Global Trends - Wine Industry Key Elements

Global Harvest Update - October 2016

Argentina
The 2016 harvest was down by 30% on last year and 35% below the 10-year average. The lower production helps with lowering bulk volumes and tighter supplies have led to higher prices, as well as a looming Malbec shortage. There are few if any opportunities on the Argentinian market for international buyers. Argentina’s new government has introduced export-friendly measures – cutting export duties, ending currency controls and devaluing the peso – but the country’s wine industry simply does not have volume to export.

Australia
There is risk of disease pressure in South Eastern Australia should above-average rainfall continue.

California
The 2016 harvest is expected to be average at 4 million tons (2.210m litres) and inventories are fairly balanced. This could mean a little softening of bulk prices for Sauvignon Blanc, Chardonnay and Merlot. Cabernet and Pinot Noir prices will remain very firm everywhere.

Chile
The 2016 harvest was down by 25% resulting in tighter supplies and higher prices. Wine grape demand has come very early and active with prices on the rise. 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.

France
French wine production is expected to decline 8% for the 2016 harvest following the damaging hailstorms and spring frost which hit several different areas across the country, especially in the northern half. Big quantities of Vin de France and generic wine will be harder to come by. There is a demand for imported Cinsaut Rosé and generic rosé from South Africa for B-in-B and flavoured wine drink markets. Overall wine production is forecasted to hit 44.1 million hectolitres for 2016.

Italy
The country’s total harvest is expected to come in at around 46-47 million hectolitres. Italy will be the world’s largest wine producer again this year. Its prices remain stable and with the prices of Spanish generic wines on the rise, Italy should become more competitive relative to Spain and become the go-to country for international buyers of generics.
New Zealand
Harvest up by 34% and with stocks depleted the increase in production should not depress export prices. NZ’s Sauvignon Blanc is in demand internationally (particularly from the US and UK) and that demand is rising, with production growth restricted by space and geography.

Spain
Expect normal 2016 harvest at best, in line with last year’s 42-43 million hectolitres. Inventory is balanced and bulk wine pricing stable. Expectations of a smaller 2016 crop and a balanced carryover stock situation means prices remain firm.

Sources: AC Nielsen, Ciatti, Rabobank, Wine Intelligence, other industry media

Internet 2016 User Statistics

The following table below shows the current updated Internet users in 2016 (mid-year) for the main seven World Geographic Regions.

Reaching nearly 50% Internet user penetration in the world is indeed a special occasion. The Internet continues to grow in users and in the services available online. The increase in smartphone usage and the lower access costs as well as the growing population will surely keep Internet users increasing in all the world.

Source: Internet World Stats.

<table>
<thead>
<tr>
<th>World Regions</th>
<th>Population 2016 Est.</th>
<th>Internet Users 2016</th>
<th>Penetration Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>1,185,529,578</td>
<td>340,783,342</td>
<td>28.7%</td>
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<tr>
<td>ASIA</td>
<td>4,052,652,889</td>
<td>1,803,512,654</td>
<td>44.5%</td>
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<td>EUROPE</td>
<td>832,073,224</td>
<td>614,979,903</td>
<td>73.9%</td>
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<tr>
<td>MIDDLE EAST</td>
<td>246,700,900</td>
<td>141,489,765</td>
<td>57.4%</td>
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<tr>
<td>NORTH AMERICA</td>
<td>359,492,293</td>
<td>320,067,193</td>
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<td>LAT AM / CARIB</td>
<td>626,054,392</td>
<td>384,751,302</td>
<td>61.5%</td>
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<tr>
<td>OCEANIA / AUSTRALIA</td>
<td>37,590,820</td>
<td>27,540,654</td>
<td>73.3%</td>
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<tr>
<td>TOTAL WORLD</td>
<td>7,340,094,096</td>
<td>3,631,124,813</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

2016 Mid-Year Internet Stats

Major Wine Producing Countries

Free red wine fountain opens in Italy

The town of Caldari di Ortona in Abruzzo has installed a free, 24-hour wine fountain.

The fountain was put in place by the Dora Sarchese winery and is primarily designed to quench the thirst of pilgrims taking the Cammino di San Tommaso, thousands of who pass by every year.

The winery has not said what wine is dispensed from the fountain but the region is the home of Montepulciano d’Abruzzo Colline Teramane DOCG.

It added it was not there for people to get drunk but was a gift to the town and its pilgrims.

A similar wine fountain opened along the Camino de Santiago di Compostela in the 1990s outside of the monastery in Irache. However, it is not open all the time and pilgrims must pay a small fee to fill their cups.
There is a long history in western Europe of both providing wine to pilgrims and more generally of public fountains that pour forth 'hippocras'.

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