Global Market Report

January 2025
Volume 16, Issue No. 1

Ciatti Global Wine & Grape Brokers

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CIATTI
GLOBAL WINE & GRAPE BROKERS

January 2025

Volume 16, Issue No. 1

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With a new year underway, we at Ciatti wish all of our friends, clients and business associates a very happy and prosperous 12 months ahead. Many thanks for your continued support.

If 2022 was characterised by rising inflation levels, and 2023 by interest-rate increases to tackle inflation, then 2024 was characterised by the hangover. A word for it was coined: "Vibecession" – a disconnect between the more positive economic indicators emerging through the year and consumer perceptions of the economy. In some cases, earnings increases have lagged 2021-23 inflation, reducing spending power outright. But more pervasive is a sense of a "cost-of-living crisis": essential living expenses – mortgages, rent, fuel, energy – are noticeably higher than four years ago and constitute a greater share of total spend. As we observed in September, in a discretionary-spending squeeze, "wine's higher price per alcohol unit versus its ever-proliferating number of rival beverages is a disadvantage".

This might help explain International Organisation of Vine & Wine statistics published in April, showing a steep decline in global wine consumption since 2021. This decline is an acceleration of a pre-existing trend from 2018 onwards, when concerted growth in China's demand for imported wines went into reverse. It now appears likely that Chinese demand growth through the 2010s masked sales stagnation in mature markets, perhaps attributable to changing demographics and consumer behaviour.

A decline in consumer demand for wine is ultimately felt by winegrape growers, who in 2024 pulled out, mothballed or minimally farmed vineyards in ever greater numbers. Chile may have removed up to 20% of its vineyard area across 2023 and 2024; state-sponsored removals are underway in southern France, where wine industry bodies suggest some 100,000 hectares require uprooting; in California, tens of thousands of acres were likely removed over the past 18 months. Steps to right-size supply into better balance with demand will yield results all the quicker if consumption stabilises in North America and Europe. All hope 2025 will be the year.

The bulk market in 2024 took on a more 'normal' appearance after a protracted lethargy. Two years of lighter crops – mainly weather-related, though lack of vineyard investment will have played a part – caused supply tightness and price rises on whites (generics, varietals, sparkling bases) in Europe, Chile and South Africa. Higher prices on particular wines led to new enquiries into alternative sourcing. Meanwhile, some lower prices – mainly on reds – opened up attractive opportunities for those buyers who could identify a retail market need or niche. Innovation in the supply chain – namely, just-in-time buying to reduce costs and risk – is being mirrored on the retail shelf, with the likes of low/no-alcohol wines, wine cocktails and flavoured wines cropping up more in industry conversation.

With its interconnected offices across the globe, able to react quickly and provide live industry information, Ciatti is uniquely positioned to help facilitate the just-in-time business model becoming the norm. **Get in touch for the very latest opportunities and to arrange a meeting at Wine Paris on 10-12th February, where Ciatti brokers will be in attendance**. In the meantime, read on for a review of 2024 by country, and some tentative projections of what 2025 might bring.

Robert Selby

California
Time on target

2024: The Year That Was

The protracted nature of California's 2023 growing season – cooler and wetter than normal conditions delayed picking by up to a month in some areas – exacerbated the slowness of the state's bulk wine market as 2024 got underway. The early weeks of the year were characterised by buyer prevarication as they assessed the crop size (3.68 million tons, up 8% versus the year before and in line with our projections) and sampled the new wines, wary of overpaying and overbuying during a time of higher costs and declining wine sales in the US post-pandemic: sales volumes were down 3% in 2023, according to Shanken's Impact Databank Report.

With the bulk market slow and inventory levels high across the state – we calculated in excess of 30 million gallons by February 2024 as the new vintage topped-up significant carryover volumes – market pricing started the year generally lower than 12 months before and was increasingly negotiable. Suppliers were open to reasonable offers in order to move stock, and receptive to export avenues. "There has been an uptick in European interest in Coastal wines – Chardonnay in particular – given the highly attractive price-quality ratio they offer the international buyer currently," we reported in February, "especially given the return to pre–pandemic freight costs."

Much of the buying activity in California's Interior through the first quarter of the year was the result of the opportunities available: negociants seeking to fulfil private-label programs with wines that provided both themselves and retailers with margin, and wineries needing specific wines because they had decided to opt out of grape sourcing, given the extent of bulk-wine availability. The grape market was even quieter than normal in the opening months of the year, with the aforesaid bulk inventory disincentivising grape buying. A spot market for 2024 grapes never fully developed, leaving many growers with vineyards out of contract, some for the second year running. Mirroring trends in southern France, Chile and Australia, vineyard/winery rationalisation intensified, leading to a marked rise in wine-related property on the real-estate market and a shortage of vineyard removal services.

The ultimate cause – falling sales volumes at US retail – continued through 2024, with Nielsen IQ data showing a 6% decline in the 52 weeks to 7th September. Continuing to attribute declining retailer/distributor demand to post-pandemic "destocking" of built-up inventory no longer seemed tenable as consumption declines continued into a third year, trending below the pre-pandemic consumption levels of 400 million 9-litre cases/year. By the final quarter of 2024, lack of market

See next page for more on California.

demand for bulk wine had seen pricing undergo "a downward concatenation last seen in the years before 2020's wildfires and pandemic-induced retail spike: Outside of particular cachet items, the pricing hierarchy is deflating towards California levels."

On the market were low-priced Coastal wines "offering a globally unmatchable price-quality ratio" and potentially attractive for mid–market export programmes, as well as Interior 'California'-appellation wines selling at USD1-2/gallon for more traditional export tiers. In August we reported bluntly: "We have not seen before the buying opportunities the like of which we are seeing now." Some of this softer pricing – and tentative early reports that the 2024 crop would come in lighter than average – did help stimulate a marginal rise in bulk-wine buying activity through mid-year; this was mirrored to some extent on the grape market, where wineries inquired into – and some contracted – Coastal and Central Valley white varietals.

Vineyard conditions and harvest ran smoothly until an unusually late, prolonged heatwave arrived at the start of October, bringing daytime temperatures in excess of 40°C to some areas. This took its toll on a state crop size that was already coming in lighter than average. We have guesstimated the preliminary figure – forthcoming from the CDFA/USDA on February 10th – at 3.1-3.2 million tons, down from the five-year average of 3.5 million tons and, if accurate, California's smallest crop since 2008's 3.0 million tons.

October's heat mainly led to increased interest in later-hanging Coastal red grapes, the Central Valley having been 85% through its harvest when the heat arrived. Much of the grape activity that did arise during this time was at pricing unsustainable for the grower in the medium-term. A challenging 2024 for growers and wineries ended with little sign of buyers taking advantage of the depressed grape market to secure multi-year supply contracts, as would have been the case in normal times.

2025: Looking Ahead

- California comes into the new year with inventory already beyond 30 million gallons before all the 2024-vintage wines become available. Despite the short 2024 crop, inventory levels and retail demand are such that bulk-wine prices – on those few transactions we have seen – are mainly in line with or lower than 12 months ago.
- "Many wineries appear to have a strategy of holding off from buying bulk wine or contracting grapes," we reported in December, given lack of visibility on retailer/distributor depletions – including in the important OND sales period – as well as financial challenges such as lack of cashflow and difficulty in gaining operating loans. Ultimately, bulk inventory levels are such that buyers believe they can acquire the wines they need in the volumes they need, when they need it.
- Until such time as US retail sales of wine stabilise, and retailers/distributors consistently require more volume, California's bulk inventory will remain large and prices soft, in turn reducing grape pricing and contracting. Vineyard mothballing and removal is likely to continue in 2025, and at a similar pace to that which we saw last year. Most removals are unlikely to be temporary given the ever-increasing cost of planting.
- Some grape and bulk wine buyers reduced their demand in 2024 to offset lingering 2022/2023 bulk stocks. It is therefore hoped that 2025 sees these buyers having successfully rightsized inventories and freed-up to be more proactive on the market. If retail sales do stabilise – or even tick-up – this year, the painful rightsizing that has been undertaken over the past two years could deliver the dividend of a rapid bulk wine/grape market recovery.

