Global and SA Trends

Ciatti Global Market Report
The bulk wine business is emerging from the pandemic with big inventories and the power in the hands of the buyer. Emergency Distillation Plans of 2.0 million hectolitres each are being rolled out in France and Spain – with Italy to follow – in order to take some of the excess inventory out of the system ahead of the Northern Hemisphere’s 2020 harvests, now weeks away.

The Southern Hemisphere countries – which completed their harvests at the height of the pandemic – are now sitting on a good supply of wine, though the crops in Australia, Argentina and Chile came in approximately 20% below their long-term averages. Prices in Argentina and South Africa, in particular, are highly competitive: the former is beginning to attract a consistent stream of international buyer interest, while suppliers in the latter are jockeying for export business after two lean years. The Western Cape has good availability on all wines – including the international varietals – and 2020 vintage quality is very good.

The global bulk inventory will have been swollen by wine that would otherwise have gone into the on-trade, shuttered across the world for two months. Some of this will be mid-market and premium wine now selling at or near to bulk prices, offering attractive price-quality ratios for opportunistic buyers.

Source: Ciatti Global Market Report June 2020

Global Trends - Wine Industry Key Elements

New Study Explores Motivations and Behaviors of U.S. Wine Consumers Before and During COVID-19 Lockdown
The advent of the COVID-19 pandemic caught the world off-guard, creating intense panic in food and beverage hoarding in nations around the world. This natural survivalist response also extended to wine purchases, with a 66 percent increase in U.S. off-premises sales at the end of March 21, 2020—the first major week of lockdown, according to Nielsen. Once the panic died down, wine still showed strength with sales up 30.8 percent the week ending May 16, compared to the previous year.

An important question now is how much will off-premises wine sales decrease (if at all) given that the country is opening back-up, with restaurants and winery tasting rooms slowly coming online? Another equally important question is how did wine consumer purchase behavior and motivation change during the height of the COVID-19 lockdown compared to before the pandemic, and will it create lasting changes in how consumers think about and purchase wine?
The findings illustrate that American wine drinkers did increase their consumption and spending to some extent, as well as adopt new motivations for consuming wine during lockdown.

It will be interesting to see if these changes in behavior continue post-COVID and into the following year. Will people continue to enjoy drinking wine at home with dinner more often now, or will they revert to dining out at restaurants at the same frequency they did in the past? Will the concept of virtual happy hours with friends and family continue, or was this just a fad made popular due to the lockdown? Of most interest is the change in purchase location, with nearly 50 percent of High Frequency wine consumers reporting they purchased more wine from online venues during the crisis. Will American consumers continue to purchase wine online and eventually catch up with other countries with higher online wine sales, such as China, the UK and France? These are all questions that can only be answered over time, but it is interesting to see how a crisis can drive changes in consumer behavior.

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Natural / Physical Resources

Above normal rainfall levels expected for 2020 winter season
As a result of good rains received during the 2019/20 summer, rainfall areas reported reasonably good conditions for crops, veld and livestock, with dam levels increasing in most provinces. According to the Seasonal Climate Watch issued by the South African Weather Service, above normal rainfall is anticipated in parts of the winter rainfall areas and other southern regions of the country, but elsewhere it will be below normal.

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Nuusbrokkies / News Snippets

WOSA Press Release - CapeWine 2021 postponed
The triennial South African wine trade show, CapeWine, held in Cape Town and hosted by Wines of South Africa, has been moved from its planned slot in September 2021 to new dates in 2022, the 5th to 7th October. The move is a result of the Covid-19 pandemic impacting on the planning of the event, which usually begins in earnest 18 months before the show date.

[WOSA-Cape-Wine-Press-Release]