



Global Market Report

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**Ciatti Global Wine
& Grape Brokers**

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As 2018 begins, the team at Ciatti wishes all of our friends, clients and business associates a very happy and prosperous year ahead. We thank you for your continued support.

The wine world is now back in full swing after the holidays and this month's report reviews the old year on the bulk market and assesses what the new one may bring. The old one was certainly characterised by a tightening of supply and upward price pressure, as Chile and Argentina suffered second successive short harvests, while a highly challenging growing season in Europe – including the infamous 'Lucifer' anticyclone that brought unprecedented heat – significantly restricted harvests in Spain, Italy and France (which recorded its smallest harvest on record). Similarly oppressive weather suppressed California's harvest: the expectation is that it will come in below the average 4 million ton figure (the 2017 crop report will be released next month). Australia's 2017 harvest nudged up 5% on 2016's, however, while South Africa's manfully resisted drought conditions to come in slightly above 2016's as well. But prices still increased: Australia is receiving huge demand for its reds from China, while South African prices are under intense pressure both from without – as the world seeks alternatives to Chile and Europe – and within, as the country's suppliers make a concerted effort to boost sustainability.

There remains opportunities however: for example, California's 2017 Cabernet crush was big, softening prices slightly on that varietal at a time when Spain is out and Chile is still three months away from harvest; Spain's generic wine output was down but off a massive base, and it has plenty of indigenous varietal bulk wine to offer retail programs that can switch to dual-varietal or have scope to give an indigenous Spanish varietal a welcome push; France's varietal bulk production was good-sized, and it currently can offer perhaps the world's best price-quality ratio on these. Sourcing bulk from California or France? Putting a Spanish Monastrell or Verdejo on supermarket shelves? In an increasingly fast-changing, dynamic marketplace, what was yesterday counterintuitive can today make the most economic sense.

It is still too early to say with confidence how the coming Southern Hemisphere harvests will fare. Australia's, Chile's and Argentina's vineyards have been doing well during their respective growing seasons – so too, so far, South Africa's, though the acute drought situation in the Western Cape is a big concern. Some pre-harvest negotiations got underway in South Africa a lot earlier than normal; most of Chile's 2018 grapes were contracted by Christmas – and at high prices. Time will tell if the wineries have been right to take on the risk, buyers will be hoping not.

Ciatti is there to help you navigate the twists and turns of the 2018 market, whatever it may bring, and once again wishes you a Happy New Year!

Robert Selby

California

Time on target



2017: The Year That Was

The Californian bulk wine market came into 2017 experiencing none of the spectral seen in US politics following the election of Donald Trump as president on 8 November 2016. California's crush had returned to normal size in 2016, at 4 million tons (up 8% on 3.7 million tons in 2015 and also up on 2014's 3.8 million tons), while the prospects for the 2017 harvest appeared good, boosted by a very wet 2016/17 winter that meant that, by spring, only 8.7% of California remained in drought, the lowest state-wide percentage in more than five years. Even better, snowpack levels had risen to 185% of normal.

This stable-looking supply picture ensured that, by mid-year, the Californian market was experiencing the kind of steady pricing and activity anyone would expect to find on a market with one of the highest percentages of contracted fruit, on multi-year contracts, that Ciatti has ever seen: what might have become available on the spot market in 2017 had already been bought on contract in 2016. Most of the buyers' time was spent upping and extending existing contracts, in some cases securing relationships into 2018, 2019 and beyond.

By mid-2017 the 2016 vintage Pinot Noir, Chardonnay and Sauvignon Blanc were the hottest categories, while Malbec was receiving interest from US buyers struggling to source from Argentina. Pinot Grigio prices were softening off the back of a bumper 2016 created by new plantings reaching optimal productivity. The average wine grape price for 2016 product was USD789/ton, up 14% from USD692/ton in 2015. Though this might have reflected demand pressure, especially after two years of below-average harvests, it also reflected a change in the mix: in 2016 the harvest size returned to normal in the premium coastal areas, whereas the Valley's output fell back again; new plantings for USD10+/bottle programs are going into the Coast, while vines suppling the programs at USD5/bottle and under are coming out.

Premiumization continued to be the buzzword in the first half of 2017: January's Unified Wine & Grape Symposium in Sacramento, a good bellwether for the year ahead, was a hive of excitement surrounding the USD7+/bottle categories and above; ProWein in March was quiet for Californian bulk export business as many players chose the path of least resistance and did domestic business instead (Ciatti heard at one briefing that, if a US millennial, i.e. a consumers aged 18-35, is into wine, they will typically spend USD15-25 on a bottle in the off-trade). Brexit and the weak pound was a particular dampener on California's bulk export sales in 2017.

But while Nielsen data for the 52 weeks ending 22 April 2017 showed that the USD15-19.99/bottle segment grew the fastest in the US, and all price points above USD9/bottle were in growth, it also showed that the biggest wine category – USD3-5.99/bottle – still grew, and off a huge base, by 1% in volume to 71 million 9-litre cases and 0.9% in value to USD4.17 billion. Putting this category's mammoth size in perspective, this was some 65 million 9-litre cases ahead of the USD15-19.99/bottle category, which reached 5.94 million 9-litre cases. Millennials may temperamentally prefer more premium wines, but they are also more likely to be distracted by craft beer, spirits, cocktails and other alternatives – including imported wines. Italian Prosecco, Provencal rosé, New Zealand Sauvignon Blanc (as well as Sangria in the summer months) continued to increase their market shares, aided by helpful exchange rates. By the

See next page for more on California.

final third of 2017 Ciatti was hearing of tougher first-half sales figures experienced by some US players, understood there had been a decrease in California's case good sales, and reading reports of a fall in wine sales at restaurants. Analysts have noted that the growth rate in premium wine sales on the US consumer market has been decelerating since late 2015, dovetailing with what can be seen on similar markets such as craft beer.

Suspensions of softer demand were reinforced when the market reacted little to news from August onward that California's 2017 harvest – formerly forecasted to be coming in at 4.2 million tons or more off the back of the replenished water supplies – would in fact be coming in at more like 3.9-4.0 million tons due to high temperature throughout the growing season. Pricing on the 2017 wines has continued where they left off on the 2016 wines, with Cabernet – which in 2017 came in in very good volumes – perhaps softening in price at the bottom end. Chardonnay – which suffered most from the heat – firming up in all regions. Chardonnay inventory is short, and buyers need to be proactive in securing their needs on this variety.

Some extra grapes came onto the market from August onward, but with little buying activity, suggesting a balanced supply-demand situation, with retailers, restaurateurs and distributors seeking to slim down their inventories. Early indications of 'OND' (October, November and December) sales were mixed, with Direct-to-Consumer sales certainly suppressed by October's tragic wildfires in the North Coast. Moving forward, higher bulk wine prices across the world could help to offset the unconducive exchange rate and make Californian product more attractive to international buyers, possibly on Cabernet.

