



Sales of Bourgogne wines remain strong, despite the low 2016 harvest

Bourgogne, 20 September 2017



© BIVB / Aurélien Ibanez

As harvesting in the Bourgogne wine region draws to a close, local winemakers are expecting 2017 to be a generous vintage, which should allow some to consolidate their market share, and others to reconquer distribution circuits that have been neglected due to lack of wine.

After the historically low 2016 harvest, (down 18% on 2015, with 1.223 million hectoliters), wine leaving estates and transaction volumes, especially for the most affected appellations, suffered significant deficits. On the other hand, those appellations that escaped any climatic damage continued to grow on export markets (United States, United Kingdom, Canada) and on French distribution circuits.

Thanks to the 2014 and 2015 harvests, the Bourgogne wine region has risen above the critical threshold of eight months of stock on estates. Initial estimates are close to 10 months for the 2016-2017 campaign. But those in the industry remain prudent, since the Bourgogne wine region still has to deal with the 2016 harvest that was lower than the five-year average until the 2017 vintage comes to market.

Advance trade transactions very disparate depending on appellation

The 2014 and 2015 harvests allowed wine stocks to be partially replenished. The low harvest in 2016 once again slowed the advance trade market. However, this wasn't the case across the board, since those appellations that were unaffected by frost or hail continued to show growth.

■ Wine leaving estates over 11-month campaign from 1 August 2016 - 30 June 2017

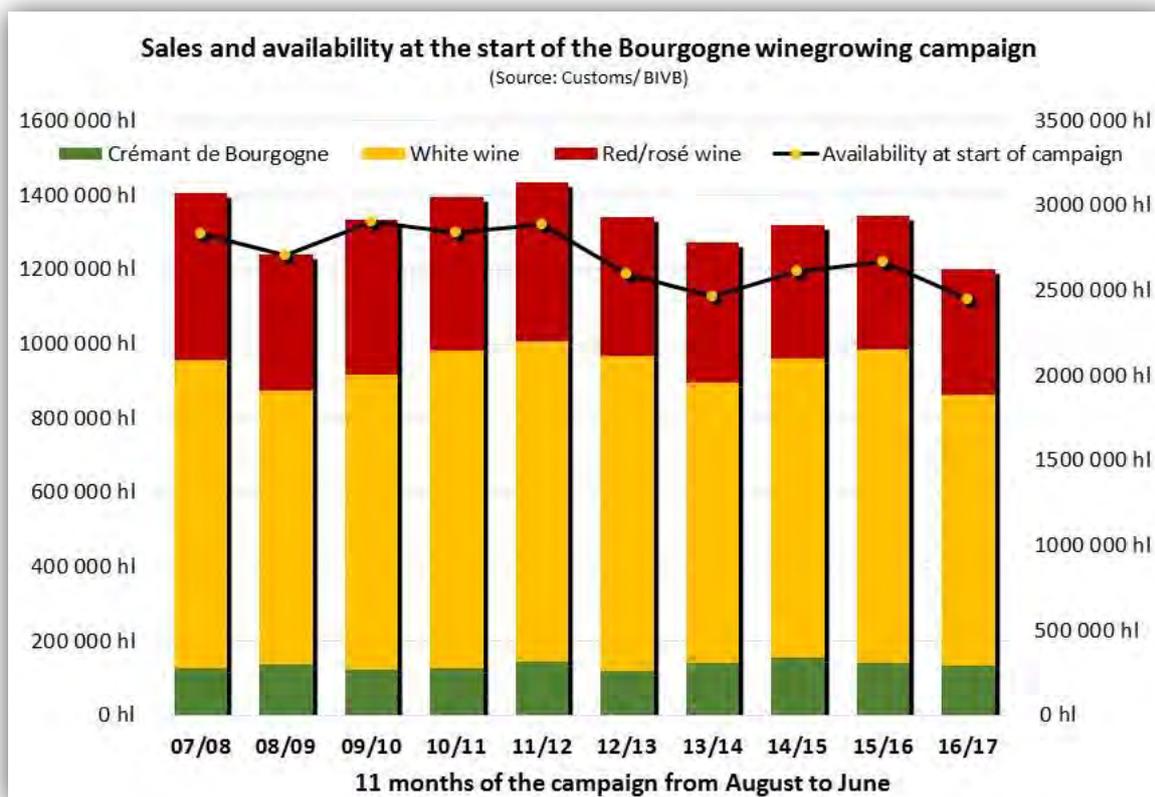
Overall shipments of Bourgogne white wines (725,603 hectoliters, or 60% of volumes leaving estates) was down 14% (compared to the 11 months from 1 August 2015 to 30 June 2016), with wide differences depending on whether sectors were hit by spring frosts:

