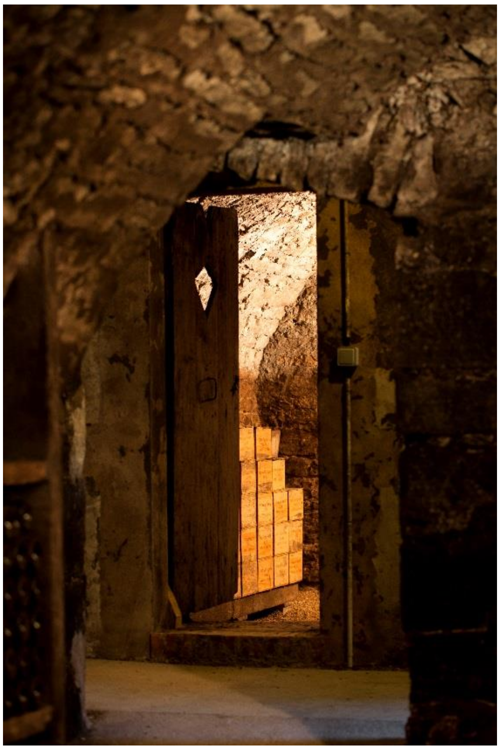
Bourgogne Wine Sales: Prices buoyant, awaiting the return of greater volumes



The 2014 vintage provided generous yields with good quality, and is now the core of activity in the advance trade market. Bulk sales from estates are up on the strength of this; 94% of volumes sold came from the 2014 harvest.

Available stocks held by producers are nonetheless still down on the average of the last five campaigns, and on the 10-year average. It is the third consecutive year of deficit, and this is having an impact on markets, although export figures have been very encouraging in some of the major markets.

The signs of the return to growth seen in the United States, Japan and Hong Kong since the start of the year could be confirmed when the 2014 vintage is fully on the market, and with the arrival of this year's vintage, which is of very high quality.

In France, results are more mixed, with a lower presence in the supermarket sector and on the restaurant circuit. The specialist wine store market held firm, with 40% reporting stability in Bourgogne wines sales in 2014, and 33% reporting an increase.

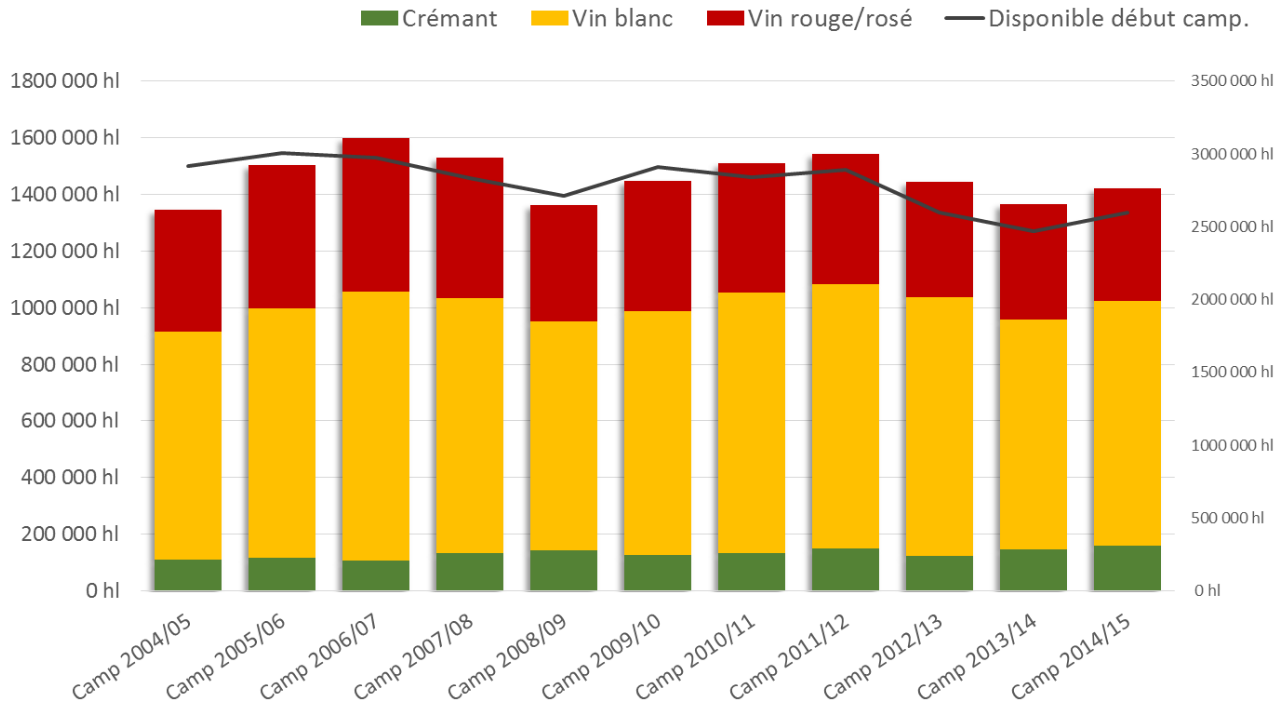
Professionals in the Bourgogne wine sector nonetheless remain prudent. After two harvests with volumes closer to normal – 2014 produced 1.58 million hectoliters and 2015 is likely to come in at around 1.5 million – the Bourgogne wine region should gradually regain the market share it has lost through lack of stock.