Key Takeaways

California's bulk inventory is large, demand for it slow, and pricing has been softening towards 'California'-appellation levels on all but a handful of cachet wines. Suppliers have shown renewed interest in European tenders and other export avenues. Availability includes: high-quality wines for mid-tier programmes; more typical bulk options (including White Zinfandel); very competitively-priced generics; and low/no-alcohol options. One-year and multi-year opportunities are available.

To find out more about California's bulk wine market you can read Ciatti's monthly *California Report.*

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Ciatti's *California Report*

Want to know about California's bulk wine and grape markets in a lot more detail? Ciatti's longstanding *California Report* has moved to Substack and can now be found at ciatticompany.substack.com.
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• Other potential content, such as Q&As with our brokers and key industry players.

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If you have any questions, please don't hesitate to reach out to us at **info@ciatti.com**.

Argentina

Time on target

2024: The Year That Was

Argentina came into 2024 possessing significant wine inventory estimated at 905 million litres as of 1st January, with 250 million litres still expected to be available at vintage switchover in June. This reflected a 25.7% fall in export volumes in 2023 versus an already disappointing 2022, owing to some uncompetitive export pricing in addition to wine's sales declines in major markets generally. Domestic sales had also declined amid Argentina's ongoing economic crisis.

Elevated export pricing levels were the result of below-average crop sizes in 2022 and 2023, combined with soaring input costs: in January 2024, annual inflation in Argentina stood at 254%, the benchmark interest rate at 100%. It was hoped that pricing might soften in 2024 if the year brought a larger crop size and a significant peso devaluation by the new Javier Milei government, which took office in December 2023.

Harvest 2024 eventually came in at 1.908 million metric tons, still short of the traditional average of 2.2 million tons but – benefitting from less spring frost than in recent years – some 25% larger than in 2023. On the currency front, meanwhile, the Milei government had devalued the peso from ARS365/dollar to ARS800/dollar in December, but this remained short of the "blue dollar" unofficial rate of ARS1,000/dollar, widely perceived to be the more accurate exchange. Another overnight devaluation was not forthcoming in 2024, but by the end of the year the difference in the official (ARS1,035/dollar) and unofficial (ARS1,070/dollar) peso had narrowed considerably amid improving investor confidence in Argentina's economy.

The larger harvest, weaker peso and the continuing slowness of export demand saw Argentina's Malbec prices duly soften by 20% through 2024. Standard Malbec was priced at USD0.75-0.85/litre by December 2024 versus USD1.10-1.30/litre 12 months before. Some improved and negotiable pricing led to a 5.2% uptick in total wine export volumes in January-September versus the first nine month of 2023, with bulk (+11%) and bottled (+3.5%) exports having risen. Sales consisted predominantly of Malbec to Europe, North America and Australia, generic white wines to Europe (given a shortness of supply there), and a range of wines for traditional Scandinavian tenders. Exports of Argentina's grape juice concentrate, meanwhile, were up a considerable 110.2%, mainly due to North American and – especially – European demand for white GJC: "Argentina's GJC pricing," we stated in October, "is potentially more competitive than Spain's." Positive export data continued to the end of the year, with total wine exports up 5.7% in January-November and GJC shipments surging by 107.8%.

Despite the economic hardship in Argentina, domestic sales remained relatively robust through much of 2024, coming in only 2% down in January-October versus the equivalent period of 2023. Albeit remaining very high by international standards, annual inflation levels continued to fall concertedly, dropping to 166% in November from 254% in January and a peak of 292% in April. Monthly inflation stood at 2.4% in November, well down from January's 20.6%. The benchmark interest rate was also gradually reduced, from 100% at the start of the year to 32% in December – still prohibitive, but the trend was another positive economic indicator for a government receiving plaudits for its macroeconomic measures even if the microeconomy remained tough for the country's individuals and businesses. Argentina officially moved out of recession in the third quarter of 2024 and the economy is projected to grow in 2025.

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2025: Looking Ahead

- Argentina enters 2025 as it entered 2024 – holding significant wine stocks. Applying monthly sales volumes to a total wine inventory declared at 1.24 billion litres in October 2024 (red wine volumes were in excess of 900 million litres), we project carryover stock by the time of vintage switchover in June 2025 at approximately 300 million litres, in a similar vicinity to June 2024's 250 million litres.
- The difference with bulk-wine stock this year versus last is prices on it start at a slightly more competitive level, having softened just as pricing elsewhere – such as in Chile and Spain – has ticked up.
- "Many in Argentina," we reported in December, "across a range of export-oriented industries, hope a devaluation of the peso in the first half of 2025 will provide scope for lowering prices. Of further assistance to the wine industry's competitiveness specifically would be an average-sized crop". Spring was largely frost-free and the flowering and fruit-set phases ran smoothly. The crop potential currently appears healthy, perhaps closer to the old average of 2.2 million metric tons, which – if borne out – should help make Argentina even more price-competitive on the generic whites and GJC that have been in shorter supply in Europe.
- In the meantime, Argentina continues to possess 2024 supplies of the wines in most demand: generic whites, GJC, and the full range of Malbec options.

Key Takeaways

Argentina's stock levels in January 2025 are roughly in line with January 2024 but export pricing is more competitive on the generic whites and GJC in demand from Europe, while pricing is 20% softer on all quality tiers of Malbec. Therefore, a range of highly attractive opportunities exist in Argentina. Prices could soften further if the 2025 growing season continues to be free from incident; hopes remain of a peso devaluation that would also allow room for further export price reductions.

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Chile

Time on target

2024: The Year That Was

Chile came into 2024 having experienced two years of slower export sales: shipment volumes were down 4% in 2022 versus 2021, and the year-on-year decline deepened to 18% in 2023. Total wine exports fell from 831.75 million litres in 2022 to 681.99 million in 2023, with bottled (-20.9%) and bulk (-14.6%) shipments both substantially lower. This meant that, although the 2022 and 2023 crops had come in lighter than 2021's bumper output, inventory – especially of red wine – had accumulated at wineries, with stock totalling 1.5 billion litres as of 31st December 2023, up 6.2% versus 12 months before. Red wine represented some 78% of the 1.3 billion litres of Designation of Origin wines.

Chile's wine industry embarked on a supply-demand correction – mirrored elsewhere in the world, such as in France, California and Australia – with vine removals getting underway after the 2023 harvest. We came into 2024

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guesstimating that some 21,000 hectares – mainly of reds – had been uprooted, although some new, high-efficiency vines were being planted in their place, mainly Sauvignon Blanc and other white varieties.

January and February continued the improved buying activity levels seen on Chile's bulk market during the final quarter of 2023, stimulated by pricing that had steadily softened to better reflect the supply-demand imbalance. In addition, some upticks in demand from domestic and international retailers/distributors potentially indicated that they were beginning to emerge from the long inventories accumulated during the pandemic's retail spike. "Consequently," we said, "there is some cautious optimism that 2024 might prove a better year for sales than 2023".

Improved sales on the remaining 2023-vintage wines and a high number of buyer enquiries into the coming 2024 vintage – especially the white varietals – "has reduced the likelihood of grapes going unpicked," we reported in February, "especially given a widespread expectation that the crop will come in short of the average anyway". This was owing to some mildew pressure following a wet spring, severe drought in the generic white-grape producing areas of the north, and vine removals. (Aggregate removals effective from the 2023 and 2024 vintages were believed to represent approximately 20% of Chile's total hectarage.) These expectations were borne out by reality: the crush totalled 930.6 million litres, down 15.6% from 2023 and the smallest since the earthquake-affected year of 2010. Some 2024 grape prices rose towards the end of the spot campaign; all grapes were eventually allocated.

