**Burgundy wine markets**

*Back to normality in a gloomy global environment*

Whilst the 2006/2007 campaign was marked by remarkable growth in sales beating all the records in terms of volume and value of exports, the 2007/2008 campaign is showing signs of a return to normality. Indeed, sales activity had reached such a level that it had significantly exceeded the region’s production capacity, bringing about a considerable reduction in stocks on the estates, which reached a fairly low threshold (only 10 months of harvests in stock).

The return to more stable levels was therefore necessary for the sound economic management of the region.

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**A healthy situation in Burgundy with stocks\(^1\) at their lowest**

After two successive campaigns when the amount of wine leaving the estates exceeded the volume of the year’s harvest, Burgundy has maintained a high level of sales, despite the deterioration in the global economic environment.

Indeed, the region sold the equivalent of 204 million 75cl bottles during the 2007-2008 campaign, that is a slight fall of 2% compared to the record established during the previous campaign and after an accumulated increase of 15% over two years. The amount of wine leaving the cellars this year guarantees economic balance as it corresponds to the equivalent of the volume harvested in 2007.

To these sales must also be added 6 million bottles used for various professional activities (tastings, samples etc.). Finally, **Burgundy wine-growers’ stocks have fallen by 4% as at July 2008**, compared to July 2007 (after a decline of 13% compared to the previous campaign). They have thus fallen below the 1.3 million hectolitre threshold, to 1.26 million, that is the equivalent of only 10 months of an average year of harvesting. Stocks have therefore reached their lowest level since 1999.

The fall in stocks concerns both red and white wines (both down 3.5%). The winner is Crémant de Bourgogne (-18%) which, despite the increase in production, has seen its stocks plummet, due to the sharp rise in demand in France and abroad.

Half of these stocks involve red wines. Nearly two thirds of these red wines are village AOCs and **grands crus** (as they can be laid down for longer). Stocks of red wine have fallen significantly since 2002, returning to near-normal levels. The ratio of village AOCs (2/3) is identical for white wines, the level of which is relatively low.

According to the latest estimations, wine merchants’ stocks are stable.

The economic situation of the wine-growing region is therefore healthy despite the gloomy international environment. From this point of view we can approach the coming months with serenity. However, the rapid deterioration in the global economy since September 2008 remains the main concern today.

Aware of the difficulties the future may hold, but without yet being able to quantify them precisely, Burgundy professionals will continue to provide quality wines whilst pursing the redeployment of their sales.

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\(^1\) Wine-growers’ stocks
A 2007 vintage in line with demand

Figures for the 2007 harvest are around the average for recent harvests in Burgundy (1.53 million hl).

The red wine harvest stabilized at around 480,000 hl, whilst white wines (923,000 hl) saw only a slight increase (+2.7% compared to 2006) due to limited production in the Chablisien.

However, harvests of Crémant de Bourgogne really took off (122,500 hl, +14% compared to 2006) due to strong demand and real, long-lasting growth prospects. The graph below shows the gradual rise in white wines in the Burgundy region.

According to estimates from the Technique and Quality Centre of the Burgundy Wines Board (BIVB), the 2008 harvest should be considerably lower than that of 2007, and should not affect stocks.

Burgundy wine traders clearly positioned on 2007

Marketing for the 2007 vintage has started very well for wine-growers since the traders have already acquired 52% since its first year of sale (2007-2008 campaign), that is to say 800,000 hl. This is therefore a better start than for the 2005 and 2006 vintages when around 720,000 hl were sold during the first year of sale.

All vintages together, the total volume of wine bought by the traders during this campaign was considerable (893,000 hl) even though this represents 4% less than the record reached during the 2006/2007 campaign. This fall was obviously due to the low stocks available from wine-growers since summer 2007.
Exports of Burgundy wines have risen sharply since mid-2005. Although 2008 did not start as strongly as 2007, the 2007/2008 sales campaign is still the second best campaign carried out in Burgundy (after the exceptional 2006/2007) thanks to an excellent year end in 2007.

The export market is the main sales driver for Burgundy wines allowing 51% of production to be sold. This figure exceeds that of all the other wine-growing regions in France.

The volume exported, over the twelve months ending July 2008, stood at 104.2 million units, that is almost 2 million less than the record achieved in 2006/2007 (-2.3%). This fall is relative, as this figure represents nearly 10 million bottles more than the 2005/2006 campaign, which was already a success.