Advance trade transactions: Sales focused on the 2014 vintage

With high volumes harvested (1.58 million hectoliters, up 8% on the 10-year average), the 2014 vintage reinvigorated the advance trade market. After three campaigns of significant falls due to the low harvests in 2010, 2012 and 2013, trade picked up again.

In the course of the campaign from August 2014 to July 2015, **sales from estates increased overall by 4%**, but there were some nuances. Bulk sales were up 11% (up 80,161hl), but sales in the bottle dropped by 4% (down 23,826hl). Despite the year-on-year rise, they remain down 2.7% compared to the average over the past five campaigns, and down 3% on the 10-year average.

Bourgogne wine sales and available wine on estates at the start of campaign
(Source: Customs/BIVB)



Volumes of trade between producers and wine brokers were up 17.6% over the 12 months of the 2014-2015 campaign. Sales were stimulated by the 2014 harvest (up 21% by volume over 2013), but also by the brokerage sector's need for wine stocks, which had to be built up after several campaigns of low availability. This led to large volumes of the 2014 vintage being acquired, which accounted for 94% of the volumes traded in this campaign (777,537hl, compared to 625,535hl in 2013-2014, growth of 24%).

Despite the good volumes in 2014, available wine with producers at the start of the 2014-2015 campaign (stock as of July 2014 plus the 2014 harvest) remained at a critical level for the sector (down 5% compared to the five-year average, and down 8% over 10 years). In fact, the Bourgogne wine region dropped to just eight months of stock in 2014.

For several years now, the region's producers have been drawing on their reserves in order to limit any break in sales. The region has nonetheless lost some market share, having been unable to maintain sufficient volumes available for sale.

Export: Tending towards recovery in the main markets

Bourgogne wines are enjoying a boom, since the region enjoys a good image, which has been further enhanced with the inclusion of the *Climats* of the Bourgogne wine region being added to UNESCO's World Heritage List on 4 July 2015. While exports remained slightly down over the first nine months of 2015

(down 3.4% by volume) due to the lack of wine, demand has picked up in several countries. This is being driven by the highly anticipated 2014 vintage, which is starting to come onto the market.

