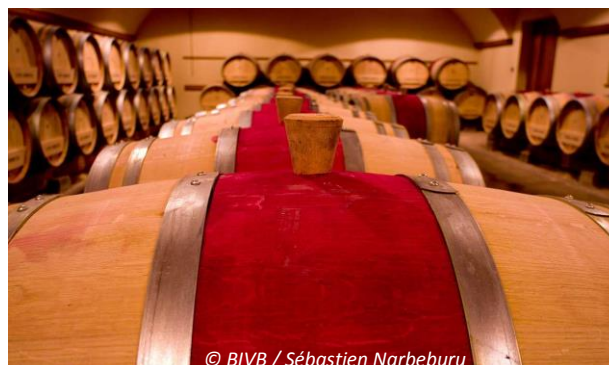


## Market Overview: 2019 an exceptional year, when concerns loom over 2020

Bourgogne, 10 March 2020

After 2019 set new records, those in the Bourgogne wine sector remain prudent, in an international context fraught with uncertainty.

- The 2018 and 2019 vintages taken together offer potential sales 7% higher than the average for wine leaving estates in the period 2009 to 2018.
- Transactions in the first six months of the 2019-2020 campaign were impacted by the 2019 harvest, which was smaller than the previous one. Nonetheless, the 2018 vintage continues to comfortably satisfy the demands of the market: Up 20%, for 48% of volumes in the first six months of 2019-2020. This volume of 2018 helped to conserve good figures for bottles leaving estates: Up 3% for 38% of total volumes in the first six months of 2019-2020.
- Export figures for 2019 were excellent: Up 9.2% by volume and up 10.3% in terms of revenue. For the first time, Bourgogne wines even exceeded one billion euros in terms of export revenue. However, the euphoria inspired by this new record was quickly tempered by the international context. The United States, the leading export market for Bourgogne wines, imposed a 25% *ad valorem* tax, which will be maintained until August 2020. The United Kingdom, the second-biggest export market, is currently negotiating a new trade deal with the European Union, the contours of which remain unknown. Hong Kong, the fourth-biggest market by revenue, has been rocked for more than nine months by political unrest. China, the 10<sup>th</sup> biggest export market, is in the grip of a major epidemic, whose economic consequences are having a global impact.
- In France, Bourgogne wines grew market share in a modern distribution sector seeking fresh growth opportunities. Meanwhile, Bourgogne wines dominated the offer available via e-commerce, which has become a fully-fledged distribution channel.



## Advance trade transactions: Still driven by the 2018 vintage

### Volumes leaving estates remained high

The 2019 harvest totaled 1.234m hectoliters, down 15% on the 10-year average (2009-2018)

The 2019 harvest was considerably smaller than the abundant 2018 vintage (down 32% on 2018), but VCI volumes in 2018 (115,794hl declared for the 2019-2020 campaign) and the release of the inter-professional reserve for Crémant de Bourgogne (21,753hl) had a positive impact on volumes put on the market. As such, **the potential wine going to market taking account of the combined volumes of 2018 and 2019 is 7% higher** than the average of wine leaving estates from 2009-2018.

#### The 2019 harvest in figures:

- ▶ 726,330hl of white wine, excl. VCI, down 21% on the 5-year average
- ▶ 367,584hl of red wine, down 10% on the 5-year average
- ▶ 135,181hl of Crémant de Bourgogne, excl. reserve, down 21% on the 5-year average

- **White wines:** Down 33% on 2018. However, the VCI declaration for 2018 meant demand could be met :
  - ▶ **Régionale AOCs of the Mâconnais** (21% of white volumes in 2019): **Down 40% on 2018.** With 2018 VCI declarations, the **combined volumes of 2018 and 2019 was 9.6% higher than the average of volumes leaving estates in 2009-2018.**
  - ▶ **AOCs of the Chablisien** (34% of white volumes in 2019): **Down 24% on 2018.** With 2018 VCI declarations, the **combined volumes of 2018 and 2019 was 11% than the average of volumes leaving estates in 2009-2018.**
- **Red wines:** Down 26% on 2018, with some disparities depending on the appellation:
  - ▶ **Régionale Bourgogne wines** (30% of red volumes 2019): **Down 11% on 2018**
  - ▶ **Mercrey and Mercrey Premier Cru reds** (5% of red volumes 2019): **Down 22% on 2018**
  - ▶ **Bourgogne Hautes Côtes de Nuits and Bourgogne Hautes Côte de Beaune reds** (13% of red volumes 2019): **Down 23%**
- **Crémant de Bourgogne:** Down 42% on 2018. Thanks to the release of the so-called inter-professional reserve, available stocks reached 156,934hl (up 4% on the average of volumes leaving estates in 2009-2018).