- The **Régionale white appellations from the Mâconnais** were up 5% (24% of white volumes)
- Shipments of appellations from the **Chablis** area (30% of white volumes) fell by 25% (compared to the same period from 1 August 2015 - 30 June 2016)

Red and rosé wines dipped 6% (down 11% on the average of the last five campaigns). Here again, wide disparities exist depending on the impact of weather events:

- **Régionale Bourgogne red wines** (338,799hl, 25% of red volumes) **were up 2.7%** over the previous year
- **Mercrey reds rose by 9.7%**
- The **Bourgogne Hautes Côtes de Nuits** and **Bourgogne Hautes Côte de Beaune** red appellations fell 19% (10% of red volumes)

Over the same period, shipments from estates of **Crémant de Bourgogne dropped 3%** (136,716hl).

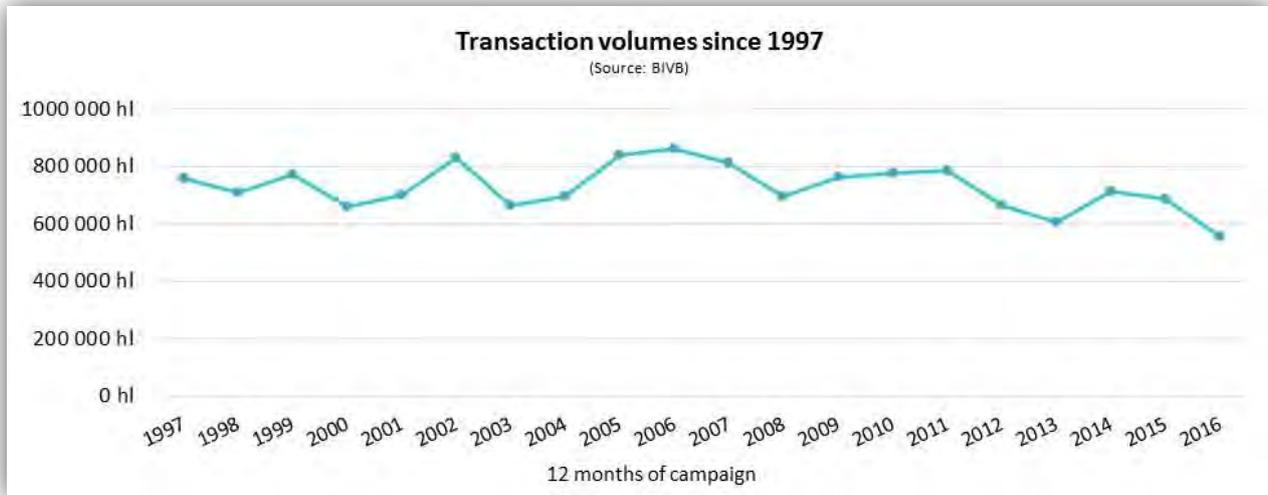


■ Transactions

Over the past 20 years, the Bourgogne wine region has never experienced such low volumes of transactions for still wines (675,803hl for the 2016-2017 campaign). These volumes fell by **18.9%** (2016-2017 campaign over 2015-2016 campaign), down 19.4% on the average for the past five campaigns, and down 24.3% on the average for the past 10 campaigns.



However, volumes of Crémant de Bourgogne were up by 13% (2016-2017 campaign over 2015-2016 campaign), up 15.4% on the average of the last five campaigns, and up 20.2% on the average for the past 10 campaigns.



As with the volumes leaving estates, volumes of transactions varied widely by appellation:

- The **Régionale Mâcon white AOC** bearing the name of the *commune* grew 5% (2016-2017 campaign / 2015-2016 campaign)
- The **Montagny AOC** (including **Montagny Premier Cru**) soared by 68%
- The **Régionale Bourgogne red AOC** saw transaction volumes increase 11% (33% of the volumes of red wine from the region)
- The **Coteaux Bourguignon red AOC** rose 31%
- The **Mercurey red AOC** was up 9.4%
- The **Chablis AOCs** fell 36.6% in total transactions, mainly involving 2016 vintage (down 49.7% when taken alone)

Volumes bought by the *négociants* for the 2016 vintage accounted for 85.5% of transaction volumes for this campaign, accounting for 577,884hl of 2016 wine out of the 675,803hl involved in transactions.