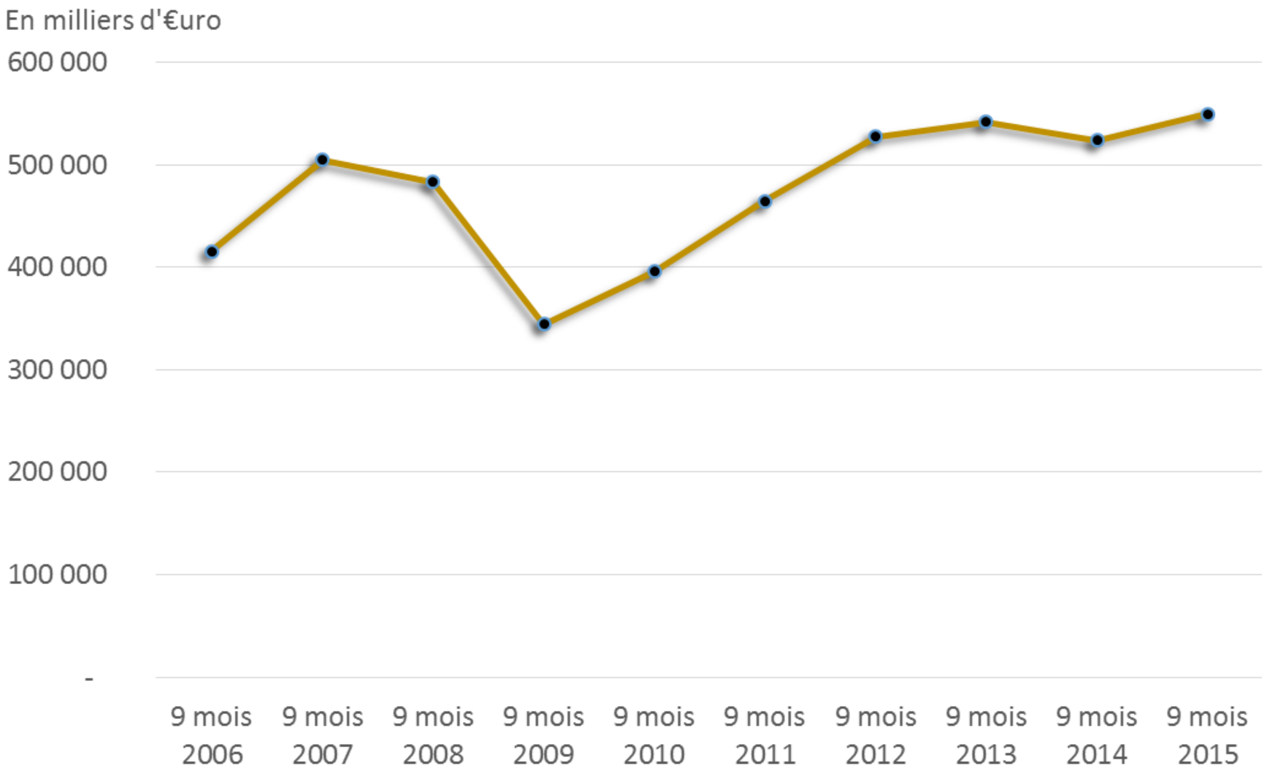
Other factors have had a positive influence on sales of Bourgogne wines: a euro/dollar exchange rate that is favorable for exports; low stock levels among importers-distributors; and the permanent presence of Bourgogne wine representatives in international markets.

In parallel, revenues have continued to grow, with **an increase of 25.3 million euros** (up 4.8%) over the first nine months of 2015 (to 549.4 million euros).

Some 53% of this revenue came from Bourgogne white wines, 43% from red wines, and 4% from Crémant de Bourgogne.

Receipts from Bourgogne wine exports

(Total for Jan to Sept 2015. Source: Customs/BIVB)