With 2023 white-wine carryover negligible, early domestic and international demand for the 2024 white varietals was brisk, while demand for reds – especially domestic and Chinese demand for entry-levels – was steady. By June, 2024 whites had already become hard to come by in large volumes and early contracting of 2025 grapes was underway, at minimum guaranteed pricing higher than it had been on the 2024 grapes. Chile's total wine export volumes were up 14% in the first six months of the year, spearheaded by a resurgence in bulk wine shipments (+20.6%). Such improved demand increased Chile's bulk-market prices, even on reds.

By the time North America, Europe and China were on their summer holidays in August, Chile's supplies of white varietals and Dry White were greatly reduced: "2024 Chardonnay is close to being sold out and Sauvignon Blanc and Pinot Grigio are moving in that direction." Even on reds, "some wineries are now sold out thanks to the shorter 2024 crop and/or because they wished to generate cashflow – and clear tank space ahead of the new vintage – with some softer prices". Limited stock levels and question marks over the 2025 crop's potential – given vine removals and the La Niña weather phenomenon's forecasted arrival – meant export pricing was "firm-to-rising, both on whites and reds". Standard and premium-quality 2023 and 2024 reds remained in greatest supply, with bulk inventory supplemented by some high-end reds traditionally sold on the bottled export market to countries such as China. "Showing what can be achieved, some of these wines have been diverted into domestic retailers' private label brands that provide an excellent price-quality offer for the consumer."

Symptomatic of Chile's far more balanced bulk market through 2024, the lowered ceiling on crop potential moving forward, and some robust demand for wine grapes for grape juice, pricing of 2025 grapes solidified in the final quarter of the year at a "significant uptick" versus 2024 grape pricing. Consequently, the year ended with expectations that prices on 2025 wines would likely start higher than where they sat on remaining 2024 stocks, albeit still globally competitive. With this in mind, pre-harvest contracting of 2025 white wines was well underway, while domestic demand for the remaining 2024 red wines increased

2025: Looking Ahead

- Chile comes into 2025 having experienced a year of far healthier domestic and international demand, better export sales, and declining bulk inventory. Supplies of many 2024 wines are low and prices have experienced upward pressure.
- The Chilean wine industry needs to be wary of jeopardising the improvement seen in export performance through 2024) total shipments up 13.2% in January-November, bulk up 16.9%) with over-bullish pricing in 2025. Wine's retail sales in key markets including the US, UK and Western Europe continued to decline in 2024 and we cautioned towards the end of the year: "While Chile's export figures have shown a marked improvement versus

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a tough 2023, much of the upturn is owed to spot-market deals which Chile secured earlier in the year because it was price-competitive, rather than repeat customers requiring more wine."

- Wine suppliers seem determined to absorb at least some of the grape-price increases in order to retain price-competitiveness on the final wines. A weaker Chilean peso should also help partially offset some of the higher bulk-wine prices in 2025. The peso averaged CLP946/dollar in 2024 versus CLP830/dollar in 2023, and weakened further after the US presidential election in November, pushing past the CLP1,000 mark in the second week of January 2025 for the first time since mid-2022. The annual inflation rate in Chile is well down from its 2022 peak but was still elevated at 4.5% as of December; the benchmark interest rate was reduced in December from 5.25% to 5%, the lowest level since January 2022.
- Pricing on Chile's 2025 white varietals is expected to start approximately in line with where 2024-vintage pricing ended the year. Pre-harvest contracting levels on 2025 Sauvignon Blanc and Chardonnay wines have been high; buyers requiring 2025 whites should consider reserving their volumes as soon as possible. Supply of 2024 red wines, meanwhile, is more plentiful but also declining due to steady domestic and international demand. Furthermore, a large percentage of the red wine still available is high-end product normally destined for the bottled market (priced at a level – USD1.50+/litre – often too high for the mainstream bulk market). Therefore, prospective buyers of generic and standard-quality reds should not assume that supply will be available in the volumes they need when they require it.
- Chile's vineyards entered 2025 in healthy condition after flowering and fruit-set, with large, green canopies. Water reserves remain good, with reservoir levels high after a relatively wet winter and snowpack still present in the mountains ready for the summer melt.

Chilean Export Figures

Wine Export Figures	January 2023 - November 2023			January 2024 - November 2024			Volume
	Million Liters	Million US$ FOB	Average Price	Million Liters	Million US$ FOB	Average Price	Variance %
Bottled	350,11	1.140,78	3,26	387,90	1.202,83	3,10	10,79
Bulk	256,04	225,97	0,88	299,38	225,85	0,75	16,93
Sparkling Wines	3,25	12,92	3,98	3,97	15,13	3,82	22,11
Packed Wines	20,08	32,17	1,60	21,60	37,11	1,72	7,55
Total	**629,48**	**1.411,84**	**2,24**	**712,84**	**1.480,92**	**2,08**	**13,24**

Key Takeaways

Chile's bulk wine inventory enters 2025 more balanced than 12 months before: 2024 whites and entry-level reds are in shorter supply; 2024 reds remain available, although a significant percentage is high-end wine priced at a premium versus mainstream bulk supply. Pricing represents an increase versus 12 months ago, but remains globally competitive. Pre-harvest contracting of 2025 Sauvignon Blanc and Chardonnay has been brisk; potential buyers should reserve their volumes sooner rather than later. Vineyards appear in healthy condition and water reserves are good, but 2023/2024 vineyard removals have reduced the crop potential.

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France

Time on target

2024: The Year That Was

The bulk market for white varietals in southern France had been in something of a supply-demand balance going into the 2023 harvest, owing to a short 2022 crush in key white-wine producing areas such as Bordeaux and Gascony and steadier retailer/consumer demand for whites versus reds. However, sales of red wines – trending slower for a number of years – were particularly sluggish throughout 2023 and inventory had accumulated from a number of recent vintages. In response, a state-subsidised crisis distillation plan – the second in four years – distilled over 3.0 million hectolitres of unsold wine, mainly reds from the Languedoc, Bordeaux, and the Rhone Valley.

Simultaneously, more long-term rightsizing of supply was getting underway: Bordeaux growers secured funding to uproot at least 9,500 hectares of vines, while the government and wine-industry bodies agreed on a goal of cutting 100,000 hectares from France's total vineyard area, a reduction representing 13% of the 789,000 hectares recorded in 2023.

Into this context of oversupply, and plans to combat it, came a national 2023 crush of 46 million hectolitres, some 3% above the five-year average. Although quality was heterogeneous following a complicated growing season for vineyard conditions, volumes were large enough to reassure buyers there would be a lot of choice available. "A lack or urgency pervades the market," we stated in January 2024, "given slow retailer demand and the above–average overall size of the crop, which has enabled Loire Valley, Burgundy, Beaujolais and Gascony supply to return to the market alongside wines from Languedoc, Bordeaux and the Rhone Valley." Pricing in southern France was largely in line with 12 months before and negotiable depending on volumes and loading terms. One exception came in the Languedoc – which in fact had harvested 15% below its five–year average – where varietal whites were approximately EUR0.05/litre more expensive than 12 months before.

Although transactions were few as 2023 turned to 2024, sampling – especially of the whites – was extensive, "highlighting a general shift in buyer behaviour away from pre-harvest deals, given the amount of choice available on the market. Deals are often incremental, as buyers in France as around the world increasingly opt – in a high-cost, slow sales environment – to proceed on a just-in-time basis". The incremental nature of demand meant that, for the first time in some years, new-vintage IGP Chardonnay and Sauvignon Blanc could still be straightforwardly sourced in southern France after springtime, and pricing had softened. Spearheading demand were non-vintage Vin De France whites and rosés, owing to the 2023 crop shortfalls in Italy and Spain and the resulting lack of supply and higher prices there, as well as a shortage further afield, such as in South Africa. By April, given the price rises in Spain, the price-competitiveness of southern France's non–vintage offer was greatly enhanced, boosted by supply from Gascony and South West.

