Press release

BOURGOGNES
Bureau Interprofessionnel des Vins de Bourgogne

The market for Bourgogne wines: 2016 a good year, both for export and in France

Bourgogne, April 2017


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As expected, the 2016 harvest was down 15% compared to the average over the last five vintages. Nonetheless, over the long term, the overall volume of Bourgogne wines going to market remained stable, with only a 1% drop between the decade 2007-2016, compared to 1997-2006.

In the short term, the 2016 vintage has impacted the advance market, with a 14% drop in volume of transactions over the first eight months of the 2016-2017 campaign, and an 11% fall in wine leaving estates over the first six months. The various appellations were, however, affected to very different degrees.

In terms of the downstream market, the high quality 2015 vintage with its greater volumes allowed Bourgogne wines to regain market share in some territories, especially in the United States, United Kingdom, and Canada, with record revenue (up 4.5% compared to 2015 to 813.2 million euros). The same can be said for French distribution circuits.

Despite this performance, those in the Bourgogne wine sector remain prudent. There is concern about production capacity, both in terms of structural and short-term changes in its two main markets, USA and the United Kingdom.

Advanced trade transactions held back by the 2016 harvest

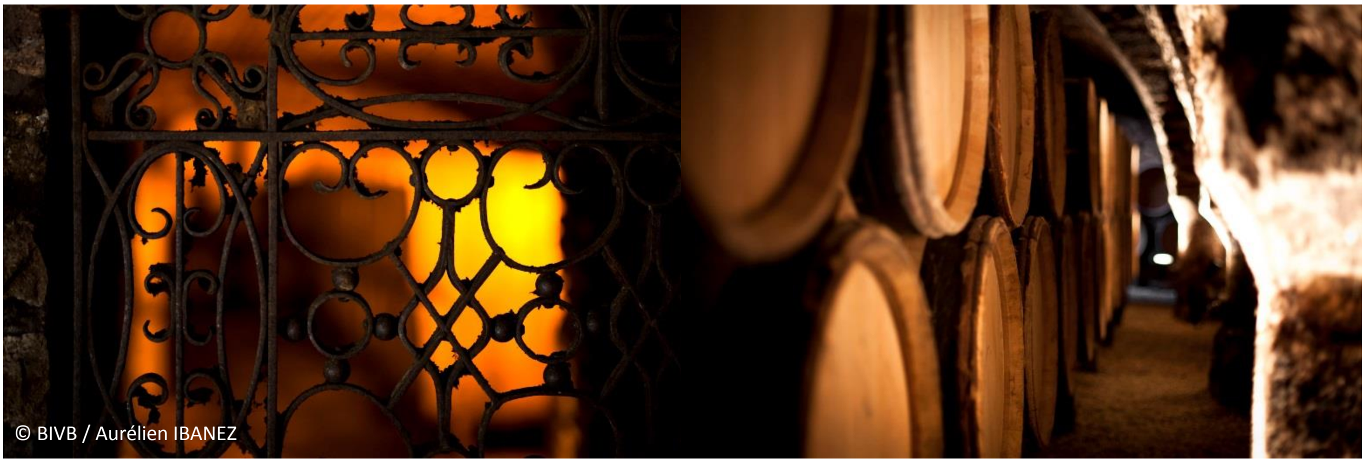
After a campaign (Aug 2015 - July 2016) which saw growth in white Bourgogne wines shipped from estates (up 3.4% on the previous campaign), the disparities of the 2016 harvest set the trend for the initial volumes leaving estates and transactions for the 2016-2017 campaign. Although the drop is widespread, is does not concern all appellations.

The total 2016 harvest was around 1.22 million hectoliters (down 18.5% on the 2015 harvest), but not all Bourgogne appellations and wine regions were impacted the same way. Certain areas fared quite well. This was the case *Régionale* Mâcon appellations, where total yield was up 3.5% compared to 2015 (they account for 35% of Bourgogne white wines), while *Village* appellations of the Côte Chalonnaise were up 10% for reds and up 2.3% for white, and Crémant de Bourgogne was up 1.3% over 2015. Others saw production fall, with significant variations from one appellation to another.

