CIATTI
GLOBAL WINE & GRAPE BROKERS

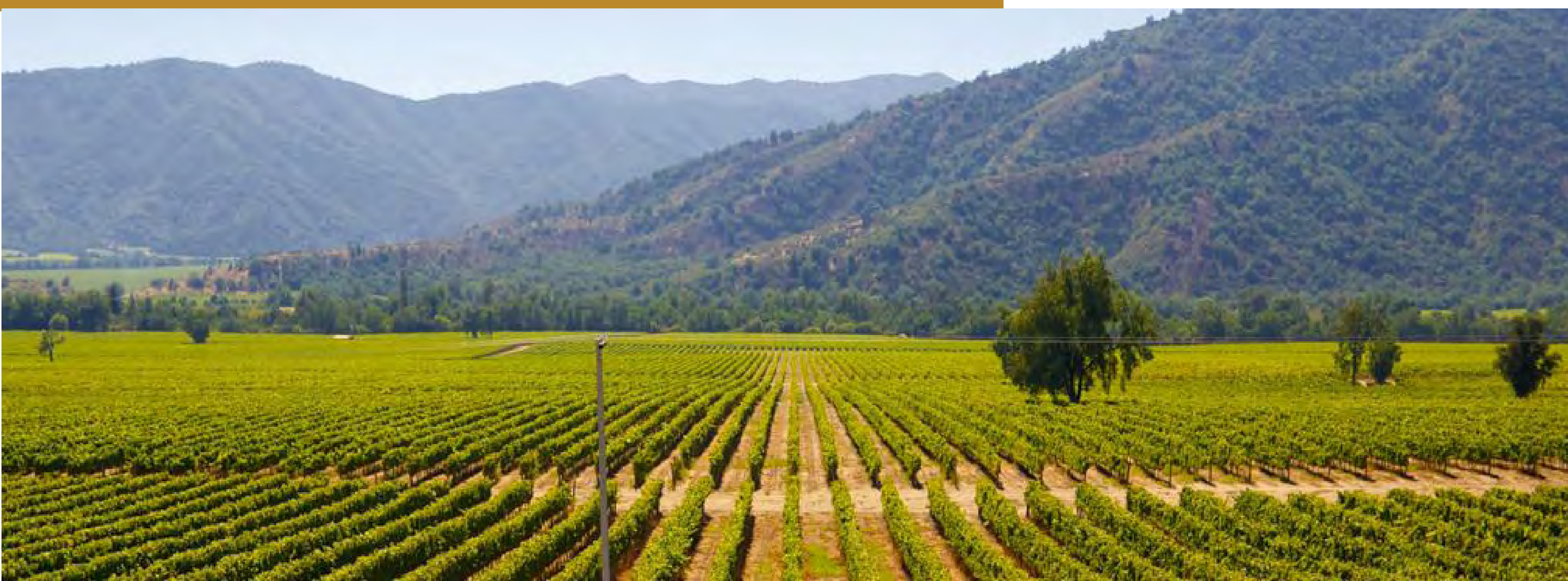
Global Market Report

January 2020

Volume 11, Issue No. 1

Ciatti Global Wine & Grape Brokers

201 Alameda Del Prado #101
Novato, CA 94949
Phone (415) 458-5150



January 2020

Volume 11, Issue No. 1

Reading online? Use the links above to jump through this document.

No part of this publication may be reproduced or transmitted in any form by any means without the written permission of Ciatti Company.

As the new year begins, we at Ciatti wish all of our friends, clients and business associates a very happy and prosperous year ahead. Thank you for your continued support.

2020 is the first year of a new decade and – as designated by the United Nations – the International Year of Plant Health. Winegrape growers in Argentina, Chile, Australia, New Zealand and South Africa will be hoping their vines feel the good vibes and offer up high-quality yields in the coming weeks, with the Western Cape in particular hoping for a healthy-sized crop after two harvests short enough to send bulk wine buyers looking elsewhere.

The respective harvest pictures in the Southern Hemisphere will be clearer in February. Until then, we review the year just gone and look ahead to what 2020 could bring. The abiding characteristic of 2019 was a relative market calmness brought about by what the OIV called "very high" 2018 yields which markedly increased the global supply of wine just at a time when consumption in many traditional markets appears flat at best, Brexit uncertainty persisted, and a demand slowdown in the key growth market of China continued.

It's worth looking back over the changes – or lack of them – in the decade just ended. The OIV estimated world wine production at 262 million hectolitres in 2010 and this continued stably during the course of the decade except for spikes in 2013 (291mhl) and 2018 (279mhl); global consumption in 2010, meanwhile, was estimated at 239 million hectolitres and it hovered around this figure during the decade (coming in at 244mhl in 2017), presumably as developing markets – such as China – offset flat or falling per capita demand in traditional markets.

The relatively steady global supply and demand hides churn – the rise in transporting wine in bulk, for example, the proliferation of private/supermarket label programs in some markets or the growth in organic wine demand – but in an industry where there is no consistent consumption uptick, globally-speaking, it can be about identifying the right wines for the right markets at the right times.

The first week of 2020 saw the sad passing of French wine merchant Georges Duboeuf at the age of 86. Using his eye for marketing and events, Duboeuf was credited with turning Beaujolais Nouveau – a drink once handed out for nothing on village streets in France's Beaujolais region – into a major money-spinner, so that by the peak of the Beaujolais boom in the late 1980s he was selling more than 250,000 cases a year. Restaurateurs around the world competed to be the first to take delivery of the new vintage. The UK was for a time a very big market for Beaujolais Nouveau; recently, Japan has become the biggest importer, something that will only be helped by the EU-Japan FTA which entered into force last year.

Duboeuf's entrepreneurial example, set thirty years ago, is just as relevant today for a wine industry needing fresh innovation to move it forward in the new decade. Ciatti is there to help you every step of the way in 2020 and beyond – just give us a call. Happy New Year!

Robert Selby

California

Time on target

2019: The Year That Was

California came into 2019 having harvested a record-breaking yield of winegrapes – 4.28 million tons – which fed into a pre-existing oversupply of bulk wine, so that bulk prices were beginning to fall to their lowest level in five years. The Northern Central Valley and Southern Central Valley's combined 2018 harvest, however, had come in only 4% up on the prior year, to 3.08 million tons, and areas of the Southern Central Valley – such as Bakersfield (-3%) and Madera/Fresno (-1%) – had in fact seen declines due to extreme heat spells and ongoing vine removals.

This meant that, in the first quarter of 2019 at least, the Central Valley remained a little more insulated from the market's oversupply dynamic than the Coastal areas (which had seen a bumper, +30% crop). Almost normal levels of activity were taking place on the Central Valley's 2018 Pinot Grigio, Chardonnay and Sauvignon Blanc, just slightly behind schedule, with domestic buyers seeking a quick turnaround time between sealing deals, taking possession of the wine and bottling it – suggestive of an inventory build-up limiting storage space.

That said, the Central Valley's inventory was increasing, grapes were generally being contracted on a shorter-term basis, and prices were softening. It thus felt like the most opportune time in many years for international buyers seeking to start a 'California' wine program to register their interest. In addition, on the Coast – where a bumper 2018 crop fed into a large 2016 and 2017 carryover inventory – prices were falling markedly (albeit from historic highs) in some areas. By June, some Coastal wines (not including Napa Valley and Sonoma) were selling at or below the price of their Central Valley counterparts. This potentially opened-up some – small-scale – Coastal opportunities for international buyers interested in starting or supplying an appellated Californian wine program, or at least increase the percentage of Coastal wine going into their 'California' blends. Suppliers were potentially open to negotiation on the export price and shipping terms in order to help alleviate their inventory ahead of the 2019 harvest, and there was some increased international interest, albeit tentatively for small volumes often future-related, not immediate.

