



## *Bourgogne wines* *regaining share in some markets*

*Bourgogne, 20 November 2016*



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*The total 2015 harvest in the Bourgogne wine region was up 7% on the five-year average, which helped to consolidate the overall stock of available wine for the second year running. This is now equivalent to the average over the last five campaigns. It does, however, remain below the average of the last 10 campaigns. The supply of available wine with producers has relaunched certain markets, which had slowed down in recent years due to lack of volume.*

*The area under production is growing steadily - up by around 1% per year - but yields have been adversely affected by climate events and mortality in the vines. This dual phenomenon has impacted the 2016 vintage and will once again put a brake on volumes leaving estates, especially for the hardest hit areas. On the other hand, the appellations that were unaffected have gained market share in foreign markets (United States, United Kingdom, Canada), and on French distribution circuits.*

*The Bourgogne wine sector has climbed back above the critical threshold of eight months' stock on estates. Initial estimates are close to 10 months of stock for the 2015-2016 campaign. One should nonetheless remain prudent, since the Bourgogne region is once again having to deal with a total harvest below the five-year average.*

### **An active advance trade market for certain appellations**

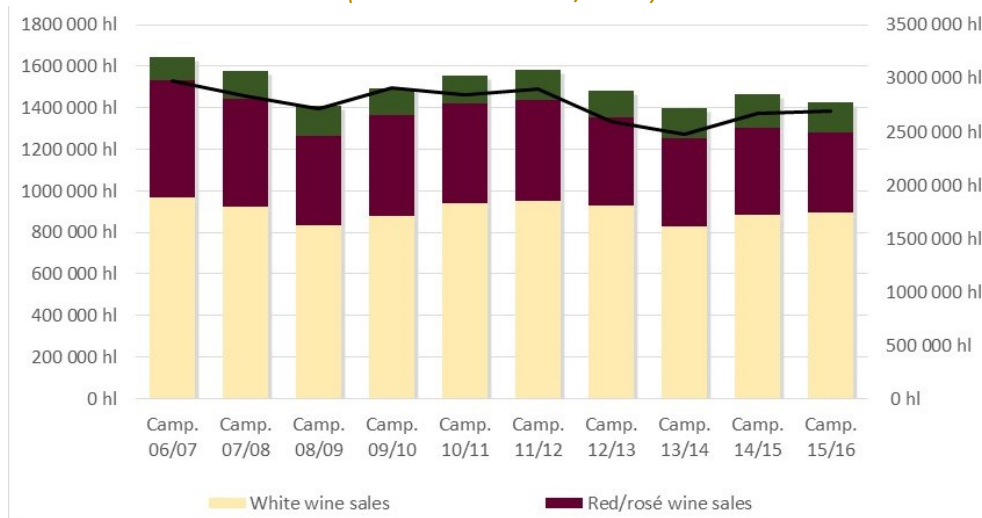
The increase in available wine as a result of the 2014 and 2015 vintages allowed the market for *Régionale* AOC to pick up. However, disparities in production prevented certain appellations from benefitting from this dynamic.

#### **Wine leaving estates for the campaign (1 August 2015 - 31 July 2016)**

**Bourgogne white wines were stable (up 1%)**, whereas red and rosés wines continued to slide, and were down 7% (a 12% drop on the average over the past five campaigns), as was Crémant de Bourgogne (down 9%). Among the major areas for the production of white wines, the *Régionale* Bourgogne and the *Régionale* Mâcon appellations benefited most from the upturn (up 5.2% and 3.5% by volume respectively), along with the Chablis and Petit Chablis appellations, which grew by 5.2%. This good performance involved both sales in bottle and bulk sales

### Sales from the property and available wine at the start of the campaign in the Bourgogne region

(Sources : Customs / BIVB)



For this group of appellations, for which available wine with producers allowed sustained growth, transactions between winemakers and *négociants* accounted for 62% of white wine sales by volume (40% of total transactions) and grew by 3.3% (2015/16 campaign over 2014/15).

This was not the case for all Bourgogne appellations, for which the total volume of transactions fell by 5%.