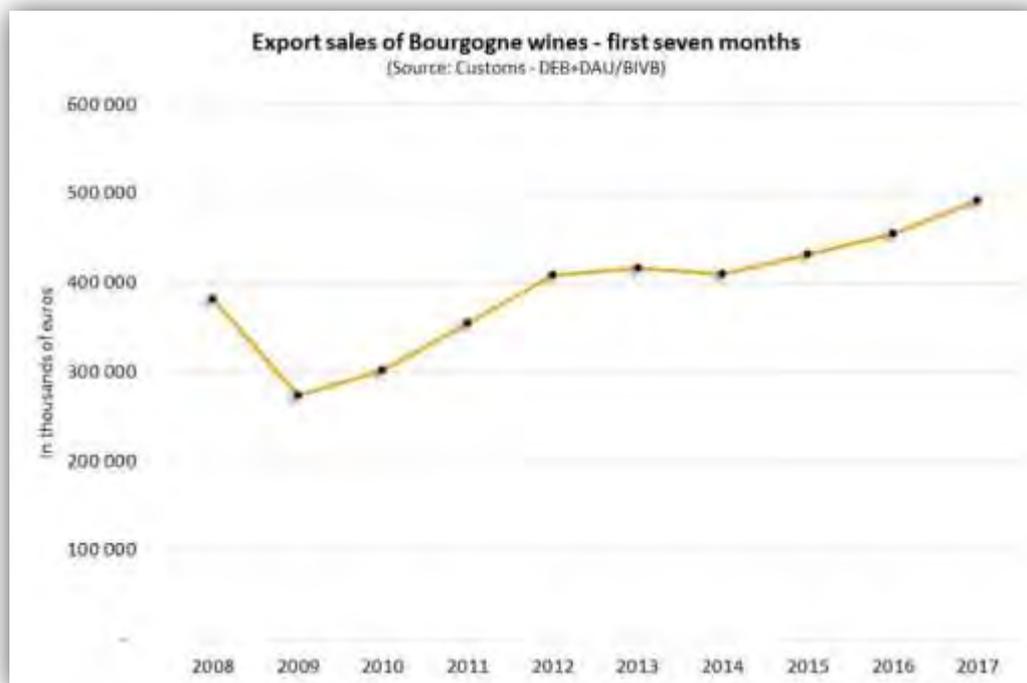
The volumes harvested in 2016 had a direct impact on overall stock levels on estates for the end of the 2016-2017 campaign. For 11 months' activity, estimates of stocks on estates is a little over 1.2 million hectoliters (wine available at the start of the 2016-2017 campaign, less wine leaving estates over the 11 months of 2016-2017), **a fall of 5%** compared to the estimate of overall stock on estates for 11 months of 2015-2016. The Bourgogne wine region has already seen this during the 2012-2013 campaign, when the low harvests of 2010 and 2012 had a serious impact on stocks. The arrival of the more abundant 2017 vintage, which promises to be one of quality, will allow the Bourgogne wine region to breathe new life into markets.

Exports: The Bourgogne wine region recovers market share for certain appellations

Although the 2014 and 2015 harvests resulted in an increase in available wine, the Bourgogne wine region has to juggle with the shortfall in volumes in 2016 for certain appellations. Overall, for the first seven months of 2017, Bourgogne wine exports were down 2% by volume (equivalent to a drop of 997,700 bottles), but were up 8.3% in terms of revenue (up 37.9 million euros).

The wines of the Chablis region, which was badly affected by weather episodes in 2016 and which accounts for 36% of Bourgogne white wine exports, are facing a 16% drop in volume, a shortfall of almost 2 million bottles at export. Excluding Chablis, the number of bottles exported by the Bourgogne wine region rose by 1 million bottles, up 3.3% for the first seven months of 2017.