**Bulk sales from estates in the six months** from August 2019 to January 2020 were naturally **greatly impacted by the 2019 harvest: Down 24%** on the first six months of the 2018-2019 campaign.

Over the same period, **sales from estates in bottles nonetheless continued to grow**, compared to the same period in the previous campaign: **Up 3% for almost 40% of volumes sold in bottles.**

**This healthy growth** for bottle sales during the period **was above all due to white wines:**

- **Mâcon Villages: Up 20%** on the first six months of the 2018-2019 campaign, for 12.2% of the volume
- **Chablis: Up 12%**, for 20% of the volume
- **Petit Chablis: Up 14%**, for 6.8% of the volume
- **Bourgogne Aligoté: Up 12%**, for 7% of the volume

Given the exceptional 2018 harvest, **wine leaving estates in the 2018-2019 campaign finished up 7.8%** compared to the 2017-2018 campaign.

**This growth helped to stimulate markets for Bourgogne wines.** As such, figures for volumes in bottle sales leaving estates compared to the **5-year and 10-year averages** are excellent: **Up 13.3% and 11.1%** respectively.

- **White wine volumes 2018-2019** (954,627hl): **Up 8.7%** (compared to the campaign from 1 August 2017 to 31 July 2018), **up 12%** on the average over five campaigns, and **up 9.8%** on the average over 10 campaigns.
- **Red wine volumes 2018-2019** (433,630hl): **Down 1%** on the 2017-2018 campaign, but **up 8.7%** on the average over five campaigns and **up 4.4%** on the 10-year average.
- **Crémant de Bourgogne volumes 2018-2019** (201,114 hl): **Up 27.6%** on 2017-2018, **up 33%** on the five-year average and **up 40.2%** on the 10-year average.

## Transactions 2019-2020: A two-speed start to the campaign

**Transactions in the first six months of the campaign** (August 2019 to January 2020) reached **318,029hl for the 2019 vintage** (both grapes and must). That represented barely **50% of the volumes traded** across all vintages. **The start of the campaign was thus dragged down by transactions involving the 2019 vintage**, which were **down 33% on transactions for the 2018 vintage in the first six months of the 2018-2019 campaign** (down 14% on the average over five campaigns).

Over the first six months of the campaign, **vintages prior to 2019, mainly the 2018 vintage, had a positive impact** on volume transactions, rising to 303,022hl (48% of volumes), **up 20%** on the first six months of the 2018-2019 campaign (**up 27%** on the five-year average).