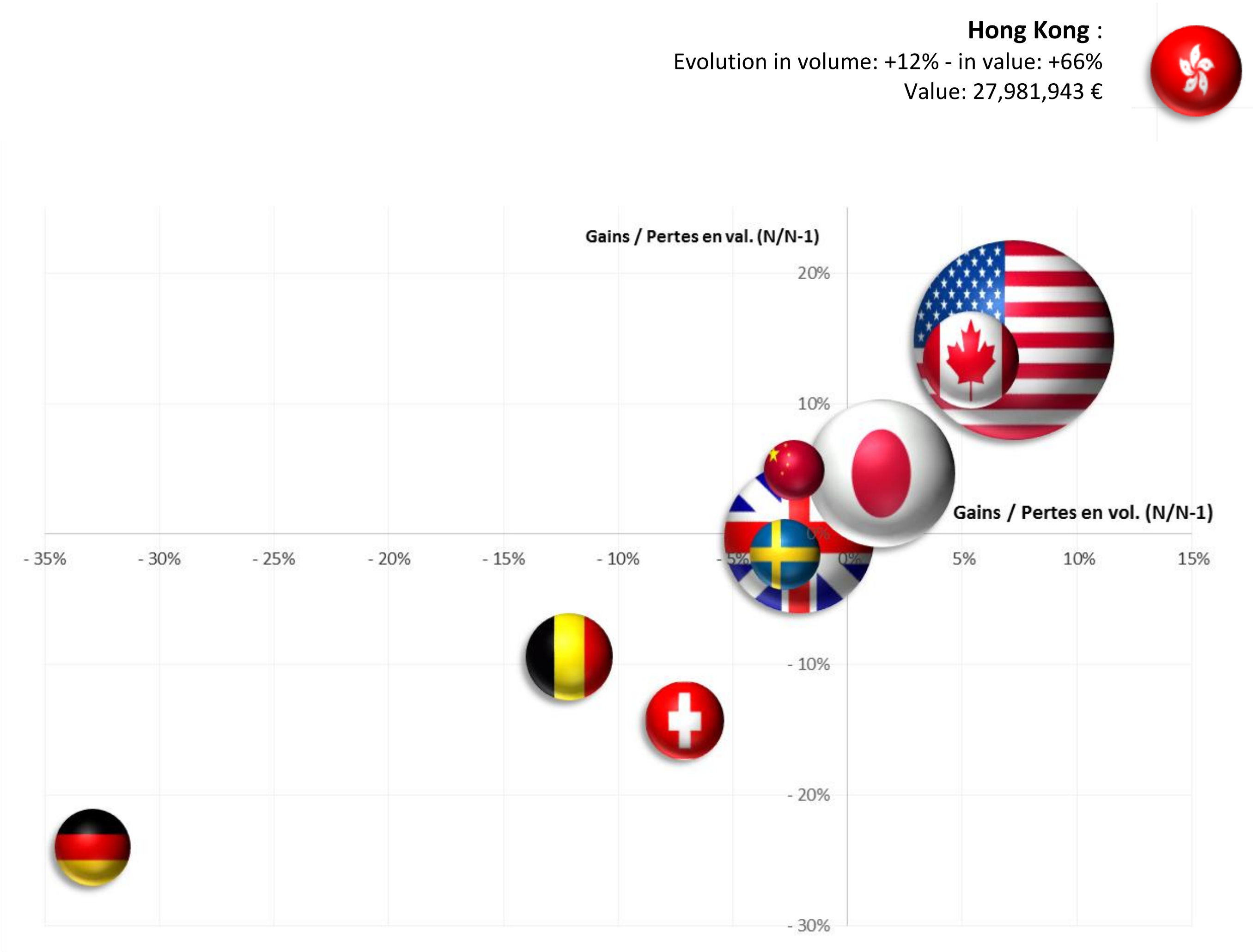
Three of the main markets (USA, Japan, Canada), along with Hong Kong all posted strong performance for the first nine months of 2015. The United Kingdom, which used to be the leading market for Bourgogne wines, fell back. In a little over three years, sales of Bourgogne wines there went from 20 million bottles exported in 2011, to 14 million in 2014, meaning the UK lost its long-held place as the leading export market, being supplanted by the United States.

Exports of Bourgogne wines also suffered in other European markets, especially Germany, Belgium and Switzerland (down 19.6% by volume over the first nine months of 2015, with total revenue down 15.7%). These three countries saw their overall wine imports shrink (down 5% by volume over the first seven months of 2015). Revenue from these territories dipped by 21% over the same period, with sales there concentrated on entry-level wines. German and Swiss consumers tend to opt for home-produced wines in the premium segments, whereas Belgian wine-buyers are putting store brands ahead of producer brands, a sign of the growing influence of hard discount stores.