Following a wetter than normal winter and spring, vine growth in the Southern Central Valley was looking healthy by July, while cluster numbers and the potential for berry sizing across the state suggested the coming 2019 harvest would at least be average in size. This expectation did not help the pace of the state's bulk wine and grape markets. The spot market for grapes was becalmed, while buyers with grape contracts were informing their suppliers that they would not be needing any excess fruit and that they would be strict on quality. Bulk wine sellers were reducing their offer prices to free-up storage capacity so that we could report: "Opportunities exist on Central Valley and Lodi wines right through to Coastal wines such as Cabernets and Pinot Noirs with a strong cache". By September, with the harvest coming in in good volumes, we could assure potential buyers that "those committed to brand-building will find a secure, long-term supply of good quality wines in California", with wines from 2016, 2017, 2018 and – soon – 2019 wines to work with, and little prospect of prices moving back up in 2020. The significant fall in California's wine prices would not be a short-term phenomenon.

By October it was clear there were few grape buyers coming onto the market even to take fruit at 'clean-up' prices that only cover a grower's harvesting costs, while even opportunistic négociant buyers of bulk wine – seen on the

See next page for more on California.

market through 2019 – were showing hesitation. In the end, the Central Valley's 2019 crop is expected to have come in larger than the prior year's, thanks to an uptick in the Southern Central Valley. This will have offset the return to more normal yield sizes in the Coast, so that the state's total 2019 crop is expected to have been average-sized. However, it is hard to estimate the final harvest figure given the unpicked grapes.

Picking in the Central Valley proceeded smoothly so that crush capacity did not become stretched and the harvest finished only 7-10 days later than 'normal' despite the cooler, wetter start to the growing season. We estimate that the quantity of grapes left on the Central Valley's vines was the largest in ten years, mainly reds such as Cabernet, Merlot and – to a lesser extent – Zinfandel, due to the very slow grape market, the lack of any late-season 'clean-up' buyers, and the unattractiveness of custom crushing amid such little evidence of buyer interest. The grape market for whites had been a little more active.

While the grape market continued subdued, bulk wine activity picked up in the final two months of 2019, both on the 2019 whites already available and the older vintage wines. Given the wealth of opportunities to be found in the Coast, buyers have been switching to sourcing from there instead of from the Central Valley, freeing up even more Central Valley supply for potential export. Ciatti's barometer of the state's bulk wine inventory suggested six million US liquid gallons (approximately 23 million litres) of Cabernet as of November, and nearly three million gallons (approximately 11 million litres of Chardonnay and Pinot Noir). These figures are before the majority of 2019 wines became available.

Data towards the end of the year, meanwhile, showed domestic US demand for Californian wine at the retail end was flat, with wine having to compete against consumers' increasing health-consciousness – particularly among millennials – and a growing spectrum of alternative alcohol beverages such as spirits, cocktails and 'hard seltzers' (carbonated alcoholic drinks).

2020: Looking Ahead

We expect to see grape buyers coming back onto the market at some stage in the new year, seeking to reset their core supply to better reflect the state's oversupply situation: longer-term deals, yes, perhaps of up to three years, but at prices markedly lower than they were in the years before 2019. If they do not secure any of these new deals, many growers who have not already commenced doing so will begin rightsizing or realigning their vineyards to boost efficiencies – whether that be by removing, mothballing or replacing vines.

We noticed an uptick in bulk wine activity towards the end of the year and we may see a further uptick at the start of the new one as retailers and the buyers who supply them assess their Q4 2019 sales and calculate future sale projections.

European suppliers seeking to export to the US, meanwhile, found things growing more challenging in 2019, with – effective from 18 October – the US levying increased import duties on Spanish, German, French and UK wines "not over 14% alcohol, in containers not over 2 liters". This was in retaliation for EU subsidies to aircraft manufacturer AirBus. Furthermore, a notice issued on 12 December by the Office of the US Trade Representative (USTR) confirmed that it was considering further tariff impositions, including the widening of their scope to include wines from all EU countries, in any packaging format. It is unknown at what rate these further tariffs would be set, should they be implemented, but the USTR in its notice stated that it could be "up to 100%". The existing measures could potentially harm imports of French Provencal rosé, with some French suppliers enquiring about importing into the US in bulk and bottling there in order to circumvent the new tariffs. The mooted expansion of the tariffs would also potentially harm imports of Italian Pinot Grigio and Prosecco. The other imported wine which has seen strong growth in the US market in recent years, New Zealand Sauvignon Blanc, is of course unaffected.

See next page for more on California.

Key Takeaways

With a significant inventory of 2018 and older vintage bulk wine still available across the state, and the 2019 wines now coming onto the market, there is the potential for some attractively-priced opportunities for international buyers – including on excellent-quality Coastal wines – on multi-year deals. Only Napa and Sonoma wines can command prices that are higher than elsewhere across the state: the rest of the market must operate at or near California price levels. With the oversupply dynamic in California unlikely to change radically in 2020 – and inventory of vintages going back to 2017 – an affordable Californian wine program can be started with some long-term confidence.

We treat bulk wine with the same care that we treat the most precious bottle of wine. Our R&D team collaborates with wine experts to design specific flexitanks that preserve the quality of the wine and its freshness, and that are 100% recyclable. We provide end-to-end solutions, from design and manufacturing to shipping and recycling, at a global level.

Hillebrand
FORWARDING PASSION

www.hillebrand.com

Ciatti Contacts

Import/Export

CEO – Greg Livengood
Steve Dorfman
T. +415 458-5150
E. greg@ciatti.com
E. steve@ciatti.com

Domestic

T. +415 458-5150
John Ciatti – john@ciatti.com
Glenn Proctor – glenn@ciatti.com
John White – johnw@ciatti.com
Chris Welch – chris@ciatti.com

Argentina

Time on target

2019: The Year That Was

Argentina came into 2019 suffering from economic stagflation and a currency crisis, with the centre-right government of Maurcio Macri struggling to keep inflation and interest rates under control despite receiving a USD50 billion loan from the International Monetary Fund (IMF). Financial markets had little faith Argentina could keep to the loan repayment terms (especially considering the US-China trade wars were hurting all emerging market economies), and nor did the Argentinian public: consumer confidence continued to suffer throughout the year, as did the peso – from ARS37/dollar in February to ARS60+/dollar in September, before the government stepped in with currency controls. By then, any fragile signs of an economic recovery were too late to save Macri who was voted out in the country's October general election, replaced by Alberto Fernández of the populist Justicialist Party.

See next page for more on Argentina.

Argentina's wine industry came into the year struggling for cashflow: the 2018 harvest had been in line with the long-term average at 2.55 million metric tons – 10% larger than expected – just as the country's economic crisis was making itself felt on domestic demand for wine. (Domestic wine consumption in 2018 totalled 19 litres per capita, down more than 50% from 54 litres per capita in the 1990s.) And in the final quarter of 2018 the French, Italian, Spanish and Californian harvests all came in big, contributing to what the OIV deemed "very high" world wine production in 2018, supressing European and North American demand for Argentinian wine. Compounding this demand squeeze, demand for Argentina's grape juice concentrate had also been in long-term decline as consumers switch to low-sugar and sugar-free products.

Thus, despite offering the world's lowest prices on generic wines by February 2019 (USD0.22/litre on generic white, USD0.30/litre on generic red) and significantly reducing its Malbec prices (from USD1.05-1.15/litre for standard quality in August 2018 to USD0.75-0.85/litre by February) – as well as throwing prices on most wines open to negotiation – demand was muted. Slow sales combined with soaring inflation, interest rates and gasoline prices – rapidly swelling input costs – triggered an intervention from the provincial Mendoza government. The statehouse offered loans to grape growers at a reduced interest rate – a not insignificant 29%, but below the official interest rate (50% in March, 75% by May) – and purchased grapes at the market price to supply wineries that had applied to take them and which, by the second half of 2019, were being incentivised to export the resulting wines.

