



BOURGOGNE

Bourgogne Wine Board

Bourgogne wines doing well Despite international uncertainty

10 September 2020

The first six months of 2020 have seen Bourgogne wines well represented across markets, despite volumes from the 2019 vintage being lower than those from 2018. This stability is, however, under threat from a global socio-economic context linked to COVID-19, and by new trading conditions.

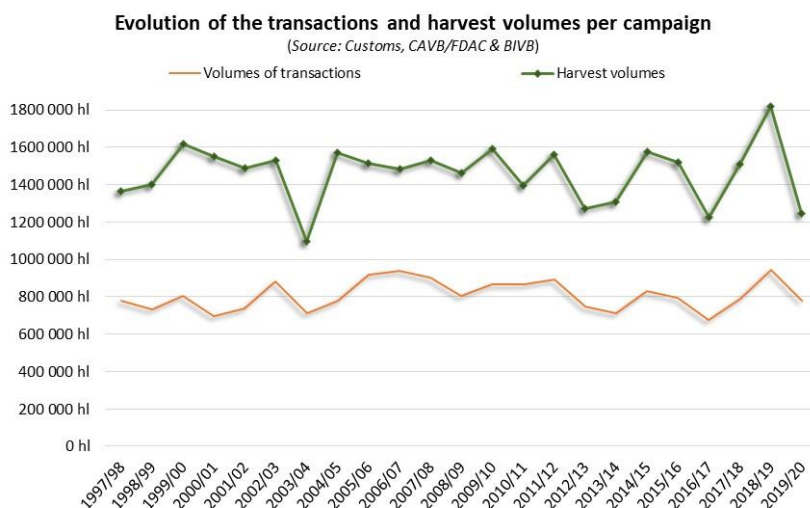
- ▶ Stocks in the winery are in line with five-year averages and can satisfy market demand.
- ▶ Transaction volumes and sales from estates were down in 2019-2020 as a result of low yields from the 2019 harvest.
- ▶ Exports of Bourgogne wines during the first six months of 2020 were hit hard by the lockdown. But January, February, and June were very good in terms of volume.
- ▶ In France, Bourgogne wines are maintaining and even improving their position on modern circuits, in particular thanks to convenience stores and click-and-collect.

Transactions for 2019-2020: A dip caused by the 2019 vintage is cushioned by the 2018 vintage

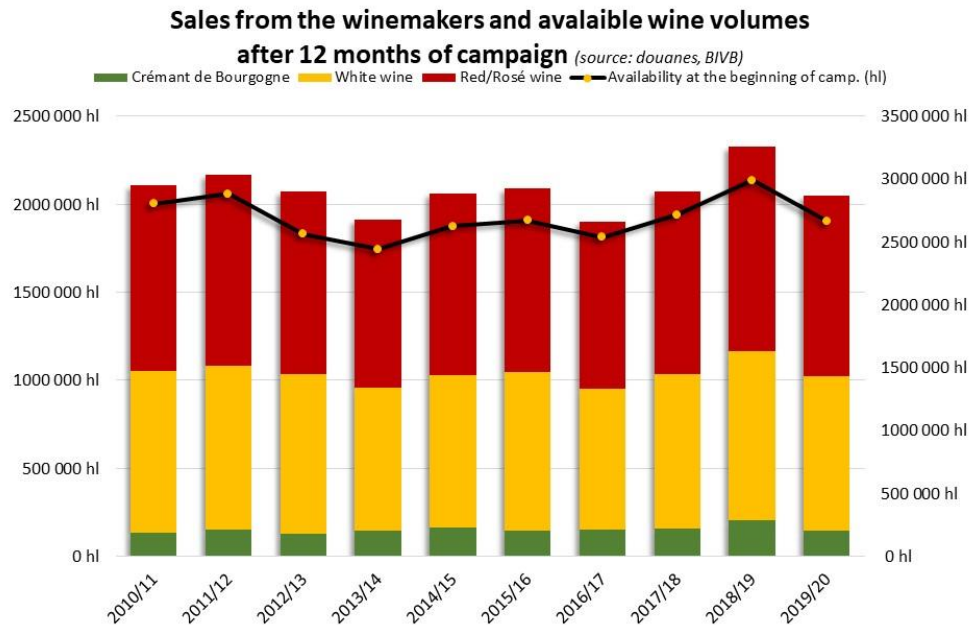
In 2019, the total harvest volume of some 1.2 million hectoliters was below average and followed on from an historic harvest in 2018 of 1.8 million hectoliters. The quality was excellent, but the low yield naturally translated into fewer transactions, although this was helped somewhat by the excellent yield from the previous year.