Some appellations on the Côte de Beaune and Côte de Nuits, along with the wines of Chablis, were able to mitigate the shortfall in the 2016 vintage thanks to the permitted reserve stock, the Volume Complémentaire Individuel (VCI).

As a result, wine leaving estates over the first six months (campaign 2016-2017) and volumes of transactions for the first eight months varied from one appellation to another, with overall results down 11% on the previous campaign (762,154 hl) for wine leaving estates, and down 14% on the previous campaign for transactions (589,250hl).

Nonetheless, the Bourgogne wine sector shows production potential that is relatively stable over the long term. The variation between the average of the last 10 vintages (2007 to 2016) and the average harvest of the 10 previous years (1997 to 2006) is only a dip of 1%. What's more, the region is continuing a move towards white wines, with a significant drop in volumes of red wine produced (down 20.5%), and a slight increase for white wines (up 3.6%). Crémant de Bourgogne has soared by 78%.
Over the last 10 years, wine leaving estates in the Bourgogne region recorded an increase of 5% (equivalent to an additional 9 million bottles), compared to the 10 previous years.



Export 2016: Record revenue driven by the 2014 and 2015 vintages

Good stocks of available wine thanks to the generous 2014 and 2015 vintages, coupled with sustained demand, have allowed Bourgogne wines to maintain a healthy overall pace of growth on the export market (up 1.6% by volume and 4.5% in terms of revenue in 2016 over 2015).

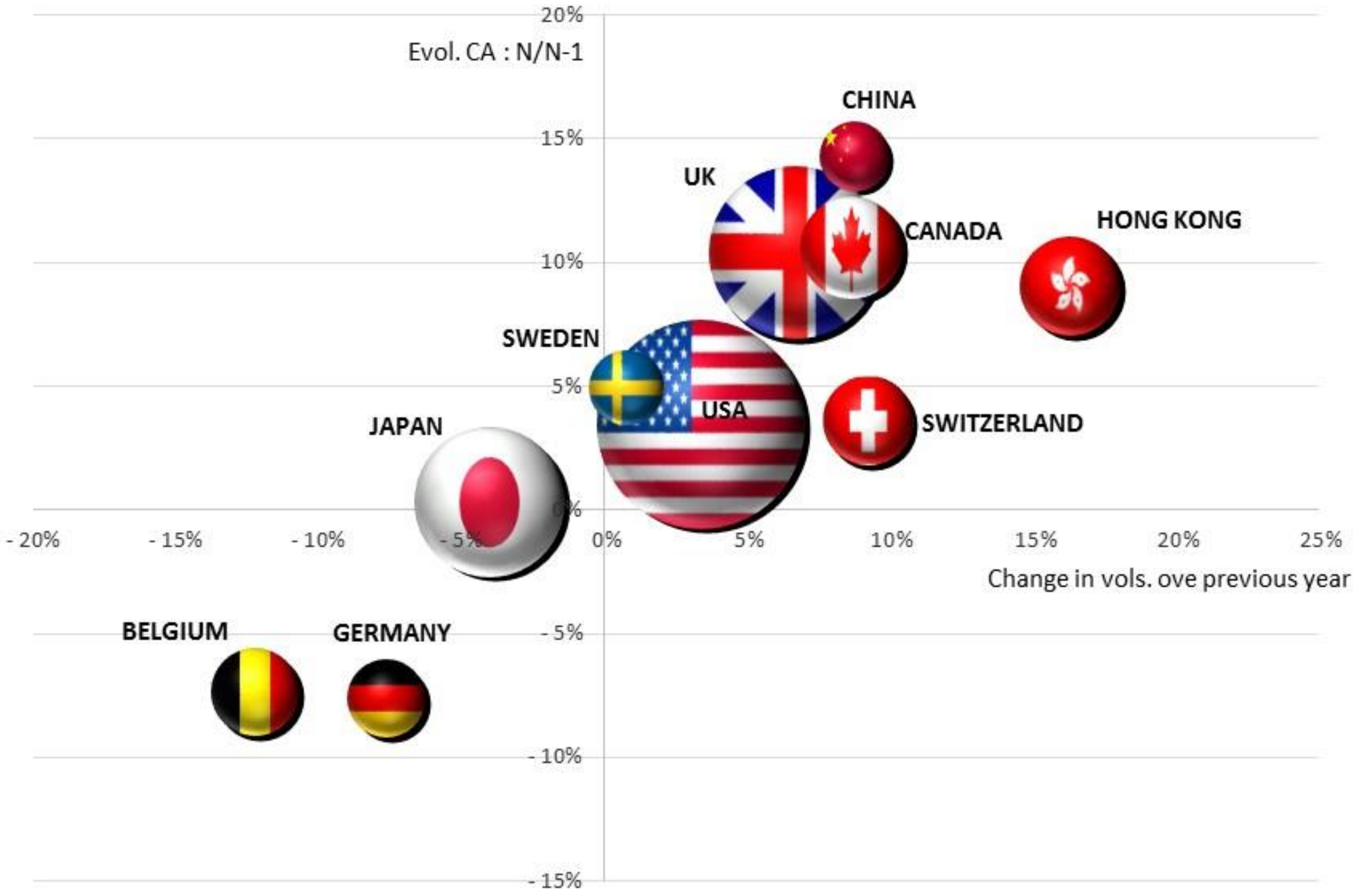
Total revenue grew by 34 million euros (up 4.5%) in 2016 to 813.2 million euros. This came 52% from white wines, 44% from red wines, and 4% from Crémant de Bourgogne, which continued to increase sales.