2018: Looking Ahead

There may be some price churn – with Zinfandel prices down a little, Cabernet flat or down slightly, and Chardonnay prices going up due to a short inventory – but, overall, prices are likely to be stable or up on a state-wide basis moving forward into 2018. The market may currently be in a lag phase: the wine prices being paid are based on contracts written perhaps a year ago that reflect demand at that time; a year on, in 2018, wineries are going to start feeling margin pressure when their high-cost wines are experiencing softer demand. This could be exacerbated by the continuing distributor and retail consolidation across the US, which is making it increasingly challenging for small and medium-sized players to get their wines into consumers' hands.

There is some evidence that growth in the premium end of the US wine market is slowing, while brands in the mid-market that are doing well are probably cannibalising consumer attention from other brands. With grape and bulk wine prices in most categories as high as they've ever been, brand owners' margins are becoming squeezed. This, together with signs that the premium end is slowing, is persuading brand owners to seek alternative supply to fulfil their brands instead of increasing retail prices, even if that means switching or downgrading their appellations – for example, from a Sonoma appellation to a North Coast or even to a 'California' one.

However, the US remains a huge consumer of wine and its overall wine market continues to grow: total wine sales volumes were growing by 3% in 2017 off a massive base (wine consumption in the US reached approximately 3 billion litres in 2016). The success of Italian Prosecco, Provencal rosé and New Zealand Sauvignon Blanc shows there are big opportunities for imported wines in particular, especially as California – which, combined with the rest of US production, does not meet all of US domestic demand – is not adding wholesale acres. The wine retail market in the US will need supply from around the world to fill the void.

Alternative packaging will continue to grow in 2018, with cans, pouches and bag-in-box gaining ground thanks to millennials. It seems that the 1.5-liter bottle category is shrinking as it becomes a no-man's land between 3-liter good value (but still good quality, perhaps varietal) bag-in-box wine, and the more prestigious 750ml, USD9+/-bottle categories.

See next page for more on California.

Key Takeaways

There may be some fluctuations – Zinfandel prices down a little, Cabernet flat or down slightly, and Chardonnay rising due to a short inventory – but, overall, California's prices are likely to be stable or up on a state-wide basis moving forward into 2018. Chardonnay is short; buyers should be proactive on that variety. Higher bulk wine prices globally could make Californian product more attractive to international buyers, particularly on Cabernet.

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2017: The Year That Was

Argentina entered 2017 uncompetitive on price following a 2016 harvest – thanks to El Niño – down 35% in size on the 10-year average at 1.75 million metric tons. Malbec volumes had come in 50% below average, sending prices rocketing and persuading many traditional buyers to look elsewhere: Argentina's domestic big three players moved onto a Chilean market likewise affected by El Niño where the bulk Malbec price was at USD0.65/litre – itself high, but still well below Argentina's USD1.50/litre. Argentina thus imported 63.9 million litres of bulk wine from Chile between January and September 2017, up from zero litres traditionally. Meanwhile, Argentina's export sales slumped by 32% between January and August 2016 and its domestic consumption fell 8.3% as price hikes further hurt consumers reeling from the country's parlous economic situation.

Hopes that the country's 2017 harvest would bring inventory and pricing relief soon faded: September 2016 brought heavy frosts, February 2017 a heatwave, and the result was light bunches, small grapes, and low juice levels. The harvest, completed in April, eventually came in at 1.957 million tons, up approximately 10% on 2016 but still down some 20-25% on the new, downwardly-revised average of 2.5 million tons. This meant no pricing relief, particularly as a low tonnage in Mendoza's premium Uco Valley region sent buyers into the powerhouse bulk region of East Mendoza, in turn pushing up price there. The Malbec that was produced was of excellent concentration, colour and alcohol levels following a growing season without disease pressure – it was simply a case of a lack of availability which had accumulated from 2015 onward, pushing up grape prices and, in turn, wine prices. Buyers had found themselves having to buy 2017's East Mendoza grapes at USD1,250/ton, up from the USD750-800/ton hoped for earlier in the growing season. Thus, the standard Malbec price had risen from USD1-1.10/litre in 2015, to USD1.40-1.50/litre in 2016, to USD2.0/litre this time.

The Malbec price appeared to be softening in August and September, falling to USD1.80/litre with USD1.70/litre possible, probably due to the lack of interest from buyers, but hopes it would fall to USD1.50/litre by Christmas – and be made further attractive to international buyers by a peso devaluation – were not realised. With reports coming in from Europe of the short harvests there, and then a night of severe frost in the Uco Valley in October, the Malbec price paused at USD1.80/litre. President Mauricio Macri and his governing coalition triumphed as expected in Argentina's midterm elections on 22 October, strengthening their position in congress (though falling short of a majority) and reassuring the global markets that Argentina is committed to unpalatable, but necessary, economic reforms. The peso strengthened off the back of the election result, the opposite of what exporters need, and the government has yet to make any signals regarding a currency devaluation. In 2018 it will need to find a middle way between balancing sound economics and boosting the country's export competitiveness.

The year just gone was a difficult one for the Argentine economy and the country's wine industry. It is likely per capita wine consumption in Argentina was squeezed to around 19-20 litres, down from 24 litres in 2016 due to the high retail prices on wine, inflationary pressure and the country's economic difficulties dampening consumer confidence. But throughout the second half of 2017 international commentators widely perceived the green shoots of economic recovery, a more business-friendly environment, and an electorally-bolstered government committed to narrowing the country's budget deficit and opening up the economy.

See next page for more on Argentina.

2018: Looking Ahead

This year looks like being a story of two halves: in the first half prices are likely to remain high from a buyers' point of view, unless there is a peso devaluation, or if suppliers require cash flow before the 2018 harvest. If the 2018 harvest is normal-sized and domestic per capita consumption is continuing to trend downward so that domestic demand is less, while demand from international buyers is also low as they are busy sourcing from elsewhere, prices should come down in the second half of the year.

Although the Macri government is getting inflation under control – from 40% in 2016 to 22% now and hopefully 15% later this year – there remains inflationary pressure on winery costs, so that wineries will only produce cheaper wine if the grapes are cheaper. This is where the battle will be coming in February, March and April as the 2018 crush rolls in: between the growers expecting the continuation of high price levels – it was at USD1/kilogram in 2017 – and the wineries who do not see how they can pay that price from a margin and sales point of view. In short, international buyers of Argentine Malbec will be hoping the hail stays off the Mendoza vineyards between now and harvest.

Key Takeaways

Argentina's bulk Malbec price remains paused at USD1.80/litre for now. The hailstorm season is underway and, should it pass without incident, the 2018 harvest could at least come in average-sized. As of December the bunches in East Mendoza were shaping up well, with feedback from the field suggesting that this area is on course for a harvest 25-30% bigger than last time. The prospect of this might loosen-up prices on remaining 2017 wines and help make 2018 wine prices more attractive.