- **Transaction volumes for 2019-2020, with 770,870 hectoliters, were only down 18%.** The availability of the 2018 vintage (20% of the transaction volume for 2019-2020) **compensated for the low availability of the 2019 harvest.**

These figures reflect how market demand continues to be stable.



- In global terms, **sales from the winery for the 12-month campaign 2019-2020 were down 12.5%**. White wines were less impacted (down 8.7%) than red wines (down 13.6%). Crémant de Bourgogne wines showed the biggest drop, down 27.6% compared to the same period in 2018/2019.
- **Stocks at the winery at the end of the 2019-2020 campaign are estimated at almost 1.2 million hectoliters, down just 3% on the five-year average.**



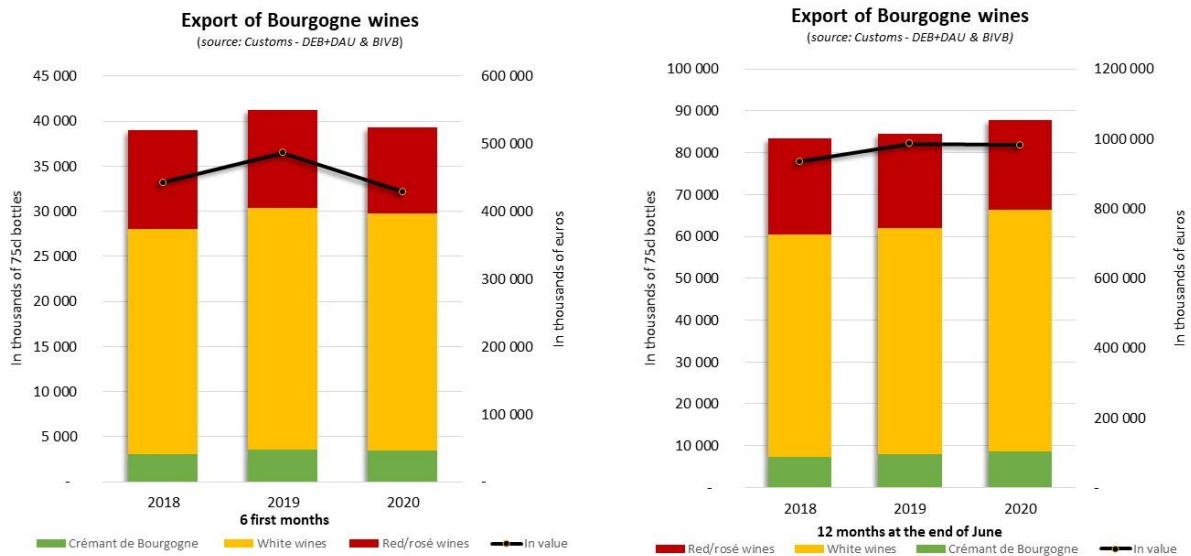
The Bourgogne wine industry clearly has the capacity to supply its markets and does not have a problem with excessive stocks in the winery. The Bourgogne wine industry nonetheless remains vigilant given the current context which is amplifying the trend to consume less wine. This is one of the key challenges for the BIVB's Plan 2025.

Exports: Bourgogne wines holding firm in a context of great uncertainty.

- ▶ The socio-economic situation from March to May 2020 has impacted exports of Bourgogne wines, which were down 4.7% by volume and down 11.9% in terms of revenue for the first six months of 2020 compared to the same period in 2019.
- ▶ The 12 months to the end of June 2020, the Bourgogne region remains one of the only French AOC wine regions that still showed some growth, up 4% by volume over the previous year.

The socio-economic effects of the pandemic which emerged in early 2020 amplified and accelerated market shifts that were already taking shape beforehand, with a trend towards drinking less wine, the growth of eCommerce, and changing market access, and so on.

Access to the biggest markets for Bourgogne wine is undergoing a major transformation. The UK is currently redefining its import regulations and those governing exchanges with external markets (re-exports). Meanwhile, exports of French wines to the USA have been slowed right down thanks to the additional duties introduced as a result of the Airbus/Boeing dispute.



However, Bourgogne wine producers remain confident and the industry has great faith in its markets.

