



International Wine Consultancy Limited

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## FINE WINE MARKET REPORT / JULY 2024

The fine wine market remained a buyers' market during the year's second quarter as prices continued to decline on Liv-ex.

This year's Bordeaux primeur campaign has provided wines of good quality and, in many cases, sensible pricing, which should allow significant potential for future price appreciation. **(see 2023 Release report)**

The better wines on the left bank are those harvested late, benefiting from perfectly ripe Cabernet Sauvignon. Similarly, on the right bank, particularly on the limestone terroirs, Merlot has been the success story.

### Liv-ex market performance

While the Liv-ex 1000 index dipped 2.4%, Liv-ex's Bordeaux Legends 40 (a sub-index of Bordeaux wines from exceptional older vintages from 1989) rose 0.3% in June, its first positive movement in almost a year.

Elsewhere, there was a decline in Burgundy and Champagne, with Liv-ex Burgundy 150 falling -3.9%, and the Champagne 50 falling -3.7%, ahead of the Rest of the World 60 (down 1.1%) and the Italy 100 indices (down 1.2%).

### Value

The recent release of Burgundy 2022, whilst small in quantity, is excellent in quality and offers great value, with few price rises on 2021.

The Rhone continues to provide an outstanding price/quality ratio at all levels. The smaller growers of Chateauneuf du Pape are seeing their profiles rise rapidly, and price increases will surely follow.

Throughout the Rhone, top growers still provide wines at prices well below Bordeaux and Burgundy but no less significant in class and sophistication.



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## Market Analysis

The question remains: what is impacting the current wine market, especially at the higher end?

We have to look at the market from a broader perspective, and when we do, some interesting facts pop up.

- There is a trend towards lighter, less alcoholic wines.
  - 2023 saw an 8% increase in low alcohol consumption in 10 key markets, driven by the US.
    - Focus is on fewer carbs, reduced calories, lower alcohol content and, in many cases, zero residual sugar. **None of which categorise the finer end of the existing fine wine market.**
  - Climate Change
    - This continues to impact wine production. Rising temperatures and a greater incidence of extreme weather conditions are making it harder for regions in Europe to control alcohol levels at a time when trends are moving downwards.
- Emerging markets in the last five years, such as Brazil, which surged during COVID, have since fallen away as consumers switch wine to beer in line with pre-pandemic behaviours and a clear eye on the cost of living crisis
  - Thailand, Malaysia, Vietnam, Philippines and Indonesia.
    - The developing Asian economies offer growing appeal thanks to expanding consumption, a firm reliance on premium imports, and a rapidly increasing middle-class wealth.
    - The negative aspect is the high tax and infrastructure surrounding the storage and delivery conditions of premium products



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- Reliance on older drinkers
  - Ageing populations in Europe and North Asia and recruiting younger consumers in all markets is challenging.
  - Gen Z consumers are not being recruited into wine at the rate they were 10-15 years ago. This reflects their desire for lighter alcoholic beverages, and they are exploring non-traditional segments of the market such as cocktails and craft beers.
  - Gen Z consumers attracted to wine are increasingly more confident about and engaged with wine than previous generations – and more adventurous in exploring the category. They are looking to discover new products and are heavily driven by the reliance on Smartphones, which reduces the need to remember detailed information and provides a wide source of information.
  - The cost of living crisis has significantly impacted drinking trends and brought about a realisation that there is a quality/price ratio to be had at a lower price.

In summary, the emerging wine drinker views wine in line with everything else, with sustainability high on the agenda.

The impact on health closely follows this, hence lower alcohol and lighter styles of wine.

Generation Z is driving the market and its direction, but will the traditional wine world adapt or adapt fast enough? Will we see a more significant price fall for Bordeaux and Burgundy and a greater drop in their market share?

**AJR / International Wine Consultancy July 2024**