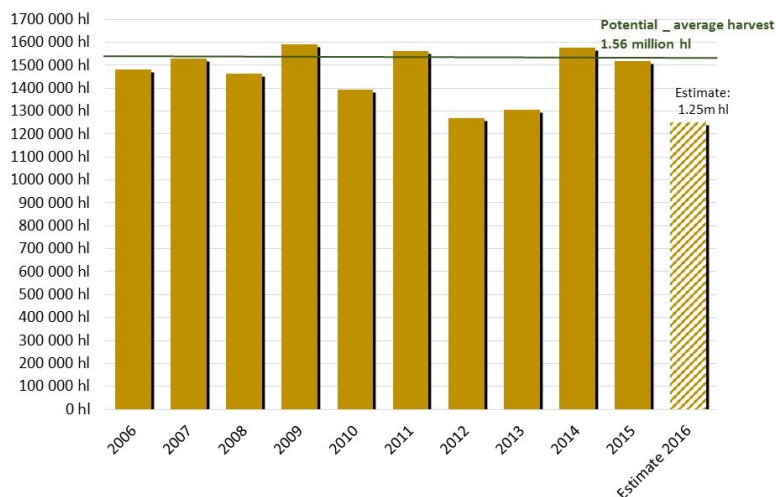
The volume of inter-trade deals for the 2015 vintage accounted for 91% of the volume of transactions for this campaign (719,550hl), and remained 3% higher than the average over the last five campaigns.

Despite good volumes in 2015, available wine on estates at the start of the 2015-2016 campaign (stock as of July 2015, plus 2015 harvest) only increased very slightly (up 1% over the 2014-2015 campaign). It was stable compared to the average over the last five campaigns, but down 3% on the 10-year average.

In recent years, the Bourgogne wine trade has drawn greatly on its reserves to avoid a rupture in supply.

The arrival of the 2016 vintage, estimated at 1.25 million hectoliters, is down 20% on the five-year potential average (1.56 million hectoliters, see graph below). This will inevitably have an impact on available wine in the months to come. The consequences can already be seen in the volume of transactions at the start of the campaign 2016-2017, which were down 11.4% over the first three months from August to October 2016.

### Total annual harvest for Bourgogne wines (sources: Customs/CAVB/BIVB)



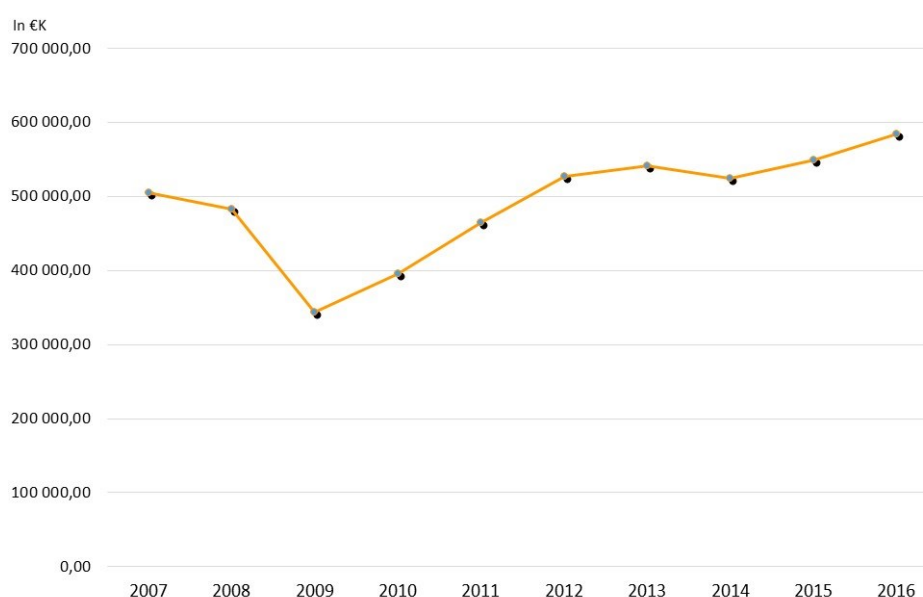
## Export: the trend for recovery confirmed in some markets

The available stock resulting from the two previous harvests and the pressure of demand in some markets has allowed Bourgogne wines to maintain steady growth in exports (up 2.8% by volume and 6.4% in terms of revenue in the first nine months of 2016). Those in the Bourgogne wine sector remain prudent, in anticipation of annual production this year below the rolling five-year average, and quite possibly the lowest in the last 10 years.

