Consumer Countries/Markets

Wine Intelligence Reports Shop - Russia Landscapes 2018

Winston Churchill's famous description of Russia as “a riddle, wrapped in a mystery, inside an enigma” remains apt nearly 80 years after it was uttered. Russia’s economy may be recovering after several years of economic struggle, but it is still subject to both the whims of politics and the economy.

The wine industry is very much wrapped up in this “enigma,” but our latest Russia Landscapes 2018 report, which updates our previous report on Russia published in 2014, shows that along with the economy, the wine industry is seeing growth and engagement in the category, especially with sparkling wine and among the younger generation. Russia ranks 5th in the world for sparkling wine consumption (above both the UK and Spain).

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Economic Environment

UK wine importers must plan for "worst case" scenario from Brexit claims major importer

Major UK wine importers are having to plan "for the worst" by placing orders and building up stocks now so that they are as prepared as much as they can be for when the country finally leaves the European Union in March 29.

Regardless of whatever deal the British government is able to negotiate, businesses have to act now to prepare, said Andrew Bewes, managing director of Hallgarten Novum Wines in the UK.

"It has been tough enough already knowing how to plan for Brexit as we don't know what we are dealing with,” he said. "But what we do know is the first six months of 2019 is going to be a massive challenge. It’s up to us to make sure that there is as little impact as possible on our customers."
What can be done is invest time and money in trying to fix the factors that are in its control, he stressed. Which for a wine distributor means having enough of its wine in the UK, in warehouses, ready to serve the market and not stuck in a lorry park either side of the UK and French border.

“You have to plan for the worst and that is not having any stock to sell.”

That means building up what Bewes believes will be at least £1m worth of additional stocks of wine in the UK to take the company through the first four to eight weeks post March 29th, 2019. The business just can’t afford to have wine caught or stuck in any log jam that occurs at British ports come the time of Brexit. “That will give us the flexibility in stocks to see us through that period,” said Bewes.

The UK is also faced with what will be the double whammy of duty rises on February 1, followed by the unknown circumstances of Brexit in late March/early April. This will be the first year that the UK wine, retail and on-trade sectors have had to cope with duty increases coming in during February now that the Budget has been moved to late October.

In the past the spring Budget saw duty rises come in April, which in turn is when the sector printed up new wine lists and introduced both at the same time. Now you have a situation where most wine companies are currently still working to the same model, planning on hosting mass tastings in January to prepare buyers of new wines that will be in their new list come April.

But if customers are then faced with seeing price rises come in February, on the back of the duty rise, what then happens to the new wine lists in April? Then there is the added confusion and the unknown factor over what will happen to import tariffs in any Brexit deal and the risk that prices might have to be put up again, lists re-done, in the first few months after March 29.

“We will have to make a call on FX at some change,” said Bewes. “There is always FX uncertainty but for the first half of 2019 this will be exacerbated by Brexit. It could weaken or strengthen considerably.”

Where possible Hallgarten hopes to be able to hold prices for the first half of the year up to the end of July and then review the situation then, but that will depend, stressed Bewes, on what currency it is able to secure in January.

Source: MarketIQ/Vinex