March in Mendoza ended colder than average, slowing grape ripening: the bulk of the 2019 harvest was finished in first 10 days of April, two weeks later than normal. The resulting vintage is widely regarded as one of Argentina's finest of the past decade, with excellent maturity, ripeness and colour. The 2.5 metric tons of wine grapes harvested was only fractionally down on 2018, feeding into a market slow enought that – by June – the Instituto Nacional de Vitivinicultura (INV) estimated Argentina's carryover levels at over 700 million litres (546 million litres of red; 189 million litres of white).

This ample supply ensured low and negotiable prices, while on the flip-side rising input costs ensured prices remained stable for a prolonged period and did not fall further (generic white continued at USD0.22/litre, generic red at USD0.25/litre). As a result, Argentina was proving attractive to international buyers – including from Australia, Canada, China and South Africa – in mid-year when pricing in Australia and Chile experienced upward pressure and the apparent shortage of South African supply continued. In addition, monthly sales of Argentina's GJC were moving ahead at double the rate they were in 2018, thanks to interest from China, Latin America, and South Africa.

A sense of an improving situation was solidified in November when Argentina's bulk (+18% to 87.1 million litres) and bottled (+3.7% to 161.7 million litres) wine shipments for the January-October 2019 period showed a solid uptick on the equivalent period of 2018. Argentina was present in force at both the May Yantai China World Bulk Wine Exhibition and December's World Bulk Wine Exhibition in Amsterdam, receiving a high level of interest – particularly from Australia, Canada and China. In addition, there were signs domestic activity was beginning to move again in the last quarter of the year, as buyers, having run their inventories, finally sought to take advantage of the low pricing.

2020: Looking Ahead

Argentina moves into 2020 with significant inventory – the INV estimates that the carryover stock of red wines will total 495.3 million litres as of 1 June 2020, with whites at 215.9 million litres – and highly attractive, stable pricing. International and domestic interest has risen; white wines make up a far smaller proportion of the total carryover than reds, so buyers seeking international quality whites at the best pricing are recommended to move onto the market sooner rather than later.

The peso was at approximately ARS59.5/dollar in the first week of January, stable with where it had been through the final quarter of 2019 – a reflection of Macri's currency controls and the fact the election of his successor, Alberto

See next page for more on Argentina.

Fernández, did not significantly move the markets. Fernandez appointed the respected economist Martín Guzmán as his economy minister and tasked him with negotiating debt repayment terms with private bondholders and the IMF. The new government has passed legislation declaring a public emergency until 31 December 2020: a package of measures includes the rolling out of tax increases on the wealthier, tax cuts for the poorest, a 30% tax on foreign currency transactions abroad, the maintenance of the currency cap of USD200 per person per month imposed by the Macri administration, and latitude for the government to impose taxes on exports.

Argentina's 2020 harvest is expected to be a good one, with vine development so far in good shape.

Key Takeaways

After a couple of quiet years activity-wise, Argentina's bulk wine is now receiving high levels of interest: it can offer good quality bulk wines – generic and international varietal – in good volumes at very attractive pricing that is open to negotiation. There are particular opportunities on red wines, the carryover stock of which is forecast to total 495.3 million litres as of June 2020, versus white's 215.9 million litres. In addition, there is the ability to contract 2020 whites at current prices on a sample approval basis.

Ciatti Contact

Eduardo Conill
T. +54 261 420 3434
E. eduardo@ciatti.com.ar

Chile

Time on target

2019: The Year That Was

Chile's bulk wine prices entered 2019 on the decline following the large 2018 crushes at home (1.28 billion litres, up nearly 36% on the prior year) and in California and Europe. That said, most of the price softening was occurring on the lower-quality wines – the tough growing season in Chile had led to a vintage of heterogeneous quality, with wines with origin designation representing only 1.05 billion litres of the headline figure.

With prices softening – between the World Bulk Wine Exhibition in November and January they adjusted downward by an average of USD0.20/litre – buyers held off, anticipating further falls. This raised concerns among those suppliers still holding big 2018 inventory in storage with the new crop imminent. In turn, the 2019 grape price was established at CLP150/kg, down more than 50% from CLP330-350/kg (depending on varietal) in 2018.

However, from February onward domestic and international buyers became increasingly active on Chile's bulk wine market as continued unpredictable weather appeared to be taking its toll on the new crop's size, while the peso – CLP680/dollar in December – was strengthening in to CLP650/dollar. Prices duly increased on remaining uncontracted 2019 grapes – particularly on Chardonnay and Tintorera – and trended upward on remaining 2018 and uncontracted 2019 wines.

April and May saw remaining unsold 2019 grapes contracted at higher prices, and some buyers – fearing Chile's longstanding drought will make itself felt on the 2020 crop – purchasing two-year contracts. By May, Maipo

(Santiago) and the Valle Central (Curico) had received only 7% and 30% of their normal rainfall for the year respectively; the start of the ski season was a month delayed due to low snowfall levels in the mountains.

Chile's 2019 crush, prolonged by conditions, finally drew to a close in the second week of May at 1.19 billion litres – down 7.4% in size on the 2018 yield but with wine with origin denomination coming in at 1.03 billion litres, only slightly down on the prior year. Quality, then, was up, with reds in particular considered among the country's best of the past decade.

International demand was now very strong – from Europe, North America and around the world – for Chile's remaining 2018 wines (by now hard to come by) and uncontracted 2019 wines. This placed an upward pressure on prices, Chardonnay's the most. Chile's highly attractive price-quality ratio proved a huge pull, particularly with high pricing and/or short supply elsewhere in the world – such as in Australia and South Africa. Chile's 2019 Chardonnay and Pinot Grigio were almost sold out by July, by which time many buyers had already covered themselves. The market thus cooled and the main business became sample approvals.

Not cool was the weather in Chile: extreme heatwaves (including the highest temperatures recorded in Chile, with especially high temperatures in some areas of Patagonia), drought, an unusually high number of tornadoes, plus low snowfall levels in the mountains through winter, all fuelled further concern regarding the 2020 harvest size. All in all, 2019 was Chile's driest year on record – drier than 1969 and 1998 – with Santiago receiving only 24% of its normal rainfall levels. (The La Ligua and San Felipe areas in the heart of the avocado-producing region received only 10% of their normal rainfall.)

These weather concerns, plus a rare stratospheric phenomenon that caused more frost pockets than normal in springtime, led grape growers to attempt price increases. In the end, however, grape prices remained stable at around 15% above the 2019 price. This was due to expectations of another big harvest in California and signs that Chile's bulk and packaged wine sales in important markets such as China and Japan were slowing in the face of stronger competition (brought about, namely, by the China-Australia FTA and the EU-Japan FTA).

Spot deals on Chile's remaining 2019 wines, meanwhile, were proceeding steadily, aided by the weakness of the peso (CLP725/dollar at the start of September) which, like all Latin American currencies, was feeling the ripple effects of the ongoing US-China trade war. The peso then grew much weaker: fare rises on Santiago's underground system in October triggered civil unrest across Chile – against perceived inequality and the rising cost of living – that lasted for several weeks until the government announced a raft of placatory measures (including a rewriting of the country's constitution and a USD5.5 billion stimulus package).