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Chile

Time on target



2017: The Year That Was

Chile came into 2017 with low inventory and high prices following a short, El-Niño-affected 2016 crush of 1.014 billion litres (21% down on 2015's). The uncondusive 2016 weather meant quality was down as well as volume: by January 2017 premium quality wine from the 2016 vintage was almost sold out, while good quality wine for export and domestic consumption was at USD0.85-95/litre. Basic red wine at USD0.65/litre put some customers off, but Argentina, in a tight spot at home following its own harvest shortfall, imported 76.5 million litres of bulk wine from Chile between January and November 2017, up from zero litres traditionally. This helped offset a significant decline in Chile's January-September bulk export volumes to the US (-18.8%), China (-45%) and Canada (58%) as high prices continued throughout the year.

Record heat in December 2016 and January 2017, including very warm nights, sped-up the 2016/17 growing season so that by February it was running three weeks early: a quick transition to the 2017 vintage was widely welcomed due to dwindling inventory, but it highlighted how Chile was still suffering from a cocktail of abnormal weather since El Niño. The major grape areas of the Valle Central were mostly spared serious frost fires in January: perhaps only 100 hectares of the 141,000 hectares under vine were burnt, though smoke taint was a concern. Similarly, the industry was well-practiced in quick deployment of logistics following the El Niño-dogged 2016 crush, so that losses from an out-of-sync harvest – in which varietal readiness did not conform to a normal steady timetable – was minimised.

However, the 2017 harvest still eventually came in smaller than even the small 2016 harvest at 949.2 million litres, with Cabernet (-17.5%), Mission (-15%), Carmenere (-12%), and Chardonnay and Pinot Noir (-9%) production down from the year before. Thus, expectations of a drop in grape and then wine prices were frustrated in a big way. Those buyers holding off due to high prices on 2016 wines had to enter the market from February onward when they saw that the 2017 harvest would not alleviate the situation. Longstanding domestic and international buyers were prioritised and protected from price inflation, receiving offer prices such as USD0.85/litre for 2017 Cabernet, not the USD1.0/litre seen by others.

Chile, coming from a pre-existing short position, and with the global supply situation the tightest in many years, started to experience big demand pressure from around the world, particularly for Sauvignon Blanc and, due to Argentina's woes, Malbec. By April it was clear there would be no price drops on Chilean wine until 2018. On the flip-side, price rises were relatively reasonable and controlled compared to the earthquake year of 2010, when soaring prices scuppered demand. By August, 2017 varietal bulk Sauvignon Blanc, Pinot Noir, Malbec, Carmenere and Chardonnay were sold out or close to being so; Cabernet and Merlot were short. Prices were high on everything, and appreciating week-on-week. The situation for international buyers was exacerbated by Chile's domestic players paying whatever it took to secure their supply, encouraging Chileans suppliers to switch from export business to domestic. Another disincentive to export was the strengthening, mid-year, of the Chilean peso against the dollar due to a rapid rise in copper prices: in September the peso reached an average of 625.54 to the dollar, up from 671.54 in May. Though it subsequently started to soften again, in January 2018 it has been at its strongest against the dollar since May 2015, averaging just USD607.73 for the month as of the 11th. The USD1.0/litre mark in Chile was breached, a psychological barrier for many international buyers, and they went elsewhere, as demonstrated by the decline in Chile's traditional exports to North America and China in January-September 2017.

See next page for more on Chile.

Meanwhile, 2018 grapes were already in strong demand and increasing in price day-by-day. By the end of the year it was obvious that, with 2018 grape prices so high, and demand so firm, prices at the start of the 2018 vintage buying campaign will be higher than they were at the start of the 2017 vintage. Due to the tight supply-demand situation globally, the short 2017 harvests in Europe (and California’s average-sized one), Chilean wineries seemed confident about taking on the risk of buying expensive grapes. The frost season for Chile’s 2018 vintage passed without issues, and by November (very cautious) forecasts were of a harvest on course for approximately 1.2 billion litres of wine – average-sized, but up on 2016 and 2017. The market had become slow due to lack of supply, with many top producers completely sold out; the high prices responded by stabilising.

2018: Looking Ahead

With Chile’s January-November 2017 export sales – for bulk and bottled – confirmed at 870 million litres, which should equate to around 950 million litres for the full year, and domestic sales at 200-250 million litres, a 2018 crush of 1.2 billion litres would have the Chilean market in balance (give or take the demand from Argentina). However, the latest expectation is that the 2018 crush will be smaller than 1.2 billion litres.

There is an expectation within Chile that there will be significant demand pressure on Chilean product in 2018. Chilean eyes are particularly trained on whether or not the drought in Spain is alleviated before it goes to harvest in 2018; a second consecutive supply shortfall in Spain would intensify Chile’s market still further. Wine prices in Chile are likely to remain stable at least until its own 2018 harvest is in; there may be some wine available at lower prices before then if suppliers need cash flow. Most 2018 grapes have been pre-contracted by wineries, who will have a balancing act trying to keep their grower suppliers while also having wines for their traditional buyers.

Key Takeaways

Prices at the start of the 2018 vintage buying campaign are likely to be higher than they were at the start of the 2017 vintage. Between now and vintage start, pockets of lower-priced wine may become available if suppliers need cash flow. Demand pressure is expected to remain intense, and will only intensify further if Chile’s 2018 harvest is short, ditto Spain’s.

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Chilean Export Figures							
Wine Export Figures	January 2016 - November 2016			January 2017 - November 2017			Volume
	Million Liters	Million US\$ FOB	Average Price	Million Liters	Million US\$ FOB	Average Price	Variance %
Bottled	444,83	1.376,01	3,09	475,26	1.480,78	3,12	6,84
Bulk	351,07	239,97	0,68	365,51	307,94	0,84	4,11
Sparkling Wines	4,81	19,33	4,02	4,99	19,94	3,99	3,71
Packed Wines	29,39	49,25	1,68	23,95	41,60	1,74	-18,51
Total	830,11	1.684,55	2,37	869,71	1.850,25	2,42	4,77



France

Time on target

2017: The Year That Was

In contrast to the previous buying campaign in France, that of 2016-17 got underway with smaller crop results for most of France's producing regions following a southern European heatwave and sporadic hailstorms; OIV estimated a 2016 crop at 43.5 million hectolitres, down 7% on 2015 and the smallest harvest since 2013. Market activity was slower than normal, however, and this, combined with the slow-moving market for 2015 carryover stock, meant that prices on French wines were reducing steadily heading into 2017: by February pricing on some categories was lower than on the previous year's by EURO.05-0.15/litre.

Taking freight costs into account, France's good quality generic and Vin de France dry whites were priced more competitively with Spain's than they had been for a while – perhaps EURO.10/litre dearer, instead of double the cost. South West and Charente had produced good volumes of white in 2016, the latter meeting its Cognac quotas with ease; Languedoc's Chardonnay, meanwhile, was selling at EUR1.05/litre, down from EUR1.10-1.15/litre in 2016. On the reds, Bordeaux easily met its AOP quotas so there were good spot deals to be had with Merlot or Cabernet from private wineries at EURO.65/litre and co-op prices at EURO.75/litre, in line with the Languedoc's. Only rosé was feeling pressure, with Languedoc AOP varietal rosés harder to find because of a conscious pull-back from 2015's overproduction, and quality Provencal rosé – the engine room of France's wine export growth, particularly to the US – experiencing intense demand. Super-premium 2016 Provencal rosé, priced at EUR2.50+/litre, was sold out by February 2017, the medium-premium quality close to being the same.