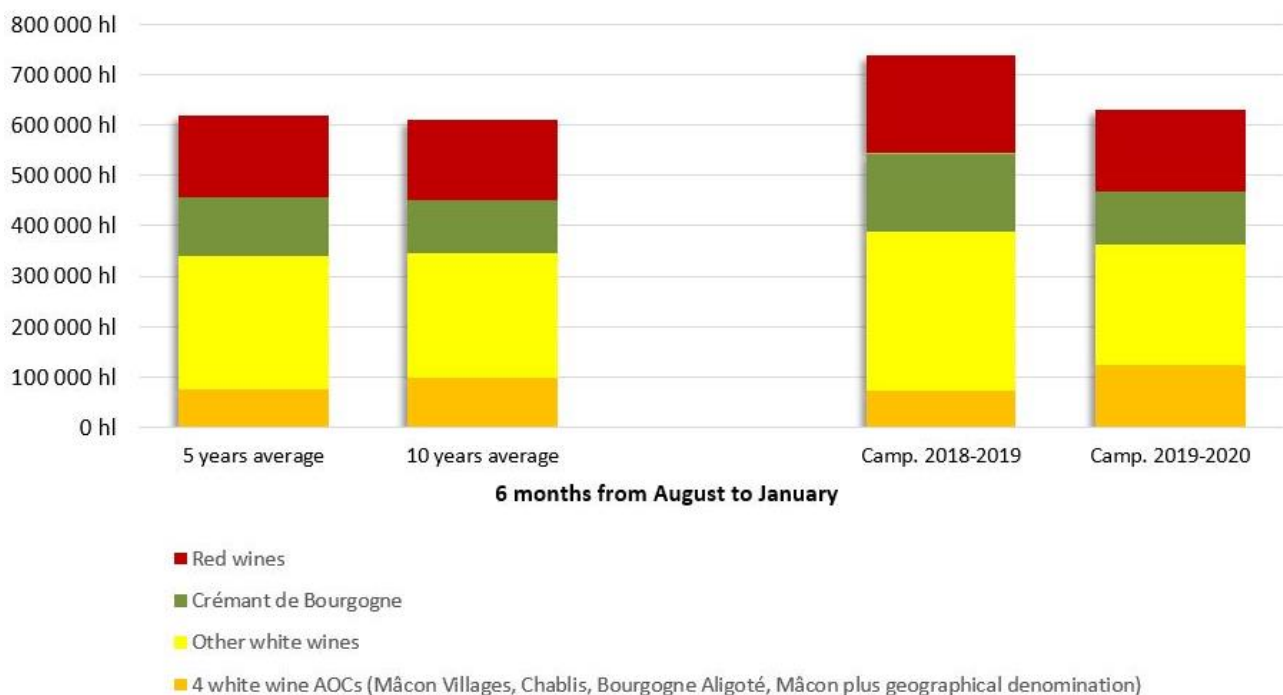


**White wines and Crémant de Bourgogne were driving transactions of wine:**

- Mâcon Villages: Up **88%** on the first six months of the 2018-2019 campaign, for 24% of the white wine transactions of the 2018 vintage.
- Chablis: Up **75.7%**, for 23% of volumes
- Bourgogne Aligoté: Up **34.3%**, for 16% of volumes
- Mâcon plus geographical denomination: Up **148.8%**, for 8% of volumes
- Crémant de Bourgogne base wine: Up **13.9%** for the first six months of the 2018-2019 campaign, for 28% of the transaction volumes of Crémant de Bourgogne base wine from the 2018 vintage.

**Transactions for all vintages of Bourgogne wines**

(Source: BIVB)



## Export: Record revenue in 2019

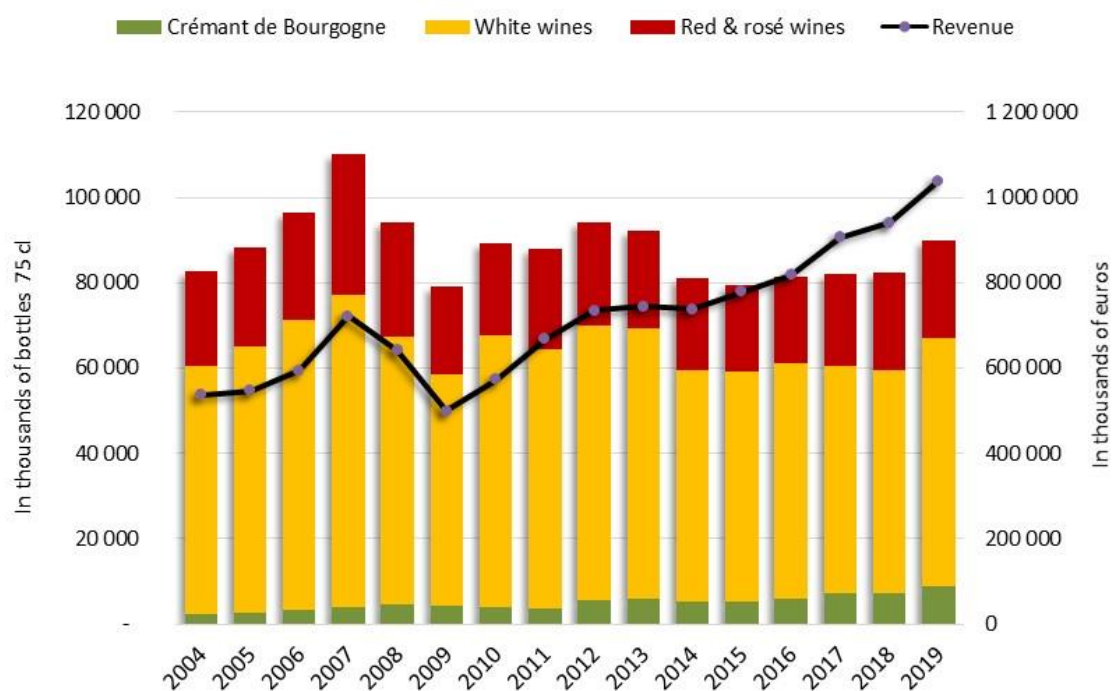
**2019: 49% of Bourgogne wine sales are made on the international market, to 168 territories**