During the height of the crisis the peso reached CLP830/dollar. Indomitably, Chilean suppliers kept shipments moving throughout, sometimes taking on the financial risk themselves in order to do so. Chile's bulk wine shipment's for January-September 2019 were up 15% on the prior year to 269.9 million litres; suppliers were determined to ensure this strong performance continued regardless. Chilean grape suppliers saw an opportunity in the peso's weakness and increased the peso price of 2020 grapes slightly, with Chardonnay grape prices rising most.

By mid-December, after the worst of the crisis had passed, the peso had fallen back to CLP766/dollar; it had strengthened further, to CLP744/dollar, by the 30th December. Chile received a high-level of interest at that month's World Bulk Wine Exhibition in Amsterdam – mainly enquiries about the current market situation and the outlook for 2020 bulk wine prices. The latter remained uncertain as the year drew to a close.

2020: Looking Ahead

There is an acknowledgement among Chilean suppliers that price rises would be difficult in a bulk wine market that is slow globally. In addition, neighboring Argentina's very cheap generic wine prices will likely mean Chile's own generics will go mainly into the domestic market, with only those international buyers requiring specifically Chilean wines coming in for them.

See next page for more on Chile.

What are the expectations regarding Chile's 2020 crop? The high temperatures, rainfall deficit and generally extreme weather seen through 2019 - plus firmer pricing on 2020 grapes - have put an end to expectations of a larger-than-average crop and any resulting price drops. The majority view now is that prices will increase. Several big wineries bought big volumes of 2019 wine before Christmas, knowing that the 2020 crop could potentially be short and prices could move higher. While the vineyards currently look in good shape, there is a widely-held belief that the rainfall deficit could start to be felt halfway through summer, from mid-January onward.

Chilean Export Figures

Wine Export Figures	January 2018 - November 2018			January 2018 - November 2019			Volume
	Million Liters	Million US$ FOB	Average Price	Million Liters	Million US$ FOB	Average Price	Variance %
Bottled	460,00	1.478,67	3,21	439,08	1.396,49	3,18	-4,55
Bulk	294,15	303,48	1,03	334,62	314,48	0,94	13,76
Sparkling Wines	4,20	17,65	4,20	4,28	17,19	4,02	1,90
Packed Wines	21,85	40,19	1,84	18,99	33,89	1,78	-13,07
Total	**780,19**	**1.839,99**	**2,57**	**796,97**	**1.762,04**	**2,48**	**2,15**

Key Takeaways

Chile's bulk market is busy with enquiries regarding what the 2020 bulk wine prices will be, but it is too early to know for sure. That said, the peso price of grapes ticked up – on Chardonnay the most – in November due to the peso's weakness against the dollar. After some frost pockets in September, the growing season has proceeded smoothly; the longstanding rainfall shortfall – Chile has been suffering from a 'ten-year drought' – may start to be felt, however, from this month.

Ciatti Contact

Marco Adam
T. +56 2 32511 691 – or –
T. +56 2 32511 692
E. madam@ciattichile.cl

1 844-99-STOAK
info@stoaktechnologies.com
sales@johnfearless.com

France

Time on target

2019: The Year That Was

The calm start to 2019 on France's bulk wine market was in stark contrast to 12 months earlier, when the significantly short 2017 harvest had triggered a quick market pace at the start of 2018. France's yields bounced back very strongly in 2018 (OIV estimates a bumper 49 million hectolitres), so that only the market for IGP Languedoc and southern French rosés – stocks of which had been completely drawn down – kicked off rapidly this time. The rest of the bulk market saw a EUR0.05/litre downward price correction from the previous vintage; with plenty of 2017 reds still on retail shelves, the market for 2018 reds was slowest of all.

That said, although the 2018 vintage was large it was also heterogeneous, with the volume increase in the best qualities not commensurate with the overall increase. Thus buyers seeking specific qualities consistent with previous years – particularly quality 2018 varietal whites and especially Sauvignon Blanc and Chardonnay – were encouraged to make their moves sooner rather than later. By February many co-ops reported their good quality 2018 varietal whites almost sold out.

In addition, multiple spraying had been required to keep mildew at bay, greatly reducing organic wine availability and making this rapidly-growing market – heavily pre-harvest contracted – even more frantic. Organic wine prices were high and non-negotiable, provoking interest in alternatives such as HEV (High Environmental Value) wines, a new category meeting certain performance indicators similar to those that organic wines do. This interest only increased once organic wines were sold out by March. Standard and high-quality southern French Vin de France, IGP and Provencal rosés, meanwhile, were essentially sold out by May, except for some cancelled reservations or unexercised options coming back onto the spot market at high prices.

The market for reds was fully underway by March and – as a result of large carryover and sluggish retail sales – buyers mainly sought to cover only their short or medium-term needs. It was becoming clear – and it would become a theme throughout 2019 – that sales of Bordeaux reds to China had significantly slowed, freeing-up far more Bordeaux AOP reds onto the bulk market, in turn reducing demand for and lowering prices on southern French AOP reds. Ample supply of Vin de France and IGP reds continued and by June prices were softening and negotiable on the standard, mid-range qualities. Pricing on the best quality 14% alcohol reds was stable or rising, however.

The sluggish of the red wine market was illustrated by its lack of movement in June when a record-breaking heatwave brought temperatures reaching 46°C to the Languedoc, charring leaves and emerging grape clusters. Some affected vineyards predicted 50+% crop losses. This, plus inclement growing conditions in the northern Rhone Valley (hailstorms) and in the Loire Valley, Charentes/Cognac and Bordeaux (lower spring temperatures than normal causing bad coulure/fruit set), did not provoke buyers into moving, nor the summer's second extreme heatwave in mid-July during which temperatures again hit 46°C. Many suppliers were left worried about tank space with the 2019 harvest imminent.

By the end of August water restrictions were in effect across 75% of France, the Gard and Aude departments of the Languedoc had suffered bushfires and some areas of the region estimated a 20% fall in tonnages on the early-ripening varietals – the first grapes picked were relatively small and the juice yield low. In October Agreste estimated

See next page for more on France.

a national harvest of 42.2 million hectolitres, down 15% on the bumper 2018 crop and down 7% on the five-year average; the Languedoc's harvest was estimated at 11.8 million hectolitres, down 12% on 2018 but only 5% smaller than the five-year average – September rainfall had helped size-up some of the region's later-ripening varietals. It had been a good vintage for the reds, quality-wise (deep colours, good alcohol levels and balanced aromas) with volume levels dependent on how much red wine went towards rosé production.

The white wine and rosé markets commenced in the first week of November and there was immediate activity on the good quality IGP wines. Offer prices approximately were in line with the previous campaign despite the drop in harvest size (with the exception of Chardonnay, which saw a 5-10% uptick in price as this varietal suffered the biggest volume decline in the Languedoc). The red wine market ended the year yet to get fully underway, with blending, harvest declarations and labelling still being carried out. Initial signs were that the demand for the best-quality, high alcohol and high colour reds were in steady demand for blending or for use in circumventing the 25% hike in import tariffs on bottled French wine "not over 14% alcohol" that the US commenced levying from 18 October.

2020: Looking Ahead

The French bulk wine market at the start of 2020 was exhibiting characteristics not dissimilar to those of 12 months before: standard and standard-plus quality IGP rosés and whites (and all organic wines) are in good demand, with prices in line with the previous vintage; the red market, meanwhile, is weighed down by carryover, with only the high-quality, high-alcohol wines receiving strong interest. Buyers of reds are mainly holding off while their final clients assess their retail sales – indications are that red wine consumption in France is stagnant – and the future volumes they require. With tough conditions also in China (economic slowdown; market restructuring), the US (tariffs) and the UK (Brexit uncertainty), France's red wine case good exports have slowed.