The slow nature, overall, of the buying campaign in France – with plenty of 2015 wine still unsold, ditto 2016 wines, and the loading pace sclerotic – continued into mid-year, even after a severe frost episode struck Europe at the end of April, damaging a bud-break in France that had occurred two weeks early because of a warm, sunny start to spring. It was already certain by May that France's 2017 harvest would be smaller than 2016's, but this only paused the softening price trend rather than reverse it. Prices paused at a position where Bordeaux and Languedoc Merlot and Cabernet, as well as Sauvignon Blanc and Chardonnay, were level in price with, or cheaper than, those in Chile, which had just experienced a second consecutive short harvest.

In the first half of the year the slow market heightened tensions in southern France between French growers and importers of Spanish wines: the militant Comité d'Action Viticole (CAV) reportedly carried out acts of sabotage on Spanish wines, blocking roads, forcing tankers to empty their wine cargo onto the roads, picketing bottling plants and demonstrating in towns. However, the Spanish market was also slow, with wineries and bottlers there not registering any particular uptick in French demand. The issue is that, due to its high prices in recent years, the French wine industry has lost share in the generic wine category of France's off-trade to lower-priced European blends, the impact of which was exacerbated by the slow market in 2017.

June brought a severe heatwave to Europe, including France; then in August an anticyclone nicknamed 'Lucifer' brought unprecedented heat, with some areas of France seeing consecutive days of 40°C+ temperatures. The heat not only directly harmed the vines but compounded a pre-existing drought in France: by the first week of August, 80 departments were on at least mid-level water shortage alert levels. Bordeaux, experiencing in addition a low groundwater warning, was feared to have lost half its 2017 crop due to the adverse conditions. Across France the growth cycle of the grapes was sped-up by the heat: harvesting commenced in Perpignan on 31 July, 15 days earlier than normal.

See next page for more on France.

On 21 August AGRESTE released a harvest estimate of 37.2 million hectolitres, which would make 2017's some 17% smaller than the five-year average and the smallest wine grape harvest ever recorded in France. Finally, prices on remaining 2016 wines in France began to climb from their paused position and the market dynamic reversed: suppliers could read the 2017 European harvest situation – down significantly in France, Italy and Spain – and how it would compound the tightening global wine supply, and began holding onto their wine with confidence that prices would only rise. Late August and September were busy with the purchasing of remaining 2016 carryover.

September brought very dry, windy conditions so there was no sizing-up at the end of harvest: AGRESTE'S 1 October estimate was a harvest of 36.9 million hectolitres, down 18% on the five-year average; the Languedoc harvest was estimated to be down 20%, Bordeaux 33%, and Charente 17%. Because of the shortfall, French producers focused on maximising output of Vin de Pays, IGP and – to a lesser extent, Vin de France – red and white varietal wines, putting a further squeeze on the availability of generics. Entry-level reds were thus under pressure by the end of 2017, and international buyers seeking the best pricing and quality on entry-level material were recommended to move quickly. The buying campaign on the whites was proceeding at a normal pace, with buyers purchasing a third of their needs, then waiting seeing to see what prices 2018 brings. There remained inventory of competitively-priced 2016 Chardonnay and Sauvignon Blanc.

2018: Looking Ahead

In general, increased prices in Spain, Italy and Chile have made France competitive again on varietal bulk wines: France offers perhaps the best value for money in the world heading into 2018. Quality and quantity is available, at an excellent price-quality ratio.

Because of the combination of returning competitiveness and the small size of the 2017 crop, the bulk campaign has been very active from the beginning and inventories on the first-hand market are shrinking month after month. All categories are concerned and buyers in needs are strongly encouraged to make their commitments as soon as possible to avoid a potential shortage.

Buyers' options in France have been improved by a better price hierarchization, with wider price ranges within the same price category. Programme-builders are willing to pay more for better quality as they seek to outdo competitors. Increasingly, M&A activity reflects a desire among these programme owners to buy vineyards in order to secure supply, and at the quality they desire. Wine groups are becoming bigger, whether that be the private businesses or the co-ops, and the smaller players are gradually disappearing.

France's exports of bottled rosé and sparkling will remain buoyant in 2018, particularly to the US where the French offering is recognised as having specific styles not available from anywhere else.

Key Takeaways

Entry-level reds in France are under pressure and international buyers seeking the best pricing and quality on this material should move quickly. Increased prices in Spain, Italy and Chile have made France competitive again on varietal bulk wines, and France offers perhaps the best value for money in the world at the start of 2018. The bulk campaign has thus been very active from the beginning and inventories on the first-hand market are shrinking month after month: buyers should move as soon as possible.

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Spain

Time on target



2017: The Year That Was

Spain entered 2017 with an unclear picture as to how large its 2016 harvest was: it was believed to be roughly 42-43 million hectolitres, in line with 2015's, but the ambiguity kept international buyers in a wait-and-see situation. According to the Spanish Ministry of Agriculture, Spain's 2016-17 buying campaign started with an initial inventory of 40.59 million hectolitres, in balance with demand. As such, the early months of 2017 on the Spanish market proceeded smoothly, characterised by interest from North American, European and Russian buyers seeking an alternative to South America.

Prices on Spanish reds and whites were softening, particularly at the entry level. Rosé prices remained firm as less of it was produced in 2016, with particular demand for French-style rosés such as Shiraz and Grenache, likely boosted by France's reduced 2016 rosé output. By March, with another poor harvest looming in Chile, Spain was the world's most attractive from a price-quality ratio point of view, and able to offer not just generics but decent inventories of varietal Merlot, Cabernet and Shiraz too. Spain also carved out market share for itself on the growing sangria retail market in the US, blending the base wine with flavourings domestically before shipping it to the US to be finished off and packaged there.

By May buyers who usually source from Chile were prospecting Spain: the price of Spain's good quality reds – with good colour and 12%+ alcohol – was firming up, with buyers recommended to move onto the market to cover their mid-term needs. Spanish inventory of bulk Merlot and Cabernet started to become low, with North American buyers particularly active (the North American movement away from the Chilean market can be seen by Chile's 2017 export statistics, mentioned in this report's Chile page). Inventory of Spain's generic reds was declining, with the price at USD0.35/litre; generic white prices ceased falling, resting at USD0.35/litre also.

Spain's important La Mancha bulk wine producing region was mostly spared April's Europe-wide frost episode, but suffered hailstorms in mid-May; in early June 80% of its Manchuela sub-region – producing Tintorera, Bobal, and high proof GJC – was severely impacted by heavy rain and hail. These events caused prices on reds and whites in Spain to increase week-on-week. From June onward the market was very active, with European, Chinese and North American buyers covering their final needs from the 2016 vintage. Varietal red inventory was dwindling; varietal whites had long been sold out. Italian buyers were on the market, reconnoitring prices for wines and concentrate in case of a shorter crop at home.

