

Voluntary Report – Voluntary - Public Distribution

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Report Name: Overview of Wine and Beer Sales by Vinmonopolet in 2019

Country: Norway

Post: The Hague

Report Category: Wine, Agricultural Situation

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Report Highlights:

Enclosed is a brief analysis of the Norwegian wine monopoly's (Vinmonopolet's) sales of wine and beer in calendar year 2019. Norway was a \$12.2 million export market for U.S. wine and beer in 2019.

Overview:

Norway's wine monopoly (known as Vinmonopolet) has exclusive rights to sell beer (with an alcohol content of 4.7 percent or higher), wine, and spirits to the Norwegian consumer, and is a wholly-owned state corporation subject to the oversight of the Norwegian Ministry of Health and Social Affairs. Vinmonopolet has 335 stores across the country, and estimates its market share at roughly 60 percent.

Figure 1. Vinmonopolet stores in Norway



There is no direct trade between Vinmonopolet and producers of wine, beer, and spirits in Norway. All of its 27,000 products are purchased from (and sourced by) roughly 500 approved Norwegian importers.¹

Vinmonopolet's stores are divided into six categories based on their anticipated sales volume over the coming year. Annual sales range from one million liters in its largest stores to less than 35,000 liters in its smaller stores. The number of products sold in a shop also vary – from nearly 200 in a small (i.e., category one) store up to over 1,700 different products in a large (i.e., category six) store.

¹ A complete list of Norwegian wine importers, is available online at: vmp.sharepoint.com/:x/s/Vinmonopoletslanseringslister/EdmDaqfc8sVPv9iJVO1nq_ABsw8zQ-TB5vIGIs3FYTLFBg?e=XIUeGd

Table 1. Number of Vinmonopolet stores (as of January 1, 2020)

2019	CATEGORY 1	CATEGORY 2	CATEGORY 3	CATEGORY 4	CATEGORY 5	CATEGORY 6
Products	182	410	665	938	1265	1717
Yearly sales in liters	<35 000	35-100 000	100-200 000	200-350 000	350-500 000	500 000 +
Number of shops	19	75	60	67	52	62
Accum. no. of shops	335	316	241	181	114	62

Source: Vinmonopolet

The Norwegian beer, wine and spirits market is dependent on imports as domestic production is limited (only 20 percent of shelving is dedicated to Norwegian beer and spirits). The largest wine supplying countries to Norway are Italy and France who, together, account for roughly half of Norway's wine imports.

Product Ranges for Procurement

Vinmonopolet offers six different product ranges: 1) a basic product assortment, 2) a product ordering assortment, 3) a one-lot product assortment, 4) a special product assortment, 5) a product test assortment, and 6) a so-called additional product assortment:

- The basic range (also known as the basic product assortment) includes the top selling products Vinmonopolet sells in its stores, and accounts for 85 percent of total Vinmonopolet sales. Some of this assortment is sold in all stores, from category one to category six, but the number of products sold in each store is dependent on the store's size. The basic range contains 1,561 different products in total.
- The product ordering assortment contains those products that are not included in the basic, one-lot, or test assortments, but can be ordered in Vinmonopolet's stores or through the Vinmonopolet website. In this way, consumers, in actuality, have access to over 20,000 different products, half of which are wines. Sales of these products are driven by consumer interest and represent 12 to 13 percent of total Vinmonopolet sales.
- The one-lot product assortment (only 25 products in 2019) is seasonally dependent and varies over the course of the year (representing 1 percent of overall sales).
- Vinmonopolet sells a number of premium, high-end products through its special product assortment (2,762 different products). These products can be very limited, even down to just a few bottles, and represent a very small portion of Vinmonopolet's overall sales (approximately 1 percent). NOTE: Vinmonopolet has seven 'special shops' in which it exclusively sells the special product assortment.
- The product test assortment is an assortment that aims to help Vinmonopolet determine if a product should be carried in the future. Each year, Vinmonopolet decides how many products it will launch in its test range. The products are brought in for a six-month period to test their market viability. Based on the number of liters sold

over a six-month test-period in 62 full-range shops (category 6), Vinmonopolet will determine if a product should be carried beyond the test period.