Exports of Bourgogne wines to the end of 2019 were excellent; up 9% by volume (89.8 million bottles) and up 10.4% in terms of revenue compared to 2018. Bourgogne even passed the symbolic bar of one billion euros of revenue (1,039 billion euros).

This dynamic continued for the first two months of 2020, which saw exports up 2.9% by volume (compared to the first two months 2019), despite dips by volume and revenue for the Bourgogne wines' two historical leading markets, namely the USA and the UK.

Lockdowns in China from February 2020 in reaction to the COVID-19 pandemic – a first for the modern world – were soon repeated across the world, slowing down or even stopping global trading. The effects of this were soon felt, and from March to May 2020, exports of Bourgogne wines nosedived, down 11.8% by volume and 21% in terms of revenue compared to the same period in 2019.

However, from June onwards, exports from Bourgogne picked up again and were up 4.2% by volume in June compared to the previous year. This trend seems to be continuing, with export volumes stated in DAE customs declarations positive by volume. The industry should nonetheless remain cautious, as it is unclear how the global economy will react to the uncertain economic conditions in the fall of 2020.

The first six months of 2020 were kind to white *Mâcon Régionale* appellations, which were the only white AOCs in Bourgogne to enjoy dual growth, up 18% by volume and up 9.7% in terms of revenue compared to the first six months of 2019.

In terms of red wine, the *Irancy AOC* also enjoyed dual growth, up 18% by volume and 9.7% in terms of revenue compared to the first six months of 2019.

In terms of the 12 months to the end of June 2020, **growth by volume for white wines (up 6.7% over the 12 months to June 2019 for 66% of volumes exported), and Crémant de Bourgogne (up 10.7% over the 12 months to June 2019 for 10% of volumes exported).** Together they **compensated for a slowdown for reds (down 4.8% over the 12 months to June 2019, for 24% of volumes exported).**

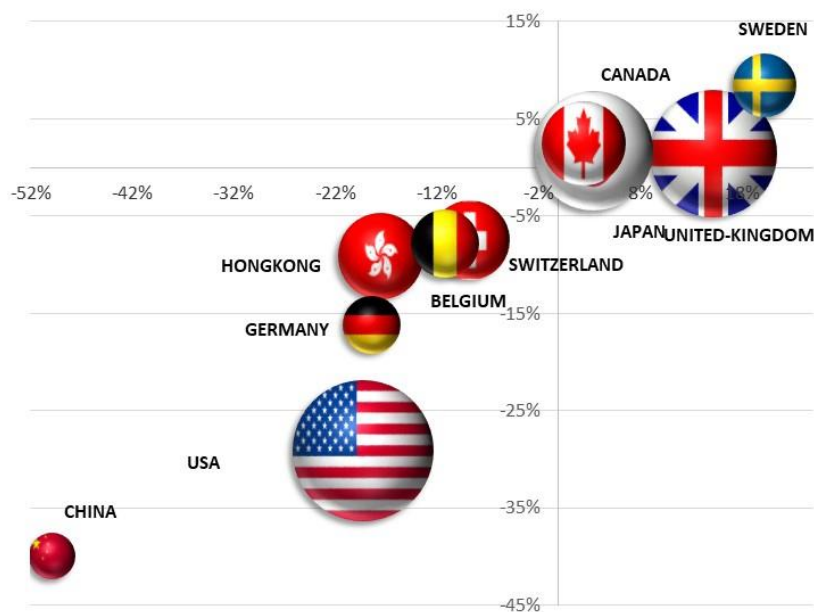
Similarly, **revenue for Bourgogne wine remained stable, down 0.4%** compared to the 12 months to June 2019, despite growth for **white wine revenue (up 3.9% over the 12 months to June 2019) and Crémant de Bourgogne (up 4.9% over the 12 months to June 2019).**

■ A new export market in the top five for Bourgogne wines

The export markets for Bourgogne wines reacted very differently to the socio-economic context, and sometimes contrary to expectations. Some that were thought to be lost enjoyed growth, while others that should have been consistent or even showing growth slowed right down. By volume, **Sweden entered the top five export markets for Bourgogne wines, and the UK returned to the number one spot in May and June.**

Change in the export of Bourgogne wines

(source: Douane : DEB+DAU, BIVB - 6 first months of 2020)



Reading this chart:

Bubble size is proportional to market size in terms of revenue from exports of Bourgogne wines during the period

- Horizontal axis: Change by volume compared to the same period in 2019
- Vertical axis: Change in terms of revenue compared to the same period in 2019

The UK, which had been losing momentum since the 2008 recession and which some thought would be lost forever because of Brexit, **is back up to speed in terms of Bourgogne wine imports**. Over the first six months of 2020, the UK market has **grown 15.3% by volume and 2.6% in terms of revenue** compared to the same period in 2019. This has seen it **retake the top spot by volume and revenue for exports of Bourgogne wines** in May and June 2020.

