Consumer Countries/Markets

The premiumization backlash

Is the U.S. wine business finally noticing that premiumization may be good for producers, but not so good for consumers or the industry?

Consider these three items, all of which sound like something the Wine Curmudgeon would say during one of his premiumization rants:

- Wineries should try to democratize wine instead of focusing on premium brands from California’s higher-priced North Coast.
- The wine industry is dominated by elitists who dismiss sweet wines and insist that real wine drinkers should like drier, more correct wines. Isn’t it time the rest of us put a stop to that kind of arrogance?
- The upward spiral in wine prices, as well as the continued growth in producers, may be unsustainable and could inflict long-term damage on wine’s popularity.

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US: Wine shipments, sales increase in 2016

Continuing an expansion that has lasted more than 20 years, wine shipments in the United States grew 2.8 percent in volume last year as competition increased from cheaper-priced imports.

Revenue from domestic wine sales jumped 4 percent last year as Americans continued to trade up for higher-priced wines. The price for the average bottle of wine sold in the U.S. surpassed $10 for the first time, a reflection of consumers’ willingness to pay more for better wines.

U.S. and foreign wineries sold a record 383 million cases of wine. Brexit will likely decrease sales for French, Italian and Spanish wine producers in the United Kingdom, forcing them to look toward the United States, which is the biggest and most lucrative global market for wine. Sales of Italian prosecco has led growth in the sparkling category, increasing more than 25 percent annually. Another revitalized category has been rosé, which has been growing nearly 50 percent annually and now represents 1.5 percent of the table wine market. The French led this sector with a 62 percent share in sales, while the U.S. followed well behind at 30 percent, though more local producers are getting into the category.
NZ wine exports face major blow after US TPP withdrawal

New Zealand wine exports could face a major blow after newly elected US president Donald Trump upended the Trans-Pacific Partnership (TPP) that would otherwise see the removal of tariff on Kiwi wines into the US market.

The 12-nation trade pact was designed to enhance economic ties among the participating countries by scrapping tariffs on most goods. It was expected to give a further boost to New Zealand’s wine exports to the US, its biggest wine destination.

In August 2015, the US had surpassed Australia to become New Zealand’s most valuable wine export market.

China now Australia’s great wine hope

The growing popularity of Australian wine in China means the nation is now Australia’s great wine hope and the market it will prioritise this year.

Value sales are up by an impressive 40% in mainland China, while year on year volume sales are up even further - by 45%. While the UK remains Australia’s number on market by volume sales, it is no longer top for value sales, having been overtaken by China.

However, exports to the UK suffered their biggest hit at the bulk end of the market, while premium wine sales enjoyed growth. Australian wine exports to the UK at AU$10/litre and above grew by 25% to $28 million, while exports below $5/litre dipped by 10% to 287 million.

The UK remains the number one market in Europe for Australian wine, followed by Germany, The Netherlands, Denmark and Sweden. Across the pond, value sales of Australian wine are up by 3% in the US.

In terms of the most imported varieties, Shiraz remains in the top stop, ahead of Cabernet Sauvignon, Chardonnay, Shiraz/Cabernet blends and Merlot. Shiraz is still king in Australia, accounting for 26% of grape plantings in the country.