

VINTAGE AND MARKET REPORT

1980 VINTAGE

The French world of wine is dominated today not by the passing moods of a market or vintage but, like the rest of the World, by fundamental economic changes which could have durable repercussions. The last crisis of 1974/76 put into motion a series of waves which rocked everybody, and swamped some. The current crisis is less spectacular but deeper. The currents which are in motion could change many aspects of wine production and trade which for long have generally been considered immovable. In the previous crisis those who had put up too much sail, in the hope of profiting fully from the ideal conditions which immediately preceded the storm, found themselves in trouble, whereas those who were more prudent escaped almost unscathed. This time it seems that almost everybody has trimmed their sails but nobody has much idea where they are going. It is against this situation that it is interesting to look at the current position in some of the different wine growing areas of France.

As is well known the French system of Appellation d'Origine Contrôlée, which has been in existence since 1935, is based on the supposition that quality is inextricably dependent on soil, that there are certain soils which have the ability of producing wine with a character which cannot be duplicated, that such areas should be defined and production methods controlled so that the wines identified as being issue of that particular soil are properly representative of it. The character of the wine is itself its quality, and the responsibility of the wine maker is limited to providing the grapes which have fed on that soil with the right conditions in which to express themselves. Over the years each area has found a specialisation, grape varieties which are best suited to its soil and which enable the soil to express itself with the maximum of individuality. Wine making methods were adapted in each area with the objective of highlighting the wine's individual character that is inherent in its origins of soil and grape. Different cults or cultures were developed around each of these areas - some associating themselves with the unique and delicious fruit and charm of a young Beaujolais, others with the richer, deep character of Pinot Noir when grown in the Côte d'Or and others with the delicate finesse provided in some rare soils of the Bordelais when wines of Cabernet and Merlot grapes have matured in bottle. As the years went by methods of wine making might have varied somewhat and attempts at the control of the quality of the finished product, as opposed to relying entirely on control of the method of production, have been made. But the belief is still that the quality of a wine is a question of the degree of natural character it has achieved from the right combination of soil and grape variety. This could of course become obscured because of careless wine making or unfavourable weather conditions but its pedigree being impeccable the French have liked to believe that the intrinsic value of the wine is guaranteed. The major element of quality after soil and grape variety, and perhaps before that of competent wine making, has been the conviction, based on years of observation, that it is closely related to yield. Originally it was considered that above 35 hectolitres to the hectare quality would suffer.

In fact it is perhaps fair to say that the French themselves set less store by the certified origin than certain export markets who, quite naturally, as they became interested in the product, sought out those which enjoyed the greatest reputation, assuming that if a particular appellation had become well known all the wines which bore that name must be of high quality. As, through the 1960's and early 1970's, this new demand increased so did the temptation to abuse the confidence of those who seemed to be more concerned with the name on the bottle than with the quality of the wine within. Indeed it was very much easier to sell at high prices wines of mediocre quality but of renowned origin than well made wines of obscure origin but which offered true value for money.

If this is a reasonable assessment of what has been the situation it has been necessary to state it at some length because many of those aspects which have been sacrosanct for so long are either being challenged or are changing under pressure of the current economic situation. That what is happening would have taken place even without the current economic pressures is probably true, but one of the real advantages of a crisis is that realities which had been obscured become evident and evolution is accelerated.

Some of the realities which are coming home to roost and which effect different areas to varying degrees are as follows :

- There is less inclination to accept origin as a guarantee to quality.
- Good wine making techniques are providing pleasant utility wines from soils which have no pretention of being capable of furnishing wines of character but which are planted in climates and soils capable of greater yields than is possible in the classic areas. They are likely to provide a similar form of competition to that which plastic brought to leather, wood and stone.

—The cost of maturing wine has at least temporarily become so great that it could put into question the economic future of wines whose value is based on this characteristic.

—Increased costs of production may put relatively modest wines with restricted yield into a price category it is by no means certain the market will accept.