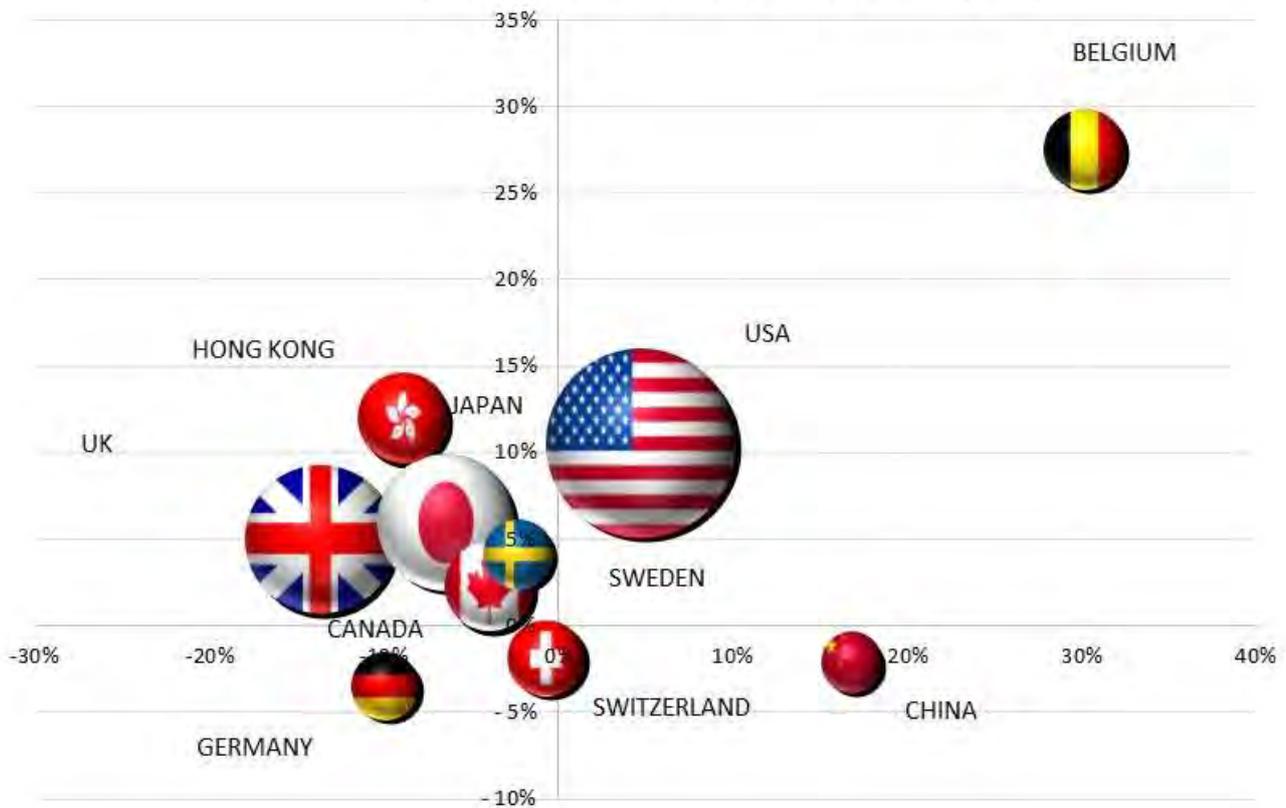
Revenue continued to grow, reaching **492.7 million euros**, a new record for the first seven months of the period. This revenue was generated 51% by white wines, 45% by red wines, and 4% by Crémant de Bourgogne.



The leading markets of North America, Europe, and Asia all recorded good performance in terms of revenue, allowing the Bourgogne wine region to set this new record. Change in export volumes reflected the 2016 harvest, insofar as there were wide variations by appellation.

- ▶ **The United States and Canada** continued to grow in terms of revenue for most Bourgogne appellations.
- ▶ **In Europe**, the **United Kingdom** and **Sweden** returned to growth in terms of revenue, after falling back in 2014 and 2015. **Belgium** performed well over the first seven months of 2017, returning to the same levels in 2014. Exports of Bourgogne wines suffered in other European markets, especially **Germany** (down 10% by volume and 3.5% in terms of revenue over the first seven months of 2016).
- ▶ **Japan and Hong Kong** continued to see revenue rise, whereas exports to **China** grew by volume.