Export earnings for the last campaign were up 3.5%, reaching almost 700 million euros.
## Burgundy's principal clients for the last sales campaign (August 2007/July 2008)

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</thead>
<tbody>
<tr>
<td><strong>BOTTLES+BULK</strong></td>
<td>1000 UNITS 1000 €</td>
<td>1000 UNITS 1000 €</td>
<td>VOLUME</td>
<td>VALUE</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>104,208 698,762</td>
<td>106,675 674,393</td>
<td>-2.3%</td>
<td>+3.6%</td>
</tr>
<tr>
<td><strong>Euro Zone</strong></td>
<td>28,519 142,961</td>
<td>30,215 137,774</td>
<td>-5.6%</td>
<td>+3.8%</td>
</tr>
<tr>
<td><strong>Excl. Euro Zone</strong></td>
<td>75,689 555,801</td>
<td>76,460 536,619</td>
<td>-1.0%</td>
<td>+3.6%</td>
</tr>
<tr>
<td><strong>EU</strong></td>
<td>65,509 330,689</td>
<td>68,019 324,730</td>
<td>-3.7%</td>
<td>+1.8%</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>32,669 162,424</td>
<td>33,263 162,840</td>
<td>-1.8%</td>
<td>-0.3%</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>9,274 41,969</td>
<td>9,904 42,501</td>
<td>-6.4%</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>4,972 28,524</td>
<td>6,781 30,086</td>
<td>-26.7%</td>
<td>-5.2%</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>6,470 28,921</td>
<td>7,254 29,356</td>
<td>-10.8%</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>3,053 17,159</td>
<td>3,118 16,418</td>
<td>-2.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>3,205 13,587</td>
<td>2,463 10,768</td>
<td>+30.1%</td>
<td>+26.2%</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>2,433 12,618</td>
<td>2,353 11,647</td>
<td>+3.4%</td>
<td>+8.3%</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>760 6,582</td>
<td>579 5,084</td>
<td>+31.3%</td>
<td>+29.5%</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>551 4,134</td>
<td>491 3,492</td>
<td>+12.1%</td>
<td>+18.4%</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>463 2,249</td>
<td>373 1,924</td>
<td>+24.0%</td>
<td>+16.9%</td>
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<tr>
<td><strong>Spain</strong></td>
<td>253 2,238</td>
<td>240 2,021</td>
<td>+5.4%</td>
<td>+10.7%</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>248 1,562</td>
<td>166 1,044</td>
<td>+49.4%</td>
<td>+49.6%</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>183 1,881</td>
<td>156 1,398</td>
<td>+16.8%</td>
<td>+34.5%</td>
</tr>
<tr>
<td><strong>Other countries</strong></td>
<td>38,699 368,073</td>
<td>38,657 349,664</td>
<td>+0.1%</td>
<td>+5.3%</td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>16,309 160,985</td>
<td>17,185 161,210</td>
<td>-5.1%</td>
<td>-0.1%</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>8,163 77,304</td>
<td>8,746 79,717</td>
<td>-6.7%</td>
<td>-3.0%</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>5,025 33,450</td>
<td>4,574 30,657</td>
<td>+9.9%</td>
<td>+9.1%</td>
</tr>
<tr>
<td><strong>Switzerland</strong></td>
<td>2,242 26,453</td>
<td>2,404 22,873</td>
<td>-6.7%</td>
<td>+15.7%</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>600 7,614</td>
<td>365 5,152</td>
<td>+64.4%</td>
<td>+47.8%</td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td>274 6,120</td>
<td>204 3,716</td>
<td>+34.8%</td>
<td>+64.7%</td>
</tr>
<tr>
<td><strong>South Korea</strong></td>
<td>365 6,723</td>
<td>302 5,731</td>
<td>+21.0%</td>
<td>+17.3%</td>
</tr>
<tr>
<td><strong>Taiwan</strong></td>
<td>531 6,530</td>
<td>345 3,984</td>
<td>+53.9%</td>
<td>+63.9%</td>
</tr>
<tr>
<td><strong>Hong Kong</strong></td>
<td>451 5,763</td>
<td>394 4,691</td>
<td>+14.4%</td>
<td>+22.9%</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>849 4,635</td>
<td>1,105 6,563</td>
<td>-23.1%</td>
<td>-29.4%</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>372 3,441</td>
<td>246 2,592</td>
<td>+51.4%</td>
<td>+32.8%</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td>430 2,770</td>
<td>234 1,739</td>
<td>+83.7%</td>
<td>+59.3%</td>
</tr>
</tbody>
</table>

Sources: Douanes/BIVB
Exports in the first 7 months of 2008: volumes and values remain high but the end of the year is uncertain

55 million bottles of Burgundy wine were exported during the first 7 months of 2008. Despite the expected fall (-9% by volume) compared to the same period of 2007 (which was exceptional), these figures remain high. They are actually 9% higher than the same period of 2006 and 20% higher compared to 2004 or 2005!

Another reason for satisfaction is that in terms of value, exports are falling less sharply, down 5% compared to the first 7 months of 2007, reaching 375 million euros (down 20 million euros on the first 7 months of 2007). And they have exceeded the results of the first 7 months of 2004 to 2006 by 60 to 90 million euros. These figures clearly confirm the aim to improve the value of Burgundy wines.

Four markets in particular are behind this fall: the USA and the UK on the one hand, affected by their exchange rates and an increase in excise duties (UK); Germany and the Netherlands on the other hand, two markets where the discount sector represents a significant share of wine sales in general. It is worth noting that purchases of Burgundy by American consumers did not necessarily fall at the end of September 2008 (sources: panel GD and IRI wine merchants). The US distributors seem to be living on their stocks, which will soon need to be re-supplied.