This success over the first six months of 2020 owes a lot to the Crémant de Bourgogne AOC (up 62.5% by volume compared the same period in 2019), but also to all the other white Bourgogne wines:

- Chablis and Petit Chablis AOCs: Up 6.3% by volume
- *Régionale* Mâcon AOCs: Up 35% by volume
- *Régionale* Bourgogne AOCs: Up 10.2% by volume
- Other *Village*, *Village Premier Cru* and *Grand Cru* AOCs: Up 6% by volume

In July, known volumes exported to the UK, declared in DAE customs documents, confirmed this leading position.

While Brexit is no longer in doubt, **the UK is still defining its import regulations**. These new regulations are not yet being applied to imports, which might explain this strong growth. However, in the near future, they may have a significantly limiting effect on sales of wines in this market.

- ▶ **Development strategies have been based on the US market, one where anything is possible. But recent events have confirmed that nothing is ever guaranteed. A disagreement between the EU and the Trump administration regarding grants to the aviation industry has resulted in a 25% *ad valorem* tax being applied to certain wines sold to the USA.**

The negative effects of this tax are **amplified by the uncertainty that crops up every six months about whether it will be reduced, maintained, or reassessed**. Any discord or lobbying automatically leads to another threat of an increase to this customs barrier. **Almost all still Bourgogne wines are subject to this tax**, while Crémant de Bourgogne wines are excluded.

After the first wave of COVID -19, some states reintroduced partial lockdowns while others are demonstrating extreme caution like New York, which has brought the epidemic under control but has refrained from reopening a large number of restaurants. The epidemic is also raging through the southern part of the country, both in states that were thought to have handled the situation well in the beginning and in those considered to have been laxer in their approach.

- Results for the first six months of 2020 demonstrate the importance of the current socio-economic quagmire in the USA. **Exports of Bourgogne wine to the USA have been significantly impacted, down 19.3% by volume**, equivalent to 1.7 million bottles, compared to the same period in 2019, **and down 29% or 32 million euros**.
- **All Bourgogne wines have been affected, but it is the *Village* and *Village Premier Cru* AOCs from the Côte de Beaune and Côte de Nuits that are suffering most**, down 30.3% by volume and down 43.4% in terms of revenue compared to the same period in 2019. These wines enjoyed high positioning but the addition of this tax set them in an even higher price category, reducing their accessibility to many people.
- **In terms of French AOC wines as a whole, these losses equate to some 16 million bottles, down 19.4% over 2019, and 264 million euros, down 32.9% over 2019) in the space of six months.**

This market is the cause of great concern and the American presidential elections are now a focal point regarding what happens next.

- ▶ **Three other countries that are usually in the top five in terms of export volumes continued to import Bourgogne wines over the first six months of 2020.** Only Belgium was struggling, after a great year in 2019. It has been supplanted by Sweden (perhaps only temporarily).
 - **Canada remains in third place in terms of export volumes over the first six months of 2020, with growth up 2.4% by volume and up 2.5% in terms of revenue** compared to the same period in 2019. White Bourgogne wines were responsible for these great results, with the Chablis and Petit Chablis AOCs up 33% by volume and 30% in terms of revenue; the Mâcon *Régionale* AOCs up 12.9% by volume and up 36.9% in terms of revenue; and the Bourgogne *Régionale* AOCs up 4.6% by volume and up 7.5% in terms of revenue compared with the same period in 2019.
 - After a drop during the first six months of 2019, **Japan was back on track for the same period in 2020**, up 3.4% by volume and up 1.7% in terms of revenue compared to a year earlier, thanks to the Chablis and Petit Chablis AOCs which were up 31.4% by volume and up 27.5% in terms of revenue compared to the same period in 2019; and to red *Régionale* Bourgogne appellations, which were up 32.6% by volume and up 16.2% in terms of revenue. It remains in third place in terms of revenue and fourth place by volume.
 - **Sweden entered the top five leading importers of Bourgogne wines for the first time**, in fifth spot by volume, with growth of 20.3% by volume and up 8.4% in terms of revenue compared to the same period in 2019. The full Bourgogne wine offer has benefitted from this growth, with Crémant de Bourgogne in particular, up 57.2% by volume and up 14.7% in terms of revenue. White *Régionale* Bourgogne AOCs also benefitted, up 13.3% by volume and up 12% in terms of revenue, along with their red equivalents, up 11% by volume and up 13.3% in terms of revenue.

