Press Release

BOURGOGNES
Bureau Interprofessionnel des Vins de Bourgogne

Bourgogne wine regaining share in some markets

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The total 2015 harvest in the Bourgogne wine region was up 7% on the five-year average, which helped to build up 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.

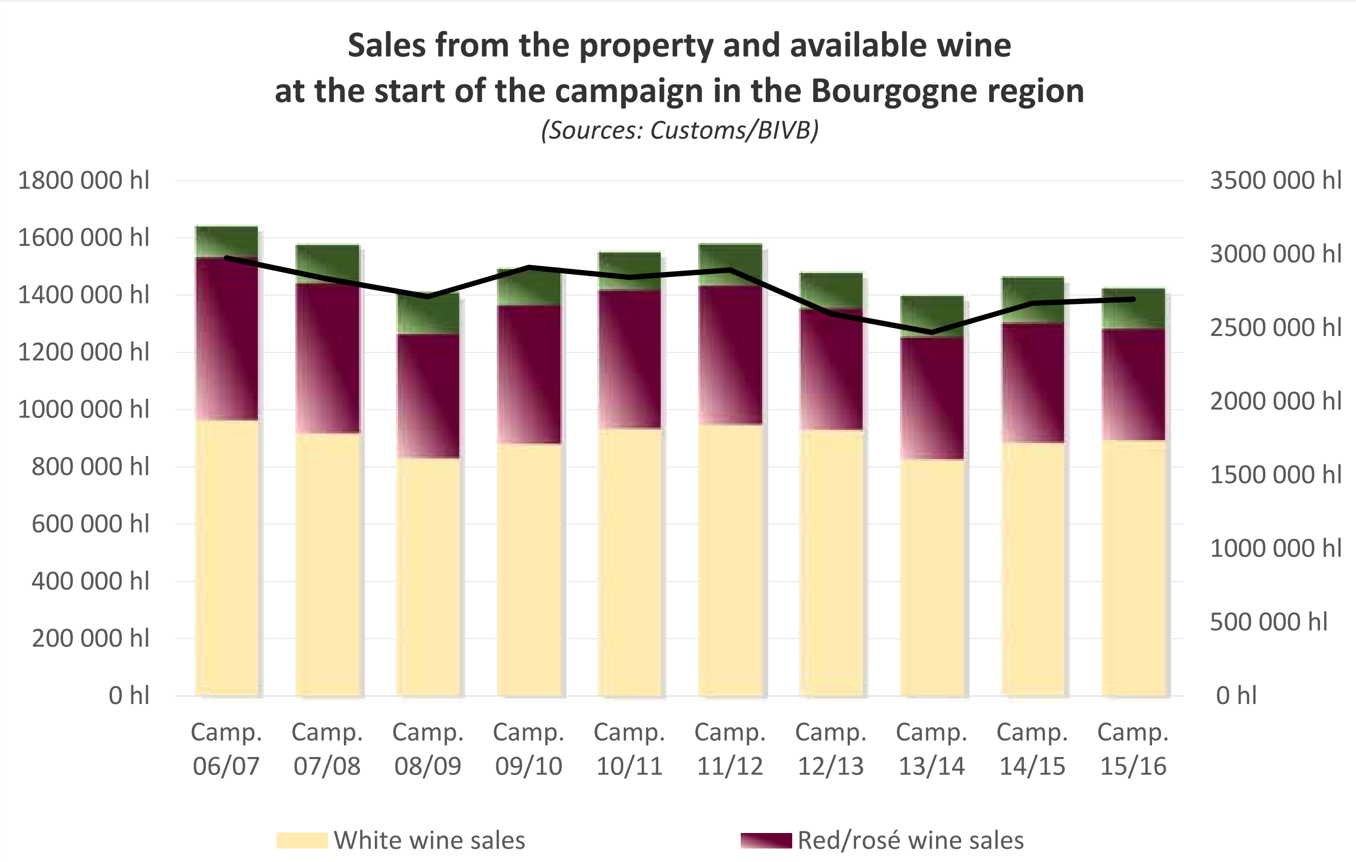
The area under production is growing steadily - up by around 1% per year - but yields have been adversely affected by climate events and mortality in the vines. This dual phenomenon has impacted the 2016 vintage and will once again put a brake on volumes leaving estates, especially for the hardest hit 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 facing a total harvest below the five-year average.

An active market for *Régional* wines, but not for all appellations

The increase in available wine as a result of the 2014 and 2015 vintages allowed the market for *Régional* wines to pick up. However, disparities in production meant that not all appellations benefited 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 did Crémant de Bourgogne (down 9%). Among the major areas for the production of white wines, the *Régional* Bourgogne (up 5.2% by volume) and the *Régional* Mâcon (up 3.5%) appellations benefited most from the upturn, along with the Chablis and Petit Chablis appellations, which grew by 5.2%. This good performance involved both sales in bottle and bulk sales.



