Consumer Countries/Markets

China’s Consumers Flock To Imported Wines

Imported wines are booming in China, up 44% to 62 million cases last year, according to Impact Databank. "Consumers who used to drink local Chinese wines are starting to buy imports," says Bruno Baudry, CEO of Suntory-owned importer ASC Fine Wines. "The average price per bottle is decreasing," owing to a decline in government entertaining, “but overall consumption and the number of consumers in the wine market are growing steadily. Entry-level wines priced from RMB50-100 ($7.50-$15) are seeing the fastest growth.”

French wines, which lead the import market at 19 million cases, grew 35% last year, and China is Bordeaux’s top export market by value at more than $300 million. Chile and Australia, which benefit from free trade agreements with China, have also surged lately, reaching 17 million cases and 7.6 million cases respectively. Chile could soon overtake France by volume, although much of its progress is coming from bulk wines, which account for about two-thirds of shipments. (By comparison, France’s bulk shipments to China are less than 1% of its total exports.) Meanwhile, Italy’s China-bound exports crested 3 million cases last year on 15% growth. In the Italian sparkling segment, "Martini is performing well," says Paul Chin, CEO of Greater China, North Asia and Oceania for Bacardi. "Sparkling wine in general appeals to female consumers, especially Martini Asti because of its sweeter taste.”

Treasury Wine Estates has enjoyed impressive gains in the Australia category, with the company's Asia sales and volume both up by about 40% in its fiscal year through June. TWE, which considers China a key growth opportunity for its U.S. and Australian portfolios, said stronger distribution across multiple channels and an emphasis on the “masstige” segment ($10-$20) have provided a boost, with Wolf Blass, Rawson's Retreat, Lindeman's and Beringer all on the rise.

While TWE sees room for growth for its U.S. portfolio, American wines in general have lately encountered tough sledding in China. After averaging 8% annual growth from 2009-2014, the U.S. wine category fell 24% to 1.4 million cases last year. ASC parted ways with the Jackson Family Wines portfolio in late 2015 “due to differences in marketing distribution strategy,” but it reloaded in recent weeks with Delicato Family Vineyards brands. ASC’s California stable also includes Cakebread Cellars, Joseph Phelps, Kosta Browne, Shafer, St. Francis, Hess Collection and others.

As imports gain ground, vintners are also promoting the potential of China’s domestic wines. Moët Hennessy recently released the first vintage of Ao Yun, from southern China’s Yunnan Province, which retails at $300 a bottle. Jean-Guillaume Prats, president of Moët Hennessy’s Estates & Wines division, expects sales to split about 50-50 between China and export markets. "We made 24,000 bottles of the 2013 (the first vintage). We hope to reach 50,000 bottles once all the vineyards are
planted, but that will take years,” Prats tells SND.

E-commerce has been a growth driver in China’s wine market. Speaking at Vinexpo Hong Kong in May, ASC’s Baudry observed that less than 35 million Chinese consumers currently drink imported wine, but that e-commerce has the potential to eventually open up a market of 1.4 billion people. In April, ASC linked with Alibaba’s Tmall on a strategic partnership intended to tap that burgeoning market. "There are more than 600 million Chinese using various online platforms,” Baudry said. "The opportunities are vast.”

Source: Shanken News Daily 19 August 2016

Comment: South African 2014/2015 exports to China increased by 14% to 11 343 726 litres. YoY 2015/2016 is -5%.


Global Trends - Beverages

Wine industry prop is now a world standard

Wine enthusiasts, especially those whose preference is for small-batch production of handcrafted wines, conveniently forget for most of the 20th century the Cape wine industry would not have survived without the Cape brandy industry.

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Comment: Domestic brandy consumption increased from 43.7 million litres in 1999 to 48.1 million litres in 2007 where after it decreased to 31.6 million litres in 2015. The general opinion amongst industry specialists is that brandy's decrease has reached a turning point.