- The additional product assortment consists of any other products that wholesalers have to offer. These products do not have to be in stock in Norway so long as an importer can procure the product expeditiously. Products in the additional range are not sold online, but certain shops may choose to carry them if they wish (NOTE: These products account for a very small portion of Vinmonopolet's sales).

Vinmonopolet also offers the possibility to its customers to place a special order, through the monopoly, for a wholesaler to import a particular product on a one-time basis (for a single customer):

- Vinmonopolet's customer service center can help to facilitate an agreement between a single customer and wholesaler to meet a specific request. These sales accounted for significantly less than one percent of Vinmonopolet's overall sales in 2019 (NOTE: a total of 561 different products were sold in this manner last year).

The Procurement Process

The basic and one-lot ranges are comprised of products purchased by Vinmonopolet based on six-month purchase plans, as well as products from the order or test ranges that have qualified by achieving a certain sales level. Each tender has a special emphasis on products from a particular country, area, or style based on consumer demand and trends at the national and international level. Vinmonopolet publishes tenders for bidding via its website and registered wholesalers can then submit their offers.²

Subsequently, all approved offers are tested by Vinmonopolet's sensory testing laboratory, where a panel of experts assesses the degree to which a product satisfies relevant specifications. Purchasing decisions are based on price, sensory quality, and the ability to deliver the product. New products entering the basic range are carried for at least 12 months, while the one-lot range (limited quantities) is carried until the lot has been sold out.

Alcohol Sales in 2019³

The Monopoly sold a total of 82.6 million liters of alcohol in 2019, 600,000 liters more than in 2018. Red wine is by far the largest sales category (accounting for 50 percent of all Norwegian wine consumption), followed by white wine and sparkling wine. Red wine accounted for two-thirds of consumption in recent years. However, the exceptionally good weather during the summers of 2018 and 2019 led to increased demand for lighter wines. Additionally, over the

² Vinmonopolet's tender plan (in English) for the basic and one-lot range for the second half of 2020 is available online at: https://vmp.sharepoint.com/:x/s/Vinmonopoletslanseringslister/EVclh1CcTEhMmBgjD-VIUYUB_jAeYec8ccfGqAK2DMbGoQ?e=PyFaQb

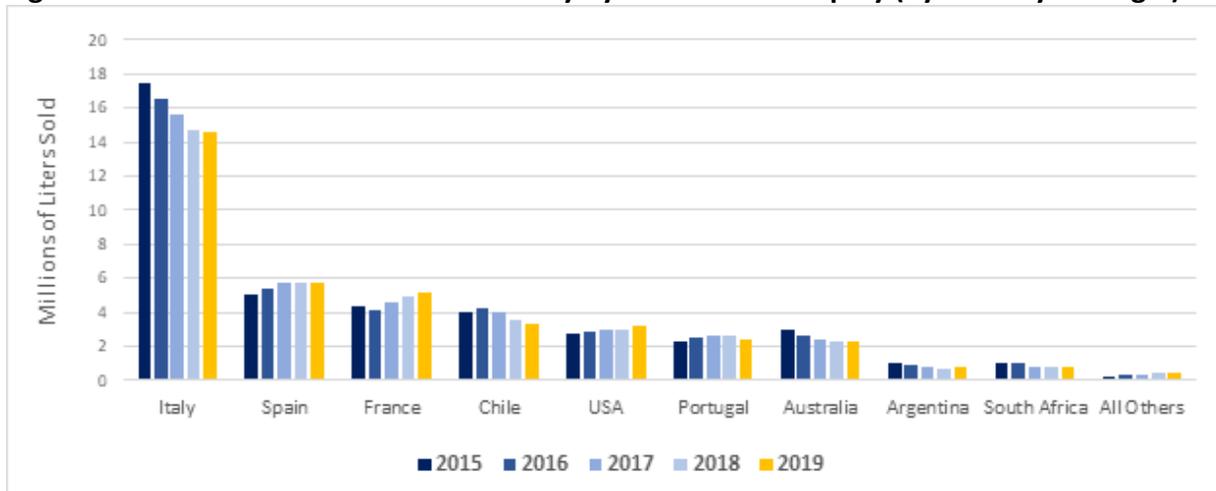
³ Vinmonopolet's 2019 profit is derived using the following formula: NOK 9.54 x volume in liters + 22 percent of the purchase price.

past decade, the monopoly has seen an increasing number of consumers (in the population-heavy southern part of the country and Oslo) purchasing lower alcohol products, such as cider and beer.

