For something different

14 February

Global Trends - Beverages

**Japan and Australia are the markets to watch for sparkling wine**

Italy, Germany and the US lead the global sparkling wine category, as Japan and Australia emerge as key markets to watch.

Although global consumption of sparkling wine took a slight hit in 2018, the category is expected to regain its momentum, and is forecast to grow by 1.2% compound annual growth rate 2018-2023.  
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Major Wine Producing Countries

**Increasing number of South African producers operating in profit**

12 February 2020

The number of South African wine producers operating at a profit has almost doubled, from only 15% in 2018 to 29% last year, according to a recent survey by industry body Vinpro.
The overall industry’s return on investment also increased during the period, from less than 1% in 2015 to 4.83% in the 2019 vintage, with the income of the average South African producer up by over a third (37%) compared to the previous year, despite production costs also increasing by 7%.

“Although these figures are encouraging, it’s important to note that nearly one third of our producers are still not profitable,” said Vinpro’s agricultural economist Pierre-André Rabie. “It is encouraging that higher prices have helped improve the profitability of the average producer and although there were really great achievers in most regions, we also saw producers across the industry who continue to experience financial pressure.”

He added that this means that while cash expenditure could most probably be covered, producers would not be able to cover the cost of replacement of capital items and entrepreneurial remuneration.

The set net farming income for sustainable wine grape farming of R34 000/ha is also still substantially higher than the current industry average of R20,617. While producers in the majority of the regions received higher prices for their grapes, when taking real price inflation into consideration, producers would have to continue to receive good prices for some time before vineyard replacement could start.

“Total plantings will probably decrease by a further 5 000 to 7 000 ha before the area under vines starts stabilising,” said Rabie, adding that an ageing area under vines and accompanying lower production levels could be a cause for concern for brand owners.

Vinpro said that this is the first time in 16 years that the respondents’ area under vines that are younger than three years comprised less than 10% of the total area under vines. On the other hand a fifth (20%) of participants’ vineyards were older than 20 years, a first since 2003.

“Improved farm gate prices definitely contributed to producers being able to maintain production in struggling vineyards, but some vineyards are just too old and we might see significant shortages in certain varieties over the next few years.”

Wine grape producers now have the opportunity to enter long-term supply contracts that would be mutually beneficial, said Rabie. “It would also make sense for brand owners to source grapes from a variety of geographic locations, specifically also irrigation areas, as a buffer for production volatility due to rainfall patterns.”

The Little Karoo, Swartland and Olifants River regions were particularly hit hard by the drought in the past two or more years. “A financial drought always follows a physical drought, and many businesses would need good rainfall, decent yields and time to recover. We see, for example, that the effects of the 2018 price hikes only started manifesting last year, and spending patterns, which are affected by cash-flow, will also adapt to this over time,” continued Rabie.

*The Vinpro Production Plan Survey is conducted annually amongst South African wine grape producers. A total of 260 wine grape producers participated in the 2019 survey, which represented around 27% of the total area under vines and 26% of the
country’s total wine grape production.
Source: MarketIQ/Vinex

**Sopexa Global report: why France is at an international crossroads**
The French wine industry is facing more challenges than ever before, with many wine professionals claiming it has lost its way, according to Sopexa’s annual survey of the world’s leading wine markets.

The survey, which quizzed nearly 1,000 retailers, importers and wholesalers in the world’s leading wine markets including the UK, the US, Germany, Belgium, China, Hong Kong and Japan, was released at Wine Paris this week, and makes for sobering reading for anyone in the French wine sector.

Top of the industry’s concerns is the impact that US tariffs are having on French wine which have nose dived by almost half since 25% tariffs were introduced last October by the Trump administration on an array of European goods. It means the outlook is going to be tough, for the majority of respondents to Sopexa’s survey, compared to countries such as Chile, Argentina and Australia, which are unimpeded by US trade tariffs.

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