Global Trends - Beverages

BMi Research report on flavoured alcoholic beverages in South Africa

Recent findings released by BMI Research have revealed that flavoured alcoholic beverages saw a decline in 2015. This was followed by a further contraction in volumes in 2016. The category's value increase for 2016 was attributed exclusively to an increase in the average product pricing rather than an increase in volume. The recent erosion in category volumes may be attributed to consumer traffic from flavoured alcoholic beverages to more affordable alcoholic drinks. Congruent with this dynamic, there appears to be a general feeling in the industry that depleted consumer spending on luxury products is undermining category growth.

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Major Wine Producing Countries

China helps drive Spain’s wine exports

Spain’s wine exports in the first half of the year have reached a record high to €1.3207 billion, up by 6% over the same period, driven by strong demand from China. In terms of export destinations, China has climbed up the ranking to become Spain’s fifth largest wine market. During the period, Spain’s export volumes to China jumped 53.7% while its export values rose by 23.1% year-on-year.

Bulk wine exports to China enjoyed the highest growth rate of 36.2%, followed by 33.7% for bottled wine and 23.4% for quality PDO wines, according to the report.

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Napa Valley vineyard asset bubble ready to pop?
Growing global interest in North Coast wines has uncorked fast price escalation for the vineyards they come from, particularly in Napa Valley, but forecasts about bursting asset bubbles and crashing vineyard values may be getting ahead of reality. Vineyard valuations for prime Napa Valley acreage are topping $400,000 an acre, but this reflects prices being paid for its choicest fruit, said Stephen Rannekleiv, global beverages strategist for Rabobank, in a recent wine industry briefing.

The weighted-average price per ton for Napa County winegrapes topped $4,600 last year, according to the U.S. Department of Agriculture's California Grape Crush Report. The average price for the county's top winegrape, Cabernet Sauvignon, last year was virtually $7,000 a ton. A price per ton that would work into a valuation of $400,000 an acre would be a little over $10,000, based on production costs and the historical yield of roughly 3 tons an acre from top Napa Valley vines.

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**Socio-Cultural Environment**

**Western Cape drought could cost 17,000 ag sector jobs**

It's estimated that a potential drop of 10% in agricultural produce due to the drought could lead to 17,000 job losses in the South Africa's Western Cape. An agricultural economist has also warned that the current drought will have the biggest impact on seasonal employment in December.

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