The main markets of North America, certain European territories (United Kingdom, Sweden and Switzerland), Hong Kong and China mainly contributed to this strong performance, both in terms of revenue and volume.

- The market in the United States and Canada continued to grow for most Bourgogne appellations.
- The United Kingdom, Switzerland and Sweden all returned to growth, after two years of falls.
- The situation was more complicated in some European markets, especially Germany (down 7.6% by volume) and Belgium (down 12.2% by volume). These two countries have seen overall wine imports slide (down 4.5% and 6% respectively over the same period).

Exports of Bourgogne wines over the 12 months of 2016

(Source: Customs/ BIVB. Bubble size is proportional to sales)



How to read the graph:

The size of the bubble is proportional to the size of the export market in terms of 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*

Continued growth in North America

Exports of Bourgogne wines to North America showed healthy growth by volume (up 4.8% in 2016 over 2015), having been held back by a lack of available wine in 2013 and 2014. This increase was accompanied by another increase in revenue (up 4.8%), a gain of 10.67 million euros.

Leading market by volume and revenue

With a 3.4% increase by volume in 2016 over 2015, the continued popularity of Bourgogne wines in the US market was confirmed. The United States accounts for 21% of Bourgogne wine exports by volume, and 23% of export revenue (up 3.5% between 2016 and 2015).

The Chablis appellations contributed strongly to this growth, both in terms of volume (up 438,420 bottles in 2016 over 2015) and revenue (up 17.4%). The *Village AOCs* from the Mâconnais were up by 9.5% in terms of both volume and revenue. *Village* and *Premier Cru* red appellations from the Côte de Nuits and *Régionale* Bourgogne red appellations also grew (up 3.4% by volume and up 12.5% in terms of revenue).

The United States has occupied this dual place as leader since 2014. This strong performance has been driven by a favorable euro/dollar exchange rate. Nonetheless, the Bourgogne wine sector remains attentive to the possible consequences of certain decisions by the Trump Administration.

4th market by volume and revenue

Sales of Bourgogne wines in Canada also increased in 2016, up 8.6% by volume, confirming the upward trend seen in 2015. Revenue was up 10.6%.

Régionale Bourgogne appellations (both white and red) beat the record set in 2013 in terms of volume by 4%, and by 16% in terms of revenue, with almost 3.6 million bottles exported and 20.5 million euros in revenue in 2016. Compared to 2015, Bourgogne *Régionale* appellations were up 17.7% by volume and up 22.5% in revenue.

The Chablis and Petit Chablis *AOCs*, which are well represented in this market, have undergone steady growth for more than a decade, going from 484,000 bottles shipped (2007) to more than 1 million bottles in 2016, which again saw healthy growth of 7.1% by volume and 11% in terms of revenue on 2015.

Revenue in Asia driven by Hong Kong and China

In 2016, total revenue for Bourgogne wines, coming from the region's three main markets (Japan, China and Hong Kong), continued to grow, and was up 4.2%, largely driven by Hong Kong and China.