It is against this new set of rules that it is interesting to look at the position of different areas of France.

BORDEAUX The 1980 Vintage

Quantity

The 1980 vintage produced :

2,05 million hectolitres Appellation Contrôlée Red
0,19 million hectolitres Vin de Table Red
0,87 million hectolitres Appellation Contrôlée White
0,55 million hectolitres Vin de Table White
Giving a total for the Gironde of 3,66 million hectolitres.

In the last twenty years the total crop has only been smaller in 1977 (2,4), 1969 (3,2) and 1961 (2,8). It is interesting to compare the production details with those of 1971. They illustrate well the conversion which has taken place from white production to red :

	1980		1971	
	Million Hectos	% Total Crop	Million Hectos	% Total Crop
A.C. Red	2,05	56%	1,22	33%
Vin de Table Red	0,19	5%	0,39	10%
Total Red	2,24	61%	1,61	43%
A.C. White	0,87	24%	0,91	24%
Vin de Table White	0,55	15%	1,21	32%
Total White	1,42	39%	2,12	56%
Total Red et White	3,66		3,73	

Quality

The year was characterised by a strange weather pattern, or rather conditions which were so inconsistent that there was really no pattern at all. A cold, wet, sunless June provided fatal conditions for the flowering, which dragged on into July. The small crop was the result of these poor conditions when the fruit should be setting. July was mediocre, providing a temperature well below average and rather more rain than was useful, but was followed by a hot, dry August which provided some much needed calories and hope. This was short lived and the day the calendar turned the clouds rolled in, showed thoughtful restraint but nevertheless kept the sky grey for ten solid days. The first hour of sunshine of the month was not recorded until the 11th. Although there were two days of heavy rain in the middle of the month the grey skies which caused the least sunny September since 1965 precipitated less than an average September and did not prevent the average temperature from being the highest for that month since 1973. There was some heavy rain during the second week of October and just before the red vintage got under way around the 14th. More rain dampened the spirits of the pickers soon after they had started but the rest of the month was almost totally dry and enabled the grapes to be brought in under reasonable conditions. They had had a troubled gestation and though generally healthy some growers brought in grapes which were attacked by rot and the quality varies from satisfactory to unsatisfactory. By satisfactory we mean wines which are fully worthy of their origin. By unsatisfactory we mean wines which are not. There must be few growers who can justly claim that all of their vats come into the former category so it must be hoped that the maximum will be strict in selecting what they offer under their top labels.

They are quick developing wines which sometimes have a good fruit but generally lack length. As always the poor weather conditions at the time of the flowering affected primarily the Merlot but as with the weather pattern it is difficult to find any characteristics of the wine which reflect a shape of events. Some vats of Merlot (in Saint-Emilion particularly) have turned out remarkably well whereas others are (literally) colourless. Some vats of Cabernet have good colour others lack ripeness, but are seldom high in acidity. Probably it is all linked to the yields from individual plots.

The antibotrytis sprays also played a role and this for the first time. Those who used them properly escaped any rot damage and it is a pity that the cost is so high that it is hardly viable for the growers of basic generic wine to use them. Some people cannot afford insurance.

If conditions were at best marginal for red wines they were satisfactory for white. The dry wines have more bouquet and character than they had in 1979 and there has been some excited enthusiasm from those growers in Sauternes who coolly sat out the bad weather and picked their grapes in the dry, fine period which lasted from the 18th of October through to the end of November.

Not a great vintage, only a few claims to being a good vintage. Fairly an adequate gap filling vintage - if only there are any gaps to fill.

The Market

From a sales point of view, in a world supposedly crippled by crisis, Bordeaux can be satisfied with its past year's activity. The total quantity of Appellation Contrôlée wine which left growers' cellars was 12% greater than in the previous year and the new crop did not quite replace what had gone out. It was also gratifying that the greatest part of this increase was of white wine, whose sales increased by 33%. The sales of the basic red category Bordeaux et Côtes also had a healthy increase of 9%, whereas the categories of Médoc and Red Graves slipped by 7,5% and that of Libournais (Saint-Emilion, its satellites and Pomerol) by 3,3%. All of this clearly reflects the natural tendency in a time of economic problems for consumers to buy down market. It seems that it has even encouraged them to discover the unrivalled value available in white Bordeaux though it is almost entirely the home market which has increased its purchases. Globally exports of Appellation whites actually fell by nearly 7%.