Spain's prices climbed steadily in the third quarter of 2017 – especially when Europe was visited by the anticyclone dubbed 'Lucifer' in August, exacerbating Spain's longstanding drought issue. Non-irrigated vineyards would bear the brunt. With the expectation that 2017-18 wine prices would be higher than 2016-17's (some 2017 grape prices being 15-20% higher than they were for 2016 grapes), the market for the remaining 2016 wine was busy, and buyers risked having their contracts cancelled and the wine sold to another customer – at a higher price – if they did not ship their order on time. By September some Spanish prices had risen to meet their French equivalents, as well as the level at which pre-harvest sales were being made on 2017 wines.

See next page for more on Spain.

News that La Mancha's 2017 harvest could come in as low as 18-20 million hectolitres – down from 24-25 million in 2016 – ensured that more contracts based on sample approval were made out of Spain than perhaps ever before. International varieties such as Cabernet and Chardonnay – the least adapted to La Mancha's terroir – suffered the most from the drought and their percentage share of the total harvest was reduced. This meant that, by Christmas, all 2017 international varieties in Spain were 90% sold out, as well as being the same price as, or more expensive than, those in France.

Spain's generic wine production was down but from a huge base: as such, after the initial flurry of market activity caused by news of the smaller harvest, the market in Spain calmed a little, before speeding up again by Christmas when it was realised that prices would not be trending down. The price of generic red grew by approximately EUR0.05-0.10/hectograde every two weeks from October onward; rosé ended the year high in price and low in inventory, as buyers moved in early when they saw the 2017 European harvest coming in short. Spain's generic white market ended the year less active than the red and rosé markets, with pricing stable.

Spain ended 2017 able to offer large volumes of very competitively-priced Spanish varietal wines such as Bobal, Monastrell, Verdejo and Tempranillo for use as a blender in programmes requiring a recognisable international varietal on the label: the result being dual-variety wines such as Tempranillo-Merlot, for instance. In addition, it could provide organic reds and whites at competitive prices, as well as Spanish indigenous varietal organic wines.

2018: Looking Ahead

Most European buyers have already covered their mid-term needs in Spain, and will now wait to see what the situation is like after the Northern Hemisphere winter has passed and as the Southern Hemisphere harvests loom. Prices in Spain are reaching a critical point at which – at EUR0.67-0.70/litre for reds – they are less competitive than other countries, even France; it is thus widely hoped by international buyers that Spain's prices will stabilise during the opening months of 2018.

The drought and extreme temperatures of summer 2017 potentially greatly harmed the health of the vines in Spain. The 2018 harvest is thus not expected to be big – perhaps average-sized in the best case scenario, if winter brings much-needed rains. The potential consequence could be that the 2018 vintage pricing starts where pricing on the 2017 vintage left off.

Key Takeaways

International buyers are hoping that Spain's prices stabilise in the opening months of 2018: at EUR0.67-0.70/litre for reds, they are becoming less competitive. Spain's international varietal wines are essentially sold out but there remain significant quantities of generic bulk, as well as Spanish indigenous varietal bulk for buyers seeking blenders or who have the scope to provide dual-variety wines on the retail market.

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Italy

Time on target

2017: The Year That Was

Italy came into 2017 off the back of a normal-sized 2016 crop (approximately 50 million hectolitres, according to OIV) which ensured a smooth start to the 2016/17 campaign and stable pricing. Entry-level generic red and white was steady at EUR35-38/hectolitres into and through January, while Pinot Grigio pricing was normalising again after rises induced by the implementation of the new DOC Delle Venezie.

Much of the IGP Delle Venezie region was slated to become DOC Delle Venezie from the 2017 harvest onward, meaning lower volumes permitted per hectare, tighter controls on labelling – including a new neck label bearing the state's official stamp – and less IGP Pinot Grigio on the market. Pinot Grigio suppliers thus assumed buyers would attempt to purchase as much Pinot Grigio as possible before the DOC's commencement, increasing prices accordingly, but stock at the bottlers was sufficient to keep demand normal, and prices by February had come back down. By April some entry-level Italian Pinot Grigio was priced more attractively than Australian product.

The market on all wines in Italy continued on the slow side, with buyers seemingly staggering their purchases from one annual buy to a number of smaller buys. Export volumes remained good, with little sign of any deleterious Brexit effect on Prosecco sales to the UK, while the strengthening of the US and Canadian dollars against the euro opened up more export opportunities for Prosecco and Pinot Grigio sales to North America (total Italian wine sales to the US – bulk and bottled – grew 4.2% in value to USD1.24 billion and 2.8% in volume to the equivalent of 11.2 million 9-litre cases in the year to 22 April 2017, according to Nielsen).

Requests from around the world for Prosecco were still on the rise, but the speed of the rise was slowing – from approximately 20% per month in 2016 (compared to the equivalent month of 2015) to 5-6% per month in the first few months of 2017. Production of Prosecco in 2016 was enough to meet a 15% increase in demand, so there was sufficient product to cover the requests for it during the 2016/17 buying campaign, with production and consumption moving towards equilibrium. The price in April – EUR2.50-2.80/bottle – was at, or only slightly above, that which was deemed optimal. Italy's generic reds and whites continued at EUR35-38/hectolitre into April, and the country could offer to European buyers some entry-level wines at prices cheaper than in Spain.

Northern and central Italy, like France and Spain, suffered from the Europe-wide frost episode which struck in April, with some damage to Prosecco, sparkling base, Moscato, Rossissimo, Lambrusco and other areas. The market in Italy subsequently became more active and – exacerbated by continued confusion over the IGT-DOC change – many pre-frost prices on IGT Pinot Grigio were no longer valid. Vintage 2016 Prosecco increased in price slightly, to EUR2.50-3.00/bottle.

April frosts, July hailstorms and the 'Lucifer' cyclone in August that brought record temperatures, compounding Italy's pre-existing drought, made it obvious that there would be less 2017 Pinot Grigio and Prosecco than hoped. Pinot Grigio volumes would be further reduced by its use as a blender in Prosecco, but some volumes were available outside northern Italy, from Sicily and to a lesser extent Abruzzo.

See next page for more on Italy.

Italy eventually suffered the biggest production shortfall of the major European producer countries, with OIV estimating its 2017 crush at 39.3 million hectolitres, down 23% on 2016. All of Italy's wine regions experienced shorter crops than the year before, to varying extents. This significant shortfall, combined with the tightening supply-demand situation globally, ensured the market in Italy became very active, with offer prices only valid for two days or so before being revised upward again. With an active domestic market, international buyers were recommended to act quickly to reserve their needs, with a significant supply gap likely between the 2017 vintage running dry and 2018's becoming available.

By October generic reds and whites had risen from EUR35/hectolitre to EUR50/hectolitre. The main bottlers, struggling to absorb price rises, sought to pass them on to the retail chains; the retail chains, meanwhile, were not receiving many offers for their tenders. Delle Venezie DOC Pinot Grigio started at EUR1.30-1.50/litre; all Pinot Grigio IGT very quickly sold out. Prosecco DOC started at EUR2.50/litre. The DOCG Valdobbiadene was trading at EUR3.0/litre, in strong demand, and short supply.