For this group of appellations, for which available wine with producers allowed growth to be sustained, **transactions between winemakers and *négociants*** accounted for 62% of white wine sales by volume (40% of total transactions) and **grew by 3.3%** (15/16 campaign over 14/15).
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. But with the 2016 vintage down on the five-year average, this will inevitably have an impact on available wine.

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 2.4% by volume and 4.6% in terms of revenue in the first seven months of 2016).

Overall revenue continued to grow, with **an increase of 20.03 million euros** (up 4.6%) over the first seven months of 2016 (451.4 million euros). Some 54% of this revenue came from white wines, 42% from red wines, and 4% from Crémant de Bourgogne.

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 seven months of 2016.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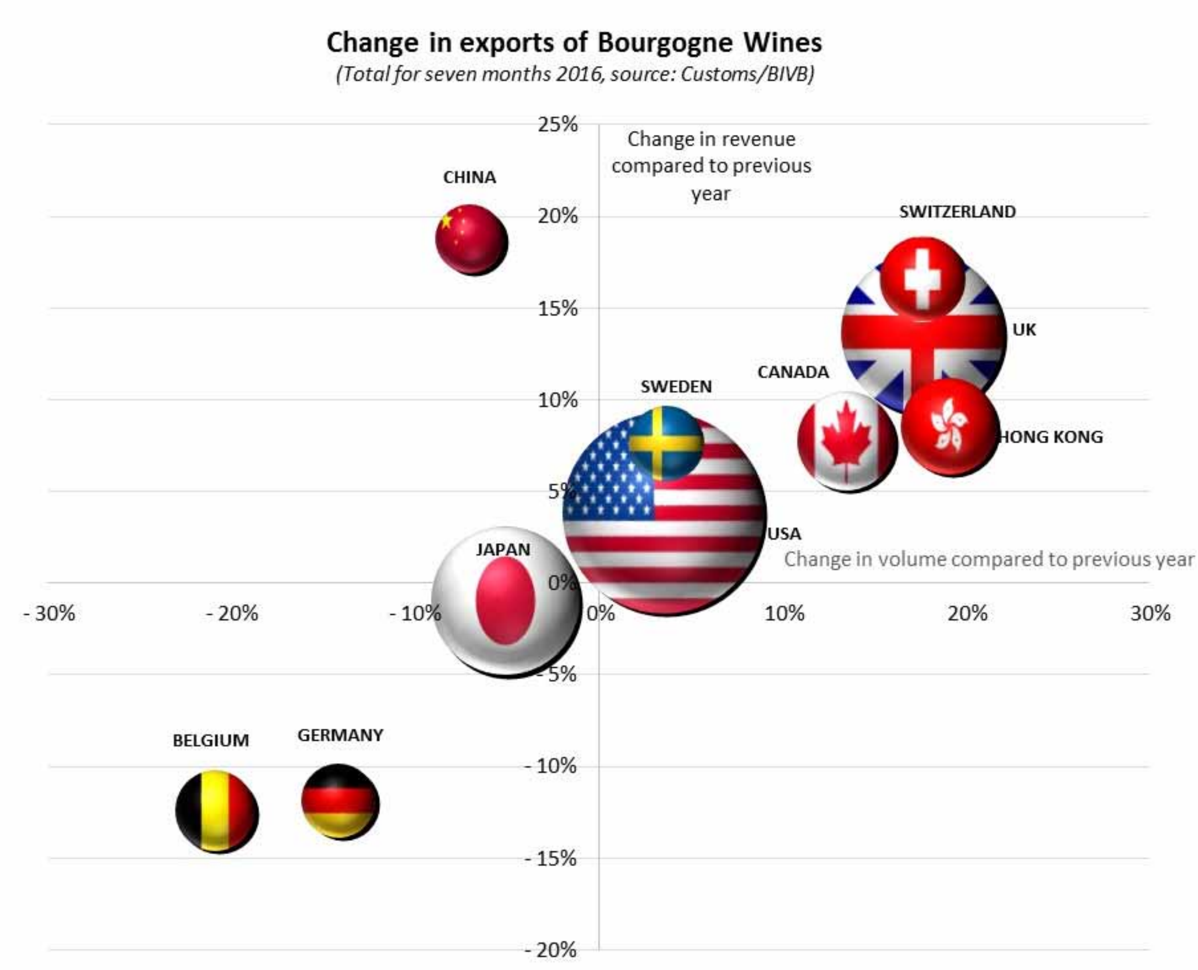
- The United States and Canada continued to show an increase in imports of most Bourgogne appellations.
- The United Kingdom, Switzerland, and Sweden all returned to growth after two years of decline.