If the overall result was satisfactory there were a number of negative aspects. Exports were down by 11% in volume. This is the third successive annual decline and the level achieved in the twelve months to August 31, 1980 (the end of the campaign year) was no less than 26% below the record campaign of 1976/77. Not surprisingly the markets most severely hit were those which were most effected by high inflation, high interest rates and low currency value. Exports to the USA fell by 25%, to Canada by 34% and to the UK by 17,5%. It seems likely that a good percentage of these decreases, in the USA and the UK at least, were due to the financial need to reduce stock levels to a minimum rather than reflecting such a severe drop in consumption.

Apart from the poor export performance the major negative element, as far as growers are concerned, has been the fact that the result was achieved at the expense of a price stability which, in a time of strong inflation, resulted in a greatly reduced return. This grumble was not entirely justified when made last year because the exceptional yield per hectare compensated for the stable unit selling price, but with prices of Bordeaux Rouge much at the same level in February 1981 as they were three years previously, and the yield in 1980 being so far below that of 1979, the problem of viability is now becoming serious.

It is at the base that Bordeaux's problems are the most serious. This "base" represents about 60% of the total red production in white perhaps the proportion has to be put as high as 80%. These are wines which are produced on soils which have little potential of furnishing an appreciable degree of individual character. They are capable of producing pleasant wines of a certain style and length which is associated with Bordeaux, but the climate being what it is, even this is difficult in some years and it is only achieved in any year if the yield is kept down to a maximum of about 60 hectolitres to the hectare. In fact the natural limitations of yield in this Atlantic climate prevent this level from being reached in any but the most prolific years. The average yield of Bordeaux Rouge even in 1979 was only 62 hectolitres to the hectare. Possibly improved viticultural and vinification techniques will make it possible to increase this production level without sacrificing quality but there are no signs of it yet and the average is in fact about 50 hectolitres to the hectare. In 1980 even the most prolific appellations only produced 38 hectolitres to the hectare.

Without becoming too detailed a few figures will define the problem. In the last four years the costs of cultivating a hectare of vines producing basic A.C. Bordeaux has increased from about Frs 14 000 to Frs 20 000. This includes cultivation, harvesting, vinification and amortisation. From here it is easy to calculate what yield is required to cover costs at various price levels :

Yield	Required selling price per hecto to cover cost
38 hos/ha	Frs 526
50 hos/ha	Frs 400
60 hos/ha	Frs 333

The yield in 1980 being 38 hos/ha and the current ex vineyard price being Frs 422 per hectolitre, growers are a long way from covering cost. They can do so if they produce 50 hectos/hectare

every year but even then the return is so meagre that it seems inconceivable that at the end of the vine's life they (or a banker) could invest the astonishing Frs 80 000 which it is now calculated to cost to plant a hectare of vines and bring it, in its fourth year, to production of A.C. wine. So these basic Bordeaux are finding themselves being overtaken by rising costs without a proportional increase of their selling price. What is the solution and what is their future ?