13th market by volume and 5th by revenue

Hong Kong confirmed its upward trend, with a 9% rise in revenue and 16.2% increase in volume compared to 2015, which was already up strongly on 2014.

For the first time, this market showed a preference for *Régionale* Bourgogne appellations, both white and red (up 159,730 bottles in 2016), turning away somewhat from *Grand Cru* wines. *Village* and *Premier Cru* red wine appellations from the Côte de Beaune and Côte de Nuits continued to grow (up 29.7% by volume and up 9% in terms of revenue for 2016). This dual phenomenon confirms the maturity of the market.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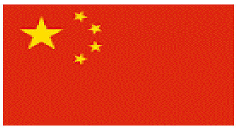
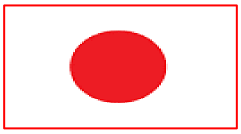


11th market by volume and revenue

Exports of Bourgogne wines to China have flip-flopped between phases of growth and contraction, following changes in policy. The growth in export volumes in 2016 (up 9.2%) cancelled out the dip in 2015 (down 8.7%). Revenue has, however, shown strong underlying growth (from 2 million euros in 2007 to 20.3 million euros in 2016), with a 14.5% surge in 2016 over 2015.

Régionale Bourgogne appellations were almost singlehandedly driving growth, with an increase by volume of 37.5%, or 1.1 million bottles.



3rd market by volume and revenue

A long-standing market for Bourgogne wines, Japan has been affected in recent years by the devaluation of the yen and the lack of available Bourgogne wine. 2016 was another difficult year, with a drop in volumes imported (down 3.9% on 2015) but stabilization in revenue (up 0.4% on 2015).

Bourgogne white wines continued to grow, up 5.9% in terms of revenue and 1.3% by volume on 2015.

Chablis appellations performed well, with an increase by volume of 15.5%, or 2.15 million bottles, and in terms of revenue, up 14.7%, to 16.7 million euros. Although involving lower volumes, *Régionale* Mâcon white wines, *Village* and *Premier Cru* appellations from the Côte de Beaune, and Côte de Nuits white wines also grew, up 18.5% and 0.7% on 2015.

Crémant de Bourgogne wines contributed to the overall growth of Bourgogne sales to this country, up 7.8% by volume and up 10% in terms of revenue on 2015.

Red wines, however, enjoyed less success, and were down 11.6% by volume and 4.2% in terms of revenue compared to 2015. Sales of *Grand Cru, Village* and *Premier Cru* appellations of the Côte de Nuits grew by volume (up 11.7% on 2015) and in terms of revenue (up 6.5% on 2015).

The United Kingdom grew for the second consecutive year

2nd market by volume and revenue

Exports of Bourgogne wines to the United Kingdom grew 6.7% by volume in 2016 over 2015, whereas overall imports of French wines to this market fell (down 8.8%). Revenue from Bourgogne wines was also up 10.5%, in correlation with the rise in volumes.

This renewed vitality in the UK market was mainly down to white wines: *Régionale* Mâcon appellations (up 24.2% by volume and up 27.2% in terms of revenue), *Régionale* Bourgogne appellations (up 14.7% and up 19.6%), and *Village* appellations from the Mâconnais (up 15.8% and 21.5%). Bourgogne white wines have always had a major place in exports to the United Kingdom (85% of volumes exported), despite the UK market being oriented towards red wines.

But it remains unclear if this upsurge, reflecting the long history of friendship that links Bourgogne and the United Kingdom, will last. The recent increase in taxes on wines and the future effects of Brexit could have an impact two or three years from now on the various distribution circuits. One to watch.

Switzerland, a historic market bouncing back

10th market by volume and 6th market by revenue

Bourgogne wine sales have made a recovery in this historic market, which had slowed significantly in recent years, with growth in 2016 of 9.2% by volume and 3.6% in terms of revenue (an increase of 132,880 bottles and 2.7 million euros). This resumption goes against the grain, since Swiss wine imports overall were down (*source: OFAG 2016*).

The BIVB has seized on this trend, launching a training program for market influencers and the press.