The passing of the frost risk without notable incidents in most of southern France accelerated the price softening on IGP wines from April onward: "This might ordinarily stimulate buyers to come onto the market, but there is a general lack of retailer/distributor need for wine," we noted in May. Reds remained a challenge: "Demand for vintage or non–vintage reds – whether VDF, IGP or AOP – is negligible and supplies remains significant". It seemed that some buyers had decided to skip the 2023 reds entirely, allowing retailers/distributors to draw down 2022 supplies before moving onto 2024 wines. But it was not just red wines selling slowly at French supermarkets: Nielsen IQ data

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showed wine sales volumes down 4.5% in the 12 months to 21st April, with reds (-6.2%) leading the fall but rosé (-4.2%) and white wine (-2%) also struggling; all the main growing regions had experienced sales declines.

With bulk-wine prices softening further as the 2024 harvest loomed, and as summer requirements became clearer, activity on the bulk market did tick-up somewhat through mid-year. This activity mainly – and belatedly, given disappointing late spring/early summer weather across Europe and the just-in-time buying model – occurred on rosés: "All qualities of rosé have been requested," we reported in June, "from entry–level wines for aromatised beverages through to standard or premium-quality wines for established bottled programmes." Stock provided an exciting price-quality opportunity: disappointing sales in key export markets such as the US had seen volumes of high–end 2022 and 2023 Provencal rosé declassified and released onto the southern French bulk market. In some instances, high–quality southern French rosés were significantly cheaper than Spain's standard qualities. In general, bulk market prices continued to trend softer in the run–up to harvest 2024.

By August, some intense heat had occurred in southern France and also in southern Italy, raising concerns in the latter of a second-consecutive short crop. Consequently, Italian buyer returned to the bulk market in southern France, seeking extra rosés and Vin De France whites. Such was the good demand for generic whites – apparently in shortage globally – that some remaining volumes of 2023 Sauvignon Blanc were declassified. The 2023 Chardonnay, however, was sold out.

Inventory of red wine remained sizeable – "cellar stocks are potentially the largest they have ever been", we reported in September – and included the full spectrum of options, from reds priced in line with Spanish equivalents right through to appellated Burgundy reds placed on the bulk market after the region's good-sized 2023 harvest compounded the effect of disappointing export sales. With red-wine stocks especially in mind, the wine industry in the south of France had been pressurizing the government to formulate a state–sponsored permanent uprooting programme, in order to reduce supply for the long term. However, progress was paused by national elections held in late June and early July, and it took until 21st September for a new Minister of Agriculture – Annie Genavard – to be appointed. A EUR4,000/hectare programme was finally given the go–ahead in October, with 27,451 hectares due to be uprooted by 2nd June 2025, mainly in the Languedoc and Bordeaux; beneficiaries are unable to apply for authorisation for new plantings for a period of six years.

"Having become the norm over the past two years," we reported in October, "the steady rhythm of just-in-time purchasing – in which small volumes are purchased, loaded and, in some cases, bottled within a month – continues". Expectations of a lighter 2024 crop – and some question marks over its quality – did not alter this dynamic and failed to stimulate much extra interest in the remaining 2023–vintage bulk wines. Red wines did start to receive "steadier interest" in September and October, with pricing firming up slightly; availability of 2023 whites was – in any case – limited.

The estimated crop size was continually revised downward during harvest as it became clear a patchwork of unfavourable conditions across many regions – spring frosts, shatter, millerandage, mildew, hailstorms and rain – had taken their toll during the growing season. The most recent estimate, dated 8th November, was 37 million hectolitres, down 23% versus 2023, 17% short of the five-year average and close to the historically light crops of 2017 and 2021. The Languedoc's crush was projected to have come in 13% short of the five–year average, while all neighbouring regions were similarly affected, Charente (-19%) and Bordeaux (-18) most severely. The short harvest in Charente curtailed the possibility of the region – with Cognac sales struggling in the US and Asia – supplying some extra generic white at Spanish pricing levels.

"The market is exhibiting none of the early energy that would – in years gone by – have been stimulated by such a short crop," we reported in November. The fundamental cause of this lethargy was the continued slowness of retail demand, both domestically and in key export markets. A further drag was hesitancy by the larger buyers – who effectively establish market pricing – to quote, during a time when what constitutes fair, sustainable pricing for

See next page for more on France.

growers had become a highly charged subject, as it was across multiple agricultural sectors in France. Therefore, with the market yet to be established, bulk market activity ended the year consisting of incremental acquisition of remaining 2023 wines for blending purposes, or small–scale bottlings of specific 2024 high–end wines and whites such as Viogniers, Vermintinos and Grenache Blancs, which – in a short year – risk being diverted for use as blenders/extenders.

2025: Looking Ahead

- The bulk market in southern France enters the new year as it began the old: activity incremental, mainly occurring on white wine and rosé, and predominantly consisting of buyers scoping out the new vintage for wines that offer both sufficient margin and possible retailer interest. Samples are requested only when the potential buyer is sure they have secured supply contracts with retailers/distributors.

- Illustrative of the lack of retail sales clarity, longstanding buyers have taken some time to confirm volume requirements with their historical suppliers. Also reflecting a general lack of retail demand pressure, early indications are that – despite the significantly shorter 2024 crop – pricing is roughly in line with 12 months ago, in some cases slightly softer. Consequently, IGP/Pay d'Oc wines represent a highly attractive price-quality opportunity and, with historical buyers biding their time, now is an opportune moment for new buyers to come onto the market to secure the qualities and the volumes they require.

- Contracting has been steady on 2024 IGP whites – led by Chardonnay – and IGP rosé. Southern French Pinot Grigio – upped in production in recent years – is a particularly attractive opportunity currently, priced extremely competitively with Italy's and free of the Italian DOC system. Early demand for rosé has felt stronger than a year before, although pricing remains in line. It is likely that many winemakers prioritised IGP rosés production over red-wine output, in response to the red wine market's slowness. Of the reds, 2024 IGP Pinot Noir has so far led demand – perhaps a red varietal that meets the growing consumer demand for lighter wines, and also qualifying for the lower alcohol duty rates in the UK market – and pricing has been stable or slightly softer versus 12 months ago.

- The 2023-vintage carryover predominantly consists of red wine, much of it still high in quality and on the market at a cheaper price – perhaps EUR10+/litre less – than the 2024 vintage. Additionally, there are some non-vintage reds and whites, and also rosés (some declassified from AOP), potentially priced competitively with Spain and southern Italy.

- Despite the unpalatable combination of higher costs (inflation and interest rates are down from their 2022/23 and 2023/24 peaks respectively, but still elevated), and reduced cashflow (from declining sales volumes), the French wine industry can look ahead to the new year with a degree of optimism: pricing on a range of French wines is more competitive with European rivals than it has been for some time; there is a sensible price differential between 2024 wines and a 2023 carryover still high in quality; and the quality of 2024-vintage wines is itself high.

- The prospect of fresh US import tariffs – levied by the incoming Trump administration – is concerning, but the last time they were levied (2019-2021) bulk wine was exempt. The EU-China trade dispute, meanwhile, still remains confined to Chinese electric cars on the one hand and EU dairy products on the other. In any case, due to changing consumer trends, demand from China has become more intermittent in recent years, even when the China-Australia wine trade was effectively suspended by punitive import tariffs between March 2021 and March 2024. China's days as a solution to the global supply-demand imbalance are probably over.

- France's growing ability to offer a range of lower-alcohol wines – especially helpful for the UK market where duties are increasingly punitive on higher alcohol percentages – as well as no-alcohol and organic wines is indicative of the country's renaissance as a wine industry standard–bearer. Reflecting the renewed dynamism, Wine Paris is becoming a go-to global fair for the wine industry. Ciatti will be at this year's show – February 10-12th – in force: please contact us directly to arrange a meeting.

See next page for more on France.

Key Takeaways

Now is an opportune time for buyers to contract the qualities and volumes of French wine that they require: the full range of 2024 wines are available and there is also some inventory of good-quality 2023 wines. Pricing appears more competitive with rival suppliers than it has been for some time. Vintage 2024 pricing so far appears in line with 12 months ago or slightly softer, and is potentially negotiable; 2023 wines are generally selling at a EUR0.10+/litre discount. As well as vintage and non-vintage wines across the broad spectrum of quality categories, the south of France can also offer lower-alcohol and organic wines, and premium wines either as bulk or for the bottled market. The new buying campaign has commenced incrementally, led by 2024 rosé, with Chardonnay and Pinot Noir leading white and red wine demand respectively.