By December it was clear that companies were not covered through to the next harvest, so only a significant reduction in consumption would bring about a softening in Italy's bulk wine prices in the early months of 2018. The year ended with prices pushed up across the board, with varietal wines facing great demand pressure: Cabernet and Moscato were almost old out, while Merlot was under intense pressure due to the high price of the IGT in the north. Generics wines were starting from EUR60+/hectolitre, with a shortage of stock with a low alcohol degree.

2018: Looking Ahead

Bottling companies in Italy have been scared to purchase all the volume they need because they foresee a sales decrease once prices on the retail shelves are increased by all the supermarket chains at the beginning of 2018. It's very difficult to forecast the next four months: the only certainty is that the volume still to be sold are, in general, not huge and the sellers know this very well. Companies are not covered till the next harvest, so only a very strong reduction in consumptions would bring about a change in the bulk wine prices. Not until the end of January will a clear picture emerge of what can be expected on the market in 2018.

Key Takeaways

A significantly reduced 2017 harvest has pushed prices up across Italy: Pinot Grigio IGT is sold out, while Pinot Grigio Delle Venezie DOC is at EUR1.30-1.50/litre and Prosecco DOC at EUR2.50-2.60/litre. It's very difficult to forecast the next four months: the only certainty is that the volume still to be sold are, in general, not huge, and suppliers know this.

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From January the Consorzio delle Venezie begins tracing the certified and bottled quantities to be supplied to its members, which will be useful in the production and commercial planning phases. According to surveys based on the data collected, the quantities of grapes suitable for DOC of the Venetias are generally in line with expectations and forecasts for the end of summer. Product availability takes into account the increase in the area of Pinot Gray planted over the last two years. In the next issue, this data will be further analysed and a special report on bottling and certification procedures will be produced for both Italy and foreign countries.

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South Africa

Time on target



2017: The Year That Was

The Western Cape moved into 2017, as it did 2016, experiencing severe drought: strict water restrictions were in force, with infringement carrying a heavy penalty. Naturally there was concern for South Africa's 2017 wine grape harvest, but efficient water management in the bulk wine areas ensured the crop came in at 1.434 million tons, equating to approximately 1.112 billion litres, up from 2016's 1.405 million tons and 1.089 billion litres. The very dry conditions had been perfect for getting healthy grapes with good acidity, pH levels, and bunch-forming. Of the 1.112 billion litres crushed, 916.9 million litres was sold as wine.

The last quarter of 2016 had bought an influx of Russian, Chinese, EU and US buyers onto the South African market, buying everything, including generic reds and whites. Thus South Africa's carryover stock of wine on 1 January 2017 stood at 492.8 million litres, down from 531.8 million litres on the first day of 2016, a record. Tightening supply and increased demand pushed up prices on all South African wines at all levels, bringing relief to an industry in which sustainability has been at extreme risk for a decade. Moving into 2017 suppliers in South Africa made a concerted effort to raise their prices by an average of 7-8% to boost sustainability, guessing rightly that the tightening global supply situation would attract business to South Africa regardless.

By May the markets for South Africa's good quality varietal bulk 2017 Sauvignon Blanc, Chardonnay, Cabernet and Merlot were hot, and the markets for generic red and white were also very firm. By July South African wines – varietals and bulk generic red and white – were receiving various levels of increased demand from China, Russia, Europe and North America due to continued higher pricing and lack of availability in other New World supplier countries. The situation intensified further when news of Europe's short 2017 harvests started to filter through: by September South African inventory was under intense pressure on the request side, and it was becoming very difficult to source wine in the volumes demanded. Shiraz, Pinotage, and even generic red, generic rosé and Cinsault rosé, all joined Sauvignon Blanc, Chardonnay, Cabernet and Merlot on the tight list. Prices rose week-on-week, often without notice, as when parcels of wine became available. There did not seem to be much wine left available on the open market in South Africa, and wineries insisted that their wines were firmly contracted and moving.

South Africa's exports of packaged and bulk wines jointly reached 450 million litres in the September 2016 to August 2017 period, up 30 million litres from 420 million litres in the prior 12-month period. Domestic sales, meanwhile, came in at 400 million litres, up from 394 million litres. (In 2016 wine consumption in South Africa grew at 2.8%, the fastest rate of any alcoholic beverage category.)

Suspensions that pockets of availability would open up in November and December proved misplaced: stockholding was not significant and – linked to the sustainability issue mentioned above – wineries' management have been under increasing pressure from producer members to get as good a return on their products as possible, with producers threatening to move from wine grapes into higher income-yielding alternatives such as citrus, plums or table grapes.

The tight supply situation meant that by October Ciatti was already receiving requests regarding South Africa's 2018 wines and some pre-harvest negotiations were underway, a lot sooner than normal, the new harvest then still being six months away.

See next page for more on South Africa.

The drought in the Western Cape continued throughout the rest of 2017, with Cape Town's catchment dams at only 37% of capacity by November, down from 59% of capacity at the same stage of 2016 and 69% in 2015. Strict water restrictions were again in force. The vineyards received approximately one day's worth of rain per week in November, keeping drought stress at bay and giving rise to speculation that the 2018 harvest could be down less than previously anticipated, if the small weekly precipitation prevailed.

2018: Looking Ahead

Cape Town's catchment dams were at 30% capacity as of 8 January 2018 and depleting quickly, compared to 44.8% on the same date of 2017 and 53.7% in 2016. 'Day Zero' – when the Cape Town metropolitan area will really run out of water – has been moved forward to around 20 April 2018. The weekly rains did not prevail and continued hot, dry and windy conditions have now strengthened the initial fears that the 2018 crop might come in a lot smaller than anticipated if no rain comes quickly, despite vineyards' current healthy appearance.

On 18 December Cyril Ramaphosa was elected leader of South Africa's governing ANC party, strengthening the rand against the US dollar from its average of 14.00 rand to the dollar in November to 12.37 rand by 8 January – almost 12%. Ramaphosa, a successful businessman and South Africa's current deputy president, campaigned on a promise to root out corruption. The second and last term of South Africa's current president, Jacob Zuma, will end at the country's 2019 general election, when Ramaphosa will lead the ANC to the polls.

Key Takeaways

South African inventory has been under intense pressure from around the world: prices rose week-on-week before Christmas, often without notice, as and when parcels of wine became available. Buyers had to accept loading terms or risk losing their wine. Suspicions that pockets of availability would open up in November and December proved misplaced: stockholding does not seem to be significant.

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Australia

Time on target



2017: The Year That Was

The 2017 crush figure for Australia was 1.93 million tonnes, a 5% increase on 1.81 million tonnes in 2016. The main increase came from an overall rise in red varieties by 12%: 3% in irrigated areas and 9% in cool climate regions. This was seen in the main red varieties: Shiraz (up 15%), Cabernet (up 8%), and Merlot (up 10%).