The volume of **Bourgogne wines exported continued to grow**, having picked up since 2015. **The quality and available volume of the 2018 vintage** helped drive shipments to nearly **90 million 75cl bottles** (89.8 million, **up 9.2%** on 2018). Bourgogne wines set **a new record, with more than 1 billion euros in revenue** (1.038 billion euros, **up 10.3%** on 2018).

### Past history of Bourgogne wine exports

(Source: Customs - BIVB – full years)

#### Bourgogne wines exports from 2004 to 2019 (source: Customs, BIVB)



**In the long term, growth in volume sales of Bourgogne wines was up 2% in 2019 on the average over 15 years.** Markets have absorbed greater volumes whenever the Bourgogne region proposed more wine, since quality has been maintained. But **producers and *négociants* in the region remain prudent, because the current context and future developments could change the growth prospects in certain key markets.**

**The United States**, the leading export market for Bourgogne wines, **imposed a 25% tax on wine imports in October 2019, which has just been renewed for six months (until August 2020).** This tax, considered unjust by the French wine sector, is a consequence of the spat between the United States and the European Union over the Airbus/Boeing issue.

The **United Kingdom**, the second-biggest export market, is in the midst of a negotiating a trade agreement with the European Union, and no one yet knows what shape this will take. The US and UK between them accounted for nearly 40% of the volume and revenue for Bourgogne wines abroad.