Overall revenue continued to grow, with an increase of 35 million euros (up 6.4%) over the first three quarters of 2016 (585 million euros). Some 53% of this revenue came from white wines, 43% from red wines, and 4% from Crémant de Bourgogne.

### Export of Bourgogne - 9 first month of 2016

(Sources: Customs / BIVB)

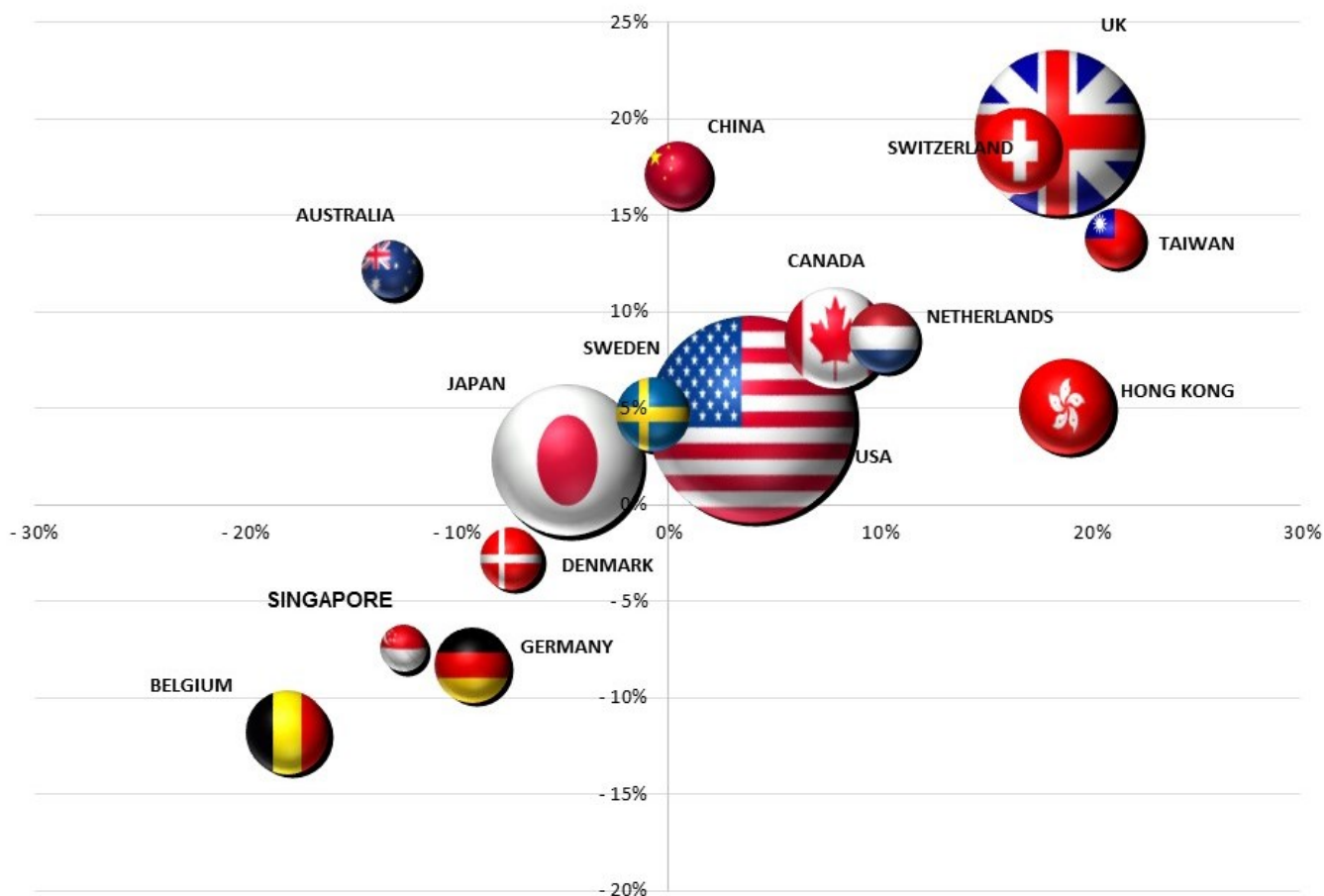


The main markets of North America, Europe (United Kingdom, Sweden and Switzerland), and Hong Kong all showed good results, both in terms of revenue and volume, over the first nine months of 2016.