Approximately 60 percent of the wine sold by Vinmonopolet (by volume) is bag-in-box wine. Like overall wine sales in Norway, red wine is responsible for the majority (66 percent) of the bag-in-box wine sales.

Italy is the leading red wine supplier to Norway, responsible for 38 percent of red wine sales. The United States accounted for 8.4 percent (3.2 million liters) of Vinmonopolet’s red wine sales, roughly one percent more than in 2018. One of the monopoly’s top selling wines is a lighter red wine from California (bag-in-box), which sold over 1.1 million liters in 2018.⁴

Figure 2. Liters of Red Wine Sold in Norway by the State Monopoly (by Country of Origin)

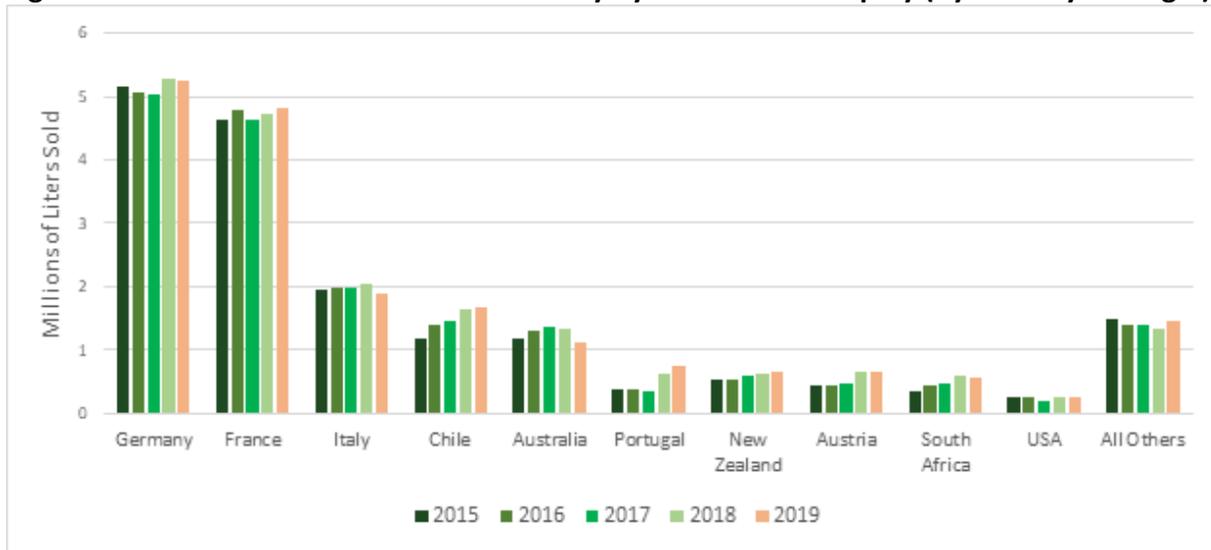


Source: www.vinmonopolet.no

In 2019, Vinmonopolet sold 19.1 million liters of white wine. Germany and France, the leading suppliers of white wine to the Norwegian market, accounted for more than half of white wine sales (53 percent). The United States was the tenth largest supplier to Vinmonopolet, and accounted for 240,977 liters of white wine sales.

