Global Trends - Wine Industry Key Elements

One more reason to be wary of alcohol health studies
Finnish researchers find – gasp – that people who abuse alcohol have higher health costs

The Wine Curmudgeon, long suspicious of alcohol health studies, is not surprised by one of the latest, which links alcoholism with higher health costs. What is surprising is the headline on the news release: "Researchers put a price tag on alcohol use" – which, of course, has absolutely nothing to do with the study.

First and foremost, let me remind everyone I know first-hand the horrors of alcoholism and abuse. Rather, it’s to note, once again, that there is a difference between alcohol abuse and moderate drinking, and which is something that has apparently been shunted aside in the rash of “all drinking is evil” studies we’ve seen over the past couple of years. Drinking is not cigarette smoking, no matter what one study claimed, and drinking wine in moderation is no worse, and may even be more healthy, than regularly eating nitrate-laced supermarket hot dogs. Which, of course, no one has yet done a study about.
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Northern hemisphere producers looking forward to an "average" season

Wine producers in the northern hemisphere are moving into summer, and to date there have been few reports of issues affecting the potential yield of the crops, indicating that they are heading for at least an average season.

This is according to Wine Australia, which cautions that it is still early days, and much could happen between now and harvest time.

California, it reports, has had a very consistent harvest producing close to 2.4 billion litres of wine, in all but one of the past seven years. At this stage conditions are reported to be good across the state and therefore the 2020 crop is predicted to be at least average in size.

In Europe, and France has reportedly had an uneventful spring and plentiful rainfall during April – a marked contrast to the 2019 season where vines were hit by spring frosts, drought and hail, resulting in yields 12% below average. The vines are reported to be in good shape, with development currently running two to three weeks ahead of average on some varietals.

While there is still potential for substantial losses due to heatwaves and other events during summer, at this stage Wine Australia claims it is reasonable to estimate an average-sized crop giving a total wine production of 4.4 billion litres.
Spain, meanwhile, enjoyed good winter rains and avoided any significant frosts at critical times, meaning it also has the potential to produce an average or above-average sized crop. Last year the country’s production fell 11% below the long long-term average at 3.4 billion litres, but in 2018 it had a near-record production of 4.5 billion litres. A mid-range figure of 4 billion litres is a reasonable estimate for 2020.

For the past five years Italy has been the world’s largest wine producer. It had one of hottest and driest winters in recent years, and growing conditions in the 2019–20 season quite normal. A conservative estimate as to the size of the 2020 Italian vintage is around 4.75 billion litres, the same as in 2019. This would be slightly below the five-year average of 4.9 billion litres.

A big headache for European producers will be the volume of stock carried over and still sitting in storage tanks, as a result of declining exports and domestic consumption caused by lockdowns and trade tariffs.

"This is likely to lead to a lack of storage for the 2020 wines, as well as weighing heavily on the market and depressing prices," claimed Wine Australia.

European wine producers have asked the European Commission to approve a 'crisis distillation' program, to turn excess alcohol into products like hand sanitiser and cosmetics.

Source: MarketIQ/Vinex 120622020

**Major Wine Producing Countries**

**Australian wine exports to the UK drop 7%**
However, despite the 12-month drop, the April figure is still AU$8m more than was reported for the 12 months ended March 2020 (rounded to AU$347), with the period January to April 2020 reversing the downward trend and delivering 3% value growth in exports to the UK over the same period in 2019.

This upswing also helped partially offset a decline to mainland China, which had been Australia’s fastest growing export market, according to Wine Australia.

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**Nuusbrokkies / News Snippets**

**Brussels under pressure to alleviate the effects of the crisis on the wine industry**
At the beginning of June, the Agriculture Committee of the European Parliament called for the "temporary exceptional measures" put forward by the European Commission to "address the market disturbance in the fruit and vegetable and wine sectors caused by the COVID-19 pandemic" to be vetoed. Although 46 MEPs approved the extraordinary measures issued on 4 May (providing for flexibility in changes to programmes, particularly for green harvesting), 36 MEPs are asking "the Parliament to veto measures that do not go far enough" in order to "improve the aid package with additional targeted measures", according to a press release. Calling for the improvement of co-funding levels, the carry-over of unused European funds from one year to the next and greater flexibility for national aid plans, the MEPs intend to put pressure on the European Commission, which is adamant that it will not pay a penny more to help wine regions get through the coronavirus crisis.

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**IWSR: Covid-19 presents opportunities for the US still wine market**
The pandemic has provided a chance for the US wine industry to connect with a demographic that has been previously lacking in wine participation.

According to IWSR data, in 2019, still wine volumes in the US declined -1.0% for the first time in twenty-five years. Wine consumption growth in the US has gradually been slowing over the years...
as consumers increasingly favour spirits and, more recently, hard seltzers. Despite these volume
decreases, values have continued to increase due to premiumisation.

As the Covid-19 pandemic unfolded, on-premises closures forced wineries in the US to re-assess
their business models. The current environment may provide opportunity for the wine industry to
recapture lost consumer attention. At this time data suggests that total wine volumes are up year-
over-year as more people purchase wine to enjoy with meals at home. However, there is
uncertainty if the current boost in the off-premises will continue after pantry loading depletes, the
on-premises slowly reopens and consumption behaviour returns to pre-Covid-19 levels.

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