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Spain

Time on target

2024: The Year That Was

The Spanish bulk market came into 2024 having experienced a spike in early demand – mainly for generic whites, sparkling bases, and rosés – from European buyers during and on completion of the 2023 harvest, triggered by Italy's shortest crop in some decades. Consequently, Spain's bulk wine exports volumes were up 8% versus the first quarter of 2024. This demand spike, in addition to a shorter crop in Spain itself (estimated by the Ministry of Agriculture at 32.4 million hectolitres of wine and must, some 20% short of the five-year average), and increased costs, elevated Spanish pricing and, in turn, cooled demand through the first quarter of 2024. "With buyer enquiries into alternative supplier countries now rising," we warned, "Spanish suppliers will need to be cognisant of the damage their prices might cause to perceptions of their competitiveness".

By April, white wines supplies had become hard to find in large volumes, pricing had risen by an estimated EUR0.15-0.20/litre over the previous six months and – bearing out our warnings – enquiries into importing whites, such as from Chile, had risen to unusually high levels. Good-quality rosé supplies had also become limited and priced had increased, although to a lower level than on the whites. Stocks of sulfated must, rectified concentrate and grape juice concentrate were still available, but elevated prices on these, too, had paused their respective markets. In contrast, red wine inventory remained relatively plentiful – more so on generics than the high-quality, high-colour 14% alcohol reds – and any price increases had been modest.

Pricing on many Spanish wines began to cool slightly through mid-year, as buyer attention switched to loading those wines already contracted; in addition, domestic buyers demurred from paying more for stock and – with discussions around imports ongoing – the market was somewhat dampened. However, with prices also higher than they had been for some time in competitor supplier countries such as Italy and Chile, and domestic 2023 white wine and rosé supplies clearly very limited, Spanish prices start to lift again across the board in the lead-up to the 2024 harvest – "on the generic and varietal whites, to the highest level of the buying campaign so far. Price levels are not

See next page for more on Spain.

uncompetitive with European rivals but certainly higher than they traditionally are in Spain". Carryover stock as harvest got underway was "potentially the lowest it had been for many years", with whites essentially sold out.

The 2024-vintage buying campaign for whites was therefore expected to start swiftly: in August we recommended buyers "secure [only] a percentage of their total needs, as the intensity of early demand could lift prices their highest level of the campaign before easing back later on." The red-wine market was significantly less pressurised: carryover stock remained, at pricing lower than it had been in the first half of the year, and most lots getting sold were for end-of-campaign prices as suppliers sought to clear tank space. The differing speeds of the white wine and red markets was reflected in Spain's 2024 grape prices: white-grape prices were up approximately 10% versus the 2023 vintage, while red-grape pricing was in line or slightly softer.

Rather than start quickly, however, the 2024-vintage campaign began with an extended pause. The crush, which wound-down in mid-October, was estimated at 38.1 million hectolitres, up 17.6% versus 2023 – though still short of the 39.6 million hectolitre five-year average – with La Mancha, Extremadura and Valencia all seeing crop upticks of 20%+. A relatively wet end to the growing season extended out maturation, leaving growers having to weigh the risk of rain damage against not reaching the required Brix levels. The average alcohol content of the grapes was therefore expected to be down from the previous vintage, creating a hierarchy of availability and price on the final wines based on alcohol content. A premium was placed on wines of 11%+ alcohol, which acted to lift pricing more generally to less competitive levels, pausing the Spanish market for the rest of 2024.

"The pause is particularly noticeable on the white-wine market," we reported in November. "While those buyers who secured volumes earlier, at lower price versus now, are focused on loading their wines, those still requiring volumes are holding off to see what prices will do." Many acquisitions by buyers were for a percentage of their needs, as we had forecasted. Pricing had risen to a lesser extent on the rosé market, but the same dynamic was at play; pricing had even risen on red-wine carryover. The sulfated must market was paused by a premium placed on 10%+ alcohol product, especially as concentrators for the large juice-drink producers had the ability to consider must from other fruits such as apple.

Spain's export performance in 2024 reflected the year's higher pricing, as well as the challenging picture on wine's sales in key markets worldwide. According to the Spanish Wine Market Observatory (OEMV), the value of exports in January-October was up 2.4.% – or EUR58.4 million – versus the first ten months off 2023, but volume was down by 76 million litres, 4.5%. Only export volumes of bag-in-box wines increased, by 6%

2025: Looking Ahead

- The Spanish bulk wine and sulfated must markets were expected to start the new year slowly, as some bullish pricing persuades buyers to cover only their immediate needs, hold off entirely, or consider alternative sourcing. Continuing a theme from last year, some domestic bulk-wine buyers have enquired into imports, but this has so far remained discussion.

- Pricing could start to soften in the spring if the current market pace continues. Some suppliers are already potentially negotiable on price, depending on volumes requested and loading terms. Suppliers will need to be cognisant that pricing in alternative markets – such as France – has become at least slightly more competitive versus Spain's. In addition, the Southern Hemisphere's 2025 vintage will replenish the supply pipelines in the coming months, while retail/distributor demand pressure for wine is generally limited. The loading pace on those batches of 2024 wines already secured has been relatively slow – potentially indicative of the softer retail demand for wine across Europe and beyond.

- Spain's domestic consumption was stable (-0.1%) in the 12 months to the end of September 2024 versus the prior year, potentially assisted by the good price-quality offering on retails shelves. We expect sales to similarly hold up through 2025.

See next page for more on Spain.

Key Takeaways

The Spanish bulk wine and sulfated must markets remain paused due to elevated – albeit still competitive – pricing. Buyers are covering only a percentage of their needs or holding off altogether. Some suppliers are potentially negotiable on price, depending on volumes and loading terms. Those wines already secured have been loading slowly, indicating a lack of pressing retailer need. Suppliers must be cognisant of the challenging retail sales picture for wine in key markets, and the coming Southern Hemisphere crushes supplementing some good pre-existing inventories in Europe. If the current market slowness continues, Spanish pricing is expected to soften in the spring.

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Italy

Time on target

2024: The Year That Was

Italy came into 2024 having experienced a 2023 crush – at 38.1 million hectolitres – short of the long-term average by 23%. It was, in fact, the country's smallest crush in more than 60 years, as a very wet spring and intensely hot summer took their toll. Consequently, some 10 million fewer hectolitres of stock was available in January 2024 versus January 2023, increasing prices on generic reds and whites, varietal whites, and sparkling bases.

Italy's wine industry therefore started the new year pessimistically. As we noted in February: "Considering the slowing consumption of wine in most markets and the ultra-competitive European retail sector's battle to contain price inflation, now is not an easy time for the large bottling companies to be applying for price increases."

Prices especially lifted on generic whites due to a relative shortage globally, including in Spain, Chile and South Africa. (Italian buyers sourced some 2.5 million hectolitres of bulk wine and grape juice concentrate from Spain in the months following harvest.) However, prices on many other Italian wines remained relatively stable or experienced only modest upticks. The main DOC and IGT wines, for example, were more stable in price than the generics, due to smaller supply shortfalls combined with steady but unspectacular demand: "The ongoing sales uncertainty means the main bottling companies are preferring to proceed on a just-in-time basis," we noted in April, "buying just before a bottling run is scheduled."

Indeed, by June, some DOC and IGT whites were being reclassified as generics in order to help move them on – and harness the strong generic-wine prices – ahead of harvest 2024. Northern Italy had experienced less of a crop shortfall in 2023 than central and southern regions: "Volumes of Prosecco and Pinot Grigio DOC should be sufficient to meet demand until vintage 2024," we reported, despite – as ever for these items – robust bottling growth through 2024. "These wines," we observed in July, "continue to perform strongly in export markets."