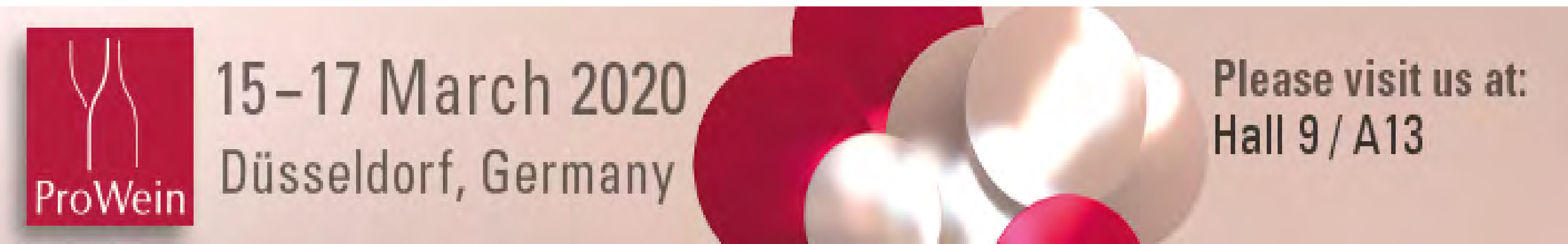
Supply of 2019 table reds is expected to be shorter as growers prioritised their AOP and IGP declarations – pricing has subsequently risen and is non-negotiable. There continue to be excellent opportunities on good-quality AOP red wine carryover from Bordeaux and Languedoc, with attractive pricing open to negotiation. Similarly, there are expected to be pockets of 2018 and non-vintage table reds popping up on the market in the new year, with prices open to negotiation.

Key Takeaways

Buyers of good quality, 2019 IGP rosé and white wines (particularly Chardonnay and Sauvignon Blanc) are recommended to secure their needs sooner rather than later as carryover stock of these is minimal and demand is good. The best-quality high alcohol, high colour reds are seeing good demand. In addition, supply of 2019 table reds has been squeezed by the smaller harvest and prices have risen. There remain excellent opportunities to be had on carryover reds including AOP wines from Bordeaux and Languedoc, and 2018 and non-vintage table reds.

Ciatti Contact

Florian Ceschi
T. +33 4 67 913532
E. Florian@ciatti.fr



Spain

Time on target

2019: The Year That Was

The start of 2019 marked a return to normality on Spain's bulk wine market after the frenzied activity of 12 months before, brought about by Spain and Europe's short 2017 crops. In 2018 Spain's harvest had bounced back bumper – the OIV estimates 44.9 million hectolitres – and duly returned the Spanish market to its typical offer: significant volumes in a wide spectrum of qualities, prices negotiable. Indeed, pricing on Spain's generic red, whites and rosés fell concertedly in the final quarter of 2018 as Spanish suppliers vied with Italy's.

By January 2019 prices on Spanish generics had plateaued out as suppliers sought to protect margin. Buying activity was sluggish due to the plentiful supply levels in Spain and elsewhere in the world (non-European buyers could also consider Argentina or Chile's offerings which were also highly price-competitive). There did remain cause for action among buyers of Spain's international varietal wines (prices had softened but availability was limited) and organic international varietals (due to big demand following a lack of supply in France). By February, international varietal whites (particularly Chardonnay and Sauvignon Blanc) were hard to come by in Spain and international varietal organic wines were sold out.

Good-quality international reds, meanwhile, appeared plentiful enough to meet demand until the 2020 vintage, so pricing on these proceeded stably. Good-quality pale Spanish rosé was nearly all pre-harvest contracted, but basic rosé was available with prices softening and negotiable. Spain's grape juice concentrate was available in good volumes until big purchases of sulfured must by European buyers in January and February stabilised the market pricing into mid-year.

Through April and May the large domestic buyers were very active on the bulk wine market. Interest also came from non-European buyers who normally source in Australia and South Africa – where supply was low and/or pricing high – including domestic buyers in those markets. With its big volumes, Spain could offer such buyers shipping flexibility and the ability to supply quality-consistent deliveries through the rest of 2019 and well into 2020. This increased activity pushed up prices but Chile and – particularly – Argentina continued to be formidable opponents on price when their own 2019 wines became available, tempting North American and other non-European buyers away from Spain in the second half of the year. Pricing on Spain's entry-level offering thus softened again. This in turn incentivised Spain's big domestic buyers to swoop in and take advantage of the end-of-campaign sales, securing significant quantities of generics.

By September – with water restrictions in place across Spain – it was clear that the longstanding rainfall deficit in Castilla-La Mancha (despite a wet spring) and some intense summer heat spells (as high as 43°C in late June) would have an impact on 2019 yields. The market for international varietals reacted in particular, amid fears that these varietals would especially struggle in the Spanish heat and aridity. As so often, Mother Nature had a sting in the tail: towards the end of harvest, drought was spectacularly ended by flooding across Andalusia, Almeria, Alicante, Murcia, Valencia and the south-eastern part of Castilla-La Mancha. The primary effect of this September and October rainfall was to help size-up the berries yet to be picked, so that the (non-international varietal) white grapes were not as impacted by the challenging growing year as the reds, though the hot summer had unhelpfully sent alcohol levels rising in sparkling base and low alcohol degree whites. Buyers of all red wine types and of international varietal

See next page for more on Spain.

whites were thus encouraged to commit sooner rather than later, as it was unclear how large the shortfall on these would be. As a result, the pricing on Spain's international varietals – traditionally as low as half that in France – commenced the new buying campaign only EUR0.10-0.15/litre cheaper than their French equivalents.

2020: Looking Ahead

The OIV estimated Spain's 2019 harvest at 34.3 million hectolitres, down a significant 24% from 2018's bumper yield but a more modest 10% down from the five-year average. As a result, the year ended with Spain's bulk market proceeding steadily, with supplies of generic red, white and rosé plentiful and their prices unbeatable from a European – if not a global – standpoint, and softening.

The most balanced situation was to be found on the international varietal whites – particularly Chardonnay and Sauvignon Blanc – due to the harvest shortfall. Again, however, prices were not rising as demand was slow and Chile and Argentina were price-competitive. Even fresh batches of Spanish low-alcohol degree wines – feared lost to the heat – were popping up on the bulk market due to slow sales.

Only Spain's grape juice concentrate moved into 2020 higher in price than in the previous campaign, as any uncontracted GJC – particularly red GJC – had been diverted into boosting wine output.

Key Takeaways

Buyers of Spain's red wines and its international varietal white wines, plus highly specific wines and wines of specific qualities, should move onto the market sooner rather than later to secure what they need. Prices on most wines are stable, though softening gradually on generic whites. The GJC price is also stable, with availability mainly on the white GJC.

Ciatti Contact

Nicolas Pacouil
T. +33 4 67 913531
E. nicolas@ciatti.fr

Italy

Time on target

2019: The Year That Was

Italy's bulk wine market started 2019 sluggishly following a bumper 2018 crop provisionally estimated by the OIV at a not inconsiderable 54.8 million hectolitres. The sheer size of this yield, plus a delay in the readiness of Italy's red wines due to the harvest's elongation – as well as France and Spain also seeing big crops – all contributed to market slowness. In addition, ongoing Brexit uncertainty and a 35-day government shutdown in the key UK and US markets respectively were likely contributors to muted demand. Certainly, sales of Prosecco and Pinot Grigio, which heavily depend on those two markets, were slower than on other wine such as Primitivo and southern Italian reds that tend to get exported elsewhere.

See next page for more on Italy.

The market for high quality wines, blending wines, organic wines and southern Italian appellated wines and international varietal wines offering a good price-quality ratio were heavily pre-contracted and receiving steadier demand than the entry-level wines, which were selling through the spot market on a day-to-day basis. With the concerted, ongoing boost in generic white wine production in Veneto and Friuli, generic white in particular was – by March – selling at highly attractive prices (EUR0.31-0.35/litre for 9-10% alcohol; EUR0.38-0.45/litre on 11-12.5% alcohol) and open to negotiation. Some of the high quality and organic wines, meanwhile, were already out of stock.