Exports Bourgogne wines

(First six months of the 2020-2019 campaign. Source: Customs/BIVB)

Destination	In thousands of 75cl bottles			In thousands of euros		
	Total January 2020 to June 2020	Total January 2019 to June 2019	Variation in volume - over previous year	Total January 2020 to June 2020	Total January 2019 to June 2019	Variation in value - over previous year
Total of the exportations	39 259	41 198	-4,7%	428 885	486 596	-11,9%
USA	7 259	8 990	-19,3%	77 852	109 881	-29,1%
UNITED-KINGDOM	7 039	6 107	15,3%	63 371	62 468	1,4%
CANADA	3 811	3 721	2,4%	27 556	26 895	2,5%
JAPAN	3 732	3 610	3,4%	55 131	54 218	1,7%
SWEDEN	3 078	2 560	20,3%	15 942	14 702	8,4%
BELGIUM	3 027	3 408	-11,2%	17 616	19 119	-7,9%
NETHERLANDS	1 886	1 348	39,9%	10 360	9 338	11,0%
GERMANY	1 391	1 704	-18,4%	12 787	15 258	-16,2%
DENMARK	1 265	1 220	3,7%	13 401	12 891	4,0%
SWITZERLAND	792	868	-8,7%	24 276	26 237	-7,5%
CHINA	539	1 074	-49,8%	8 319	13 860	-40,0%
HONGKONG	464	562	-17,5%	28 541	31 411	-9,1%
AUSTRALIA	432	854	-49,4%	5 891	9 475	-37,8%
IRELAND	388	299	29,9%	2 236	2 097	6,6%
SOUTH KOREA	377	361	4,6%	6 479	5 432	19,3%
ISRAEL	329	209	57,3%	3 149	1 772	77,7%
ITALIA	274	353	-22,2%	4 883	5 867	-16,8%
TAÏWAN	251	342	-26,5%	11 397	12 654	-9,9%
SINGAPORE	213	268	-20,6%	7 714	8 245	-6,4%
NORWAY	Figures not confirmed					
LITHUANIA	171	131	31,1%	1 191	1 045	13,9%
UNITED ARAB EMIRATES	160	248	-35,5%	2 151	3 749	-42,6%
SPAIN	148	258	-42,5%	2 517	4 552	-44,7%
FINLAND	148	104	42,4%	966	760	27,0%
BRAZIL	140	147	-4,4%	1 011	1 548	-34,7%
CZECH REPUBLIC	139	81	72,2%	1 133	1 033	9,7%
MOROCCO	137	67	106,0%	756	561	34,8%
LUXEMBOURG	114	109	5,3%	1 995	1 747	14,2%
LETVA	108	113	-3,7%	938	874	7,4%
POLAND	103	125	-17,6%	949	732	29,8%

France: Bourgogne wines still doing well, despite the crisis

► Major retailers: Bourgogne wines are making progress, unlike other AOC-producing regions

The COVID-19 health crisis has shaken things up in terms of modern distribution channels. Local stores and click-and-collect sales are in high demand from consumers, particularly since the month of March.

Despite this, sales of still white Bourgogne wines remained good during the first half of 2020, with growth of nearly 2% by volume and 2.5% in terms of revenue over the first six months of 2019. As such, the drop in hypermarket sales of 6% and hard discount sales, down 12%, were more than compensated by a 6% hike in supermarket sales, a 10% rise in sales from local stores, and click-and-collect, which was up a whopping 75%.

- **White wines did best, up 4.4% by volume**, driven by the *Régionale* AOCs of Bourgogne Aligoté and Bourgogne, the Saint-Véran *Village* AOC, and all the Chablis AOCs.
- **Sales of red Bourgogne wines remained stable**, down just 0.2%. A rise in exports of *Régionale* Bourgogne AOCs of 3% compensated for the dip in sales of *Village* and *Village Premier Cru* AOCs.
- **Crémant de Bourgogne wines were particularly hard hit, down 21.5% compared to the same period in 2019**, with a fall of 27% in hypermarket sales and 40% for discount retailers. Sales remained stable in local stores and grew by 41% for click-and-collect, a market segment that unfortunately only accounts for 4% of total volumes.