Exports of Bourgogne wines continued to struggle on other European markets, especially Germany (down 6.3% by volume over the first seven months of 2016) and Belgium (down 11.7% for the first six months of 2016). These two countries reduced their overall wine imports, which fell respectively by 4% and 15% over the same period.



How to read the graph:

The size of the bubble is proportional to the value of the market by export 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 6.2% over the first seven 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 4.6%), an increase of 5.75 million euros.

In 2014, the United States 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. In 2015, the United States accounted for 12% of exports of these appellations, compared to 9% in 2009.

With growth of 3.5% by volume, the healthy sales of Bourgogne wines on the US market were confirmed over the first seven months of 2016. The United Sates accounted for 20% of the region's exports by volume, and 24% of its export revenue (up 3.8% in the first seven months of 2016 over the same period in 2015).

The Chablis appellations benefited most from this return to growth, with increased sales of 330,000 bottles. Volume sales of *Village AOCs* of the Mâconnais grew by 13.5%, with an 11.4% rise in revenue. The *Village* and *Premier Cru* red appellations from the Côte de Beaune, Côte de Nuits and Côte Chalonnaise also enjoyed healthy growth, up 9.4% by volume and 22.2% in terms of revenue.

Sales of Bourgogne wines to Canada were also buoyant**. During the first seven months of 2016, export volumes grew by 13.5%, after a fall of 13% in 2014. Revenue was also up, by 7.8%. The *Régional* Bourgogne appellations (white and red) surpassed their record set in 2013 by 2% in terms of volume and 7.8% in terms of revenue, with almost 2 million bottles shipped and 11 million euros in revenue over the first seven 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 207,000 bottles (first seven months 2005) to nearly 690,000 bottles exported over the first seven months of 2016.

▶ The Hong Kong wine market still booming

Over the first seven months of 2016, overall revenue from Bourgogne wines in the three main Asian markets - Japan, China and Hong Kong - continued to grow, increasing 3.6%. This performance was above all driven by the Hong Kong market.

Hong Kong confirmed its upward trend, with an 18.8% rise in terms of revenue and 19.2% by volume, after a brief hiatus in 2014 due to the lack of available Bourgogne wine. Unlike the first seven months of 2015, this market turned away from the *Grand Crus* in favor of *Régional* Bourgogne appellations, both white and red (up 102,000 bottles for the first seven months of 2016). The *Village* and *Premier Cru* red appellations from the Côte de Beaune and Côte de Nuits continued to grow (up 41% by volume and 12% 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 22nd consecutive year; fifth according to the World Bank Doing Business ranking).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Exports of Bourgogne wines to China alternate between phases of growth and decline. As such, after showing good growth over the first seven months of 2015, exports fell by 7% in volume over the same period for 2016. Nonetheless, revenue generated by this country is in constant progression, going from less than 1 million euros in the first seven months of 2007 to 12 million euros in the same period of 2016. The *Régional* Bourgogne *AOC*s tend to account for the bulk of this growth, with a 16% increase in sales by volume.

Revenue from Bourgogne wines in Japan has been impacted by the drop in export volumes: Revenue fell 1%, while export volumes dipped by 5%. Bourgogne white wines maintained sales by volume (up 1%) and progressed in terms of revenue, up 9.4%. Bourgogne red wines saw the biggest drops on this market (down 14.3% by volume and 9.2% 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 4% over the first seven months).

The United Kingdom picks up again

Exports of Bourgogne wines to the United Kingdom grew 17.7% by volume for the first seven months of 2016, while total imports of all French wines to this market fell (down 4%, *source: GTI, first six months of 2016*).
Revenue from Bourgogne wines also increased 13.6% for the first seven months of 2016, thanks to this rise in volume.

White appellations were driving this rise, notably *Régional* Mâcon white (up 25.5% by volume and 28.6% in terms of revenue), *Régional* Bourgogne white (up 21% and 33%), and Chablis and Petit Chablis (up 14.4% and 13%). Bourgogne white wines have always accounted for a large part exports to United Kingdom (84% of export volumes), despite the fact that this country in general imports a large majority of red wines.

Switzerland, recovery in a historical market

Figures for the first seven months of 2016 showed a recovery in Bourgogne wines sales on this market, up 17.7% by volume and 16.6% in terms of revenue (up 138,000 bottles for an increase of 2.7 million euros).
This return to growth is somewhat paradoxical in a market where overall wine imports are down (*source: OFAG*).

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*).


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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.


