Economic Environment

UK Wine Trade’s Brexit Blues

Like it or not, it's happening. Here's our guide to all things Brexit. Admittedly, examining the consequences of a hard Brexit through the prism of the wine trade may appear like "small fry" when one considers how much is at stake, however the final outcome will affect millions of people who rely on wine to make a living. Not to mention nations that export wine to the UK.

California started the damage-limitation ball rolling in May, when Napa Valley Vintners (NVV) secured a Certification Mark for the Napa Valley name in the UK. Other nations and regions are also pondering their future in a post-Brexit world. For example: the UK is currently the largest export market for South African wine, a fact not lost on Wines of South Africa Marketing Manager Jo Wehring. "There isn’t a UK certification in place currently, though there is lots being done to discuss trade deals in the UK for our industry as and when we can," says Wehring.

The Distell 2017 Integrated Report also makes numerous references to the problems that may lie ahead. Yes, I know we no longer trust experts, but surely large multinational companies are a different matter.

"Brexit could have a negative impact on South African wine exports to the UK, as well as exports of Scotch Whisky to South Africa from the UK, with a possible currency impact due to the weaker pound if Brexit is disorderly," observes the report. "In the UK the impact of Brexit was experienced most significantly through the devaluation of the pound, which constitutes 37.3 percent of our currency exposure. Revenue declined by 13.9 percent, but was flat on a normalized basis." And then there are regions such as Rioja. Much-loved by both the trade and consumers for decades, it currently enjoys no legal protection outside of the EU regulatory framework.

There's no hard evidence that the average standard of living will rise, no evidence that we will be better off and no evidence that leaving the EU won't have negative consequences. Imported alcohol will be more expensive – who wants that? But we're taking back control – even if this is likely to prove disappointing to people who were expecting something quite different.

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Global alcohol consumption is forecast to grow by 147.1m nine-litre cases by 2022 to reach 28bn cases, and grow $78.7bn in value, according to the recently released IWSR 2018-2022 Forecast: Volume and Value Data. Total wine will see the largest growth (+37.8m cases), followed by spirits (+36.5m cases). Most notably, the global beer market is expected to return to growth in 2018 following a poor 2017 in many markets, but then lose volumes year on year to 2022. Despite declining beer volumes, global beer market value is expected to grow year on year. China, US and Russia, where domestic beers are all in decline, are the main contributors to the drop in beer volumes. Within the wine category, still and sparkling wine are leading the growth, while fortified, light aperitifs and other wines are all expected to decline. The US, Russia and Brazil are predicted to be the largest-growing markets for still and sparkling wine between 2017 and 2022.

Spirits will see mixed fortune with strongest global growth predicted for whisky, followed by gin and genever, and agave-based spirits. Vodka is forecast to see the largest drop mainly due to continuing declines in Russia. Rum and brandy are also forecast to decline due to drops in low-priced brandy and value rum. However, when looking at the premium-and-above segment, all spirits categories are expected to grow. The IWSR’s forecasts have taken into account tariffs which have been placed on US whiskey in some markets.

The US will continue to be a key market with top growth for wine and spirits, including US whiskey, Irish whiskey, Canadian whisky, tequila, mezcal, Cognac/Armagnac and vodka. The leading growth market for gin will still be the UK, and France is expected to be the lead growth market for rum.

Vietnam, Mexico and Brazil are forecast to increase the most for beer, while Germany will lead growth for low-alcohol beer. Romania is poised to show top growth for cider, while Japan continues to lead mixed drinks growth.

The IWSR is widely seen as the most authoritative data source on the beverage alcohol market. The IWSR’s unique approach to forecasting has proven to be reliable. Comparing last year’s forecast for 2017 with actual 2017 data, the IWSR’s forecast at a global level differed by just -0.4%.
### Global Forecast by Major Category

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<tbody>
<tr>
<td>Beer</td>
<td>20,525.6</td>
<td>20,543.4</td>
<td>$432.9</td>
<td>$447.9</td>
<td>-0.4%</td>
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<tr>
<td>Wine</td>
<td>3,541.8</td>
<td>3,579.7</td>
<td>$213.4</td>
<td>$227.6</td>
<td>0.3%</td>
<td>0.2%</td>
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<tr>
<td>Spirits</td>
<td>3,134.7</td>
<td>3,171.1</td>
<td>$318.5</td>
<td>$366.0</td>
<td>0.2%</td>
<td>0.2%</td>
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<tr>
<td>Mixed Drinks</td>
<td>395.6</td>
<td>421.5</td>
<td>$17.0</td>
<td>$18.0</td>
<td>2.6%</td>
<td>1.3%</td>
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<tr>
<td>Cider</td>
<td>257.5</td>
<td>286.7</td>
<td>$9.8</td>
<td>$10.9</td>
<td>4.9%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Units: Millions of nine-litre cases, Billions of US$  
Source: IWSR 2018  
*IWSR Global Forecast by Category*