Evolution of exports of Bourgogne wines (First seven months of 2017, source: Customs/BIVB)



How to read the graph:

- The size of the bubbles is proportional to the market's proportion of export revenue for Bourgogne wines over the period
- Horizontal axis: Change in volume compared to the same period in 2016
 - Vertical axis: Change in revenue compared to the same period in 2016

■ North America confirms its position as leader

Exports of Bourgogne wines to North America continued to grow by volume (up 2.3% over the first seven months of 2017), having suffered from a lack of available wine in 2013 and 2014. This rise was accompanied by a fresh hike in revenue (up 8.9%), an increase of 16.6 million euros.

The United States remains the leading export market for Bourgogne wines, and its performance is in part due to a favorable euro/dollar exchange rate. For the first seven months of 2017, the United States accounted for 24% of revenue from Bourgogne wines, compared to 17% in 2009. Bourgogne wine professionals nonetheless remain vigilant, since the Trump government's protectionist policies could result in tougher trade barriers.

With growth of 4.7% by volume, the healthy appetite for Bourgogne wines on the US market was confirmed over the first seven months of 2017. The Bourgogne wine region shipped 21% of its exports by volume to the United States, or almost 10 million bottles in seven months - a new record for the Bourgogne wine region. In 10 years, sales to this market have risen by 1.4 million bottles (first seven months of 2017 compared to first seven months of 2008).



The Mâcon appellations benefitted most from this strong performance, by both volume and revenue, with an increase of some 215,420 bottles and 2.2 million euros over the first seven months of 2017. *Régionale* Mâcon white appellations and Mâcon *Village* appellations grew by volume (up 13% and 5.6% respectively) and in terms of revenue (up 22% and 12%). *Régionale* Bourgogne red appellations also rose, up 13.4% by volume.

Revenue from Bourgogne wines in Canada posted significant growth. In the course of the first seven months of 2017, revenue from Bourgogne wine was up 2.3%, driven by white wines (up 4% over the period).

Régionale Bourgogne white appellations outstripped the record set in 2016: More than 1 million bottles were exported, for 5.6 million euros in revenue over the first seven months of 2017.

The second best-selling group of appellations was Chablis and Petit Chablis, which have seen continuous growth for more than a decade, going from 207,000 bottles (first seven months of 2005) to almost 690,000 bottles exported in the first seven months of 2017.

The free-trade agreement (tariff and non-tariff barriers) between the European Union (EU) and Canada (CETA) will be “temporarily” applied from 21 September, awaiting all members of the EU to vote on the issue, which could take several years.

This decision, which abolishes tariff and non-tariff barriers, is of crucial importance for the Bourgogne wine region, which ranks as the second export region among French AOC wines, and the leading one for French appellation white wines (2016 figures).

■ Southeast Asia continues to perform well

For the first seven months of 2017, overall revenue from Bourgogne wines from the three main Asian markets (Japan, China, and Hong Kong) continued to grow (up 6.5%), driven mainly by the Hong Kong and Japanese markets.

Hong Kong confirmed its upward trend in terms of revenue, which rose 18.8%. Bourgogne white wines benefitted most from the country's economic growth in 2017 (an estimated 3.5% rise in GDP in 2017), climbing 6.9% by volume.

Régionale Bourgogne white appellations rose 6% by volume and 14.8% in terms of revenue (1.6 million euros over the first seven months of 2017). The Chablis and Petit Chablis appellations also rose by volume, with an increase of 8.7%.

The *Village* and *Village Premier Cru* white AOCs from the Côte de Beaune and Côte de Nuits continued to grow by volume (up 25% over first seven months of 2016). *Grand Cru* wines from both Côtes slipped back by volume for the second consecutive year (down 13.4% for the first seven months of 2017), but continued to grow in terms of revenue (up 16.5%).

In the top 10 markets, China grew the most by volume: Up 16.8% for the first seven months of 2017. Revenue from China for Bourgogne white wines was up 18.7%, whereas red wines and Crémant de Bourgogne saw revenue dip. Red wines (55% of volumes exported) contributed strongly to the growth by volume for Bourgogne wines (up 21% over the first seven months of 2017), in particular *Régionale* Bourgogne appellations (up 9.5%, accounting for 73% of red wine exports) and *Grand Cru*, *Village* and *Village Premier Cru* AOCs from the Côte de Beaune and Côte de Nuits (up 71.7%). This significant growth suggests that certain Côte de Beaune and Côte de Nuits wines are now arriving directly in China, without going through Hong Kong.