Table of export figures for Bourgogne wines

(*12 months 2016 / 2015 - Source: Customs / BIVB*)

	In thousands of 75cl bottles			In €K		
Destination territory	2016	2015	year-on-year change	2016	2015	year-on-year change
Total	**80 826,77**	**79 583,41**	**1,6%**	**813 220,09**	**778 069,75**	**4,5%**
USA	16 571,17	16 021,77	3,4%	188 560,91	182 270,01	3,5%
UK	15 875,79	14 877,93	6,7%	129 408,29	117 064,64	10,5%
JAPAN	7 856,65	8 179,00	-3,9%	97 861,50	97 511,52	0,4%
CANADA	6 122,41	5 635,35	8,6%	45 737,29	41 356,42	10,6%
BELGIUM	5 729,14	6 524,06	-12,2%	33 788,67	36 377,32	-7,1%
SWEDEN	4 422,82	4 389,15	0,8%	24 271,74	23 107,01	5,0%
NETHERLANDS	3 707,10	3 387,61	9,4%	22 283,08	20 651,08	7,9%
GERMANY	3 389,89	3 669,00	-7,6%	26 100,36	28 223,92	-7,5%
DENMARK	2 204,94	2 363,72	-6,7%	17 817,49	17 870,09	-0,3%
SWITZERLAND	1 573,68	1 440,80	9,2%	35 154,12	33 928,13	3,6%
CHINA	1 547,38	1 417,18	9,2%	20 337,42	17 762,55	14,5%
NORWAY	1 425,72	1 331,42	7,1%	10 663,07	9 154,37	16,5%
HONG KONG	1 146,21	986,13	16,2%	43 060,64	39 498,36	9,0%
AUSTRALIA	1 109,26	1 258,65	-11,9%	12 615,18	12 062,68	4,6%
IRELAND	661,73	805,34	-17,8%	4 206,47	4 665,57	-9,8%
TAIWAN	559,86	472,79	18,4%	16 666,47	15 571,19	7,0%
ITALY	550,82	496,65	10,9%	6 757,96	6 057,45	11,6%
UAE	531,32	541,77	-1,9%	6 967,95	6 528,66	6,7%
SINGAPORE	431,13	469,01	-8,1%	10 341,41	10 175,01	1,6%
SOUTH KOREA	379,29	447,42	-15,2%	6 306,43	6 332,08	-0,4%
BRAZIL	354,85	346,50	2,4%	2 430,54	2 505,31	-3,0%
SPAIN	293,96	276,57	6,3%	3 716,46	3 062,28	21,4%
ISRAEL	264,94	177,88	48,9%	2 372,89	1 637,82	44,9%
FINLAND	244,46	274,26	-10,9%	1 545,96	1 703,09	-9,2%
LUXEMBOURG	235,04	253,46	-7,3%	3 442,19	3 376,77	1,9%
MEXICO	229,24	172,40	33,0%	2 068,62	1 508,40	37,1%
LITHUANIA	222,84	173,86	28,2%	1 649,62	1 486,65	11,0%
ESTONIA	219,35	218,17	0,5%	1 790,45	1 494,13	19,8%
POLAND	215,94	184,11	17,3%	1 452,63	1 412,70	2,8%
RUSSIA	206,33	183,40	12,5%	2 697,61	2 317,52	16,4%
THAILAND	182,04	178,09	2,2%	2 427,70	2 696,67	-10,0%
CZECH REPUBLIC	170,48	162,06	5,2%	2 084,48	1 945,86	7,1%
NEW CALEDONIA	135,43	126,16	7,3%	825,71	913,87	-9,6%
AUSTRIA	133,70	149,74	-10,7%	2 656,41	2 585,39	2,7%

France: Bourgogne wines maintain a strong presence on traditional circuits

Bourgogne wine sales continued to grow in the restaurant/specialist store sector

In the French market, the Bourgogne wine region was the only French region to see its volume sales increase, thanks to better-off households (19% of households). However, sales of Bourgogne fell back among the upper middle class, which now only accounts for 17.3% of purchasing households (compared to 21% the previous year) and practically disappeared from the under-five-euro price bracket. The number of households buying in the 5-7-euro bracket grew significantly (0.5 points), whereas others stagnated or fell, since there was a shift in buyers from the lower segments to the higher ones (*source: KANTAR survey – 12,000 representative households, 12 months to end June 2016*).