Evolution in export markets for Bourgogne wines

Total Jan to Sept 2015

(Source: Customs and IRI - BIVB) – Size of bubble = revenue



How to read the graph:

The size of the bubble is proportional to the market's share of Bourgogne wine exports for the period
Horizontal axis: change in volume compared to the same period in 2014
Vertical axis: change in revenue compared to the same period in 2014

North America back on the up

Exports of Bourgogne wines to North America returned to growth in terms of volume, up 6.7% over the first nine months of 2015, having been affected by the lack of availability in 2013 and 2014. This was driven by a favorable dollar/euro exchange rate. The increase was matched by a healthy 14.6% rise in revenues, a gain of 21 million euros.

United States - 1st biggest export market for Bourgogne wines (22% of total exports in terms of revenue in 2014)

The United States became the leading export territory by volume in 2014, whilst confirming its leading place in terms of revenue. This strong performance was chiefly down to imports of ***Régionale* white Bourgogne appellations**. In 2014, the United States accounted for 21% of all exports of these appellations, compared to 13% in 2008.

The healthy position of Bourgogne wines on the US market was confirmed over the first nine months of 2015 (up 7.2% by volume). Over the period, 21% of Bourgogne exports by volume went to the United States, and 25% of export revenue came from there, up 15% over the first nine months of 2014.

White *Régionale* appellations and Chablis were the biggest beneficiaries of this return to growth. *Régionale* white Bourgogne and Mâcon AOC sales were up 11.3% by volume, and Chablis/Petit Chablis was up 15%, both at the same time increasing their revenues.

Canada - 5th biggest export market for Bourgogne wines (5% of total exports in terms of revenue in 2014)

Sales of Bourgogne wines to Canada also swelled. Over the first nine months of 2015, volumes exported increased by 5.4%, after a fall of 13% in 2014. Revenue saw a gain of 13.3%.

European territories losing ground

The five main European export markets for Bourgogne wines slipped back 10% by volume over the first nine months of 2015. Since the financial crisis in 2008, Bourgogne wines have been steadily losing market share in these five countries. Sales are regularly below 40 million bottles, with fewer than 35 million sold in 2014. The lack of availability of Bourgogne wine has compounded this trend.

United Kingdom - 2nd biggest export market for Bourgogne wines (15% of total exports in terms of revenue in 2014)

Exports of Bourgogne wines to the United Kingdom fell 2% by volume from January to September 2015, with revenue stable (down 0.3%).

The Chablis and Petit Chablis appellations make up a large part of exports, and showed growth by volume up 22.4%. This was mainly driven by volumes of Chablis AOC sold on the supermarket circuit (up 25% for the first eight months of 2015).

Sales of Chablis have picked up again partly due to the volumes on promotion, which have gone from 57% in 2014 to 73% in 2015.
It should be noted that the UK is increasingly moving towards bulk imports, which have tripled over the past decades, for price reasons. Bourgogne wines are not, however, all sold in bulk.

Sweden - 9th biggest export markets for Bourgogne wine (3% of total exports in terms of revenue in 2014)

For the first nine months of 2015, sales of Bourgogne wines on the Swedish market dipped 2.7% by volume, with revenue sliding by 1.5%. It is hoped this is only a temporary slowdown after a period of strong growth. Bourgogne wine sales have gone from 1 million bottles in 2004 to 4.4 million in 2013.
In this context, certain appellations still performed well: Chablis and Petit Chablis were up 14% by volume and 7.2% in terms of revenue, and Crémant de Bourgogne sales climbed 2.7% by volume and 6.9% in terms of revenue, regaining some market share.
Overall imports of still wines to Sweden were down by 4.8% in the first half of 2015. Only imports of sparkling wines were up, with a 9% increase by volume.

Switzerland - 6th biggest export markets for Bourgogne wine (5% of total exports in terms of revenue in 2014)

From January to September 2015, Switzerland accounted for 2% of the volume of Bourgogne wine exports (down 7%), and 4% of the revenue (down 14.3%), whereas total wine imports were stable (up 1.3% for the first nine months of 2015).
The Chablis and Petit Chablis appellations were the only ones showing renewed growth on this market, and were closer to the volumes and revenue achieved in 2013 (first nine months of 2015).