- ▶ The United States and Canada continued to show an increase in imports of most Bourgogne appellations.
- ▶ The United Kingdom, Switzerland, and Sweden all returned to growth after two years of decline.

Exports of Bourgogne wines continued to struggle on other European markets, especially Germany (down 9.3% by volume over the first nine months of 2016) and Belgium (down 18% for the first nine months of 2016). These two countries reduced their overall wine imports, which fell respectively by 8.3% and 11.8% over the period.

**Change in exports of Bourgogne Wines**  
*Total for nine months 2016 – source : Douane / BIVB)*



**How to read the graph:**

- The size of the bubble is proportional to the value of the market by revenue for Bourgogne wines over the period
- Horizontal axis: Change in volume compared to the same period in 2015
- Vertical axis: Change in revenue compared to the same period in 2015

**Confirmed growth in North America**

Exports of Bourgogne wines to North America continued to increase by volume (up 5% over the first nine months of 2016), after suffering from a lack of available stock in 2013 and 2014. This growth was accompanied by another rise in revenue (up 5.2%), an increase of 5 million euros.

In 2014, the United States (1<sup>st</sup> Market in volume) became the leading market by volume for Bourgogne wine, whilst confirming its top ranking in terms of revenue. This strong performance was driven by a favorable euro/dollar exchange rate.



With growth of 4% by volume, the healthy sales of Bourgogne wines on the US market were confirmed over the first nine months of 2016. The United States accounted for 21% of Bourgogne wine exports by volume, and 24% of export revenue (up 4.4% in the first nine months of 2016 over the same period in 2015).

The Chablis appellations benefited most from this return to growth, with increased sales of 364,550 bottles. Over the first three quarters, sales of *Village AOCs* of the Mâconnais grew by 9% in both volume and revenue. The *Village* and *Premier Cru* red appellations from the Côte de Beaune, Côte de Nuits and Côte Chalonnaise also enjoyed healthy growth, up 7.4% by volume and 12.4% in terms of revenue.

**Sales of Bourgogne wines to Canada (4<sup>th</sup> market in volume) were also buoyant.** During the first nine months of 2016, export volumes grew by 7.9%, after a fall of 13% in 2014. Revenue was also up by 8.6%. The white *Régionale* Bourgogne appellations surpassed their record set in 2012 by 17.8% in terms of volume and 28.5% in terms of revenue, with almost 1.5 million bottles shipped and 7.8 million euros in revenue over the first nine months of 2016.



The second group of most-exported appellations was Chablis and Petit Chablis, which have seen continuous growth for more than a decade, going from 424,080 bottles (first nine months 2005) to nearly 811,560 bottles exported over the same period in 2016.

### The United Kingdom picks up again (2<sup>nd</sup> market in volume)

**Exports of Bourgogne wines to the United Kingdom grew 18.5% by volume for the first nine months of 2016, while total imports of all French wines to this market fell (down 6%, source: GTI, first eight months of 2016).**



Revenue from Bourgogne wines also increased 19.3% for the first nine months of 2016, thanks to this rise in volume.

White appellations were driving this rise, notably *Régionale AOC Mâcon* white (up 31.9% by volume and 34.7% in terms of revenue), *Régionale AOC Bourgogne* white (up 20.5% and 24.2%), and Chablis and Petit Chablis (up 16% and 15.7%). Bourgogne white wines have always accounted for a large part of exports to the United Kingdom (85% of export volumes), despite the fact that this country as a whole imports a large majority of red wines.

### Switzerland, recovery in a historical market (10<sup>th</sup> market in volume)

**Figures for the first nine months of 2016 showed a recovery in Bourgogne wines sales on this market,** up 16.7% by volume and 18.4% in terms of revenue (up 167,710 bottles for an increase of 3.8 million euros).