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Retail circuit gains ground thanks to greater availability

During the first six months of 2016, sales of Bourgogne wines in the French supermarket sector increased 5.5% by volume, an additional 559,000 bottles on the previous period, and were up 6.3% in terms of revenue. Some 10.8 million bottles were sold in this sector (excluding click-and-collect, hard discount and convenience stores), for record revenue of 82.7 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, notably for the *AOC*s with a faster turnaround.

Bourgogne red wines grew 4.5% by volume, driven by Coteaux Bourguignons wines, for which sales more than doubled in one year. Mercurey was up 3.6% and remains the top-selling red *Village* appellation.
White wines climbed 6.3% by volume, thanks notably to Bourgogne Aligoté (up 13.6%) and the wines of Chablis (up 15.9%). The other *AOC*s 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 a small increase in average price (less than 1.5%), unlike other regions (more than 1.5%). All French *AOC*s taken together lost sales equivalent to 5.8 million bottles.

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Table of export figures for Bourgogne wines

(*Total for first seven months of 2016 over 2015 - Source: BIVB/Customs*)

	In thousands of 75cl bottles			In thousands of euros		
Destination	Total for first 7 months of 2016	Total for first 7 months of 2015	Variation in volume - over previous year	Total for first 7 months of 2016	Total for first 7 months of 2015	Variation in volume - over previous year
Total	**45 546,58**	**44 461,44**	**2,4%**	**451 427,35**	**431 393,49**	**4,6%**
USA	9 233,35	8 917,06	3,5%	106 392,22	102 453,08	3,8%
UK	8 992,32	7 639,63	17,7%	68 655,93	60 416,16	13,6%
JAPAN	4 550,08	4 794,64	-5,1%	57 491,81	58 062,91	-1,0%
CANADA	3 635,75	3 202,55	13,5%	25 097,45	23 290,68	7,8%
BELGIUM	2 769,38	3 502,97	-20,9%	16 399,75	18 724,23	-12,4%
SWEDEN	2 699,32	2 602,24	3,7%	14 623,57	13 589,77	7,6%
NETHERLANDS	2 047,45	1 803,30	13,5%	12 054,87	11 025,52	9,3%
GERMANY	1 891,24	2 203,80	-14,2%	14 029,26	15 917,33	-11,9%
DENMARK	1 234,65	1 378,10	-10,4%	9 803,18	10 337,62	-5,2%
NORWAY	923,80	828,61	11,5%	6 035,78	5 254,38	14,9%
SWITZERLAND	920,25	781,87	17,7%	19 436,92	16 671,89	16,6%
CHINA	833,34	896,15	-7,0%	12 104,71	10 190,11	18,8%
HONG KONG	679,43	570,19	19,2%	23 761,09	21 891,49	8,5%
AUSTRALIA	652,22	850,02	-23,3%	7 879,31	7 524,23	4,7%
UNITED ARAB EMIRATES	347,06	291,61	19,0%	4 712,37	3 511,23	34,2%
ITALY	325,29	304,57	6,8%	3 745,85	3 507,18	6,8%
TAIWAN	302,87	257,91	17,4%	9 647,51	8 577,43	12,5%
IRELAND	302,60	378,85	-20,1%	1 765,50	2 236,79	-21,1%
SINGAPORE	247,30	272,92	-9,4%	5 873,59	6 060,71	-3,1%
SOUTH KOREA	217,24	288,09	-24,6%	3 709,87	3 898,07	-4,8%
BRAZIL	205,19	191,86	6,9%	1 347,26	1 470,09	-8,4%
ISRAEL	183,13	102,28	79,0%	1 774,53	1 124,46	57,8%
SPAIN	167,70	152,97	9,6%	2 132,13	1 681,81	26,8%
MEXICO	147,52	126,15	16,9%	1 248,89	1 052,59	18,6%
LATVIA	143,81	139,73	2,9%	1 152,23	974,57	18,2%
FINLAND	129,79	160,95	-19,4%	789,57	960,69	-17,8%
LUXEMBOURG	117,85	130,70	-9,8%	1 692,98	1 673,29	1,2%
RUSSIA	113,61	87,31	30,1%	1 555,34	1 097,54	41,7%
THAILAND	99,28	128,95	-23,0%	1 218,29	2 032,52	-40,1%
POLAND	98,95	94,36	4,9%	776,16	788,15	-1,5%
LITHUANIA	84,84	94,93	-10,6%	633,03	873,38	-27,5%
NEW ZEALAND	82,94	51,18	62,1%	901,82	701,89	28,5%
NEW CALEDONIA	75,38	69,61	8,3%	430,29	476,56	-9,7%
CZECH REPUBLIC	68,42	78,07	-12,4%	773,76	890,17	-13,1%
AUSTRIA	67,40	85,87	-21,5%	1 117,60	1 312,22	-14,8%

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