The market then paused for Vinitaly on 7-10 April, a typically vast and boisterous affair where much of the talk was of Brexit: the UK had not left the EU on 29 March as scheduled, and had instead been granted an extension by the EU until 12 April, and then 31 October, to work out a way forward. Ultimately the UK would remain in the EU for the rest of the year, during which there were various phases of heightened uncertainty that were of real concern to Italy's Pinot Grigio and Prosecco exporters.

By May, Italy's Prosecco market was stabilising as UK demand returned, Prosecco and Pinot Grigio certifications were continuing to grow year-on-year, and the big stock of white wines had been greatly diminished, raising the prospect of a price uptick. The Consortium of DOC Pinot Grigio delle Venezie blocked any plans for further Pinot Grigio plantings, while the Prosecco DOC and DOCG consortiums – in order to have more price stability throughout the season, among other reasons – approved a reduction in yield per hectare.

The bumper 2018 yield combined with the slower market in 2019 meant that, as of 15 July, the stock of wine in Italy was 5.4 million hectolitres greater than on the same date of 2018. By September it could be said that Italy's white wines had fallen in price on the 2018/19 buying campaign by 34% and its reds by 21%. That said, DOC-DOCG wines fell only 6% in price, showing that the quality wines were better able to hold their value, and ISMEA data showed that Italy's wine exports were up 11% in volume and 5% in value in the first five months of the year, mainly due to more trade with other EU countries. Sparkling wine shipments were up 8%, though this was down from the double-digit growth seen in recent years due to Asti and other non-Prosecco Italian sparkling wines losing market share. ISMEA was bullish about domestic consumption levels, suggesting it could even increase – albeit fractionally – in 2019.

The growing season proved highly challenging: April was very hot, May was unseasonably cold, then June and July brought damaging hailstorms and temperatures as high as 40°C amid extreme Europe-wide heatwaves. The OIV estimated that Italy's harvest came in at 46.6 million hectolitres, down 15% on 2018 – but that year was of course bumper, and 2019's yield still exceeded those seen in 2017 and 2014. As a result, the price of Italy's generic wines increased, but not to same extent as in the short year of 2017; buyers continued to tread the market with care and many kept an eye on Spain (which, with its yields down 24% from the year before, took an even bigger hit from the weather conditions). Italy's red wines were receiving most demand and seeing the biggest price increases; whites were also increasing in price, but at a slower rate. Pinot Grigio yields were certainly shorter than in 2018; prices however, remained stable at EUR0.85-1.10/litre. Prosecco also remained stable at EUR160/hectolitre. Generics reds (EUR0.48-0.60/lite for 11-12% alcohol; EUR0.65-0.80/litre on 13% alcohol) and generic whites (EUR0.37-0.44/litre for 9-10% alcohol; EUR0.40-0.55/litre on 11-12.5% alcohol) ended the year up in price to varying extents on where they started it.

2020: Looking Ahead

For full-year 2019, Prosecco DOC certifications grew by 4.9% on average; bottling of Pinot Grigio DOC, meanwhile, saw a 34% increase year-on-year.

By the end of 2019 and into the new year, the overall bulk market in Italy had grown more active, with the big operators starting to close part of their contracts and a large number of new bottlers active in the marketplace. The most demanded wines were the better qualities – such as high-quality reds, high-quality international varietals, good-quality Primitivo, organic wines, good-quality sparkling base wines and other wines for blending – and a definite move away from entry-level wines. This was part-enabled by a 2019 vintage viewed as generally good, with the reds – especially the late varietals – significantly better in quality than 2018's.

See next page for more on Italy.

Key Takeaways

Italy's 2019 vintage was a down in size on 2018's bumper crop but – in general – a step up in quality, particularly on the late-season reds. The bulk wine market in Italy has been active, especially with interest in the higher-quality reds, international varietals and wines for blending. Prosecco and Pinot Grigio certifications continue to increase. Prices were firm-to-rising in the final quarter of 2019, due to the good levels of activity.

Ciatti Contact

Florian Ceschi
T. +33 4 67 913532
E. Florian@ciatti.fr

South Africa

Time on target

2019: The Year That Was

Following a 2018 in which the Western Cape's carryover stock was quickly drawn down due to Europe's short 2017 harvests and – mainly due to longstanding drought – its own 2018 harvest was the smallest for a decade, at 1,243,598 tonnes, there were hopes the Cape's 2019 crop would replenish its wine supply and get its bulk market moving again. It wasn't to be: the latent consequence of the Cape's intense 2015-18 drought was stressed vines that produced only marginally more grapes than the prior year – 1,244,985 tonnes.

The Western Cape started 2019 with its smallest carryover stock levels ever, with any remaining 2018 bulk wine being snapped-up by domestic buyers at strong pricing, either for the domestic market or to bottle for export. As such, interest from international buyers was muted, put off by the Western Cape's strong pricing which had emerged just as larger 2018 harvests around the world boosted global availability, with Spain and Italy in particular being aggressive on pricing.

The second successive short harvest ensured the Cape's 2019 vintage pricing continued where the 2018 pricing left off, steady and robust: competitive with where the market was a year before, but not with the new realities of a longer global supply. Although demand for Cape wines continued to outstrip supply initially, a reputation for being short of uncontracted wine and high in price spread and its bulk wine export performance consequently suffered. Tight supply and muted demand meant the Cape's bulk wine shipments were down almost 40% in the six months to the end of April 2019.

Worryingly, in addition, by the second quarter of 2019 it was clear that the high prices paid by South Africa's domestic buyers for the 2018 wines were – together with the country's ongoing economic fragility and rapidly rising cost of living – having an adverse effect on wine's domestic retail sales: down 5.4% (by 22 million litres to 386.2 million litres) in the February 2018 to January 2019 period, after steady 3-5% growth in the preceding few years. Domestic buyers started importing competitively-priced wines from Spain, Argentina, and elsewhere.

Belatedly, from mid-year onward, more 2019 bulk wines began popping up on the market, with all wines becoming available in reasonable volumes except dry red and Merlot. Much of this fresh availability was likely due to suppliers

See next page for more on South Africa.

who had initially withheld their wine finally releasing it onto the market after it became clear there was no prospect of market price increases, or wines initially reserved by buyers who then switched to alternative countries offering more competitive deals. Rand pricing continued to be stable, as it had been all year, though potentially open to negotiation should the buyer be able to offer quick removal and shipping terms.

The Cape's price-competitiveness on international varietals, and the uptick in availability on most wines, did not automatically translate to increased buyer interest. Compounding the effects of a slow buying environment more generally, from a global point of view (perhaps due to solid-sized inventories in the Northern Hemisphere producer countries, wine consumption not growing in major markets, Brexit, the US-China trade war, etc), confidence in starting, continuing or expanding South African wine programs had been damaged by two successive years of low availability and increased prices. The negative performance of bulk and packaged exports to leading markets the UK (-12%), Germany (-21%), the Netherlands (-9%), France (30%), Canada (-37%), the US (-24%) and China (-43%) in the 12 months to May 2019 provided a stark warning that, should the Cape's 2020 harvest bounce back in size, suppliers will still have work to do convincing lapsed buyers to return and solidify new relationships. The annual South Africa-EU Tariff Rate Quota (TRQ) on wine, normally maxed-out by 1 September, lasted until the second half of October.

The pace of bulk wine activity had picked-up by the end of the year, with good opportunities continuing to arise and get harnessed quickly. Shipping levels were good. The reputation the Western Cape had become tagged with over the past two years – low availability, uncompetitively priced – now belies genuine opportunities on the market as 2020 gets underway.