Conversely, sales are continuing to climb in Burgundy’s new high-growth markets: +7% to 10% in Sweden, Ireland, Finland, South Korea and Singapore; +36% in Brazil and +45% in Australia.

The global economic and financial crisis, which no one has escaped since September, will likely affect French wine exports at the end of this year. Every month, the export figures from French customs seem a little more affected by this global slowdown. The US presidential elections could give a boost of confidence to the market and reverse the current trend.

Burgundy wines are making extra-special efforts to maintain their dynamics.
Burgundy wine marketing: new three-year export plan

2008 marks a major turning point for communication to export countries, by the Burgundy Wines Board (BIVB).

After a study carried out in 25 countries, the BIVB selected 15 destinations for its marketing and communication actions for the next three years: USA, Japan, Canada, Ireland, UK, Belgium, Denmark, South Korea, Russia, Sweden, Norway, Singapore, Taiwan, Hong Kong and China.

- A new PR agency for export communications…

The BIVB has entrusted PR agency Fleishman-Hillard with the coordination and implementation of all of its communication actions on the 14 export markets selected in Europe, Asia and North America until 2011 (excluding UK which comes under a European partnership programme; see below).

The BIVB’s objective for Burgundy wines on international markets is to:

- Develop the values of the region and its appellations
- Promote the wide range of Burgundy wines
- Modernize the notion of “terroir”

The agency's main aim will be to enhance appreciation of Burgundy Wines, with specifiers and the media, through press relations, training, publications and meetings with specifiers and operators. A detailed programme is available on request.

Fleishman-Hillard is a public relations and corporate communications consultancy. Today it counts over 83 offices throughout the world. A subsidiary of the Omnicom group, Fleishman-Hillard was founded in 1946 in St Louis (USA).

- … and a “European” partnership for the UK market

At the same time, the BIVB has recently agreed a marketing partnership for the UK with three interprofessions of protected AOC products including wines from Porto and Douro (Portugal), Parmigiano-Reggiano cheese and Parma ham. These Interprofessions have joined forces under a three-year European programme.

Each of these high-end gastronomic products has an essential characteristic in common – a strong identity linked to its origin, quality and controlled traceability.

Under the banner “Discover the origin”, British specifiers and consumers will be invited to (re)discover the quality and character of these unique products. On the programme, starting in January: training events for the specifiers, promotional events at points of sale, consumer tasting sessions, etc.

The operation is financed by the interprofessions, the European Union, and the three member countries. The PR agency Westbury Communication in London is handling the campaign, which will be officially launched on 14 January 2009 in London.

Founded in 1992, Westbury Communications is a British independent specialist food, drink and lifestyle PR agency.

In the second half of 2008, Burgundy wines are therefore aiming to increase their visibility throughout the world. The BIVB hopes to be able to increase its operating capacities outside of Europe. A three-year plan was submitted, at the end of October, for 6 million euros per year, within the national COM (Common Organization of the Market) budgets. Two topics were targeted: promoting wines and studying the markets. The results will be published at the end of 2008.
Focus on Burgundy's two key markets

In the United Kingdom: Burgundy defends its positions

Burgundy’s 1st market by volume and by value

British imports of wine have seen a sharp rise over the last 15 years, making the UK the world’s largest importer of wines, with 1.558 billion bottles (+17% compared to 2001). It is now the largest importer of French wines by volume and by value (20% of volume exported from France).

However, French operators are now feeling the repercussions of the crisis in the UK, where problems seem to be never-ending. First of all the euro/sterling exchange rate has affected sales of European wines since the end of 2007. Secondly, there has been a significant rise in excise duties in 2008, intended by the UK government to “curb alcohol-related disorders”. It raised taxes on alcoholic beverages by 6% (that is £1.457 per 75cl bottle for still wine) to limit special offers, but it also wishes to reduce the number of points of sale of alcohol and in-store tastings.

In parallel, demand for wine in the UK is bearing the full brunt of the financial crisis. The latest survey carried out by “Wine Intelligence” shows a real fall in spending on wines sold at between £5 and £6, probably to the advantage of products sold in the £4 to £5 range. The number of consumers who usually spend between £5 and £6 for wine in shops has fallen by nearly a quarter. At the same time, pubs and restaurants have seen a sharp rise in the number of people purchasing wines below £12 and a drop in wines sold above this price.

Burgundy is clearly affected by this poor economic climate. Its shipments across the channel have fallen by 2% by volume and 1% by value in the 2007/2008 campaign. This slowdown, although very small, is a sign of the break in the dynamics of the year 2007, during which exports reached new records, climbing 20%.

Indeed, most of the fall was recorded during the first 7 months of 2008 with a decline in shipments of 11.5% by volume and 7.5% by value, compared to the same period of 2007. These exports are nevertheless 14% greater by volume and 21% greater by value than those of the first 7 months of 2006.

The UK remains Burgundy’s largest market by volume (31% of exports) and this year has just exceeded the USA by value. It is important to note that a significant portion of these imports are re-exported (to Ireland, Hong Kong and UAE for example).