One should remember that Bourgogne was almost the only French winegrowing region still enjoying growth on this circuit up until February 2020. The lockdown during March and April 2020 had an extremely negative effect, with a slump of 7.5% by volume compared to March and April 2019. Fortunately, the region profited – like all French winegrowing regions – from a significant post-lockdown rebound, up 14.5% in May and June 2020 compared to the previous year.

► More and more Bourgogne wines being enjoyed at home

Over the past few years, the French wine market in general has been at half-mast. According to the latest available data from 2019, sales of still wines to consumers have once again significantly decreased, down 5% by volume and 3.3% in terms of revenue. Still wines continue to decline in terms of household purchases, whatever the age group. Just 82.9% of French households purchased them in 2019, compared to 88.4% in 2010. Moreover, the decline in both the amount of wine purchased and average annual budget for wine per household is now gathering pace. The number of bottles purchased per household dropped from 52 to 42 bottles per year between 2014 and 2019. The bulk of the reduction came from the core customer base of those aged 50-64, but unfortunately, this drop is not made up for by younger consumers. Indeed, those aged 35-50 drink half as much wine on average as their elders. Furthermore, their drinks budget is moving more towards beer and low- or no-alcohol drinks.

One plus point is that the under-35s are looking for higher value wines than older consumers. And that is good news for Bourgogne wines, because these younger consumers are opting for white wines, wines in bottles, AOC wines, and certain regions, including Bourgogne. They also have a higher-than-average spend and prefer to buy their wines locally or via click-and-collect.

Wines from Bourgogne nonetheless continued to be purchased by the same number of customers in 2019: One household in six (17%) purchased at least one Bourgogne wine to drink at home, with whites and reds almost equal, even though reds were down a little. **Volumes of Bourgogne wine purchases were thus up 4% in 2019, mainly thanks to those who purchased the least in 2018:**

- **Those aged 35-49** have increased their average spend but not the number of households doing the spending. The under-50s, who account for 48% of French households, account for 30% of all Bourgogne wine purchases for at-home drinking, compared to just 24% for all still AOC wines.
- **The better off** compensate for a fall in consumption on the part of the lower-middle classes
- **The Paris region and the southeast:** The Ile de France region now accounts for the record figure of 28% of volumes of Bourgogne wine bought for drinking at home. The southeast has gone over 10% for the first time.

► **Restaurant sector: Bourgogne wines are leaders in terms of market share (2019 figures)**

In terms of still wines sold in 750ml bottles on offer in 1,200 middle to high-priced restaurants over the first six months of 2019, **Bourgogne remained the leading production area in terms of market share with 19% of references**, ahead of Bordeaux (16%) and the Rhône Valley (13%). **The region's wines were available in more than 70% of restaurants, with a choice of nine wines on average in each establishment.**

With regard to white wines, the Bourgogne region was clearly dominant in terms of 750ml bottles with 28% of wines on offer. It was also the most popular region in terms of this color, offered by 64% of restaurants, ahead of Loire wines at 60%. The Chablis AOC was available in more than 30% of restaurants.

For red wines, the Bourgogne region was in second place with 17% of bottles on offer. It was available in 56% of establishments with Mercurey the leading AOC, available on 15% of menus.

For wines by the glass, which tend to be more generic and fewer in number, with 15 references on average, Bourgogne wines accounted for 10% of the national offer and were present in fewer than half of all establishments. Those Bourgogne wines that were available by the glass were mostly white, featuring Mâcons, Chablis wines, and Bourgogne Aligotés.

Figures for 2020 will obviously be lower because of the pandemic. This applies to both French and international establishments and is a matter of concern for Bourgogne producers, as the restaurant sector represents around 25% of all sales of Bourgogne wines around the world. This is one of the key reasons why the region's winegrowers and *négociants* have asked the BIVB to support the "Back to Restaurants" operation driven by TheFork (formerly La Fourchette), in 22 countries including France, detailed in our press release of 8 September.

Economic report produced by the Markets and Development department of the BIVB – September 2020

(Sources: Customs, CAVB/FDAC, IRI, SYMETRIS, KANTAR, BIVB)

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