

Vino Joy News



Louis Latour: Expectation for Asia rises with US setback

With Trump administration's punitive taxes corking French wine sales in the US, expectation on Asia to perform for the coming year is rising to make up for losses in the states, says Burgundy's historic producer Maison Louis Latour's Asia Export Director.

By Natalie Wang

With Trump administration's punitive taxes corking French wine sales in the US, expectation on Asia to perform for the coming year is rising to make up for losses in the states, says Burgundy's historic producer Maison Louis Latour's Asia Export Director.

Starting from October 18, French wine exports including the country's two popular exports Bordeaux and Burgundy are faced with a newly imposed punitive tariff of 25%, as part of US\$7.5 billion of extra levies on a wide range of goods from Italian cheese to fabrics.

Aside from French wines, wines from Germany, the UK and Spain will be levied the additional tariff except Italy, Hungary, Champagne and sparkling wines.

The news was met with dismay for French wine producers and prompted more estates to ramp up efforts in Asia to offset possible losses in the US.

"At the moment America is very important for Burgundy, so a big impact," says Mark Allen, Asia Export Director of Maison Louis Latour when interviewed in Hong Kong recently. "This is surely going to put more pressure on Asia to perform next year."



US is still the top export market for French wine and spirits outside of the EU, contributing €3.2 billion worth of sales in 2018, more than three times that of China (€1 billion), according to figures released by Business France.

More than 4,500 French wine exporting companies are now directly impacted by 25% additional customs duties, according to trade org FEVS. For Bourgogne wines, the US is also the first market. It imported 17.3 million bottles in 2018 worth nearly €212 million.

Hong Kong, however, for years has been a top premium export market for Burgundy producers like Maison Louis Latour. Its importance remains vital. The city continues to drive Burgundy growth in Asia, especially led by premium wine consumption of premier cru and grand cru bottles.

Speaking of the market, Allen says, "Burgundy is definitely in a good position in branding at the moment. Burgundy is the holy grail of wine. Having said that it is fueling pricing expectation. This is one of the challenges that Burgundy has to come to grips with."

Cautioning drops in Bourgogne regional level wine exports to Hong Kong, he warned, "looking back the figures, all categories are growing but except regional Bourgogne. This means that regional wines perhaps seen as being a bit pricier for what they are offering at the moment. For me it's a warning signal maybe Burgundy is approaching a price point which is getting a bridge too far."

Exports of regional Bourgogne rouge and blanc to the Asian city dropped in volume and value in the first eight months of the year based on figures released by FEVS, but grand cru exports for both red and white saw double-digit growth in value.

Admittedly impacts of the city's ongoing anti-government protests already took a bite off the city's wine sales. "We all know that the protests have a knock-on effect on wine sales in Hong Kong. From what I heard roughly around 30-40% drop," says Allen.

However, he's quick to add working with local importer Links Concept in challenging times like this pays off. "For us, at the moment working with Links Concept really showed how the strength of Links pays dividend. It is really a local team who knows the market and knows the buyers. One of the things attracted to us to them is their local network and local know-how."

Across the border in China, the story is different. "China is a complex animal," he admitted, adding the fragmentation of the market requires different distribution strategy.

"We are strong with Chablis, Macon, regional wines, and Côte Chalonnaise. We have a good mix and balance. The only area that we are not so strong and see perhaps a future in is Beaujolais especially in China."

The Beaune-based Burgundy negociant acquired two Beaujolais domaines, Henry Fessy in 2008 and Château des Labourons in Fleurie in 2012. "Maison Louis Latour is one of the big players in Burgundy that consider Beaujolais as an important part of our mix, and it show confidence and investment to help the region come out," he explains on the company's expansion in Beaujolais.



Louis Latour's offerings outside of Burgundy includes Beaujolais, Chablis and Les Pierres Dorées. The wines are sold in Hong Kong through Links

The Beaujolais category has seen improvement in consumer's perception, thanks to improvement in winemaking, its fresh and approachable style. In China, the maison just started working with state-owned wine importer COFCO Wine & Wine to distribute Henry Fessy roughly 18 months ago.

"Beaujolais wines are perfectly adapted to the market because of the price positioning," he says but dismissing unrealistic expectation of explosive growth in China.

"From my personal impression, everyone expects a lot from China, but they will be always disappointed by the way that the cookie crumbles, so it's better to be prudent, to go step by step rather than expecting too much too soon," he advises. "It's going take time to build confidence of the market, to understand the market and also for the market to organise itself."

QUICK FACT-SHEET

- The US is also the first market for Bourgogne wines. They imported 17.3 million bottles in 2018, for an income of nearly €212 million.
- 25% tariffs apply to the value of the products upon customs clearance. • These duties apply to still wines exported in containers of 2 liters or less and with an alcohol content of 14 % or above.
- In 2018, the turnover generated by these products on the American market amounted to one billion euros for nearly 14 million 9-litre cases. Over the first six months of 2019, these exports increased by 10% in value and 2% in volume.
- Still wine above 14 % of alcohol content, wine packaged in bulk and sparkling wine are not affected by this measure.
- Behind Italy, France is the second largest European supplier to the US of still wine with a container capacity of less than 2 liters.
- French products constitute 40% of European exports, which amounted to €2.6 billion in 2018.

- US tariffs on products subject to these measures remain at 0.063 USD/Liter.