## In 2019, all main markets were up

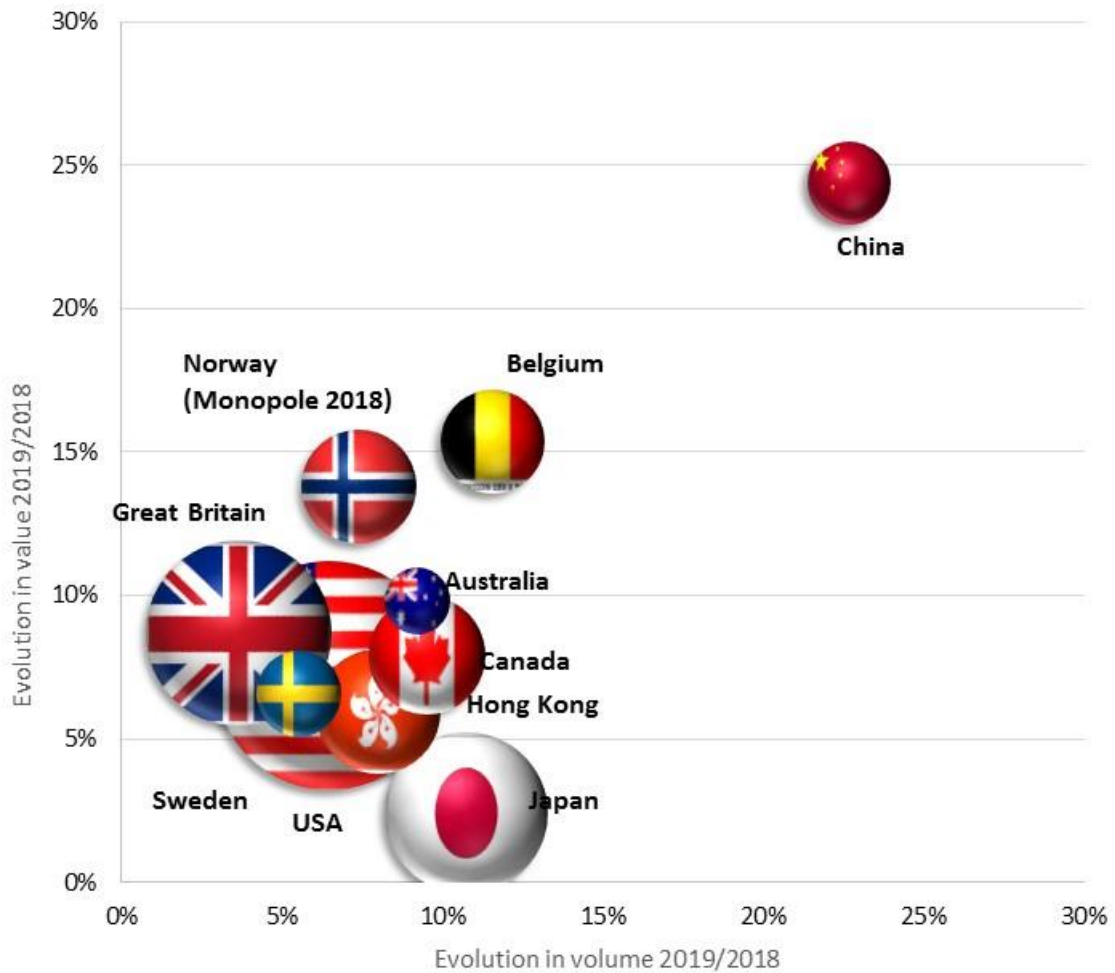
52% of export volumes were shipped outside the European Union

In 2019, the five leading markets by volume for Bourgogne wines were the same as they had been since 2011: United States, United Kingdom, Japan, Belgium, and Canada. This quintet accounts for 63% of export volumes, for 57% of total revenue.

The United States, Canada, Sweden, Australia, Norway, and Hong Kong have all seen healthy growth in recent years. Meanwhile, the United Kingdom, Japan, and China all returned to growth in 2019, after a tricky year in 2018.

### Changes in exports of Bourgogne wines in 2019 / 2018

The size of the bubbles is proportional to revenue (Source: Customs, BIVB, Norwegian monopoly)



**United States, the leading export market** (22% in terms of revenue, for 21% by volume)

**Change 2019 over 2018:** Up 7.2% by volume and 6.5% by revenue



Bourgogne accounted for 34.6% of the volume of French white AOC wines imported to the United States, for 48.8% of the revenue in 2019. Since mid-October 2019, in the wake of subsidies granted by the European Union to Airbus, still French wines have been hit by American fiscal reprisals, authorized by the World Trade Organization (WTO). **On 14 February 2020, Washington announced that the 25% tax would be maintained for six months longer.**

**This is a source of concern for exporters of still Bourgogne wines**, since figures for the last quarter of 2019 (October to December), impacted by the tax, were **down 5% by volume and 17% in terms of revenue compared to the last quarter of 2018**. If one takes out the effects of low harvest in 2013, one has to go back to the financial crisis of 2008 to observe a fall in Bourgogne wine exports to the United States.

Certain appellations did, however, have a good year in 2019.

- **Régionale Bourgogne appellations were up 10% by volume and up 8% by revenue on 2018.**
- **Crémant de Bourgogne** posted impressive growth, **up 22.8% by both volume and revenue.**
- **AOCs of the Mâconnais maintained market share**, up 0.9% by volume, whereas **revenue was down 4%** on 2018.
- The other **Village, Village Premier Cru and Grand Cru Bourgogne** appellations were significantly impacted at the end of the year, but still showed good growth for the full year: **Up 2.6% by volume and up 6% by revenue year-on-year.**

**United Kingdom, second-biggest export market by revenue** (14% in terms of revenue, for 17% of volumes)

**Change 2019 over 2018:** Up 8.7% by volume / up 3.7% by revenue



Bourgogne wines accounted for 40% of the volumes of French white AOC wines exported to the country, for 56% of the revenue in 2019.