The UK’s more difficult situation does have positive consequences on some of Burgundy’s appellations. To ensure that sales prices are maintained and thanks to the mature level of knowledge of the consumer, distributors are widening the range, turning to lesser known appellations, which are taking advantage of this unexpected opportunity.

In the USA, a more favourable exchange rate

Burgundy’s 2nd largest market by volume and by value

According to various sources, US consumption is still growing in 2008, but the pace of its growth (+1.5%) is at its lowest since 2001 (last period of recession for the US economy). However, this will not prevent retail sales of wine from exceeding the 25 billion dollar threshold for the first time this year, beating the absolute record by volume, with 306 million crates bought.

For the first time since 1995, consumption of American wines has been greater than that of imported wines. Sales of American wines are growing, to the detriment of imported wines; import sales are falling, mainly due to the impact of the exchange rate on US consumer spending (the weak dollar artificially increases the price of imported wines). The increase in spending on Burgundy varieties (Chardonnay and Pinot Noir) does show, however, that the potential is there for Burgundy, which American consumers consider separately (sources: IRI).

Figures on the US wine market, published in the 2008 edition of the “US Wine Market: Impact Databank Review and Forecast” suggest that the current economic and financial crisis should significantly slow down growth in the sector in the short term. However, in 2008 the USA has become the world’s 2nd largest wine market by volume (ahead of Italy) and growth margins are still high. Remember that only 17% of US consumers regularly purchase wine, and represent 92% of total consumption.
Exports of Burgundy wines to the USA for the 2007/2008 campaign are down 5% by volume. Indeed, after having risen by 16.5% by volume for the calendar year 2007, Burgundy exports lost 19% during the first 7 months of 2008.

Despite this fall in volumes, exports to the USA remain stable by value. This represents a 5% increase in the average price, at a time when the dollar has been plummeting against the euro and when importers had decided to pass on the increase in prices to their clients after several years of stability.

Although exports are falling, it is not because consumers are buying less, but because importers preferred to use up their stocks at the beginning of 2008, no doubt waiting for the dollar to strengthen against the euro.

In fact, the fall in exports mainly concerns red wines. However, sales of red Burgundy wines rose 4% by volume from wine merchants and 29% from supermarkets, between January and September 2008 (sources: IRI USA). One of the unfortunate consequences of this fall in imports is the reduction in the number of red Burgundy wines available from American wine merchants.

It is therefore justifiable to imagine that the dollar’s recovery against the euro since the summer (1.30 USD for 1 EUR at end October 2008) will soon trigger a new rise in exports, replenishing stocks with the importers (and on supermarket shelves) at the end of the year.

**Focus on two developing markets**

- **Canada: real rise in sales in the main provinces**
  *Burgundy’s 5th largest market by value and 6th market by volume*

Sales of Burgundy wines in Canada’s 3 main provinces (Quebec, Ontario and British Columbia) represent at least 85% of sales of Burgundy wine in Canada, even though these three provinces account for only 75% of its population.

In total, sales of Burgundy wines of the three provinces reached 4 million bottles over the last twelve months (April 2007/March 2008), that is a rise of 11% (+5% in whites and +19% in reds).

This result is linked to the increase by volume in exports of Burgundy wines to Canada (+11.7%) over 2007. In addition, sales are made with a higher value than the previous year, as earnings made by Burgundy wines has increased more, both in terms of exports (+14.7%) and sales in the provinces (+13%).

Québec (where Burgundy sales have risen by 13%) remains by far the leading destination of Burgundy wines in Canada. It is also Canada’s largest consumer of Burgundy representing at least 60% of Burgundy wines consumed.

However, sales are rising even faster in British Columbia (+26%), although they are still fairly low compared to Quebec.

Ontario has seen sales of Burgundy stabilize in terms of volumes. Yet sales have increased by value, thanks to the rise in sales of village AOCs and *grands crus*. 

Sources: Banque de France
It must be emphasized that although all the Burgundy AOCs have been marketed in Canada, only a few names make up the majority of volumes sold, which leaves a strong development potential for the Burgundy region.

- **Sweden: a symbol of growth markets**

  **Burgundy’s 10th largest market by value and 8th by volume**

Burgundy is by far the leading French exporter of still VQPRDs (quality wines produced in specified regions) to Sweden (1/4 of volumes and 1/3 of value). It is also the region which is enjoying the strongest growth.

Strong, steady growth in exports (+20% in 2006/2007, +30% in 2007/2008) has made Sweden Burgundy’s 8th largest export client, with 3.2 million bottles, representing earnings of 13.6 million euros. Profits posted in the last campaign (+740,000 bottles for +2.8 million euros) exceed, in terms of absolute value, the losses made in the UK.

This solid growth is confirmed by the increase in the sales figures of the Swedish state monopoly (Systembolaget): +40% in 2007 for Burgundy.

The offering is essentially made up of Chablis (1 out of every 2 bottles of Burgundy sold by the monopoly) and regional appellations. Crémant de Bourgogne has also met great success (19% of all Burgundies sold by the monopoly). Its sales have doubled in one year and it now holds the number 1 position of French AOC sparkling wines sold in Sweden, excluding Champagne.