Belgium - 4th biggest export market for Bourgogne wines (6% of total exports in terms of revenue in 2014)

This is the second year that Bourgogne wines have fallen back by volume (down 14% in 2014 and down 12% for the first nine months of n 2015) in Belgium. Revenue remained stable in 2014, but fell back in the first nine months of 2015 (down 9.4%).
In Belgium, home drinking of still French wines dipped 9.5% by volume in the first half of 2015. This drop was more significant in the south of the country and in Brussels (down 11%). There is, however, one unknown factor in this equation: the volume of Bourgogne wines bought direct from estates by the many Belgian tourists who visit the region.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Germany - 7th biggest export market for Bourgogne wines (5% of total exports in terms of revenue in 2014)

Over the first nine months of 2015, the German market for Bourgogne wines tumbled 33% by volume and 24% in terms of revenue. This performance should be taken in the context of several years of rising revenues, which climbed from 25 million euros in 2010 to 35 million in 2014.

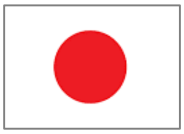
The distribution of Bourgogne wines in Germany has been gradually reoriented towards the traditional circuit of restaurants and specialist wine stores, which explains the growth over those four years. In parallel, Germany is tending to reduce its reexports of Bourgogne wines, which was in part responsible for the fall in the first three quarters of 2015. Overall, French AOC wine sales slumped, with whites down 36% and reds down 11%.

▸ Japan and Hong Kong return to growth

In the first nine months of 2015, the combined volume exported to the three main Asian markets for Bourgogne wines (Japan, China and Hong Kong) was up 2% by volume and up 15% in terms of revenue, despite a slight drop back in China in September.

After good growth from 2010 to 2012 in these three territories (an increase of 3.54 million bottles sold, and of 57 million euros in revenue), Bourgogne wine sales fell back by 2 million bottles between 2012 and 2014 due to lack of availability. Revenue also fell back by 6 million euros (down 4%). The losses affected Japan (10% of total Bourgogne wine exports in 2014) and Hong Kong (1% of exports).

Japan - 3rd biggest export market for Bourgogne wines (13% of otal exports in terms of revenue in 2014)

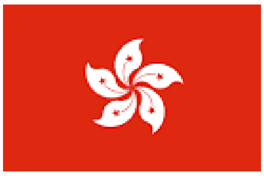


In 2015, Japan returned to growth with a 1.5% rise in volume (first nine months of 2015), while revenues grew by 3.3 million euros (up 4.6% for nine months), after a drop in 2014. This return to growth was in part due to a favorable exchange rate.

Régionale Bourgogne white AOCs (up 2.8%) and the appellations Chablis and Petit Chablis (up 2%) were the main drivers of this growth.

Japan saw a recovery in demand for quality wines in bars and restaurants, in particular thanks to the continued rise of foreign tourists who are making the most of the weak yen and easier access to visas. The development of tourism is the stated strategy of the Japanese government, which has set the objective of attracting 20 million tourists in 2020, when the summer Olympic Games will be held in Tokyo (*source BusinessFrance*).

Hong Kong - 8th biggest export market for Bourgogne wines (3% of total exports in terms of revenue in 2014)



Hong Kong returned to growth, with volume sales up 12% for the first nine months of 2015, and revenue up 66.5%, after stagnating in 2014, affected like all markets for Bourgogne wines by the lack of availability..

This market specializes in the import of *Village Premier Cru* and G*rand Cru* Bourgogne wines, which explains the surge in revenue growth. For many years, Hong Kong was the second biggest market by volume in the Asia region behind Japan, but it gave up that position to China following the recession of 2008. China now imports Bourgogne wines directly into the mainland territory.

China - 11th biggest export market for Bourgogne wines (2% of total exports in terms of revenue in 2014)

In the course of the first nine months of 2015, sales of Bourgogne wine in China slipped back 2.3% in terms of volume, although revenues increased by 4.9%. Nonetheless, the underlying trend in China has been for steady growth, with sales up 18.5% in 2012, 5.4% in 2013, and 9% in 2014.

