Global and SA Trends

Ciatti Global Market Update
The Northern Hemisphere’s 2020 harvests are underway and early indications are that France and Spain will see good-sized crops, Italy is forecast to have a crop around 5% down in size on 2019’s, and California’s crop looks lighter than average. Distillation programmes have been rolled out across Europe to help reduce wine inventory ahead of the new vintage, but their success is questionable: the French plan has only served to pause the bulk market in France as the distillation price is above where the market was, while the Italian plan has the reverse problem – offering a distillation price that is unattractive to many sellers.

Inventory in France (especially of red wines) and Spain (especially of white wines) remains significant and will likely lead to a slow start on the 2021 vintage spot markets in those countries.

Prices in Spain, and in France on the reds, are expected to trend downward when the new campaign gets underway, while bulk prices in California are already lower than they have been for many years. As a consequence, Argentina – with its own significant inventory – has moved to be ultra-competitive on price to win international attention, and South Africa, too, is vying for international business. Both countries have been hurt by recent logistical issues: cross-border trucking in the Andes has been intermittently blocked by snowfall levels; Cape Town port has not been operating at 100% due to COVID-19, leading to a backlog.

However, both these problems are temporary and easing, and both countries can offer highly-competitive deals on a wide range of excellent-quality wines.
Source: Ciatti Global Market Report August 2020

Global Trends - Wine Industry Key Elements

Why are wine bottles round in shape?
Think how much space and money could be saved if wine bottles were square instead of round, says Robert Joseph.
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Proof that old vines add value
Research from the University of Cape Town shows that using old vine fruit earns winemakers more money. This effort to quantify the gains, says Michael Fridjhon, will help keep these treasures alive.

South Africa has finally discovered – and celebrated – its treasure trove of old vineyards. A country which typically renewed its plantings every 15 to 20 years, pretty much as soon as the yields began to decline, was an unlikely candidate to develop a culture of ancient vines.

Part of the reason for the constant renewal of vineyards lies in the history of the industry. Until the modern era it existed primarily to supply cheap wine to the domestic market and to provide distilling grapes to the local brandy trade. Accordingly, it was planted to high yielding varieties – or at least to varieties which could be induced to increase their yields if the local market preferred quantity to quality.

There was also another reason for the frequent replacement of vineyards: the widespread incidence of leaf-roll virus.

The research was able to quantify the retail price advantage of old vine fruit: all other factors being equal, it added R100 ($5.70) per bottle to the final product. Given that most wines sold from these varietals retail for less than R200, the connection to an old vineyard was significant – at this stage an estimated 30% to 50%.

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Major Wine Producing Countries

French government donates an extra 80m Euros to beleaguered wine industry
The French wine industry is to receive an additional 80m Euro boost from the government since the Covid-19 related shutdowns decimated sales. Jean Castex, the French prime minister said that the government would increase the financial assistance to wine producers to 250m Euros, adding that he wanted the aid to be distributed “as quickly as possible because cash needs are pressing.” The funds have been ringfenced to help French wine business which have been hit hard after the global lockdowns saw restaurants and bars closed, while US tariffs also affected exports.

The announcement comes two months after the government had already pledged to increase its support package, which would help wineries to store rather than distil surplus wine. “The international situation, the health crisis, a drop in exports: our wine sector faces major difficulties. State support must continue and intensify,” Castex said on Twitter. “Supporting our winegrowers in the face of the crisis also means safeguarding our common heritage and its artisans. The support plan for the sector will be increased to €250 million Euros: I hope that they will be affected as quickly as possible.”

In May, 140m Euros was set aside for the wine industry, which was then increased to 170m Euros a month later. France’s largest farming union, the Fédération Nationale des Syndicats d’Exploitants Agricoles (FNSEA), had previously called for a larger €500m support package for the French wine industry, including a €260m crisis distillation
scheme which would be used to distill around 3 million hectolitres of excess wine.
Source: MarketIQ/Vinex

**German 2020 vintage likely to be a week ahead of long term average**
Overall, however, the Institute is largely positive about the forthcoming vintage, though as ever it will be largely dependent on the weather in the next few weeks. With a ten year average harvest of 8.7 million hectolitres, only time will tell how the 2020 vintage compares.
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*Nuusbrokkies / News Snippets*

**WOSA: Update on Cape Town Port**
There are some pleasing signs of recovery in the Port of Cape Town, including a reduction in COVID-19 positive cases, as well as an increase in volumes handled and vessels returning to our port. Further details can be read in the latest Cape Town Port Bulletin #7 as published on 14 August 2020.
[Port of Cape Town Bulletin 14 August 2020]

**How resilient will the beverage alcohol industry be post Covid-19?**
Despite the current unpredictability and the economic uncertainty of the ongoing pandemic, the beverage alcohol industry is showing real pockets of resilience.
Despite the current unpredictability and the economic outlook of the ongoing pandemic, the beverage alcohol market is showing real pockets of resilience.

The US is a case in point, where, based on WHO data, alcohol consumption is up year on year. Argentina is seeing growth in premium price segments. The situation in Italy – the first European country to experience the full force of the pandemic – is also looking better than initially expected. In London, many restaurants are fully open.

Consumption patterns have certainly changed, but the outlook for the industry is one of hope and resilience.

Australia

Lockdown measures remain in place, although large gatherings are now allowed and social distancing measures remain in place.

France

Lockdown measures have gradually eased, although large gatherings are still banned and social distancing measures remain in place.

The UK

Some parts of the UK continue to shelter, lockdown or tighten. Overall, the off-trade continues to perform strongly, despite stock-outs, although volumes are down year-on-year. The channel has a key role to play in helping to support hospitality.

South Africa

The winemaking season is in full swing, with South African wines proving popular in both the UK and US. The channel has a key role to play in helping to support hospitality.

Mexico

The opportunity for off-trade sales remains strong, with the category showing resilience in the face of adversity.

China

Restaurants are slowly re-opening, but DineIn sales are still key drivers of performance. China’s strong export market is driving growth in premium price segments.

The US

Lockdown restrictions vary by state, Off-trade sales continue to carry the industry’s revenue.

Post Covid-19
Covid-19 and the Canadian wine market
Michelle Bouffard looks at the impact of Covid-19 on three of Canada’s provinces.
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