This return to growth is partly due to an overall increase in wine consumption in Switzerland, which rose to 264 million liters in 2015 (source: OFAG).

### The Hong Kong wine market still booming (14<sup>th</sup> market in volume)

**Over the first nine months of 2016, overall revenue from Bourgogne wines in the three main Asian markets - Japan, China and Hong Kong - continued to grow, increasing 4.6%. This performance was above all driven by the Hong Kong market.**



**Hong Kong confirmed its upward trend, with a 5.1% rise in terms of revenue and 19% by volume,** after a brief hiatus in 2014 due to the lack of available Bourgogne wine. Unlike the first nine months of 2015, as was often the case in the more mature markets, this market turned away from the *Grand Cru* in favor of *Régionale* Bourgogne appellations, both white and red (up 129,100 bottles for the first nine months of 2016). The *Village* and *Premier Cru* red appellations from the Côte de Beaune and Côte de Nuits continued to grow (up 31.5% by volume and 9.4% in terms of revenue).

Having rapidly recovered in the wake of the 2008 crash, Hong Kong's economy is one of the most dynamic in the world (seventh, according to World Economic Forum; in first place according to the Index of Economic Freedom 2016 of the Heritage Foundation for the 22<sup>nd</sup> consecutive year; fifth according to the World Bank Doing Business ranking).



## China finds stability (11<sup>th</sup> market in volume)

**Exports of Bourgogne wines to China alternate between phases of growth and decline.** As such, after a period of decline in 2015 (down 8.7% over the full year), exports stabilized with a 0.5% increase by volume over the first nine months of 2016. Nonetheless, the underlying trend for this country is one of constant progression, with revenue going from 1 million euros in the first nine months of 2007 to 14 million euros in the same period of 2016. The *Régionale Bourgogne AOCs* accounted for the bulk of this growth, with a 34.6% increase in sales by volume.



### The Bourgogne wine industry wants to protect its 100 AOCs in China

While the Chinese market still remains modest for Bourgogne wine exports (in 2015, it was the 11th biggest market by volume and 12th biggest in terms of revenue), it shows great potential. One of the difficulties in China lies in the problem of usurpation of appellations. Certain Chinese companies attempt to register variations on the names of our AOCs as brand names. This requires constant attention to oppose such efforts, at the risk of no longer being able to use our AOC names, or else seeing our notoriety effectively plundered.

From this perspective, the Bourgogne wine industry has decided to protect its 100 AOCs. It is concentrating on recognition of their Geographical Indication by the Chinese equivalent of the INAO (AQSIQ, Chinese Administration of Supervision of Quality, Inspection and Quarantine). Certain AOCs will also be recognized as a collective brand. This dossier is still at an early stage, but a meeting is already scheduled for January with the Ministry of Agriculture in Paris. In parallel, discussions are underway with the Chinese law firm which handled the Champagne and Bordeaux appellations.

## In Japan, *Régionale* appellations fetching higher prices (3<sup>rd</sup> market in volume)

**In the first nine months of 2016, revenue from Bourgogne wines in Japan rose by 2.3%, although export volumes continued to fall** (down 4.8%). Bourgogne white wines sold for good prices, and progressed in terms of revenue by 8.8%, while by volume they dipped fractionally (0.1%). Bourgogne red wines saw the biggest drops on this market (down 12.6% by volume and 3% in terms of revenue), after three years of stability.



Several factors explain this fall: The lack of available wine, competition from other wines benefiting from free-trade agreements, an exchange rate less favorable for exports, and an overall fall in wine imports to Japan (down 3.4% over the first eight months of 2016, *source: GTI*).

## Germany (8<sup>th</sup> market in volume) and Belgium (5<sup>th</sup> market in volume) still flagging

In the first nine months of 2016, the overall volume of Bourgogne wine sold on these two neighboring markets continued to fall, and was down 14.8%. Revenue was also down 10.3%. The same applied to volumes of wine from other provenance imported by these two countries.

**Revenue from Bourgogne wines in Germany was impacted by the continual fall in volumes exported there since 2014.** In the first nine months of 2016, revenue slid 8.3% with a dip in volume of 9.3%.