Although several hundreds of Burgundy wine names are sold each year in Sweden, the majority of them are only temporary references or they appear in order lists. The key issue for Burgundy, in the future, is to strengthen the permanent presence of its wines on the shelves of the monopoly’s shops, to favour the marketing and diversification of the range.

The growth in the Swedish market is also thanks to the Norwegian consumers who take advantage of the lower tax in their neighbour’s shops. According to the trade department of the French embassy in Oslo, cross-border shopping (in Sweden and in tax-free shops) could account for between 25% and 30% of Norway’s alcohol consumption.

- **Focus on two high-potential markets**

  - **Asia: a continent rife with opportunities**

  Japan, the first Asian country to show interest in Burgundy wines, is now the 3rd market by value and the 4th market by volume. Various other countries are starting to show interest in our region. Although the impact is still negligible on an individual level, their overall weight and above all their development, makes them potential goldmines.

  At a time when the world’s leading wine markets are showing signs of recession, the Asian market is continuing to increase its consumption of wine.

  Burgundy is pursuing its global development in this part of the world. In its last campaign, South Korea, Hong Kong and China each recorded a rise of 1 million euros in earnings whilst Taiwan and Singapore reached a rise of 2.5 million euros. The overall increase of 8 million euros on these 5 countries easily makes up for the accumulated loss of some of Burgundy’s main markets, including Japan, which has been particularly affected by the economic crisis for the last year (-3% by value).

  Albéric Bichot, Managing Director of Maison Albéric Bichot in Beaune is very familiar with Asia. He gives us his point of view only a few days before the Hospices de Beaune wine auction, clearly resuming the situation.

  “Generally speaking, Asia remains a favourite for exports of our Burgundy wines. It would be a mistake to neglect this vast region. In China, the miracle has not yet happened as Burgundy is still unknown compared to Bordeaux. Of course, we have a great future ahead of us, but it will take a lot more time and a lot more marketing and communication initiatives. The Chinese are very enthusiastic about red wines but are starting
to discover whites, in particular Chardonnay. Nevertheless, Burgundy sales will only take off when the Chinese are certain that Burgundy is a prestigious, elite wine…

The Korean market has seen Burgundy imports more than double in two years. This increase is the strongest of all wines imported in this country. Many small import businesses have seen the light of day over the last two to three years, in addition to the companies that have already been established for around ten years. We just hope that it's not a “speculative bubble”.

Other markets should be taken into consideration, even if they seem to have already reached maturity, such as Hong Kong or Singapore. The removal of customs duties in Hong Kong and Macao should be favourable for us, in particular for the more expensive wines. As a result, Singapore and Taiwan are also talking about removing customs duties, so as not to get left behind by Hong Kong. This bodes well for the future.

Finally, other small players are emerging and the development of their tourist market could open some exciting opportunities, such as Vietnam or Cambodia.

Of course throughout the Asia region we face competition from other wine-producing countries (principally Australia and Chile), but Burgundy can and must hold on to its position and maintain its development efforts. It is also through Asia that we can find growth engines and that we can counterbalance the drop in consumer spending in “old Europe”.

All these markets are very sensitive to changes in exchange rates… let's hope that the euro won't play any nasty tricks on us over the coming years.”

▶ Australia: steady outlook for Burgundy
Burgundy’s 12th market by value and 14th by volume

Australia, itself a wine-producing country, seems an unlikely market for Burgundy wines. However, this country is becoming a key market for Burgundy.

Over the last 12 months, as at end July 2008, exports grew by 50%, placing this market in 12th position in terms of Burgundy exports by value (jumping ahead 2 places in one year). 600,000 bottles were imported for a total of 7.6 million euros (that is 1% of the region's total export earnings). It is worth pointing out the earnings growth in absolute value (+2.5 million euros), which measures real performance. This growth offsets the loss in earnings in markets such as Japan or the Netherlands.

Although this country has become a major producer and exporter, its internal market is also developing. Its imports are increasing at an exponential rate. In 2007, 43 million litres (equivalent to 57.5 million 75cl bottles) were imported, that is a rise of 43%.

As supermarkets do not have the right to sell wine, wine merchants share most of the market for imported wines. Their role of specifier/advisor can be an advantage for Burgundy, a region with diverse but often unknown appellations.

Jeremy Stokman is a buyer for the Australian group Coles, the leading distributor of Australian wines, which has recently been taken over by Wesfarmers (an Australian food processing group). He is in charge of supplying the group's 3 wine merchant brands, representing a total of 767 shops, and 95 hotels. He says, “Burgundy is the most represented wine region in the world with great wines and small producers.” When he talks about the reputation of Burgundy wines, he puts it into perspective and insists on the need to educate...
and train the specifiers: “People know Burgundy wines in general, but they don’t know the different appellations.”