Despite the backdrop of uncertainty surrounding Brexit, **exports of Bourgogne wines to the United Kingdom were up 3.7% in terms of revenue (145.9 million euros) in 2019. Volumes exported (14.9 million bottles) were up 8.7%, driven by white Bourgogne wines (83% of export volumes):**

- **Chablis wines:** Up **13.5%** by volume (up 6% by revenue, for 37% of white volumes)
- **Régionale Mâcon whites:** Up **23%** by volume (up 18% by revenue, for 38% of white volumes)
- **Régionale Bourgogne whites:** Up **14.5%** by volume (up 5.2% by revenue, for 12% of white volumes)

Although **Crémant de Bourgogne** only accounts for 3% of the volume exported to the UK, it posted dynamic growth, up 66.6% by volume and 42% in terms of revenue.

Brexit had long been a subject of concern for the French wine industry, but now appears less troubling compared to the Trump tax or the economic fallout of the coronavirus Covid-19 epidemic in China.

**Japan, third-biggest export market by revenue** (11% of revenue, for 8% of volume)

**Change 2019 over 2018:** Up 2.4% by volume / up 10.7% by revenue



**In 2019, overall Japanese wine imports were up 7%.** Bourgogne wines benefited from this upward curve, especially **white wines: Up 11.4%**, for 59% of volumes, and up 15.5% by revenue, for 46% of revenue.

Japan is a **long-standing market for *Régionale Bourgogne appellations***, which accounted for 45% of volumes exported (up 10.2% for *Régionale Bourgogne white wines*) and 40% in terms of revenue (up 24.6% for *Régionale Bourgogne white AOCs*). **Chablis wines returned to growth**, up 7.9% by volume and 4.5% in terms of revenue.

**Mâcon appellations continued to gain ground on this market**, up 35.6% by volume for *Régionale Mâcon whites* and up 46% by volume for *Village Mâconnais appellations*.

Red wines fell back in 2019, but ***Grand Cru, Village Premier Cru and Village appellations of the Côte de Beaune and Côte de Nuits performed well***, up 17.3% by volume and up 22% in terms of revenue (for 72% of the total revenue of Bourgogne red wines).

**Crémant de Bourgogne** only accounted for 5% of volumes exported, but contributed to the overall success of Bourgogne wines, up **39.6% by volume and 23% in terms of revenue**.

A free trade agreement with the European Union came into effect in 2018, and has started to produce results for Bourgogne wines, and for French wines in general (up 10.7% by volume and up 15% by revenue on 2018).



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**Hong Kong, fourth-biggest export market by revenue** (6% of export revenue, for 1% of volume)

**Change 2019 over 2018:** Up 5.9% by volume / up 8% by revenue



Hong Kong posted another year's growth in terms of revenue: Up 8%, for a total of 66.8 million euros in 2019. Bourgogne white wines were mainly driving this increase, up 10.3%. This was largely down to **the Chablis appellations which have bounced back on this market**, after several years of decline since 2016 due to low harvests: Up 19.9% by volume and up 22.2% in terms of revenue. *Régionale* Mâcon white wines also recorded strong growth, up 44.4% by volume and 49.7% by revenue.

Among red wines, **Grand Cru, Village Premier Cru and Village appellations of the Côte de Beaune and Côte de Nuits were in strong demand:** Up 28.3% by volume (32% of volumes of Bourgogne wines) and up 17.2% in terms of revenue (59% of volumes of Bourgogne wines).

Given the political upheaval that has shaken Hong Kong since June 2019, overall wine imports were down 19.7% by volume and 22.9% in terms of revenue on 2018. The crisis, which has so far had little impact on Bourgogne wine exports, may be prolonged.

**Canada, fifth-biggest export market by revenue** (6% of export revenue, for 9% of volumes)

**Change 2019 over 2018:** Up 7.9% by volume / up 9.5% by revenue



Revenue from Bourgogne wines in Canada (58.8 million euros) showed healthy growth of 9.5%, driven by white wines, up 12.8%.