⁴ For an overview of specific beer and wine brands sales, please see: vmp.sharepoint.com/:x/s/Vinmonopoletslanseringslister/EUxFLRzMlpBEiOrhT6Ct3eoBnwitJ5q-BWs0mMFSCUtVwg?e=x3QuND

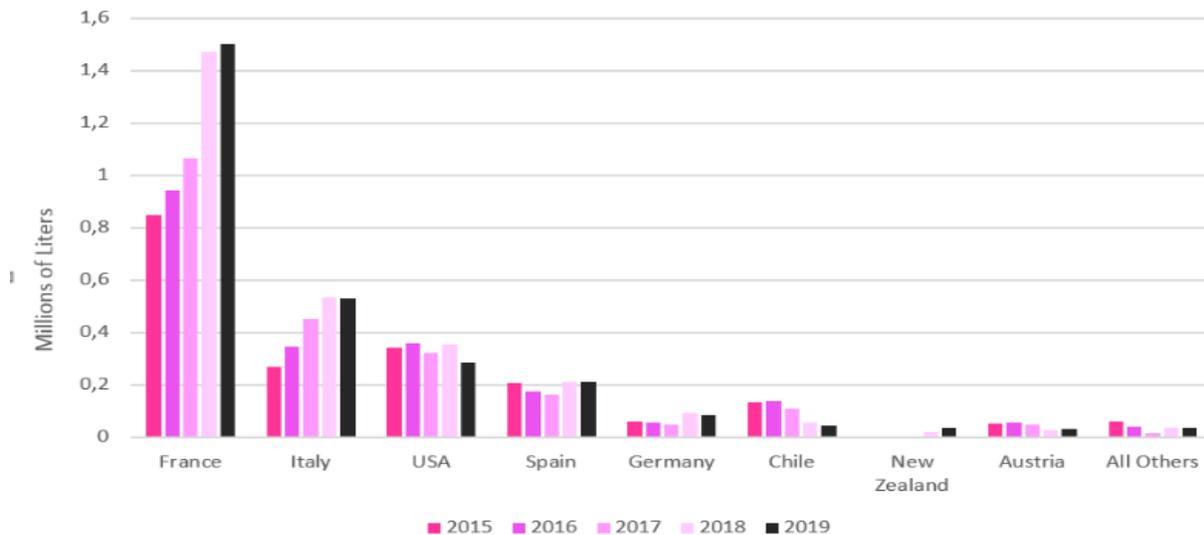
Figure 3. Liters of White Wine Sold in Norway by the State Monopoly (By Country of Origin)



Source: www.vinmonopolet.no

After France and Italy, the United States is the third largest rosé wine supplier for Vinmonopolet. Sales of rosé wines from France and Italy have seen a sharp increase in recent years.

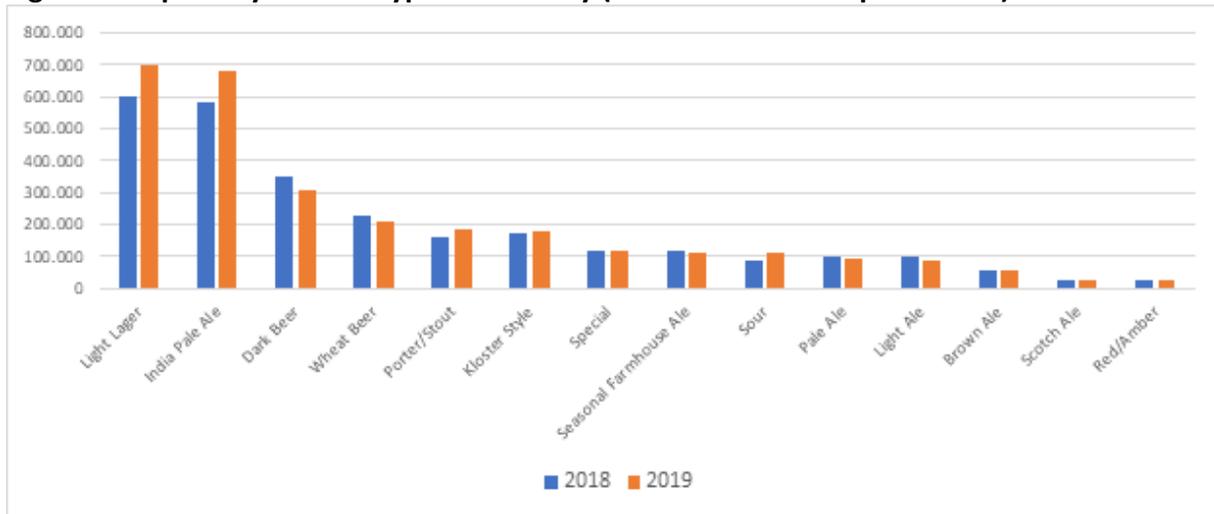
Figure 4. Liters of Rosé Wine Sold in Norway by the State Monopoly (By Country of Origin)



