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On increasing wine and spirits consumption in India despite the challenges of taxes and duties

The future of wine and spirits in India

The second narrative is equally old but persists. It states that the biggest challenge faced by the wine and spirits industry today is the regulatory environment

When it comes to wine and spirits in India, the same two narratives have held sway over the last ten years, which, when you think about it, is rather sad. The first narrative is optimistic and has to do with consumption. The headline is basically “more.” More Indians are drinking, more are willing to spend more money on higher quality drinks. A report from IMARC says that the Indian wine market reached a size of US\$ 164.1 million in 2022. And it shows no signs of slowing. A report from Technavio says that India’s wine market is expected to grow at 30% year-on-year. If you believe these reports, and even if you half the growth rate, it seems pretty robust – for all the usual reasons. India has a young population with 500 million consumers at or above drinking age. Combine this with low penetration rates – Indians drink a miniscule 24 million litres of wine annually, as per a government report. All this is music to purveyors of fine wines and spirits, particularly since China’s walls are closing.

The second narrative is equally old but persists. It states that the biggest challenge faced by the wine and spirits industry today is the regulatory environment – licenses, taxes, and duties. Says Abhay Kewadkar of Tetrad Global Beverages, “From the ex-distillery or CIF price, to end-consumer price, the multiplying factor can be eight to 12 times for wines, and 15 to 20 times for the spirits, depending on the state.”

I verified these numbers with Sanjay Menon of Sansula and he agreed. “Our regulatory environment is the most ridiculous in the world,” he said.

This may be true, but when it comes to consumers, it isn’t a fair comparison because no matter where you live, wine costs include overheads, shipping, duties and wholesale mark-ups. In India, this stack of costs is particularly high because of duties and taxes. In India, we pay 2.5 to three times more than what it costs to buy a bottle of wine in more mature markets like the UK, EU or the US.

In comparison, the duties on alcohol in the

UK depends on the percentage of alcohol, with beer (4.5% alcohol) having lower duties than still wine (13% alcohol). Spirits like vodka have the highest duty. So the duty-structure depends on alcohol content, which makes eminent sense to breweries for instance. Wine and beer companies are lobbying with the Indian government not to lump all alcohol in one bucket. But politicians pay no heed because of rampant alcoholism amongst the masses. So low-alcohol drinks such as beer and wine become scapegoats in the politics against alcohol.

It isn’t just India. A 2022 study by the University of Illinois suggests that the same thing happens in international politics. “Wine often becomes a punching bag in trade disputes. It gets targeted for cross-retaliatory measures and punitive tariffs imposed by parties in dispute,” said professor William Ridley, the lead author in a paper titled, “Wine: The punching bag in trade retaliation,” published in the journal, Food Policy.

For example, when the US and the EU were engaged in disputes over aircraft subsidies, guess what happened? The US imposed wine tariffs of 25% on EU wines in 2019. This went on till 2021 when the parties reached a temporary truce. When China and Australia were fighting, China imposed tariffs of up to 212% on Australian wine, thus effectively halting this trade. No wonder Australian wine producers turned to India.

The people who suffer in these international disputes are usually wine consumers in countries that import wine. When the US and the EU were in dispute, American wine consumers suffered but the EU consumers rejoiced because suddenly all the European wines that were exported became available to them. Similarly, Chinese wine drinkers suffered the consequences of the China-

Australia trade stand-off, while the Australian economy suffered when China shut its walls.

How will the Indian liquor policy change? Well, a few things need to happen. Politicians need to wake up to the fact that wine and spirits are lifestyle choices that adults make. They can use the money they collect to police homemade liquor facilities to prevent adulterated and sometimes poisonous products. They can educate the public on how to drink responsibly, and perhaps even nudge their constituents towards low-alcohol products. If the masses take to wine-drinking, then I think the politicians will finally wake up and view wine, beer, cider and other low-alcohol beverages with a benign lens.

Winemakers are playing their part by creating markets at every price point, ranging from wines in cans and upwards. Uma Chigurupati of KRSMA says that winemaking is about passion and product, not about the bottom line. Says Shailendra Pai of Vallonne Vineyards, “Reports say that wine makes people feel ‘sophisticated’. Wine is an affordable luxury; it is a drink that people aspire to consume.”

As India’s middle class expands, maybe this aspirational group will turn to wine for their tippie. Sonal Holland, educator and Master of Wine says that while the understanding of wine among a majority of Indian consumers is “preliminary,” they are “keen to learn and embrace the wine lifestyle.”

But as Madhav Sehgal, general manager of the Leela Palace Bengaluru says, “Registration and regulation also has an impact on availability in different states and thus correspondingly consumption,” and so, “Indian wines continue to do well and are the most popular” in his restaurants.

But let’s get real. When will the Indian wine and spirits industry get an easier regulatory environment? It will be the day when your auto rickshaw driver starts drinking wine. ♦

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