As of 31st July, Italy's wine stock was 7.0 million hectolitres smaller than at the same date of 2023, and many suppliers were nearing harvest with empty tanks; some grape varietals were almost 100% contracted. By this time, the harvest was underway in Sicily amid an intense drought and heatwave that some forecasted could shorten the island's crop by 30-40%. Drought in Sicily and southern Italy was initially contrasted by some excessive rainfall in northern and

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central Italy through spring and early summer. However, all areas – north and south – were then affected by a North African anticyclone that sent temperatures soaring past 40°C through July and August. In September, the main Italian wine institutions – Ismea, UIV and Assoenologi – jointly estimated a 2024 crush of 41 million hectolitres, representing only a "timid recovery" of 7.1% versus the very short output of 2023 and still 12.8% short of the five-year average.

Through October and November, after the traditional lull while the industry focused on harvest, the bulk market was highly active, with the big bottling companies "rapidly securing the requisite volumes of the main appellations and of generic whites and reds". Following two successive short harvests, we warned that, on some appellations, "it will be a challenge to reach the 2025 vintage without running out of supply beforehand," urging buyers to secure their needs sooner rather than later. Prices were rising across a range of items, from Prosecco DOC and Pinot Grigio DOC/IGT through to sparking bases, white blenders, organic wines, sulfated must, and grape juice concentrate.

The year ended with Italy's bottling companies experiencing the same squeeze as when they started it: between wine buyers on the one hand requesting price reductions due to retail sales declines and the highly competitive retail environment, and producers on the other requesting price rises in order to help offset two successive shorter crops, increased costs and – in some cases – financial problems.

2025: Looking Ahead

- Italy's bulk wine supply starts the year – in general – shorter than it was in January 2024, with the situation acutest on generic whites and sparkling bases. Prices on many wines have risen, in some cases by as much as 20% since harvest. During the 2023-vintage buying campaign, the bulk market in Italy was able to draw upon 7.0 million hectolitres of 2022-vintage carryover, but entered the 2024-vintage campaign with negligible carryover stock. Although the 2024 harvest was of an improved size, it was still 13% short of the five-year average in a year in which global wine output was estimated by the International Organisation of Vine & Wine to have been the smallest since 1961.
- There is a concern that bottling companies and supermarket buyers that are holding off – in the hope that market prices will soften – will miss out on the volumes they require. Prices are likely to continue rising through the opening months of 2025 unless wine's retail sales contractions in key markets turn into precipitate declines this year – not something we expect.
- The main fresh concern coming into 2025 is the potential for import tariffs imposed by the new Trump administration on EU goods, including wine. The last time these were applied – 2019-2021 – bulk wines and all Italian wines were exempt, but there is likely to be an increase in Italian wine shipments to the US in the early months of 2025 in anticipation of barriers later in the year.
- Growing consumer preference for sparkling and lighter wines has meant white wine sales have declined at a slower pace than reds, and some whites continue to grow: DOC-appellation Prosecco and Pinot Grigio remain largely immune to sales travails elsewhere, with bottlings up 7% and 3% respectively in January-November 2024 versus the equivalent period of 2023.

Key Takeaways

Supplies of particular Italian bulk wines – especially generic whites and sparkling bases – have become tight following two-consecutive short crops. Prices on a range of wines have risen since harvest, in some cases by as much as 20%. Higher prices have made buyers more hesitant in covering their needs; given the shortness of supply, this could see them lose out on the volumes they require. Prosecco DOC and Pinot DOC bottlings are expected to remain robust through 2025. Demand from the US for Italian wines could rise in the opening months of 2025 in anticipation of the implementation of US import tariffs.

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South Africa
Time on target

2024: The Year That Was

South Africa came into 2024, the *Global Report* stated in January, "likely possessing its lowest carryover stock for many years", as a very short 2023 crop – one of the shortest of the past decade at 1.182 million tonnes – compounded the consequences of a below-average 2022 harvest during a time of robust domestic demand for generic wines and steady international requirements for varietal whites. By February, only limited quantities of 2023 varietal reds – those which had not been funnelled into the domestic Dry Red market – remained available for export; 2023 white varietals and rosés were sold out.

"Buyers are eager to discuss pricing and availability on the 2024 wines," February's report stated, but many wineries – wary after two consecutive below-average crops – held off from doing so for as long as it took for the crop picture to crystalise. When it became clear in March that the crop was coming in short for a third consecutive year, wineries stepped back from offering volumes and some discussed revising down the volumes stipulated in pre-harvest contracts. By April, South Africa Wine Industry Information & Systems (SAWIS) had estimated the 2024 harvest at 1.105 million tonnes, down 6.5% from even 2023's shortfall and the smallest crop in 22 years. Mirroring other fruit crops in the Western Cape, many of which also came in surprisingly light, exact causes remained hard to pinpoint, and potentially included a relatively wet winter and protractedly cool spring leading to fungal pressure, and summer heat and dryness inhibiting fruit-set and berry sizing. The vintage was widely heralded as one of the best of the past two decades in terms of quality.

Particularity concerning for international buyers were reports that the early varietals were most affected: "We have heard of particularly notable declines in output of Chardonnay, Pinot Grigio, Chenin Blanc and Colombard." Sauvignon Blanc volumes, however, appeared to be almost in line with a normal year. Only limited volumes of varietal rosés were made on speculation, as much of the Cinsault and Pinotage was diverted into Dry Red production for the domestic market, which was soon busily active.

International demand for red varietals remained intermittent and predominantly for small volumes; some 2023 carryover remained. European need for South Africa's 2024 varietal whites, meanwhile, was more urgent, with shipping and bottling underway quickly and wines reaching retail shelves by May. Rand pricing on the white varietals, as on all wines, had experienced an expected, sensible-sized uptick between vintages, a rise in any case offset by the Rand's weakening trend in the first few months of 2024. Pricing was internationally competitive on all wines except Dry Red and White, required in big volumes by the domestic market which – driven by the three- and five-litre bag-in-box categories – consumed approximately 470 million litres in the 12 months to the end of June 2024, up from 360 million litres five years previously. This need for generics sucked in other wines such as Pinotage and Cinsault, as well as Chenin Blanc, a varietal also required for export. "Suppliers who normally provide Chenin Blanc for both domestic and export requirements are doing their best to ensure all customers get their needs," we wrote in May, and this balancing act was required to an extent on a range of other wines: "April and the beginning of May were taken up with suppliers assessing their availability levels [...] The short crop has raised some headaches".

However, by mid-year, international demand had grown muted and some 2024 Sauvignon Blanc and Chardonnay still remained available on the market: "While wineries wrestle with the limited supply from what was believed to be the shortest crop since 2002, recent SAWIS export statistics reveal a concerted fall in South Africa's international sales". Exports for the 12 months to the end of June had reached 310 litres, down 4% from an already disappointing 325 million litres in the prior 12 months and even further off traditional levels of 400+million litres per year. This

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reflected wine's stagnant sales picture across Europe amid cost-of-living pressures – elevated interest rates, and earnings rises lagging 2021-23 inflation – but, specific to South African wines, a loss of shelf space and market share in Europe after three-successive short crops, as well as an inability to offer generics to North America and China.

September and October failed to usher in the uptick in European and North American enquiries that is typical as the Northern Hemisphere summer holidays end and its own 2024 crop picture starts to clarify. In any case, availability of South Africa's 2024 white varietals had become confined to small lots, still stable in price. Dry Red and Dry White were in short enough supply to stimulate new enquiries into imports, assisted by the Rand's strengthening in the wake of May's general election – which had led to the successful formation of a new coalition government – and the ongoing suspension since March of electricity rationing known as "load-shedding". In total, we estimated total export and domestic sales volumes for the 12 months to the end of June had matched the crush size from the short 2023 vintage, while the 2024 harvest's lightness had further eaten into supply: "Carryover stock figures going into 2025 are likely to be markedly low".

With availability having become highly limited through 2024, the focus for the final months of the year was on steadily shipping contracted wines and assessing if any wines were no longer required and could be re-released onto the market. "When availability does arise, international buyers must move rapidly, given robust domestic demand," we cautioned in November. However, few if any lots required re-releasing. Consequently, 2024 ended as it had began, with buyers pressing South Africa's suppliers for information on potential volumes and pricing stemming from the coming crop, and suppliers – even more so than in 2023 – extremely wary of entering into discussion and offering until the crop's size could be confidently projected.