2020: Looking Ahead

All of South Africa's wineries are now taking a more long-term view, willing to work more constructively with buyers and the end market to ensure they have buyers for their current and future production, and not just relying on speculation.

The Western Cape experienced a welcome wet winter – Cape Town's dams entered the summer at approximately 85% of capacity – and cold winter temperatures ensured the vines started the growing season well-rested. Fruit set was good. A slightly cooler than normal October, combined with what appears to be a good-sized crop, means the harvest timetable could run a week to 10 days behind normal, though this can change quickly if there are any intense heat spells.

The size of any uptick in the Cape's grape harvest volumes this year – and for the next 1-2 years – could potentially be constrained by the lack of rootstock available over the past few years due to the drought. Re-plantings and new plantings have often not been possible. It is encouraging, however, that there is a desire among growers to plant, suggesting the industry is becoming more profitable and sustainable moving forward.

As it traditionally does, the Rand ended the calendar year strengthening against the dollar and euro, starting 2020 at approximately ZAR14.00/dollar and ZAR15.70/euro. South Africa's economy contracted in two of the last three quarters of 2019, and the International Monetary Fund forecasts sluggish growth in 2020. Due to a shortfall in generation capacity, state-owned power firm Eskom is likely to continue intermittently operating "load-shedding" – pre-arranged blackouts – across the country into 2020, potentially another drag on the economy.

Key Takeaways

The Western Cape's growing season has been proceeding very smoothly and there are hopes of a good-sized 2020 crop. Wine is continuing to pop up on the bulk wine market – varietal and generic – with Rand pricing stable but open to negotiation should buyers be able to offer quick loading. Opportunities can arise and get snapped-up quickly. The Cape's suppliers are committed to working constructively with buyers and building long-term relationships, to ensure there are buyers for current and future production.

Ciatti Contacts

Vic Gentis
T. +27 21 880 2515
E. vic@ciatti.fr

Petré Morkel
T. +27 82 33 88 123
E. petre@ciatti.co.za

Australia & New Zealand

Time on target

2019: The Year That Was

Australia's 2019 crush came in at 1.73 million tonnes, down 3% from 2018's 1.78 million tonnes and also down on the long-term average of 1.75 million tonnes. Many had expected an even lower figure due to the adverse weather conditions and the previous crop estimates. Volume from the cool climate areas decreased by 5% and from the inland areas by 2%.

Each of Eden Valley, Adelaide Hills, Barossa Valley and Clare Valley saw their crush volumes significantly down, by 30-50%. Regarding varieties, Shiraz saw a 2% drop in volume and Chardonnay was down 12%. Merlot increased by 13%, while Prosecco volumes raced up by 42%. Reds accounted for 941,583 tonnes, whites for 786,871 tonnes. Price-wise, we saw an increase in the national average purchase price by 9%, from AUD611/tonne in 2018 to AUD664/tonne in 2019. This was the fifth consecutive vintage in which prices increased. Split between red and white wines, this demonstrates an increase in red varietals by 9% to AUD845/tonne, and an increase in whites by 4% to AUD462/tonne.

Over the course of 2019, Australian wine exports consistently increased in value to a record AUD2.89 billion, whilst they slowly decreased in volume from 850 million litres to 774 million litres. The increase in value was attributed to larger sales of bottled wine sold at the medium to high-end, along with slowing sales of bulk wine at the lower level (wine under AUD2.50/litre). The slowing Chinese economy and increased competition from Chile, Argentina and Spain contributed to this outcome.

The short supply of water and lack of rainfall plagued Australia throughout 2019 and this is expected to continue in 2020. The price of temporary water increased over the 12 months from AUD400 per megalitre in Q1 2019 to as high as AUD1,000/megalitre in Q4. The year 2019 was Australia's hottest and driest on record, with daytime temperatures above average and multiple records broken for the hottest temperature. The country's average rainfall total was 277mm for the year – 40% below normal. The dry conditions have caused perfect conditions for bushfires which have raged through millions of hectares, perpetuated by heavy fuel loads of dry grass, scrubland and forests. Smoke taint is a cause for concern and smoke continues to linger in the valleys of certain grape-growing regions, held in by the surrounding mountain ranges.

Entry-level reds and white wines were in high demand for the first six months of 2019. The reduced inventory available of 2018 wines meant there was a rush from buyers to have 2019 stock ready to move as soon as possible. Increased interest in Argentinean wines due to their aggressive pricing has seen multiple imports by Australian buyers. The slowdown of the Chinese economy has brought a shift in the availability of red wines in inventory listings. Many larger suppliers hope to keep 2020 bulk pricing consistent with 2019.

The 2019 crush in **New Zealand**, meanwhile, came in at 413,000 tonnes, down 1% from 2018. Whilst the Marlborough (-2%) and Hawkes Bay (-9%) areas were down slightly, all other regions saw a marked increase in volume. The great majority of New Zealand's volume is Sauvignon Blanc (72%), followed by small volumes of Pinot Noir, Chardonnay and Pinot Gris.

Pricing for Marlborough Sauvignon Blanc increased slightly from NZD3.50-4.00/litre in 2018 to NZD3.80-4.20/litre in 2019. Sales in the US, New Zealand Sauvignon Blanc's number one export market, continue to grow. New Zealand

See next page for more on Australia & New Zealand.

wines reached a record NZD1.83 billion in sales for the 2018-19 financial year, up 6%. Volume increased by 5% to 270 million litres. The growing lack of vineyard area in New Zealand is evident as wineries seek to increase their holdings – some 38,680 hectares are currently under vine, and it is expected that New Zealand will reach its hectarage limit by 2025.

NZ Harvest: Grape varieties by tonnes

Variety	2019 Tonnes	% Change from 2018
Sauvignon Blanc	302,157	+2%
Pinot Noir	26,944	-8%
Chardonnay	25,729	-2%
Pinot Gris	20,953	-8%
Merlot	9,240	-13%
Riesling	4,776	+26%

NZ Harvest: Tonnes by region

Region	2019 Tonnes	% Change from 2018
Marlborough	305,467	-2%
Hawkes Bay	37,173	-9%
Gisborne	16,238	+25%
Nelson	12,370	+36%
Central Otago	11,868	+4%

2020: Looking Ahead

The ongoing drought, lack of rainfall and hot conditions in Australia are expected to continue in 2020. Bushfires are predicted to persist due to the heavy fuel loads and strong winds. Smoke taint will be monitored and checked in the next 4-8 weeks to confirm the impact. These weather conditions may lead to a small reduction in crush volume.

The overall decline in Chinese demand for Australian wine is expected to continue and sellers need to prepare their sales/intake accordingly. Increased competition on entry-level wines from Chile and Argentina should continue as their respective 2020 crushes look to be positive. We expect more Australian buyers to take advantage of the South American quality and pricing.

Australia's grape prices in 2020 will increase on average but it is expected that pricing for entry-level bulk wines will remain consistent.

Meanwhile, firm prices are expected to continue on **New Zealand**'s Marlborough Sauvignon Blanc through 2020, with positive sales continuing in international markets (key markets the US, UK and Australia are showing consistent or increasing growth trends). The early indications are that there will be a higher grape price this year. Minimal levels of spare fruit will be available as many will seek to process and retain for their own use.

Key Takeaways

Australia's 2020 crush volume may be slightly reduced by the country's ongoing rainfall deficit, drought, and very high temperatures (including days of 40°C+). The impact of bushfires is still unknown at this stage as grape growers assess their vineyards for smoke taint. The slowing economy in China is likely to continue being a drag on Australia's bulk wine export volume performance in that market; Australia also faces increased competition from Chile, Argentina and Spain both abroad and domestically. Pricing on Australia's entry-level bulk wines is expected to remain consistent in 2020 with where it has been. With export markets such as the UK and US continuing to increase their demand, New Zealand Sauvignon Blanc is likely to remain firm in price through 2020; early indications are that there will be a higher grape price this year.