In this gloomy context, *Régionale* Bourgogne white appellations continued to grow, with volumes up 21% and revenue climbing 20%. Crémant de Bourgogne also maintained dynamic sales in this market, up 9.6% by volume and 11% in terms of revenue.



Several factors explain this sluggishness: An overall drop in wine imports to Germany (down 5.8% in the first eight months of 2016, *source: GTI*), a renewed appetite for local wines, and an overall drop in the number of wine buyers in Germany (down 0.8% from 2014 to 2015, and down 2.8% from 2015 to 2016), combined with the ageing population of wine buyers (more than half of buyers are 60+).

**The volume of Bourgogne wines exported to Belgium has been falling since 2013.** In the first nine months of 2016, volumes shipped fell 18% (down 11.8% in terms of revenue). This applied to all appellations.

These figures should however be treated with some caution, because there is an unknown factor: The volume of wine taken home by Belgian tourists, given that Belgians account for 86% of the foreign clientele when it comes to wine sales direct from the estate.



## Table of export figures for Bourgogne wines

(Total for first nine months of 2016 - Source: BIVB/Customs)

Destination country	In thousands of 75cl bottles			in €K		
	Total for first 9 months of 2016	Total for first 9 months of 2015	Variation in volume year on year	Total for first 9 months of 2016	Total for first 9 months of 2015	Variation in volume year on year
<b>Total</b>	<b>58 455,86</b>	<b>56 858,12</b>	<b>2,8%</b>	<b>585 140,36</b>	<b>549 984,75</b>	<b>6,4%</b>
USA	12 248,41	11 781,64	4,0%	141 279,64	135 283,18	4,4%
UK	11 186,20	9 439,58	18,5%	90 429,74	75 813,16	19,3%
JAPAN	5 882,32	6 176,95	-4,8%	74 988,68	73 303,71	2,3%
CANADA	4 696,25	4 350,53	7,9%	33 816,92	31 127,44	8,6%
BELGIUM	3 848,62	4 694,06	-18,0%	22 428,62	25 433,03	-11,8%
SWEDEN	3 183,55	3 205,34	-0,7%	17 464,34	16 683,14	4,7%
NETHERLANDS	2 566,60	2 327,65	10,3%	15 439,72	14 210,39	8,7%
GERMANY	2 457,10	2 707,61	-9,3%	17 899,40	19 524,47	-8,3%
DENMARK	1 530,23	1 652,77	-7,4%	12 168,42	12 520,16	-2,8%
SWITZERLAND	1 172,45	1 004,74	16,7%	24 465,61	20 671,89	18,4%
CHINA	1 100,77	1 095,43	0,5%	14 349,46	12 252,85	17,1%
NORWAY	1 054,22	948,99	11,1%	6 943,19	5 990,57	15,9%
AUSTRALIA	902,51	1 039,03	-13,1%	10 702,61	9 541,20	12,2%
HONG KONG	831,99	699,68	18,9%	29 413,31	27 987,27	5,1%
IRELAND	417,49	473,45	-11,8%	2 355,09	2 884,47	-18,4%
ITALY	405,56	370,03	9,6%	4 958,30	4 288,70	15,6%
UNITED ARAB EMIRATES	405,10	393,05	3,1%	5 523,96	4 852,60	13,8%
TAIWAN	381,22	314,54	21,2%	11 395,60	10 013,27	13,8%
SINGAPORE	317,02	362,40	-12,5%	7 089,30	7 659,34	-7,4%
SOUTH KOREA	272,34	329,28	-17,3%	4 622,53	4 527,57	2,1%
BRAZIL	245,65	279,06	-12,0%	1 690,19	1 919,81	-12,0%
SPAIN	220,56	202,29	9,0%	2 550,99	2 088,65	22,1%
ISRAEL	202,70	143,21	41,5%	1 921,84	1 381,28	39,1%
MEXICO	182,84	137,69	32,8%	1 584,19	1 145,24	38,3%
LATVIA	182,56	152,15	20,0%	1 463,86	1 068,29	37,0%
FINLAND	174,30	188,53	-7,5%	1 076,60	1 141,66	-5,7%
LUXEMBOURG	174,29	174,58	-0,2%	2 539,20	2 281,04	11,3%
RUSSIA	150,43	117,82	27,7%	1 941,40	1 352,08	43,6%
THAILAND	149,56	147,51	1,4%	1 836,32	2 316,56	-20,7%
POLAND	138,82	134,53	3,2%	1 013,49	1 035,16	-2,1%
LITHUANIA	125,96	118,37	6,4%	914,61	1 054,85	-13,3%
CZECH REPUBLIC	110,85	99,21	11,7%	1 113,67	1 130,88	-1,5%
NEW ZEALAND	105,10	73,84	42,3%	1 152,67	995,83	15,7%
NEW CALEDONIA	96,76	90,53	6,9%	547,29	617,25	-11,3%
AUSTRIA	86,20	98,77	-12,7%	1 455,22	1 524,45	-4,5%