An historic agreement on the protection of appellations

The European Union and China recently proposed a mutual recognition agreement for a list of appellations of origin, which had been under consideration for many years. This agreement has the firm backing of the BIVB, within the framework of protecting its appellations. It is currently undergoing a “review period” on the part of the Chinese government, before being ratified.

100 appellations from China and 100 European appellations are being studied by the relevant authorities in view of this recognition. **The Bourgogne wine region is involved with two appellations of controlled origin, “Bourgogne” and “Chablis”. The agreement is due to be signed before the end of 2017.**

This move is complemented by a request for the other Bourgogne appellations made on 15 May 2017 by the BIVB to the Chinese authorities (AQSIO), backed by the French ministry of agriculture.

In Japan, over the first seven months of 2017, the Bourgogne wine region saw revenue rise by 3.4 million euros (up 6% on the first seven months of 2016). Bourgogne red wines performed best, with a 16% rise in revenue. Revenue from Bourgogne white wines was down 4.2%, impacted by a fall in export volumes of *Régionale* Bourgogne white appellations and Chablis *Grand Cru* and *Premier Cru*.

By volume, Bourgogne red wines were stable (up 0.2%). The drop in volume of other wines were compensated by a 41% rise in exports for *Village* and *Premier Cru* wines from the Côte de Beaune.

The Japanese government approved in July free-exchange agreements with the European Union, which are expected to come into force in 2019. This decision is of key importance for the Bourgogne wine region, since it is the second-biggest exporting region to Japan among French AOC wines, and the leading one for French white AOCs (2016 figures).

■ The British market facing the challenges of Brexit

Brexit continues to cast a shadow of uncertainty over the wine market in the United Kingdom, and will do so until the precise terms of the separation from the European Union are known, scheduled for March 2019. Until then, many questions remain, as British MPs continue to debate the details in parliament. Meanwhile, it is prudent to adopt a wait-and-see attitude.

Against this backdrop of uncertainty, exports of Bourgogne wines to the United Kingdom grew 5% in terms of revenue (first seven months of 2017). However, export volumes were down by 13.7%, due to a major fall in Chablis sales (down 30%), caused by a lack of wine for the 2016 vintage (the Chablis AOCs account for 40% of Bourgogne white wines exported to the United Kingdom).

Growth of 4.2% by volume and 5% in terms of revenue for the white appellations from the Mâconnais (40% of Bourgogne white wine exports), and that for *Village* and *Village Premier Cru* wines from the Côte Chalonnaise (up 13.5% by volume and 25.9% in terms of revenue) did not fully compensate for the drop in Chablis sales.

Bourgogne white wines still held an important place in exports to the United Kingdom (82% of total export volumes), despite the country as a whole importing a large majority of red wines.

■ Belgium, a return to 2014 levels

In Belgium, figures for the first seven months of 2017 indicate a recovery of Bourgogne wine sales in this market, with a 30% increase by volume and a 27.6% rise in revenue (3.6 million bottles sold for 21 million euros). This is the first upturn after three years of decline (down 20.4% in 2016; down 16.5% in 2015; and down 10.7% in 2014), but does not mean a return to the level of sales seen in 2013. These figures do not take into account Bourgogne wines brought home by Belgian tourists after visiting the Bourgogne region, nor do they include other cross-border purchases.



This return to growth applied to most French AOC regions (up 5.7% by volume and 8% in terms of revenue for the first seven months of 2017).

■ **Switzerland, a growth market for Bourgogne white wines**

Switzerland also recorded good growth by volume (up 2.7% over the first seven months of 2017), largely due to a recovery in sales of Bourgogne white wines. This growth was driven by *Régionale* Bourgogne white appellations and Chablis/Petit Chablis (up 2.3% and 13.3% by volume respectively over the first seven months of 2016). Among reds, the *Grand Cru* appellations of the Côte de Beaune and Côte de Nuits performed best, up 13.3% by volume.

■ **France: Bourgogne wines remain well represented on traditional circuits**

■ **Bourgogne wines continued to grow sales with specialist wine stores and restaurants**

Sit-down restaurants

The Bourgogne wine region, the leading wine region along with Bordeaux, accounted for 15% of the 72,000 wine references recorded on the wine lists of 1,328 restaurants in the mid-to-high price range (excluding starred restaurants). The region's wines were present in **75% of the restaurants visited, with 8.2 references on average** per restaurant surveyed.