Mario Vinciguerra, buyer of high-end wines for Vintage Cellars (this company which belongs to the Coles group, comprises 90 cellars which specialise in high-end wines) has a rather more optimistic view of demand in Australia:

“Over the last few years we have seen significant development in this strong market for Burgundy wines, in particular Pinot Noir. A new generation of Australian consumers is trying to experience all the subtleties of your wines. The rise in “niche” importers has enabled this demand to be fulfilled. The quality and diversity of Burgundy wines now available, both in restaurants and in shops, has never been so high.”
In France, Burgundy limits the effects of the French consumer spending crisis: -2% on the 2007/2008 campaign

Whilst wine consumption in France had stabilized around 54.2 litres per year per head (sources: Viniflhor) since 2003, we witnessed a real fall-off in wine consumption in 2007, dropping 3.6%. This fall is in favour of more occasional, qualitative and festive consumption.

Linked to this structural decrease, we have observed, since June 2008, a historical fall in French morale (sources: TNS-IRI 2008). Purchasing power has become the number one concern for the French people, even ahead of unemployment. Consequently, food has become the main area in which the French pay attention to their spending. Inflation of +4.6% for mass consumer goods has encouraged them to be cautious in their spending.

The decrease in the volume of purchases mainly affects non-essential products, or those which can be bought at a later date.

In this context, the fact that Burgundy is traditionally an exporting region is now an obvious asset. It is the only wine-producing region with a minoritary internal market. For the 2007/2008 campaign it represents the equivalent of 99.5 million bottles (49% of total sales), down 2% compared to the previous campaign. This fall is limited thanks to the growth in supermarket sales.

Retail distribution: the reorganisation of France’s supermarket shelves boosts sales of Burgundy wines

Sales of Burgundy wines in hypermarkets and supermarkets are on the rise in 2008 (sources: IRI) after a slight contraction at the end of 2007. They have now exceeded 34 million bottles. This is a substantial increase (+2.4% by volume over one year at end July 2008) in a difficult context: overall sales of French still AOC wines continue to slide in this sector (-1.5%), just like Champagne (-4%). Including sales in mini-markets, corner shops and discount shops, the volume of Burgundy wine sold in self-service shops amounts to 45 million bottles.

In the future, the initiative carried out by the Burgundy Wines Board (BIVB) since spring 2008 in the supermarket shelves should continue to sustain sales (see box below).
Helping consumers to choose, providing clearer information and guiding the confused beginner through the maze of wines in modern supermarkets has become an absolute necessity!

In this difficult environment for wine in France, growth in sales of Burgundy wine in supermarkets (+2.3% by volume) really is an exception!

The impressive performance is linked to the decision to restructure and promote the “Burgundy wines” ranges, implemented this year by the Burgundy Wines Office (BIVB). This innovative operation consists in reorganising the Burgundy wines shelves by price and occasion. Each price range is linked to an occasion: at home, with friends and celebrations. This is supplemented by information in the aisle on food and wine pairing.

420 metres of shelves have already been overhauled, as at end October 2008, in some 90 shops. Shelves are being reorganised at an average rate of 2.5 shops per week. The objective for the coming months is to broaden the geographical area: until now the reorganization was focused in Burgundy. It is now being extended to the Lyon area. Between the end of 2008 and the beginning of 2009 it should continue in Champagne-Ardenne, Lorraine and the Paris region.

This restructuring is increasing sales of Burgundy wines without “cannibalising” other regions, because it provides help for consumers, reassuring them in their choice.

Transforming an intention to purchase into an actual purchase was the aim of this programme. This objective was achieved from the very first months of the operation!

This initiative was presented at the annual competition of the French Merchandising Institute where it was well received by the jury. The results of the competition will be published on 26 November 2008.

This reorganization of the Burgundy wine shelves is boosting sales as it gives the consumer more information. It also provides more visibility for mid-range appellations (6-12 euros) whose sales have increased significantly (earnings +20% for the red Côte d’Or villages, +5% for the white Côte d’Or, Côte Chalonnaise and Côte Mâconnais villages). The operation adds significant value to the Burgundy range as retail distribution earnings figures have seen a 7% increase year-on-year, totalling 200 million euros.

One of the key issues of this initiative is to win over new customers. The positive pre-tests of this restructuring operation showed that it encourages undecided consumers to actually make a purchase. This has since been analysed further.
The potential for this operation is significant. A study carried out in August 2008 on a sample of 2,467 persons who were interested in the wines on the shelves prior to the reorganisation, revealed that 26% of these potential purchasers left the shelf without buying. 28% of them did not find the wine they were looking for, particularly due to a lack of understanding of the differences between the Burgundy wines (sources: IRI).

This shows to what extent consumers need more compelling and above all more informative merchandising. Burgundy hopes that this operation will help it win over 13% in new consumers.

Restaurant and catering industry: a difficult period

The restaurant and catering market is one of the main victims of the French consumer spending crisis. Consequently wine consumption is bound to fall in this market. Earnings for wine consumed outside the home held up in 2007 (sources: French observatory for the drinks trade). After falling 5% in 2005 and 2006, they fell by only 2% in 2007 despite a poor first quarter. 2008 should not, unfortunately, see a return to the norm.