The quality level of 2017 fruit was very good with no disease pressure. Australia saw cool temperatures for the growing period which caused a delay in harvesting by 3-4 weeks, and therefore a lag as to when the finished 2017 wine was available for buyers. Many buyers were very keen to roll on to the new vintage as they were short on inventory levels from the previous year.

Prices for red wines continued to see upward pressure with the average purchase price increasing 7% to AUD565/tonne. Breaking this down, irrigated areas saw an average price of AUD345/tonne, up 10%, whilst cool climate areas saw a 3% increase to AUD1,232/tonne. This upward pressure on pricing throughout the year can not only be attributed to higher fruit prices but also to the increased demand from China. Australia saw additional interest due to the smaller consecutive crush sizes in Chile and Argentina. Pricing has also been affected by an increase in the number of vineyards being converted to other agricultural products. Almonds are the main commodity; however, we have seen many wine grape growers convert to table grapes or citrus, enticed by higher profitability.

White wines saw a decrease in overall crush numbers by 2%. The average price of white varieties grew by 6% to AUD420/tonne. Chardonnay saw a decline in volume by 13% whilst Sauvignon Blanc increased by 4%, Pinot Gris/Grigio by 2% and Muscat Gordo Blanco by 24%. Pinot Gris has been popular from early in the year, with the majority of the material contracted pre harvest. Chardonnay has seen an increase in demand over the past nine months with a shift in price accordingly. As of September 2017, Australia continues to see an ongoing increase in exports by value: up 13% to AUD2.44 billion. Exports by volume are up a more modest 9%, to 799 million litres.

There were several changes made to the Wine Equalisation Tax (WET) rebate in 2017. The WET rebate was originally put in effect to help small wine producers offset the cost of their tax. The removal of the WET rebate from bulk wine and cleanskins as of mid-2018 will ensure a consistent price is offered for bulk wine versus two separate price structures. Many producers are scrambling to obtain the remainder of this in the next six months.

2018: Looking Ahead

Demand for Australian red wines has been high and strong and we do not anticipate any change in this as we move into 2018. Domestic buyers of 2018 fruit have been very active on the market and are looking to lock in fruit early in the season. Heavy demand from China is expected to remain for Shiraz, Cabernet and Merlot – from both irrigated and cool climate regions. White varieties such as Pinot Gris are expected to remain high in demand with most fruit accounted for prior to harvest. Early estimates predict an average size harvest but many are wary of the potential for heavy rainfall in the harvest period: long range forecasts predict heavy, above average rainfall in March.

See next page for more on Australia.

Average Purchase Prices in 2017 for Irrigated Grapes

Australia: Average Purchase Prices in 2017 (AUD/litre unless otherwise stated)						
	Shiraz		Cabernet Sauvignon		Chardonnay	
	\$ per tonne	Change	\$ per tonne	Change	\$ per tonne	Change
Riverland	396	18%	391	13%	310	6%
Riverina	344	-3%	366	-1%	321	13%
Murray Darling - Swan Hill	395	23%	403	22%	310	10%

Source: *Wine Australia: Market Bulletin: Issue 68: What is driving grape prices in Australia's warmer inland regions?*

Key Takeaways

It is not anticipated that the strong demand for Australian wine will slacken in 2018, with heavy demand from China expected to remain on both irrigated and cool climate Shiraz, Cabernet, and Merlot. It is still too early to make confident predictions of the coming 2018 harvest: long range forecasts suggest heavy rainfall in March.

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New Zealand Time on target

2017: The Year That Was

New Zealand's 2017 crush figure came in at 396,000 tonnes, down 9% from 2016. Marlborough, the main growing region, produced 302,396 tonnes, down 6% from 2016 and 79.1% of the overall crush figure; the next most important region, Hawkes Bay, produced 33,679 tonnes, down 22% and 8.8% of the overall crush.

The 2017 vintage was challenging: cooler weather conditions and some unseasonal rainfall – some of it created by the later effects of Cyclone Debbie – caused delays in ripening. This placed significant disease pressure on the vineyards during harvest and caused prices to increase slightly: the split between the grapes picked before and after the rain resulted in two distinct price points. Fortunately, New Zealand's wineries were back on track after the effects of the 7.8 magnitude earthquake which struck the country in November 2016 and which damaged approximately 20% of total storage capacity. The lack of suitable land left for vineyard development is an ongoing issue for New Zealand's grape growers; many are now looking into terrace-style vineyards to maximise land usage.

See next page for more on New Zealand.

Sauvignon Blanc continues to dominate New Zealand's wine output, accounting for 285,862 tonnes – some 74.8% of all material crushed – of the 2017 harvest. This was followed by Pinot Noir (7.5% of the crush; 28,760 tonnes), Chardonnay (7.0%; 26,846 tonnes), Pinot Gris (5.4%; 20,755 tonnes), Merlot (2.0%; 7,714 tonnes) and Riesling (1.0%; 3,880 tonnes). Each variety saw a drop in tonnes produced, with Riesling (-35%) and Pinot Noir (-19%) the hardest hit.

The latest figures put New Zealand wine exports at NZD1.669 billion for the 12 months to the end of July 2017, an increase of 6%. Reports state that the country's wine exports will surpass NZD2 billion by 2020. Wine is New Zealand's fifth-largest export commodity; the majority of it goes to the US and Australia. In fact, exports to the US have led the strong export growth, passing NZD500 million for the first time (up 12%); New Zealand wine became the third most valuable wine import into the US, behind only France and Italy. In the past two decades, the New Zealand wine industry has achieved annual export growth of 17% a year.

Supply of current Marlborough Sauvignon Blanc is good; there are some good qualities still remaining on the bulk wine market. Their prices may soften between now and harvest to free-up tank space but the sale of these is dependent on terms, drawdown and also the ongoing effects on the potential 2018 crush.

2018: Looking Ahead

Demand for Marlborough Sauvignon Blanc is expected to remain consistent, with good sales continuing in both the US and Australia. Flowering has been very good for the 2018 crop, although there is currently a little concern regarding water. Hopefully some summer rains can recharge soil moisture between now and harvest. Harvest is looking a little early again and many of the new plantings that have occurred over the last few years are coming on line. Pinot Noir is in short supply and indications are that higher prices are going to be needed to secure this fruit.

Key Takeaways

There are good supplies of current Marlborough Sauvignon Blanc, with some good qualities still remaining on the bulk wine market; prices may soften between now and the 2018 harvest as suppliers seek to free-up tank space. Marlborough's Sauvignon Blanc continues to see good export sales, particularly to the US and Australia. Pinot Noir, meanwhile, is in short supply: indications are that higher prices are going to be needed to secure the fruit.

