
BI Daagliks - BI Daily

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Global Trends - Wine Industry Key Elements

Hong Kong wine imports falter

With China's waning demand for imported wines, Hong Kong, the gateway to the mainland market, is feeling the pain from a weakening mainland market.

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Major Wine Producing Countries

Global 2019 Harvest Update

NORTHERN HEMISPHERE – Unofficial lower harvest estimates

France

The latest report from the French Ministry of Agriculture, dated 19 August, estimated the 2019 harvest in France at 43.4 million hectolitres, down 12% on 2018 (-520 million litres), down 4% on the five-year average, and the second-smallest harvest in the past five years. Lately, there has continued to be high temperatures and negligible rainfall in many growing areas, likely making the shortfall larger.

Buyers seeking specific good quality 2019 whites and rosés should secure their needs as soon as possible as they are expected to be sold out by springtime. France's 2019 harvest is looking significantly down in size versus both last year's crop and the five-year average.

Spain

With Spain's 2019 harvest expected to be significantly down by 15 – 20% (-600 million litres) from 2018's bumper crop, buyers with long term varietal wine programs sourced from Spain should seek to secure their needs now – particularly on Merlot, Cabernet and the whites. The 2019 growing season has been extremely hot and dry in Castilla-La Mancha and across Spain in general, with water restrictions in place and the non-irrigated vineyards struggling in particular.

On Spanish generics however, prices are unlikely to rise significantly as there is an awareness that Argentina is offering incredibly aggressive pricing on generics at the moment.

Italy

A detailed harvest report jointly compiled by Assoenologi, ISMEA and UIV – using information collated at the end of August – has estimated Italy's 2019 harvest at 46 million hectolitres, down 16% (-900 million litres) from 2018's record 55 million hectolitres.

California

With large inventory and another good-sized harvest underway, Californian bulk wine prices have fallen and offer very good value for the international buyer – now and for the longer-term, potentially even on premium wines from the Coast.

SOUTHERN HEMISPHERE – Drought stricken

Argentina

Argentina is also highly competitive on all other wines, including Malbec and the international varieties. Prices are open to negotiation, but the country's mounting inflation (55%) and interest rates (85%+) mean sellers there are likely to be reluctant to further price-cut despite the large inventory – now estimated at 600 million litres.

Australia

According to the latest 'Water Market Outlook' from the Australian Bureau of Agricultural & Resource Economics, water allocation prices in the southern Murray-Darling Basin are likely to remain high in 2019-20. They have already risen significantly – from around AUD250 per mega litre in July last year to AUD600 per mega litre now – due to a combination of drought and growth in water demand.

Chile

Winter 2019 has been the third-driest in Chile since 1950. Water reserve levels are a significant concern for growers. The forecast of an increased risk of spring frosts has added to concern among growers.

These dry conditions in the Southern Hemisphere are something for buyers to keep an eye on, especially if Europe's shortfalls come in larger than anticipated.

As John Barnard, CEO, Bonnievale Wines commented: "Die voorraad volume in Argentinië en Kalifornië kan egter baie maklik in 2020 uitgewis word deur die volume afname in Frankryk, Italië en Spanje. Die moontlikheid van 'n toename in RSA uitvoere in 2020 is wesenlik. Dit sal aangehelp word deur 'n flou RSA binnelandse mark."

Sources: Ciatti Global Market Report, other industry publications