Régionale Bourgogne white AOCs benefitted most from this upturn, with an 18% rise in volume. *Régionale* Mâconnais AOC wines went from 7% of volumes of white Bourgogne exported to 18% for the first nine months of 2015, compared to the same period in 2014. This strong performance was in line with the overall trend in China, where total wine imports increased by 8% in the first nine months of 2015.

The market for import wine in China recently started to undergo a fundamental change. At the beginning of 2014, China put the brake on wine imports through several decisions by the government. Whereas the Chinese market was initially strongly oriented towards high-end and wines with a top-quality image (corporate gifts, or gifts between administrative bodies), a new law against corruption pulled the plug on this elitist market. This has led to the emergence of consumers who are more in search of taste and value for money. This represents a great opportunity for the Bourgogne wine region, which produces a wide range of wines. The change in consumer habits should be further boosted by the Chinese government's decision to make it easier to operate storage hubs in the country, and by a relaxation of import taxes.

The financial upheaval in China during the summer of 2015 (stock market crash, devaluation of the currency) nonetheless leaves some question marks over the future of this market. But whatever happens to the Chinese economy, the Bourgogne wine region will not be greatly impacted. China only accounts for 2% of total export revenue.

France: Bourgogne wines retain strong presence on traditional circuits

The Bourgogne wine offer continues to grow in restaurants and specialist wine stores

The palette of wines offered by the Bourgogne wine region is especially well adapted to the traditional circuit of specialist wine stores and restaurants. Buyers in this sector have wide scope to select the Bourgogne wines best suited to their needs and tastes, while at the same time conserving an element of discovery for their clients.

The wine store sector remains dynamic, despite the low availability of Bourgogne wines. Some **40% of wine store operators reported stability in sales of Bourgogne wines,** and 33% reported an increase in 2014 over 2013. Only 26% reported a drop. Over the end-of-year holiday period in 2014, 36% of wine stores reported an increase in sales compared to the same period in 2013, while 21% reported a fall.

The top-selling appellations through specialist wine stores are mid-range reds: Mercurey (20% of wine store sales, making this the leading AOC by some margin), followed by Givry, Pommard, Santenay and Marsannay.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In 2014, the restaurant sector returned to its levels of 2011, having been harder hit by the lack of Bourgogne wine. Bourgogne references are today present in 59% of restaurants (60% in 2011), compared to 63% in 2013. A reduction in the offer of Bourgogne wine per restaurant was also observed, with the average number of references for each establishment now 7.8 compared to 8.1 in 2013.

This trend has had a negative effect on volumes of Bourgogne wine sales. Around 10% of restaurateurs said they had seen an increase in sales, mostly quite moderate (< 5% by volume), whereas 43% of restaurateurs reported a drop in sales, with 26.5% considering the drop to be greater than 5%. The Chablis appellation remains the most widely available, present in 28% of restaurants. This is followed by Bourgogne Aligoté (18.7%) and Mercurey (17.4%). Crémant de Bourgogne is gradually establishing itself (6.8%).

▸ The supermarket circuit more impacted by low availability

From January to August 2015, Bourgogne wine sales in the supermarket sector remained unsurprisingly on a downward trend. This high-volume market was the first to be impacted by the successive low harvests of 2010, 2012 and 2013, and by the repositioning of Bourgogne wines in the higher value market segments.

Volumes sold in supermarkets fell 8%, while revenue remained stable, with a 1% increase. The higher value attached to Bourgogne wines (up 6%) is in line with the logic of this circuit, which is seeking the best prices (up 5.3% on average sale price), through an offer perceived as higher quality and prestigious, responding to consumers' desire to "drink less, but better quality."

Sales of Bourgogne white wines dipped 8.5% by volume. Bourgogne Aligoté, which saw yields down 35% two years in a row, plays an important role in the change in this market (down 21.4% by volume). Bourgogne red wines posted a more limited fall (down 5.7%), mainly involving regional Bourgogne AOCs (Bourgogne red and Hautes-Côtes). The Coteaux Bourguignons AOC has made ready inroads, and two-thirds of stores now stock it, with four-out-of-five stores in the Paris region carrying the appellation, just two years after it was created.

