Global Trends - Wine Industry Key Elements

The global wine trade: Rethinking opportunities

The BI Daily of 20 October 2016 (2nd edition) gave coverage to the latest harvest situation of wine producing countries and global consumption, as well as wine trading trends.

Are there opportunities for South Africa and where?

The global wine production of 259.5 mhl is almost equal to the 2012 wine production (258.1 mhl) which created additional bulk wine export opportunities for South Africa. In 2013 bulk wine exports grew with 37.6% to 341.9 million litres, seizing opportunities lost by the European wine producing countries as a result of poor 2012 harvests caused by adverse climatic conditions. This positive trend already started by mid-2012 with the knowledge of the forecasted poor harvests and grew by 43.9% for that year.

Taking the European situation, the poor Argentine (-35%) and Chilean (-21%) 2016 harvests, as well as Australia’s commitment in China and New Zealand’s limited export growth capabilities into account, the current global situation could create a similar opportunistic landscape as in 2012/13.

France
The expected 12% lower wine production is creating a demand for big quantities of Vin de France, generic wine, imported Cinsaut Rosé and generic rosé from South Africa for B-in-B and flavoured wine drink markets. France currently ranks 3rd in South African bulk wine exports (32% YoY increase); a growing trend which continued from 2014/15. Rosé is the main export wine style followed by white and red varietals. In terms of value exports Rand per litre grew with 5% (2015/16 period), but is at the lower end compared to prices realised in other export markets.

Spain
The rain in Spain stays mainly in the plain. With a 1% increase in wine production, a balanced inventory and carryover stock, stable bulk wine prices, Spain will remain a competitor.

Italy
Italy will be the world’s largest wine producer again this year. Its prices remain stable and with the prices of Spanish generic wines forecasted to rise, Italy should become more competitive relative to Spain and become the go to country for international buyers of generics. Expect fierce competition.

Argentina
Argentine main bulk wine export markets include the USA, the UK, Japan, Canada, Russia,
Denmark and Germany. There are few if any opportunities on the Argentinian market for international buyers. There is also a looming Malbec shortage. An opportunity for South Africa?

Chile
The most in-demand is varietal Pinot Noir for export programmes. In terms of wines, the big domestic wineries are searching for wines to fill their bottle programmes, but inventory of good quality wine is low. The main Chilean bulk wine export markets are China, the USA, the UK, Japan and Germany. These are well-known traditional South African packaged and bulk export markets. An opportunity for South Africa?

Bulk wine price trends (October 2016)
• Germany, Italy, Spain, Australia and New Zealand – stable.
• France – downwards.
• Argentina and Chile – upwards.
• California – Cabernet Sauvignon and Pinot Noir upwards.

Conclusion
The perpetual changing wine producing environment creates windows of opportunity. History has shown that South Africa’s has the agility to seize this.

The other side of the coin is a longer term view to grow value (40:60 bulk: packaged exports) as set out in the WISE 2025 targets, thus entering new markets, developing markets, increasing market share, building on and maintaining sound business relationships.

Sources: Various industry publications and reports.