**Only white *Régionale* Bourgogne appellations**, the leading group of appellations (40% of Bourgogne volumes), performed strongly in 2019: Up **45% by volume and up 44.2% in terms of revenue**. They have seen continual growth on this market over the past 10 years, going from 1.4 million bottles exported in 2010 to more than 3 million in 2019.

**Crémant de Bourgogne continued to grow, up 3.5% by volume and 8.8% in terms of revenue.**

2018 was the first year affected by a free-trade agreement between the European Union and Canada, which removed tariff and non-tariff barriers. **In 2019, this mainly benefited *Régionale* Bourgogne wines**. The Bourgogne region has the third-biggest market share in Canada among French AOC regions, and holds top spot for white wines. Among French sparkling wines, Bourgogne is in second place.

**Sweden, ninth-biggest export market by revenue** (3% of export revenue, for 6% of volumes)

**Change 2019 over 2018:** Up 6.6% by volume / up 5.5% by revenue



Sales of **Bourgogne wines on the Swedish market saw another year of growth** by volume (up 6.6% on 2018) and in terms of revenue (up 5.5%). Bourgogne wines went from 3.2 million bottles exported in 2010 to 5.3 million in 2019.

**Bourgogne white wines accounted for 56% of the volume exported and 56% of the revenue.** The **Chablis appellations** and **Régionale Bourgogne appellations fared best:** 53% of volumes of white wines (up 1.2% on 2018) and 38% (up 4.6%) respectively.

Although **Bourgogne red wines** only accounted for 16% of volumes exported, they **were driving growth** in this country: Up 10.5% by volume and 15.9% in terms of revenue.

**Crémant de Bourgogne**, which accounted for 28% of volumes, **continued to grow:** Up 11.6% by volume and 10.6% in terms of revenue.

**Norway, record sales at state monopoly Vinmonopolet\***

**Change 2018 over 2017 for monopoly sales\*:** Up 7.4% by volume / up 13.8% by revenue



**Sales of Bourgogne wines in the monopoly's stores set a new record.** In 2018, the equivalent of 2.7 million bottles were sold (up 7.4% on 2017) for revenue of 560 million krone (up 13.8%), despite high-end positioning (nearly all wines sell for more than 150 krone, around 15 euros).

**Sales were driven by Crémant de Bourgogne** (800,000 bottles, **up 25%**), **the third top-selling sparkling appellation** sold by the monopoly. Growth in **red wines (up 28%)** mainly came from *Régionale* Bourgogne wines (Coteaux Bourguignons, Bourgogne, and Bourgogne Hautes Côtes).

**White wines accounted for the majority of sales**, despite a 3% drop. This was mainly **due to Chablis** in wine boxes (successive small harvests). There was no migration over to *Régionale* Mâcon wines, for which sales remained weak.

*\*Customs figures do not include all exports to Norway since some go through other countries, so we use the monopoly's figures. Figures for 2019 will be available in March.*

**China, 10<sup>th</sup> export market by revenue** (3% of export revenue, for 2% of volumes)

**Change 2019 on 2018:** Up 24.4% by volume / up 22.7% by revenue



**China was the most dynamic market by volume: Up 24.4% on 2019**, with revenue up by an excellent 22.7% (28.8 million euros).

**Red wines** (78% of volumes exported) made a strong contribution to this growth by volume (**up 36%**), especially thanks to **Régionale Bourgogne appellations** (up 45.3%, for 73% red wines exported) and **Village Premier Cru and Village wines of the Côte de Beaune** (up 25%, for 8% of red wines exported).

This significant growth seems to confirm the fact that more wine is now arriving directly in mainland China without going through Hong Kong. It is all-the-more remarkable given that overall imports of wine to China fell by 138.3 million liters between 2017 and 2019. This slowdown will no doubt be amplified by the economic impact of the Covid-19 epidemic and may be seen in figures for the first quarter of 2020.