BOURGOGNES

Table of export figures for Bourgogne wines

(*total for first nine months of 2015 – Source: BIVB/Customs*)

Pays Destination	En milliers d'equiv. 75cl			En milliers d'euros		
	Volume - cumul civil de Janvier 2015 à Septembre 2015	Volume - cumul civil de Janvier 2014 à Septembre 2014	Variation volume - cumul civil (N-1)	Valeur - cumul civil de Janvier 2015 à Septembre 2015	Valeur - cumul civil de Janvier 2014 à Septembre 2014	Variation valeur - cumul civil (N-1)
Total	**56 840,95**	**58 864,50**	**-3,4%**	**549 362,57**	**524 019,42**	**4,8%**
ETATS-UNIS	11 781,63	10 985,92	7,2%	135 283,01	117 784,25	14,9%
ROYAUME-UNI	9 434,92	9 636,85	-2,1%	75 365,97	75 594,68	-0,3%
JAPON	6 173,65	6 083,54	1,5%	73 286,79	70 039,99	4,6%
BELGIQUE	4 690,11	5 338,54	-12,1%	25 369,36	28 005,18	-9,4%
CANADA	4 350,53	4 128,70	5,4%	31 127,44	27 462,97	13,3%
SUÈDE	3 205,34	3 295,18	-2,7%	16 683,14	16 945,21	-1,5%
ALLEMAGNE	2 707,56	4 035,34	-32,9%	19 520,34	25 685,19	-24,0%
PAYS-BAS	2 327,36	2 465,40	-5,6%	14 204,06	13 990,45	1,5%
DANEMARK	1 651,22	1 631,66	1,2%	12 497,73	10 922,44	14,4%
CHINE	1 096,59	1 122,58	-2,3%	12 260,12	11 689,89	4,9%
AUSTRALIE	1 039,03	865,30	20,1%	9 571,20	9 299,13	2,9%
SUISSE	1 004,74	1 081,62	-7,1%	20 671,89	24 116,74	-14,3%
NORVÈGE	948,99	1 304,95	-27,3%	5 990,57	7 629,07	-21,5%
HONG KONG	699,65	624,29	12,1%	27 981,94	16 808,03	66,5%
IRLANDE	473,44	799,02	-40,7%	2 884,33	4 175,60	-30,9%
EMIRATS ARABES UNIS	393,05	409,63	-4,0%	4 852,60	4 628,24	4,8%
ITALIE	369,70	380,85	-2,9%	4 284,62	4 246,81	0,9%
SINGAPOUR	362,40	289,06	25,4%	7 659,34	7 133,98	7,4%
CORÉE DU SUD	329,28	255,52	28,9%	4 527,57	3 476,85	30,2%
TAÏWAN	314,54	264,02	19,1%	10 013,27	7 297,31	37,2%
BRÉSIL	279,06	371,04	-24,8%	1 919,81	3 001,97	-36,0%
ESPAGNE	199,78	176,98	12,9%	2 039,58	1 800,07	13,3%
FINLANDE	188,53	209,27	-9,9%	1 141,66	1 254,23	-9,0%
LUXEMBOURG	174,46	194,50	-10,3%	2 280,04	2 533,82	-10,0%
LETTONIE	151,71	204,45	-25,8%	1 057,11	1 281,72	-17,5%
THAÏLANDE	147,51	114,84	28,5%	2 316,56	1 360,60	70,3%
ISRAËL	143,21	129,47	10,6%	1 381,28	955,07	44,6%
MEXIQUE	137,69	111,30	23,7%	1 145,24	1 002,07	14,3%
POLOGNE	134,53	128,89	4,4%	1 035,16	799,35	29,5%
LITUANIE	118,37	280,84	-57,9%	1 054,85	2 060,63	-48,8%
RUSSIE	117,82	216,11	-45,5%	1 352,08	2 599,29	-48,0%
RÉPUBLIQUE TCHÈQUE	99,21	88,88	11,6%	1 130,88	873,22	29,5%

This economic report was produced by the Markets and Development Department of the BIVB
November 2015

(Sources: Customs, Businessfrance, GTI, MIBD Market, CHD Expert, Symetris, IWSR, GLK, BIVB)