2025: Looking Ahead

- Carryover stock at South Africa's wineries as of 31st December 2024 was projected to be 360 million litres, down from the 413 million litres of 12 months before and significantly short of traditional levels. This volume equates to roughly 45% of South Africa's total sales volumes – domestic and export combined – in the 12 months to the end of September, i.e., just five months of sales. Supplies of generic wines and 2024 varietal whites are extremely limited (and few if any volumes have been re-released onto the market), lowering export shipment volumes to historically low levels.

- Importing generic wines remains a possibility, but duties, transit times and fluctuating exchange rates must be taken into consideration. Since a strength of ZAR17 against the dollar in September, the Rand trended back out towards ZAR19/dollar following the US Presidential election. It continued to strengthen against the euro in the final four months of 2024, touching ZAR18.50/euro in December, but has since weakened back past ZAR19/euro.

- International investor and domestic business confidence in the South African economy has returned to healthier levels last seen in 2022, spearheaded by the ongoing suspension of electricity load-shedding; political stability post-election, and industrial reforms, are also helping change the mood music. The country's annual inflation rate in November 2024 – 2.9% – was half that of November 2023, while the benchmark interest rate moved down in the final months of the year from 8.25% to 7.75%. All hope the greater positivity, and healthier economic indicators, continue in 2025.

- The industry hopes, too, that South Africa's 2025 crop is large enough not only to meet international demand but, ideally, to help grow it. As we said after the "real disappointment" of the very short 2024 harvest, "South Africa's wineries are eager to explore new export avenues but a lack of volume is inhibiting their ability to do so".

- The Western Cape's vineyards entered summer in good condition, with spring largely free of frost and the flowering stage having proceeded smoothly. As winter was wet, and water stocks were further topped-up by the odd rainy day in spring (including some snowfall as late as the end of September), water supplies are not

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a concern; Cape Town dams were at 85% of capacity as of 15th January. However, growers, mindful of the unexpected shortfall in 2024, have understandably avoided predictions.

- As well as vineyard conditions, another important factor when forecasting the crop size is hectarage. While some larger growers have been replacing old vineyards with new plantings – in an encouraging sign that the trend towards alternative crops such as almonds or citrus has ended – "many more growers are being prevented from replanting due to lack of cashflow," it was observed in September. "Consequently, there is a question mark hanging over South Africa's crop sizes in the coming years."
- South African suppliers remain eager to forge new export partnership and grow existing ones, and can offer stably, sensibly-priced wines that provide a highly attractive price-quality ratio, particularly of the white varietals that are in a degree of supply-demand balance globally.

Key Takeaways

Following three consecutive shorter crops, South Africa's supplies of generic wines and varietal whites are extremely limited; total wine carryover as of 31st December is projected to be well below traditional levels. Loading of contracted wines has largely been running efficiently; little if any has needed to be re-released onto the bulk market. A better-sized 2025 crop looks possible – the growing season has proceeded smoothly – and suppliers are eager to explore new export avenues, albeit still reluctant to commit to volumes and pricing until the harvest picture clarifies. South Africa's Rand pricing on varietal wines remained impressively stable and competitive throughout 2024 and this is likely to continue in 2025. Wine quality, pricing and the desire to export are all in alignment; the 2025 crop just needs to deliver.

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Australia & New Zealand

Time on target

2024: The Year That Was

Australia's 2024 winegrape crop totalled 1.43 million tonnes, up 9% from 2023 but still below the ten-year average of 1.73 million tonnes. The volume increase versus the prior year was driven by the white varieties, which came in 19% higher in tonnage, although still 10% short of their long-term average. The red-grape crop declined 1% versus 2023. The value of the total crush was estimated at AUD1.01 billion, with an average purchase price for grapes at AUD613/tonne.

One of the most important news items of the year broke in March, when China's Ministry of Commerce announced the removal of its punitive import tariffs on Australian wine, effective from the 29th of that month. The removal of the 218% tariffs triggered a rapid increase in enquiries from both domestic buyers and China-based importers for competitively-priced Dry Red, Shiraz and Cabernet Sauvignon options. Exports surged in April and May, but trailed off thereafter. The demand increase stimulated an uptick in red-wine pricing but the volumes involved fell short of hoped-for: in the 12 months to 30th September 2024, total exports to China stood at 58.6 million litres, worth AUD611 million, some way short of the 2020 peak of 120 million litres, worth AUD1.3 billion.

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Over the same period, the value of Australia's total wine exports increased by 34% to AUD2.39 billion; volume increased 7% to 643 million litres. This was the highest level for each figure since August 2021 and was achieved thanks to the shipment increase to China – the total value of exports to other countries remained stable, at AUD1.78 billion. Australia's total bulk wine shipments increased 4% in volume to 433 million litres and 1% in value to AUD480 million. The average value of wine exported stood at AUD1.10/litre, down 3%.

Challenges faced this growing season started with dry weather during winter, which led to declining soil moisture levels. However, water reserves – dams, reservoirs – remain at a high level. A severe frost event in September affected multiple inland regions, leading to an expected reduction in volumes of white grapes – particularly Chardonnay. Then, heavy rainfall events struck in late November, raising disease pressure concerns, especially given the fact a number of growers this vintage have been hesitant to spray, mindful that grape pricing may not reimburse the additional cost.

On the bulk market, meanwhile, red wines continue to be readily available; whites are in shorter supply and in higher demand. September's frost events have led to an uptick in 2025 Chardonnay grape pricing.

Throughout 2024, the regularity of winery estates being listed for sale, or seeking to merge, evidenced an industry-wide push to consolidate businesses and reduce overall costs. As around the world, Australia's economy continues to experiences higher rates of inflation (down from 2022/23 peaks but still elevated versus the pre-pandemic norm) and benchmark interest rates (the cash rate has remained elevated at 4.35% since November 2023). Consumers and businesses alike have been battling increased costs in general. Several large-scale corporate wineries have listed or sold their sizeable facilities and vineyards, whilst other intend to offload well-known commercial brands in a drive towards premiumisation.

Across the Tasman Sea in **New Zealand**, the 2024 harvest came in at 395,000 tonnes, 21% smaller than the previous year. Cooler spring conditions that affected fruit-set, and a dry summer period that reduced berry-sizing, took their toll on the crop's size. The smaller crop was somewhat welcome, however, as the bumper harvests of 2022 (532,000 tonnes) and 2023 (501,000 tonnes) resulted in an excess of Sauvignon Blanc supply on the market. Prices on 2023 and 2024 Sauvignon Blancs – both the Marlborough and New Zealand GI options – began to soften in the third quarter of 2024 as suppliers sought to clear tank space ahead of vintage 2025.

In the 12 months to the end of September, the value of New Zealand's wine exports reached NZD2.07 billion, a drop of 10% versus the prior year. Some 270 million litres of wine were exported – 138 million litres as packaged (down 15%) and 131.3 million as bulk (down 1%). The US remained New Zealand's most lucrative export market, worth NZD759 million, followed by the UK (NZD419 million) and Australia (NZD353 million). The New Zealand-EU Free Trade Agreement came into effect on 1st May 2024, removing all EU tariffs on imports of New Zealand wine. In total, the EU is New Zealand's fourth-largest trading partner with two-way trade valued at NZD20.6 billion. In its annual report published in September, New Zealand Winegrowers hailed the FTA as having "significantly improved access to the wealthy European market".

2025: Looking Ahead

- **Australia's** bulk wine suppliers and grape growers are expected to face ongoing challenging conditions this year. A 2025 crop lighter than average is expected; wineries are continuing to reduce their intake of red winegrapes, resulting in downward pressure on pricing. Demand for these varieties is yet to return to pre-2020 levels, when China was importing Australian red wine in significant quantities. Whites such as Sauvignon Blanc and Pinot Gris remain in solid demand, Chardonnay especially so as the varietal was particularly affected by September's frosts. Buyers can expect to see a slight uptick in pricing.