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Brexit Update

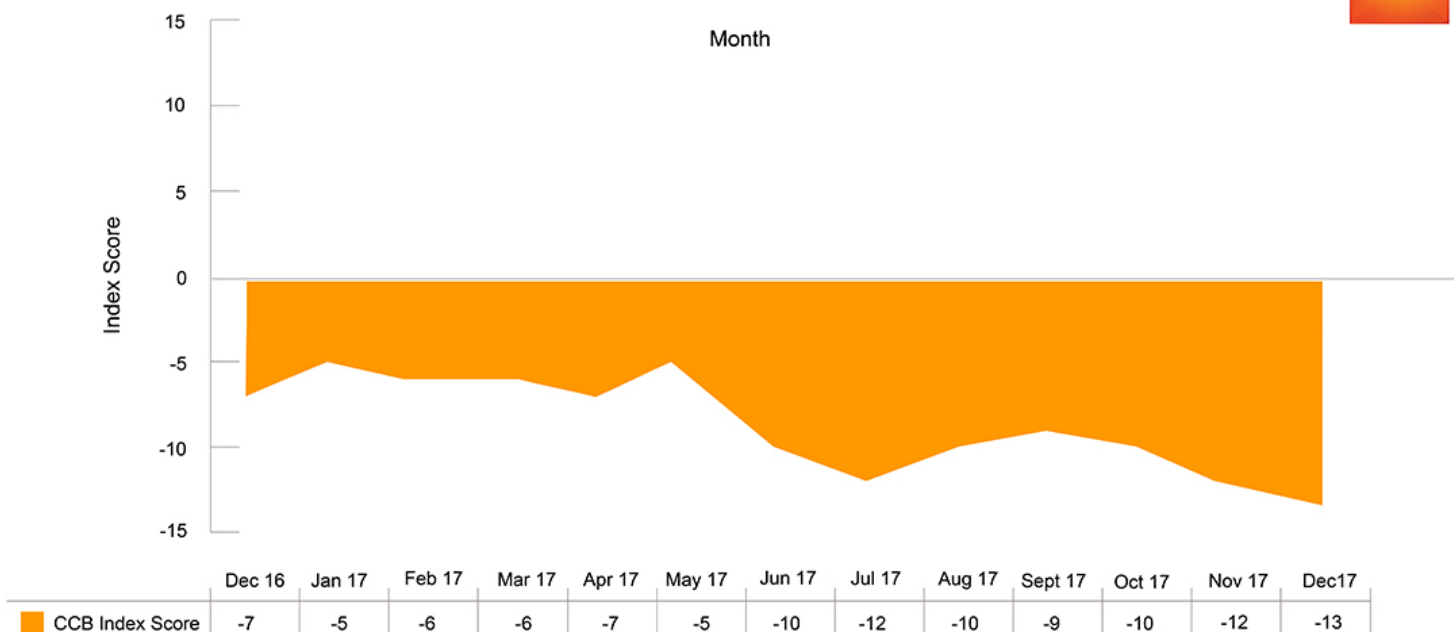
In December consumer confidence in the UK fell to its lowest point since the Brexit vote in June 2016. Joe Staton, head of market dynamics at GfK, which collects the data, said: “[2017] has been a slipping and sliding year. The overall index score has slipped from -7 in January to -13 in December, and not a single positive score in between. In fact, we have not been in positive territory for nearly two years.”

Inflation is now a factor: in November, the Bank of England raised its key interest rate for the first time in more than a decade from 0.25% to 0.5%. The UK's Consumer Price Index inflation rate that month reached 3.1%, its highest since March 2012. Alcohol and tobacco inflation's contribution to the overall inflation rate more than doubled in the November 2016 to November 2017 period. Food inflation hit 3.6% in the three months to 3 December, the highest rate since 2013. Meanwhile, salary inflation is lagging behind, at 2.2%.

Pound sterling steadily strengthened against the US dollar through 2017, from being worth approximately USD1.21 on 11 January 2017 to USD1.34 on 11 January 2018. The pound started 2018 a little weaker against the euro, at EUR1.12, than a year earlier, when it was at EUR1.15, with plenty of fluctuation between. It also fluctuated a lot against the Australian dollar through 2017, starting January 2018 at AUD1.71, up from AUD1.69 a year before.

Six rounds of Brexit negotiations – each a week long – have already taken place between the UK and the EU. Phase one of talks, ‘Withdrawal’, is now complete, with both parties having agreed on the three “divorce” issues: how much the UK must pay the EU (GBP35-39 billion), the fate of the Northern Ireland/Republic of Ireland border (there will be no “hard border”), and what happens to EU citizens living in the UK and vice versa (those who have already had five years of continuous residence will be eligible to apply for settled status; others will be able to remain to build-up five years’ continuous residence). The next phase of negotiations, ‘Future Relations’, which will discuss a two-year transition period and a future trade deal, commences in March. The aim is to have negotiations fully completed, and a finalised draft agreement made, by the end of October 2018. The withdrawal agreement would then be put to a vote in the UK and European parliaments. The UK government remains committed to the UK withdrawing from the EU on Friday 29 March 2019.

Index Score Dec 2016 - Dec 2017



Source: GfK Consumer Confidence Barometer on behalf of the European Commission (Dec 2017)

Craft Beer Update

JOHN FEARLESS
PROVIDER OF CRAFT HOPS AND PROVISIONS



Effectively immediately, John Fearless has signed a deal to become the exclusive seller of high quality French and American used oak wine barrels from one of the world's leading wineries.

This arrangement provides John Fearless with a reliable, continuous supply of high quality used oak barrels. The barrels are kept in excellent condition through a high quality maintenance process which ensures the integrity of the barrels. The barrels are about 70% French oak, 30% American oak, and range in age from four to ten years. What is fairly unique about the offering is that around 70% of the total barrels have been used not for red wine but white, predominantly Chardonnay. This gives the barrels more flexibility in terms of potential secondary use: while red wine barrels tend to have been imparted with the unmistakable red wine character, white wine barrels can be used to age whites again, reds, craft beer or spirits. The older barrels, moving towards the end of their usefulness, even interest furniture makers, lacking as they do staining from red wine.

This adaptability should prove particularly attractive to wineries in countries – such as Australia and South Africa, for example – where it is expensive to import French or American oak barrels and where there is thus a tradition of barrel re-use. John Fearless can leverage Ciatti's global network to get these barrels where they are needed, whether for winery, brewery or distillery use. Get in contact with Raymond to find out more: Raymond@johnfearless.com.

John Fearless's oak offering of used bourbon, whiskey, rum and wine barrels is being expanded even further with the addition of foeders – large oak vessels traditionally used in wineries, in some instances seeing over 30 years of continuous use. These vessels are large – holding perhaps 1,000-5,000 gallons – but can be no larger than a standard stainless steel fermenter: as such they are increasingly in demand from craft brewers of all sizes serious about barrel-ageing, who wish to reduce the amount of barrel-handling required and to make blending easier. The ease of blending offsets having less oak surface area in relation to liquid: foeders are ideal for brewers seeking the wine and oak character in combination with other flavours. Fearless can now source foeders, so get in touch.



Key Takeaway

John Fearless can provide used wine, bourbon, whiskey and rum barrels; used foeders; base and specialty malt; aroma and bittering hops; a five-strong range of Humuflor hop essences; and fruit concentrates, purees, juices, and powders.

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