Source: www.vinmonopolet.no

In 2019, Vinmonopolet sold nearly 3 million liters of beer -- the most popular types being light lagers and India pale ales. These two beers accounted for roughly half of Vinmonopolet's beer sales, and accounted for an increasing share of beer sales in 2019.

Figure 5. Popularity of Beer Types in Norway (based on Vinmonopolet sales)



Source: www.vinmonopolet.no

The most popular alcohol content of beer sold in Norway is 4.7 percent, and lager beer still leads the market. Industry sources have noted that Norwegians generally have a strong preference for local products, and note that approximately 80 percent of all beer available in the Norwegian market (by volume) is from Norway. Norwegian brewers collectively produced approximately 2,600 different beer labels in 2019. Together with imported beer, it is estimated that 4,000 different labels were available in the Norwegian market last year. Additionally, the biggest beer trend in Norway right now, is the adding of kvass (a type of yeast). The advantage for brewers is that the inclusion of kvass results in a shorter production period.

In 2019, Norway saw a 10 percent increase in alcohol-free beer sales. This growth came on top of a 15 percent increase in alcohol-free beer sales in 2018, as younger Norwegians (under the age of 30) increasingly drink less alcohol than older generations. Vinmonopolet's alcohol-free beer sales reached 595,000 liters in 2019, the monopoly's highest sales volume ever for alcohol-free beer.

Most categories of liquor consumption in Norway are growing, with the exception of grape spirits (Cognac), which has been falling since 2008. Liquors tend to see an increase in consumption towards the end of the year, but are not weather sensitive (like wine).

Taxes on Alcohol and Packaging

Taxes are levied on all alcoholic beverages containing more than 0.7 percent alcohol, by volume, that are imported into or produced in Norway. Taxes are also levied on beverage

packaging. The following import taxes should be considered (rates for 2020) when exporting alcoholic beverages to Norway:⁵

Alcohol tax

Alcohol percentage	Tax level
Spirit-based beverages containing more than 0.7 percent of alcohol	NOK 7.84 per volume percent and liter ⁶
Alcoholic beverages over 0.7 up to 2.7 percent	NOK 3.51 per liter
Alcoholic beverages over 2.7 up to 3.7 percent	NOK 13.18 per liter
Alcoholic beverages over 3.7 up to 4.7 percent	NOK 22.83 per liter
Alcoholic beverages over 4.7 up to 22 percent	NOK 5.11 per volume percent and liter

NOTE: A reduced tax rate is applied to microbreweries

Two different taxes apply to beverage packaging: an environmental tax and a basic tax. The environmental tax is determined by the type of packaging material used. While the basic tax is applied to packaging that cannot be used again in its original form, i.e. single use packaging. Rates for 2020 are:

Environmental tax

Packaging material	Tax level
Glass and metal	NOK 5.99 per unit
Plastic	NOK 3.62 per unit
Cardboard	NOK 1.48 per unit

Basic tax

Basic tax on single-use packaging	NOK 1.23 per unit
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Attachments:

No Attachments.

⁵ More information about the alcohol tax and packaging taxes in Norway is available at: www.skatteetaten.no/en/business-and-organisation/vat-and-duties/excise-duties/about-the-excise-duties/alcoholic-beverage-tax/

⁶ At the time of this report's submission, 10.37 Norwegian Kroner were equivalent to \$1.00.