- Whilst the trading lanes between **Australia** and China have re-opened and allowed for a number of red-wine shipments, many suppliers understand the pipeline has now been filled and demand will not significantly

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increase again in the short-term. Consumption of imported wines by the average Chinese consumer has been declining since 2017, evidenced by the reduced volumes China has purchased from Australia's main competitors, France and Chile.

- **Australia's** falling dollar may help bring additional buyers: the Australian dollar dropped to 61.85 US cents in January after peaking at 69.18 in September. Traders foresee the dollar softening below 60 US cents. Economists have been predicting a drop in Australia's benchmark interest rate in the first half of 2025, but the falling dollar could leave this open to question.

- The 2025 **New Zealand** harvest has the potential to come in above average in size; however, many suppliers are looking to cap their grape intake in order to maintain a balance between 2024 to 2025 volumes in tank. The considerable availability of 2024 Marlborough Sauvignon Blanc will apply pressure on wineries to move older vintage stock before the upcoming crush. Solid sales into the US, UK and Australia are expected to continue, along with – thanks to the New Zealand-EU FTA – an increase in purchases from the EU.

Key Takeaways

Australia enters 2025 with 2024 white wines in short supply and in high demand; availability of red wine was reined-in by a reduced red-grape harvest in 2024 and then strong exports to China following the end of punitive import tariffs in March, but reds remain readily available. A 2025 crop lighter than average is expected. Chardonnay is believed to have been most affected by September frosts, lifting the varietal's grape pricing. The Australian dollar is forecast to soften below USD0.60 in 2025, which could assist with exports. Prices of 2023/2024 Marlborough and New Zealand GI Sauvignon Blanc have softened in recent months as suppliers seek to clear the considerable availability ahead of vintage 2025, which has the potential to be above-average in size. Solid sales to leading markets the US, UK and Australia have continued; the NZ-EU FTA, effective since May 2024, could help boost sales to Europe in 2025.

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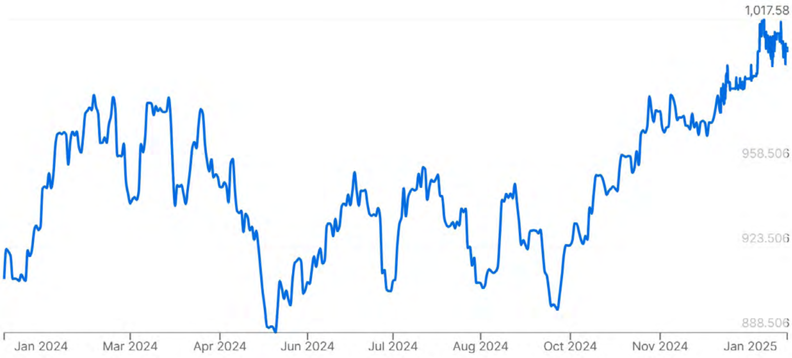
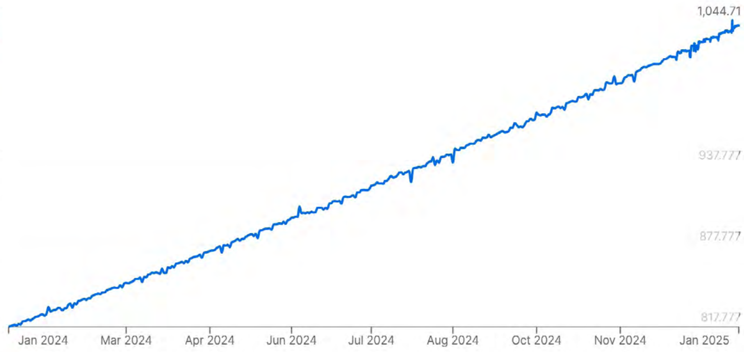
Currency Review

Source: XE Currency Converter

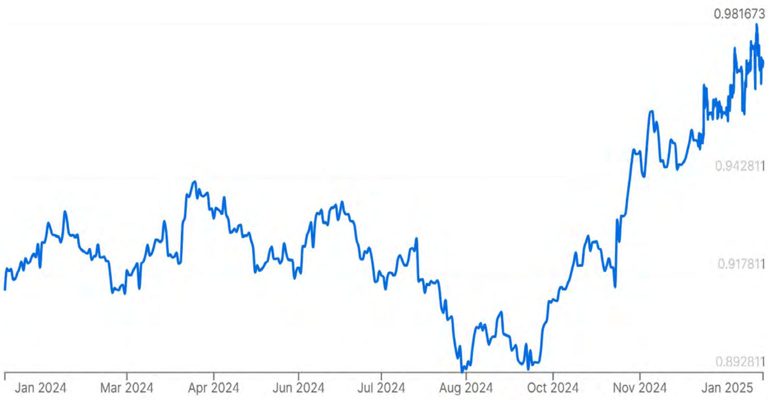


Chilean peso against the US dollar



Argentinian peso against the US dollar

The long-term weakening of the Chilean peso against the dollar – six years ago, in January 2018, it stood at CLP600/dollar – continued through 2024, with intermittent strengthening whenever stronger copper prices coincided with weaker US economic data. The peso weakened more concertedly after the US presidential election on 5th November, starting 2025 past the CLP1,000/dollar mark for the first time since mid-2022. The Argentinian peso was artificially locked into its "crawling peg" devaluation – of 2% per month – against the dollar through 2024, following an overnight devaluation from ARS365/dollar to ARS800/dollar in December 2023. Due to improved economic indicators and investor confidence, the official peso and the unofficial "blue dollar" rate were closely aligned by the end of 2024, the official peso crossing the ARS1,000/dollar mark in late November. Seven years ago, in January 2018, the Argentinian peso was worth ARS18/dollar.



Euro against the US dollar

Pound sterling against the euro

For the first seven months of 2024, the euro–dollar exchange continued the stability seen through 2023. In August, US stock market volatility and an interest rate hike in Japan (to the highest level in 15 years) hurt the dollar, bringing the euro to its strongest level against the currency since July 2023. The exchange normalised until the US presidential election in November, which saw the euro weaken from EUR0.91/dollar to EUR0.96/dollar by January. Through 2024, pound sterling continued the gradual strengthening trend against the euro seen since mid-2023. This sped-up in the final months of the year due to negative economic indicators in the Eurozone. Having reached GBP0.82/euro at the start of December, the pound weakend sharply in early January, mainly due to market jitters around UK government borrowing costs.

Chinese yuan against the euro

Chinese yuan against the Australian dollar

The Chinese yuan strengthened strongly against the euro from September 2024 onward as economic stimulus measures in China – including making it easier for banks to loan money – coincided with weaker economic indicators in the Eurozone, coming in from CNY7.80/euro to CNY7.50/euro in January 2025. This is the most sustained the yuan has been at such a level since mid-2023. Similarly, the yuan continued its fluctuations in a narrow band against the Australian dollar (strengthening briefly in July when weaker economic data in Australia and a falling iron ore price knocked the Australian dollar) before strengthening concertedly in the final weeks of 2024, at one point reaching its strongest level – CLP4.50/A.dollar – since October 2022.

Pound sterling against the Australian dollar

Rand against the euro

Through 2024, pound sterling continued the gradual strengthening trend against the Australian dollar in evidence since late 2022, as the exchange – after the pandemic and Brexit – moves towards more traditional pre-2016 levels. Assisted by some weaker Australian economic data, it reached GBP0.49/A. dollar in December, before market jitters about UK government borrowing costs pushed it back towards the GBP0.51/A.dollar level in January. The Rand steadily strengthened against the euro through the first half of 2024, before political uncertainty in the wake of South Africa's general election on 29th May weakened it from ZAR19.80/euro to ZAR20.65/euro. However, the successful formation of a new coalition government in late June – and the ongoing suspension since March of electricity rationing – boosted investor confidence and the Rand, which touched ZAR18.59/euro in December. January brought a weakening again, driven by US/EU outlook economic indicators.

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