Burgundy sales seem to have experienced very contrasting changes per segment in the last campaign. Top of the range wines (grands crus, Chablis or wine from other reputable villages) retain their status, particularly in gastronomic restaurants. The regional AOCs provide an alternative in traditional restaurants for consumers who are seeking to spend less. Burgundy wines are present on the menus of 88% of gastronomic restaurants and 60% of traditional restaurants. There is still room for development outside of their region of origin (sources: CHD for the BIVB).

From this point of view, the warehouse operators’ segment is starting to gain ground. This intermediary link now represents 5 wholesalers and independent retailers who remain very local. Together they sell 3.2 million bottles of Burgundy per year, that is 20% of the volume allocated to catering (sources: Equinoxe for the BIVB). Added to these professionals are the Cash and Carry wholesalers (Promocash and Metro) who provide caterers with the opportunity to buy everything under one roof, in particular those who are too small to be targeted by the operators.

Burgundy can also bank on the development of sales of wine by the glass which harbours real potential: only 20% of the establishments which have adopted this method of sale currently offer Burgundy wines. Furthermore, with the strengthening of drinking and driving regulations and the high price of wines on restaurant menus, selling wine by the glass and the development of set menus which include wine, seem to be promising alternatives.

Regional sales: wine tourism is taking off

This segment is characterized by selling directly to the individual, without any intermediary. Each year it represents around 14% of sales of Burgundy wines. Half of the operations concerned sell less than 10,000 units per year in the region (survey carried out by Vinifhor and the BIVB in 2006 on 250 estates).

This sector is likely to expand; half of those surveyed replied that their sales in this segment had increased over the last five years (very few saw a decrease). Two thirds showed an interest in increasing this activity in the years to come.

However, tourism did suffer in summer 2008 from a slowdown in activity. A survey carried out by the Regional Tourism Board in Burgundy during the summer of 2008 showed that 42% of tourist service providers (hotels, restaurants, camp sites, tourist
Joint BIVB – Hospices de Beaune 2008 press conference

offices etc.) saw a drop in numbers compared to summer 2007. Catering was particularly affected (56% saw a drop in numbers). This rather negative situation is down to French customers who were deemed stable or down in all sectors.

Wine tourism has held up better, however, since activity in wine cellars during the same period was considered quite good by 52% of cellars questioned (only 16% considered it to be quite bad). Although French customers are stable for the most part (3/4), satisfaction came from foreign customers: 40% of those surveyed saw their number rise.

Dominique Gruhier, wine-grower in Epineuil, offers not only tastings at his cellar, but also visits to the vines, introductions to wine-tasting, cooking and flower-arranging workshops etc. He is very involved in wine tourism and has a very pragmatic view of the subject.

“Each year we strive to improve the way we receive visitors at the Estate. We like to share our passion, both for our vineyard, our wines and our heritage, but also for appellations like ours which are not very well-known and difficult to export [Bourgogne Epineuil and Bourgogne Tonnerre]. There is an interesting potential for opportunities and development.

Receiving visitors is not easy and requires a permanent presence. You have to be available at all times, at very variable frequencies. Our absolute priority, in the middle of our many daily tasks, is to always appear available for our visitors. They come here to have a good time, they dared come into our estate, we should thank them and reassure them in the choice that they have made. We hope that they will appreciate our production and the best reward is to see them come back with their friends. I prefer to “invest” in this type of reception rather than in trade fairs. Today, this client segment represents 15% of our earnings, that is 100,000 euros annually.

Some publications to develop Wine tourism

For 3 years the Burgundy Wines Board (BIVB) and all the institutional regional partners (region, département) have joined forces to promote the development of this sector. Each year, the BIVB makes several tools available to visitors to discover the Burgundy wine-growing region and the tasting cellars:

- The bilingual (French-English) Map to the wines of Burgundy (La Carte de la Route des Vins de Bourgogne) has just been reprinted for 2009, with 200,000 copies. It presents the tourist routes and the main centres of interest of the region. New this year: the route du Crémant in the Châtillonnais area (north of the Côte d’Or) was signposted in the spring of 2008. It highlights the traditional heritage (dry stone houses and walls) of the 23 towns and villages of the appellation.

- On the back of this map, the 282 cellars are listed which are members of the "De Vignes en Caves" visitors’ charter. For three years these caves have been regularly visited to help them improve customer reception at the cellar.

- Similarly, the events guide "Bourgognes en Fête 2009" (Wine events calendar) has just been published. It now references some 90 dates from January to December and is an ideal companion for visitors who want to discover Burgundy wines and local specialities.

- On the BIVB’s website, a “Wine tourism” search engine in English, French and German helps visitors to organize their stay in Burgundy.

Wine-shops: real room for growth

An initial study, carried out in 2006, established that 83% of the 5,300 wine-shops in France reference Burgundy wine, with an average of 37 different wines per shop. The majority of this offering ranges from 9 to 35 euros.