Restaurants: Bourgogne wines make progress despite a difficult national context

In 2016, the Bourgogne wine region was one of only four whose presence on French sit-down restaurant wine lists grew, up 1 point, whereas in 2015, 10 out of 12 regions recorded growth in terms of their presence. Bourgogne wines had the best degree of penetration in gastronomic restaurants (94%).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On a regional basis, Bourgogne wines posted their highest presence in their region of production, and were present in 85% establishments in the Northeast, and in 74% in the Paris region.

Chablis and Petit Chablis were the most widely distributed Bourgogne appellations, all colors taken together. Those two appellations saw their presence on restaurant wine lists drop slightly compared to 2015, but remained key references.

Overall, 37% of restaurants reported that 2016 was less good than 2015. The remainder of respondents were evenly split: For 30%, 2016 was similar to 2015, and for 31%, it was a better year. For the 37% who said it was worse, almost nine restaurateurs out of 10 put the tough year down to economic circumstances, which led to a fall in average spend (observed by 38% of those surveyed) and in frequentation (32%). Recent terrorist-related events in France was another factor identified by 47% of restaurants that reported a drop in activity.

The performance of the restaurant sector remained negative throughout 2016, but nonetheless picked up over the year. This suggests that 2017 may be more favorable. Operators declared an average consumer confidence index of 5.3/10, and 20% of them predict that 2017 will be better than 2016. They all hope for, at least, stabilization in their activity (*source: CHD Expert, 4,600 establishments surveyed*).

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Specialist wine stores: Bourgogne wines account for 16% of the offer on average

On average, a specialist wine store offers 321 wine references (all origins taken together), of which 54 are Bourgogne wines (16% of the offer).

Unsurprisingly, Bourgogne wines sales and the offer in specialist wine stores is highest in the region of production (Center-East), with 4,271 bottles of Bourgogne wine sold per store in 2015 and an average of 79 references per specialist wine store.

Sales of Bourgogne white wines grew most strongly in the Northwest region (for 52% of specialist wine stores). The Center-East and Southeast also showed positive signs (45% of specialist wine stores reported a rise).

Chablis emerges as the top-selling appellation in specialist wine stores, with an average 240 bottles sold in 2015 by specialist wine stores.

Source: BIVB 2015 survey among 600 specialist wine stores, 60% of which were independent, and which sourced much of their wines directly from the producer (majority supplier for 43% of the stores and a significant supplier for 18%).

▸ Supermarket sector: The Bourgogne region one of only two showing growth

In 2016, sales of Bourgogne wines in the French supermarkets sector returned to growth, up 3.4% by volume, an increase of 274,000 bottles on 2015, and up 3.5% in terms of revenue. Some 27.4 million bottles were sold (excluding drive-thru, hard discount and convenience stores), for record revenue of 216.4 million euros.

While overall wine sales in the supermarket sector are continuing to fall, Bourgogne and Beaujolais wines are the were the only French *AOC*s to show significant growth, thanks to a very small rise in average price (< 1.5%), contrary to wines from other regions (> 1.5%). Total sales of French *AOC* wines dropped by the equivalent of 5.8 million bottles.

Although the low harvest in 2012-2013 led to a sharp dip in 2014, the 2014 and 2015 vintages seem to have reinvigorated the market in recent months, for *AOC*s with faster turnover. This is likely to slow in 2017, since the 2016 vintage was less abundant.

Sales of Bourgogne red wines were stable by volume (up 0.04%), buoyed up by Coteaux Bourguignons wines, for which sales rose by 11.4%, a total of 1.5 million bottles. Mercurey (down 4.2%, 543,000 bottles) remained the best-selling red *Village AOC*, just ahead of *Régionale* Mâcon red wine appellations (up 3%, 531,000 bottles).

White Bourgogne wines rose 5.5% by volume, driven by Bourgogne Aligoté (up 9.7%) and Chablis wines (up 10.4%).

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(sources: Customs, Businessfrance, GTI, MIBD Market, IRI, CHD Expert, Kantar, Symetris, BIVB)

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