Ciatti Contacts

Matt Tydeman
T. +61 8 8361 9600
E. matt@ciatti.com.au

Simone George
T. +61 8 8361 9600
E. simone@ciatti.com.au

官方微信公众号

Currency Review

Source: XE Currency Converter

Rand against the euro

Rand against pound sterling

The Rand – with its usual fluctuations – showed a weakening trend against the euro and pound sterling in the first half of 2019, though seemingly unmoved much one way or the other by the country's 8th May general election in which incumbent president Cyril Ramaphosa and his governing ANC party were comfortably returned to power. The Rand strengthened through June and July, reaching as strong as ZAR15.45/euro and 17.25/GBP, before weakening again due to matters foreign and domestic: escalation in the US-China trade war, pessimism about the state of South Africa's economy moving forward, as well as the prospect of continued "load-shedding" of electricity (i.e., organised blackouts) by national utility company Eskom. The Rand reached as weak as 17.45/euro in August and more gradually to 19.55/GBP in November, before generally strengthening against both currencies towards the end of the year.

Chinese yuan against the Australian dollar

Australian dollar against pound sterling

The Chinese yuan was steady under CNY4.90 versus the Australian dollar throughout 2019, the strongest it has consistently been against it since the second half of 2015. After a highly volatile 2018, 2019 brought fluctuations between the two currencies inside a far smaller band. The yuan's strength likely assisted Chinese buyers in importing higher-priced Australian wines – the value of Australia's wine exports to China (including Hong Kong and Macau) were up 18% to a record AUD1.25 billion in the year to 30 September 2019, at the same time as Australia's wine export volumes to China fell 16%. The Aussie dollar reached as strong as AUD1.75/GBP in August as Brexit uncertainty hit pound sterling, before falling back past AUD1.80+/GBP by the end of the year following the more clarified Brexit situation. The pound is still yet to return to its pre-referendum strength (AUD1.90+/GBP) against the Aussie dollar. The value of Australia's wine exports to the UK were down 4% in the year to 30 September, to AUD365 million, though the UK easily retained its position as the biggest importer of Australian wines at 25.8 million 9-litre cases.

Chilean peso against the US dollar

Argentinian peso against the US dollar

The Chilean peso has been steadily weakening against the US dollar since February 2018 (when it was below CLP600/dollar), with emerging and Latin American currencies particularly affected by the ripple effects from the US-China trade war. The civil unrest in Chile in Q4 2019 saw the weakening spike out past CLP800/dollar in November; the peso ended the year having strengthened in to CLP740/dollar due to a seemingly calming situation in the country. The Argentinian peso has also been weakening against the US dollar since Q1 2018 (when it was at ARS20/dollar), but more rapidly so as Argentina's economy stagflated and interest rates and inflation grew out of control. Despite currency controls, there was an overnight plummet in August 2019 – from ARS45/dollar to ARS60/dollar – when President Mauricio Macri suffered a landslide defeat in primary elections against Alberto Fernández of the populist Justicialist Party (who subsequently won the country's October general election). At the start of the 2010s the Argentinian peso was at ARS3.80/dollar; it ended the decade at ARS59.90/dollar.

Australian dollar against the euro

US dollar against pound sterling

The euro has been gradually strengthening – with fluctuations – against the Australian dollar since Q1 2017, following a weakening induced by the UK's Brexit referendum in 2016 and its triggering of Article 50 in March 2017. In 2019 the Aussie dollar fluctuated between AUD1.57/euro and AUD1.66/euro, with a sharp fall in strength in August amid an escalation in the US-China trade war (China being a particularly important export market for Australia). Due to ongoing Brexit uncertainty, the pound steadily weakened against the US dollar through the first eight months of 2019 – reaching as weak as GBP1.20/dollar in August, the lowest it had been since the immediate aftermath of the Brexit referendum in 2016. However, in October the securing of a new Brexit deal with the EU by the UK's new prime minister, Boris Johnson, saw the pound surge; a further surge occurred in December following Johnson's victory in the country's general election, with the pound reaching its strongest against the dollar since May 2018.

The hop fields along the famed Garden Route of the Western Cape, near George, South Africa

BEAUTIFUL

South Africa

THE HOP WORLD'S HIDDEN SECRET

HOPS & HOPS AROMA

OAK PRODUCTS

NATURAL STABILIZERS

FRUIT PRODUCTS

JOHN FEARLESS®

BREW BOLD. BREW FEARLESS.

For more information, contact us at sales@johnfearless.com

WWW.JOHNFEARLESS.COM

FOLLOW US ON

Contact Us

Argentina

Eduardo Conill
T. +54 261 420 3434
E. eduardo@ciatti.com.ar

Australia / New Zealand

Matt Tydeman
Simone George
T. +61 8 8361 9600
E. matt@ciatti.com.au
E. simone@ciatti.com.au

California – Import / Export

CEO – Greg Livengood
Steve Dorfman
T. +415 458-5150
E. greg@ciatti.com
E. steve@ciatti.com

California – Domestic

T. +415 458-5150
John Ciatti – john@ciatti.com
Glenn Proctor – glenn@ciatti.com
John White – johnw@ciatti.com
Chris Welch – chris@ciatti.com

John Fearless CO. Craft Hops & Provisions

CEO - Rob Bolch
Sales - Geoff Eiter
Purveyor of Quality Used Oak Barrels - Raymond Willmers
T. + 1 800 288 5056
E. rob@johnfearless.com
E. geoff@johnfearless.com
E. raymond@johnfearless.com
www.johnfearless.com

Concentrate

John Ciatti
T. +415 458-5150
E. john@ciatti.com

Canada & US clients outside of California

Dennis Schrapp
T. +905 688-1340
E. dennis@ciatticanada.com

Chile

Marco Adam
T. +56 2 32511 691 or
T. +56 2 32511 692
E. madam@ciattichile.cl

China / Asia Pacific

Simone George
Echo Long
T. +61 8 8361 9600
E. simone@ciatti.com.au
E. echo@ciatti.com.au

France / Italy

Florian Ceschi
T. +33 4 67 913532
E. Florian@ciatti.fr

Germany

Christian Jungbluth
T. +49 6531 9734 555
E. christian@ciatti.biz

Spain

Nicolas Pacouil
T. +33 4 67 913531
E. nicolas@ciatti.fr

UK / Scandinavia / Holland

Catherine Mendoza
T. +33 4 67 913533
E. catherine@ciatti.fr

South Africa

Vic Gentis
T. +27 21 880 2515
E: vic@ciatti.fr

-or-

Petré Morkel
T. +27 82 33 88 123
E. petre@ciatti.co.za

To sign up to receive the monthly Global Market Report, please email info@ciatti.com

DISCLAIMER

Whilst we have tried to ensure the accuracy and completeness of the contents of the *Global Market Report*, Ciatti cannot offer any undertaking, warranty or guarantee, either expressly or implicitly, including liability towards third parties, regarding how correct, complete or up to date the contents of the *Global Market Report* is. We reserve the right to supplement or to change or delete any information contained or views expressed in the *Global Market Report*.

Where we have provided links to third party websites for further information, you should be aware that we are not responsible for the accuracy, availability or functionality of these sites, and thus cannot be held liable, directly or indirectly, for any loss however caused by your use of these linked sites.

Ciatti accepts no liability for any loss or damage howsoever arising out of the use of, or reliance on, the content of the *Global Market Report*.