The 2008 study, currently underway, has already revealed that the average number has increased to around 42 Burgundy references per wine-shop. This is more than in 2006 but less than in 2007 (45 references per shop). The initial findings of the study suggest that the figures should remain between 6 and 7 million bottles sold in this segment.
Wine-shops in Burgundy represent 50% of the total earnings of the region in this segment. And Burgundy wines represent 25% of their total earnings. There is therefore room for growth in the region but also for the rest of France, given the very symbolic market share of Burgundy wines in many French regions.

The Burgundy Wines Board (BIVB) invests in this segment, particularly by training many wine-shops advisers each year, through specific training at the Ecole des Vins de Bourgogne (Burgundy Wine School).

Burgundy professionals also believe in the potential of the wine-shops' network for Burgundy wines, like Jean-Philippe and Jean-Guillaume Bret, wine growers of the Mâconnais, better known as "the Bret Brothers".

"The distribution of our wines through wine-shops represents around 10% of our earnings. We are lucky to be able to work with passionate wine-shops owners who defend the notions of “terroir”, authenticity and craftsmanship. In other words they are ambassadors for Burgundy wine and its estates. A lot of these wine-shops are established in Burgundy. This does not contradict the fact that we sell our wines ourselves at the estate. The other wine-shops owners with whom we work are based in the Paris region, the north of France, Brittany and the south of France. The volumes sold vary (factor of 1 to 15 depending on the shops). Some of our clients sell both in their shop and on their website. We think that wine-shops have a good future ahead of them. Again it’s a profession that requires passion."

"Getting to know Burgundy wines"
Burgundy wine-growers meet wine enthusiasts

Distribution networks in France are always keen for events and even keener for the actual presence of wine producers. Indeed, their clients are always looking for more authenticity and hope to find answers to their questions. Fully aware of this situation, the BIVB launched the campaign “Getting to know Burgundy wines” among wine-shops in September 2007. A real success, this campaign involved over 200 tasting events throughout France, in 3 months.

After this encouraging result, the BIVB decided to renew the initiative in the third quarter of 2008, extending it to wine shows and supermarket wine fairs. The aim is to encourage Burgundy wine professionals to meet their customers on different distribution segments.

The initiative includes a free promotional kit with material for each event: apron, corkscrews, stop-drops, bottle bags, wine pairing maps, posters and maps of the Burgundy region.
And for events in hypermarkets and supermarkets, the winegrower has a light, practical counter stand to improve visibility and the quality of the image of Burgundy wines. This is a great way to stand out from the crowd in wine fairs!

A total of over 150 Burgundy wine professionals have joined forces, offering throughout France:
- 150 wine-shops events
- 210 wine shows
- 100 supermarket events

Although, for this first year, the supermarket events are focused in the Burgundy region, the other events are distributed throughout the regions of France.
Internet: niche value for Burgundy wines

In 2007, 201 French-language websites were visited on the Internet, representing over 1,000 operators. In fact only 5% of surfers on these sites actually make a purchase. On average they spend 329 euros, all wines included. For Burgundy, this represents nearly 300,000 bottles per year, with an average price of 16.6 euros per bottle.

The total of sales of wines on the Internet in France was estimated, in 2007, at around 100 million euros, that is double the 2005 figure. The Internet wine market is experiencing strong growth. A huge variety of sites offer online wine sales, not to be confused with sites allowing the surfer to discover the companies.

For several years, many operators have used the Internet, creating their own websites. They have used the Internet to drive sales and not just as a showcase. Nevertheless, the majority of website visits do not result in an immediate order.
Key figures from the Burgundy region (Sources: Douanes/IRI/BIVB/IRAF)

October 2008

Production

1.5 million hectolitres of which

- 60.5% white wine
- 30.5% red wine (and rosé)
- 8.0% Crémant de Bourgogne

et

- 1.5% Grands Crus
- 47.5% village appellations and premiers crus
- 51.0% regional appellations

soit

- 6.6% of the production of French VQPRD
- 3.3% of the production of wine in France
- 0.5% of the world’s wine production

27,700 hectares in production (3% of the French wine-growing area)

2 main grape varieties:

- Chardonnay (46% of planted varieties): used for nearly all the white wines
- Pinot Noir (36% of planted varieties): produces nearly all the red wines
- Other grape varieties: Aligoté (white, 6%), Gamay (red, for Bourgogne Passe-tout-grain and Mâcon, 11%), Sauvignon and César (1%)

100 different appellations of which

- 33 Grands Crus
- 44 village appellations and premiers crus
- 23 regional appellations

Companies

4,000 Wine estates (of which 1,300 include wine bottling)

250 Trading companies

23 Cooperative cellars

Market

204 million bottles marketed

- of which 51% are exported

1.2 billion euros in earnings (estimated)

Burgundy represents:

- 5% of the world’s wine trade by value
- 20% of earnings of French still VQPRD exported in 2007 (with 6.6% of the production)

Regional weight

2% of the agricultural land exploited in Burgundy

3% of the GDP of Burgundy

20,000 direct jobs

100,000 indirect jobs: glass-making, barrel-making

Sources: BIVB/Douanes/IRI