## France: Bourgogne wines retain strong presence on traditional circuits

### Bourgogne wines continue to grow on traditional circuits

**Restaurant trade:** 2015 was a better year for Bourgogne wines than 2014, according to the findings of an annual survey carried out among 2,000 establishments on the restaurant and brasserie circuit. The region's wines were present in 64.2% of establishments surveyed (the most since 2008), and this rose to more than 80% in the northeastern quadrant of France (*source: CHD Expert*).

However, the average offer per establishment was at its lowest since 2010, with the average number of Bourgogne wine references dropping from 7.8 to 6.6 per point of sale. The most reputed red appellations were the least represented. Chablis remains the most widely available AOC, present in 27.7% of establishments, ahead of Bourgogne Aligoté (19%) and Mercurey red (15.5%).

**Restaurateurs were more positive than in 2014 concerning sales of Bourgogne wines:** Some 31% reported them to have fallen (compared to 43% in 2014), whereas 16% said they thought sales had grown (10% in 2014). A growing number of restaurants now offer Bourgogne wines by the glass (39% in 2015, up 1 point).

**Specialist wine stores:** According to a sample of 600 wine specialists, the average number of Bourgogne wine references per store is 58, with 1,817 bottles sold per year (31 bottles on average per reference). By projecting this to the 5,000 or so French specialist stores, this circuit accounts for sales of around 9 million bottles of Bourgogne wines annually, or around 5% of total sales.

Specialists wine stores in the center-east area, which is home to the Bourgogne region, naturally tend to stock more Bourgogne wines (82 on average), and sell the most, at around 3,581 bottles per year. The average retail price of Bourgogne wine is highest in the south of France, just ahead of the Paris region.



Among the appellations that wine specialists most like to introduce to their clientele, Mercurey is a clear leader (20% of respondents), followed by Givry, Pommard, Santenay, and Marsannay. These are mainly mid-range red wines.

### Retail circuit gains ground thanks to greater availability

**During the first eight months of 2016, sales of Bourgogne wines in the French supermarket sector increased 5.4% by volume, an additional 139,000 bottles on the previous period, and were up 6% in terms of revenue. Some 14 million bottles were sold in this sector (excluding click-and-collect, hard discount and convenience stores), for record revenue of 107.4 million euros.**

While the low harvests in 2012-2013 resulted in the sharp drop seen in 2014, the more generous harvests of 2014 and 2015 seem to have replenished this market in recent months, mainly for the AOCs with a faster turnaround.

**Bourgogne red wine sales grew 4.7% by volume**, driven by Coteaux Bourguignons wines, for which sales more than doubled in one year. Mercurey was up 2.5% and remains the top-selling red *Village* appellation.

**White wines climbed 6% by volume**, thanks notably to Bourgogne Aligoté (up 12.2%) and the wines of Chablis (up 14.7%). The other AOCs were mainly down.

While overall wine sales on the supermarket sector are continuing to fall, Bourgogne and Beaujolais are the only AOCs showing significant growth, thanks to small increases in average retail prices. All French AOCs taken together lost sales equivalent to 7.3 million bottles.

*This economic report was produced by the BIVB Markets and Development Department - November 2016*

*(Sources: Customs, Businessfrance, GTI, MIBD Market, IRI, CHD Expert, BIVB)*

**Contact:**

**Cécile Mathiaud** - Head of PR

Tel: +33 (0)3 80 25 95 76 - [cecile.mathiaud@bivb.com](mailto:cecile.mathiaud@bivb.com)

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