Some 50% of the offer of Bourgogne wine in bottles was made up of *Village* and *Grand Cru* wines from the Côtes de Beaune and Nuits. By contrast, the offer of Bourgogne wine by the glass was mainly *Régionale* and *Village* whites, Chablis, and Mâcon.

Half of the offer of Bourgogne wine was divided between the Center-East region and the wider Paris region. Proportional to its size, it is the most widely available wine in the Paris region, along with Champagne.

The Bourgogne offer was mainly made up of white wines (58% of wines sold in bottle and two-thirds of the offer by the glass). Bourgogne white wines were present in 63% of establishments (of which 40% was by the glass). For reds, Bourgogne wines were available in half of those restaurants surveyed, but just 18% of establishments which offered wine by the glass. Apart from the Chablis appellation, available in one-in-three restaurants, no other Bourgogne AOC was present in more than 15% of establishments.

Crémant de Bourgogne was available in only 2% of establishments, since Champagne leaves little room for other AOCs in the sparkling wine segment.

As in 2015, more than half of restaurateurs observed stability in Bourgogne wine sales across all colors (52.9%, compared to 53.2% in 2015). Some 30% noted a decline in Bourgogne wines sales in 2016 (30.5% in 2015). Among these, 16% considered that the drop was greater than 5%. Meanwhile, 17% reported an increase in Bourgogne wine sales in 2016 (16.3% in 2015). Among them, 6% said the increase was greater than 5% (*source: 2016 survey*).

Specialist wine stores

According to a survey of 704 specialist wine stores (2015-2016), some 643 stores (91%) stocked at least one reference of Bourgogne wines. In the top 10 as a share of the offer from French wine regions, Bourgogne emerged

as the leading region (20% of the offer), mainly due to its impressive offer among specialist wine stores in its area of production (62% of the offer in the Bourgogne-Franche-Comté region).

The Bourgogne wine region dominated the white wine sector, present in 91% of specialist wine stores with a much higher number of references than other regions. For red wines, the Bourgogne wine region was the second most widely available after Bordeaux, with 18% of the offer (23.5% for Bordeaux). In the sparkling wine category, Crémant de Bourgogne was available in 35% of those points of sale surveyed. It dominated the offer in its region of production, and also enjoyed a good place in the Paris region and the Grand East region (Champagne, Alsace and Lorraine).

Of 224,100 references recorded among the 704 specialist wine stores, 15.4% were Bourgogne wines (34,439 references). For references in 75cl bottles, Bourgogne wines accounted for almost 18% of the offer.

The most widely available Bourgogne appellations among those specialist wine stores surveyed was Chablis, comfortably out in front, followed by Gevrey-Chambertin, Pommard, Pouilly-Fuissé, and Meursault (source: 2015 – 2016 survey)



■ Retail circuit faring better

Over the first six months of 2017, sales of Bourgogne still wines in French supermarkets returned to growth, both in terms of volume (up 3.3%, an increase of 353,000 bottles over the previous period), and revenue (up 3.4%). Some 11.17 million bottles were sold (excluding drive-thru, discount, and convenience stores), for record revenue of 85.9 million euros.

The robust harvests of 2014 and 2015 led to a resurgence of Bourgogne wine in this market, but certain appellations which suffered low harvests in 2016 could see a slowdown in growth on this circuit in the months to come.

Bourgogne red wines were up 1.4% by volume, driven by Coteaux Bourguignon wines, whose sales increased by 30%. Mercurey (up 10%) remained the top-selling *Village* AOC among reds.

White wines were up by 4.3% by volume, driven by the Mâcon appellations: Up 23% for Mâcon-Village wines, and up 33.6% for Viré-Clessé wines. *Régionale* AOC wines continued to grow over the same period: Bourgogne Aligoté was up by 72,000 bottles (13.6%), and Bourgogne white up 121,000 bottles (10.2%).

The Bourgogne wine region, along with the Beaujolais, were the only two AOC regions to show significant growth, whereas overall sales of AOC whites and reds have been falling on this circuit (down 2.8% for white wines and down 3.9% for red wines in the first six months of 2017). This strong performance is in part due to the low increase in average prices (less than 1.2%), unlike wines from other regions (> 1.2%). Taken together, French AOC wines (white and red) lost the equivalent of 7.3 million bottles sold, while French rosé appellations were up by 5.9 million bottles.