**Australia, 14<sup>th</sup> biggest market by revenue**

**Change 2019 on 2018:** Up 9.8% by volume / up 9.2% by revenue



Bourgogne wine sales increase every year on the Australian market, **and that was once again the case in 2019, with exports up 9.2% by revenue and 9.8% by volume.**

Australia, ostensibly a small market, **has long been in the firing line of Bourgogne sellers.** Sales there have risen from **802,550 bottles in 2010 to more than 1.5 million in 2019.** Over the same period, revenue has more than doubled from 7.8 to 18.2 million euros.

However, since the **start of the recent wildfires, exports of Bourgogne wines have been hit, falling 30% by volume** in the last quarter of 2019 on the same period in 2018. Exports of French AOC wines as whole fared even worse, down 44% in the same period.

Over the full 12 months of 2019, even accounting for the dip at the end of the year,

- ▶ **Sales of Crémant de Bourgogne**, which accounted for 26% of volumes, **continued to grow:** Up 59.3% by volume and 49.8% in terms of revenue.
- ▶ **Régionale Bourgogne and Mâcon white** appellations dominated sales, with 49% of white volumes exported (**up 6.4%** on 2018) for 39% of the revenue (**up 9.2%**).
- ▶ For red wines, **Grand Cru, Village Premier Cru and Village wines of the Côte de Beaune and Côte de Nuits performed well:** Up 15.5% by volume (28% of red Bourgogne volumes) and up 13.5% in terms of revenue (52% of the revenue from red Bourgogne wines).

### Export figures for Bourgogne wines in 2019 in main markets

(Source: BIVB – Customs)

Exports of Bourgogne wines	Market share 2019		Full year 2019		% Variation	
	Volume	Revenue	1,000 bottles		Volume	Revenue
<b>Total</b>			<b>85 718</b>	<b>984 233</b>	<b>9,2%</b>	<b>10,3%</b>
United States	22%	23%	18 598	225 565	7,2%	6,5%
Great Britain	17%	15%	14 944	145 944	8,7%	3,7%
Japan	9%	11%	7 533	113 003	2,4%	10,7%
Hong Kong	1,4%	7%	1 168	66 868	5,9%	8,0%
Canada	9%	6%	7 724	58 795	7,9%	9,5%
Switzerland	2%	5%	1 690	53 340	7,0%	27,0%
Belgium	9%	5%	8 064	45 428	15,4%	11,6%
Germany	4%	3%	3 720	32 974	10,3%	11,6%
Sweden	6%	3%	5 352	30 614	6,6%	5,5%
China	2%	3%	2 017	28 839	24,4%	22,7%
Denmark	3%	3%	2 475	26 418	18,6%	13,2%
Taiwan	0,8%	3%	698	26 102	25,7%	38,6%
Netherlands	4%	2%	3 600	23 362	7,1%	3,0%
Australia	2%	2%	1 596	18 255	9,8%	9,2%
Singapore	0,6%	2%	549	17 300	7,2%	18,5%
Italia	0,8%	1,2%	697	11 409	10,8%	17,3%
South Korea	0,8%	1,1%	686	11 069	16,5%	12,2%
United Arab Emirates	0,6%	0,9%	547	8 584	27,1%	26,6%
Spain	0,6%	0,8%	506	7 657	30,1%	37,3%
Ireland	0,9%	0,5%	753	5 180	15,8%	8,8%
Austria	0,3%	0,5%	219	4 588	35,1%	35,1%
Luxembourg	0,3%	0,4%	250	4 226	10,1%	9,9%
Brazil	0,5%	0,4%	410	3 786	10,9%	12,0%
Israel	0,5%	0,4%	452	3 588	14,6%	-13,5%
Mexico	0,3%	0,3%	284	2 518	24,1%	12,0%
Lithuania	0,4%	0,3%	307	2 494	-6,4%	-12,5%
Latvia	0,3%	0,2%	269	2 360	33,9%	24,7%
Poland	0,3%	0,2%	285	2 033	70,3%	44,0%
Finland	0,4%	0,2%	327	1 932	24,4%	6,0%

\* Total not including Norway

### Economic report produced by the Markets and Development department of the BIVB - March 2020

(Sources: Customs, CAVB, FDAC, GTI, MIBD Market, IRI, CHD Expert, BIVB)

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