed).

Viticulture and Oenology Section. 1986. *Contribution to the «World Atlas of Wines».* Ministry of Agriculture and Natural Resources, Nicosia, Cyprus.

Issued by the Press and Information Office, Nicosia
Printed by M. S. Zevlaris & Sons Ltd., Tel. 311818, Strovolos - Nicosia

P.I.O. 9/88 - 600