The stability in sales of sparkling wines (up 0.3% by volume over the first eight months of 2017) did not benefit French AOCs (down 3.7% by volume and 2.1% in terms of revenue). **In the category of French sparkling AOC wines that sold more than 3 million bottles, Crémant de Bourgogne is one of the wines that fared best by volume** (down 1.5%). Foreign sparkling wines continued to take market share from their French counterparts, with increased sales of more than 1.4 million bottles (first eight months of 2017).

Table of export figures for Bourgogne wines

(Total first seven months of 2017 over 2016 - Source: BIVB/Customs)

Destination country	In thousands of bottles			In thousands of euros		
	Volume - From January 2017 to July 2017	Volume - From January 2016 to July 2016	Variation in volume	Value - From January 2017 to July 2017	Value - From January 2016 to July 2016	Variation in value
USA	9 666,58	9 230,20	4,7%	117 588,03	106 396,64	10,5%
UK	7 840,54	9 080,16	-13,7%	72 867,84	69 409,36	5,0%
JAPAN	4 256,23	4 550,10	-6,5%	60 941,23	57 494,37	6,0%
BELGIUM	3 634,21	2 792,29	30,2%	21 166,14	16 593,13	27,6%
CANADA	3 494,96	3 639,11	-4,0%	25 681,10	25 113,91	2,3%
SWEDEN	2 698,90	2 762,82	-2,3%	15 691,82	15 068,52	4,1%
GERMANY	1 861,09	2 066,51	-9,9%	14 835,71	15 371,58	-3,5%
NETHERLANDS	1 596,43	2 060,31	-22,5%	11 319,09	12 192,08	-7,2%
DENMARK	1 145,54	1 246,56	-8,1%	10 737,86	9 897,47	8,5%
CHINA	973,27	833,36	16,8%	11 851,37	12 104,98	-2,1%
SWITZERLAND	913,81	920,28	-0,7%	19 079,28	19 438,44	-1,8%
AUSTRALIA	766,47	652,25	17,5%	10 218,31	7 879,71	29,7%
NORWAY	714,94	923,80	-22,6%	5 337,72	6 035,80	-11,6%
HONG KONG	619,13	679,48	-8,9%	26 638,60	23 790,43	12,0%
IRELAND	393,94	304,16	29,5%	2 397,92	1 776,61	35,0%
RUSSIA + LATVIA + LITHUANIA + ESTONIA	349,76	399,69	-12,5%	4 233,97	3 863,09	9,6%
ITALY	292,97	329,72	-11,1%	4 210,99	3 794,84	11,0%
UNITED ARAB EMIRATES	291,66	347,06	-16,0%	3 805,65	4 712,37	-19,2%
TAIWAN	270,69	303,55	-10,8%	10 396,07	9 556,86	8,8%
SINGAPORE	259,86	247,32	5,1%	6 810,92	5 875,19	15,9%
SOUTH KOREA	256,98	217,24	18,3%	4 347,14	3 709,87	17,2%
SPAIN	251,76	168,86	49,1%	3 221,67	2 146,58	50,1%
BRAZIL	221,26	205,19	7,8%	2 005,40	1 347,26	48,9%
ISRAEL	212,81	183,13	16,2%	2 106,89	1 774,53	18,7%
POLAND	161,90	100,64	60,9%	1 013,60	797,09	27,2%
MEXICO	137,68	147,52	-6,7%	1 177,19	1 248,89	-5,7%
FINLAND	128,13	149,69	-14,4%	924,56	936,51	-1,3%
LUXEMBOURG	116,39	117,76	-1,2%	1 901,37	1 691,86	12,4%
THAILAND	113,35	99,28	14,2%	1 725,90	1 218,29	41,7%
AUSTRIA	98,70	74,60	32,3%	1 750,48	1 165,25	50,2%

Contacts:

Cécile Mathiaud - Head of Press

Tel. +33 (0)3 80 25 95 76 – +33 (0)6 08 56 85 56 cecile.mathiaud@bivb.com

This economic report was compiled by the Markets and Development Department of the BIVB - September 2017 - (Sources: Customs, CAVB, GTI, MIBD Market, IRI, CHD Expert, BIVB)

You can find all our press releases and thousands of rights-free photos in our online press room at:
www.bourgogne-wines.com