Whether Bordeaux is sold at Frs 422 or Frs 550 per hectolitre probably makes little difference to the level of consumption in the USA, UK, Canada or other export markets. Though the difference looks appreciable it is the equivalent of only one Franc per bottle. It does have an effect on home sales because Bordeaux has to compete for shelf space with Côtes du Rhone particularly, and whenever Bordeaux gets too far from Côtes du Rhone and closer to Beaujolais in price sales suffer. The tendency both in and beyond Bordeaux is to believe that the answer is to sell the maximum of Bordeaux as "Petits Châteaux". In the short term this is probably true. There is no doubt that it is easier to sell Bordeaux with a château name than without, and it is easy to get a premium for the same wine if it is possible to offer it with a "Château name". But a château name is of course no more a guarantee of quality than an appellation and if the consumer is entitled to find originality - or character - in a geographic origin, he should expect even more from an individual château. But if it is true that only a small proportion of the Bordeaux vineyard possesses soils which are capable of giving character to the wine it follows that those châteaux which are not situated on such soils cannot either have a character resulting from their origin. If a crisis is a good time for self interrogation perhaps Bordeaux should be asking itself whether it is better to base its future on the perpetuation of the image of "Petits Châteaux" or whether in the long run this does not do more harm than good. The dilemma is well illustrated by its schizophrenia when it comes to publicity campaigns. When there is a glut Bordeaux promotes "Bordeaux - Vin de Carafe" but when there is a shortage it snobbishly withdraws into "Bordeaux - Vin de Château". The position must also be confusing for consumers when faced with the fact that whereas wines of a particular vintage need to be matured for five to ten years, "Petits Châteaux" of that vintage can be consumed as soon as they are bottled. This aspect is significant in the context of today's problems because it is part of the myth, and the romance, which surrounds French wines. It provides a degree of success but is perhaps ultimately destructive because it distracts from the essential task of providing the best possible wine in a form best suited to modern requirements. Trying to be all thing to all men, there is a risk of ending up being nothing to anybody. If much of Bordeaux's soil is not capable of producing wine with a unique character its mild climate, in partnership with its Cabernet and Merlot grapes, is capable of producing wines which, because they are light and delicate flavoured, are in many ways ideal for today's taste - as they were when it was this type of wine which made Bordeaux famous long before it had been discovered that certain of its soils were capable of producing a wine which had unique qualities if matured in bottle. Whatever the answer it is essential that producers become aware that if they leave too much to nature and ignore technique they will find it increasingly difficult to beat off competition from areas which have considerable climatic advantages and which have already invested wholeheartedly in technique.

Further up market life is a little more secure but hardly more comfortable. If cultivation costs are up to 50% higher per hectare (more plants per hectare because of the less rich soil) and yields generally lower, the other costs which are rapidly eating up margins are those of oak casks (now over Frs 1000 each), the costs of maturing and above all that of finance. At current rates of interest whoever is financing the crop - whether it be the grower, négociant or merchant - has got to persuade himself that the wine will double in value in four to five years. In fact 1978's are behaving to par and have increased in value by just about 50% in the two years since they were first put on the market, 1979 classed growths are 10% to 20% above their opening level of 12 months ago but as these were for payment on average only at the beginning of this year they too have so far performed adequately. There is still a good deal of 1979 unsold but the increased value of the dollar, which has effectively reduced Franc prices by some 25% in the last year (if you add this to inflation the difference can be considered as over 35% in relation to the cost of living) and the prospect of a lesser quality from 1980, has put some pep back in a market which had been suffering from an understandable attack of indigestion. Even those greatly underestimated 1977's, which are certainly today the best value in Bordeaux, have increased in Franc terms by a minimum of 50% since they came on the market in the spring of 1978. With the exception of a few châteaux which are not sold on the open market stocks of older vintages are already commercially exhausted. So who is complaining? Nobody yet but it is not easy for proprietors to find the right price at which to open 1980's. Our own feeling is that the right commercial level is about 15% below the opening prices of 1979's, with payment terms which would leave the financing costs squarely on the shoulders of the growers. This would put them about 15% below current prices of 1977's or say 30% below current prices of 1977's if one takes into account that 1977's are payable immediately and that on this basis 1980's would not be payable for at least 12 months. There is no doubt that this would cause a real drop in revenue to the proprietors concerned, which will be increased further for those who are sufficiently disciplined to eliminate from their blends those vats which are not up to standard,

thus reducing further the already meagre effective yield per hectare. Nevertheless privileged proprietors of prestigious vineyards cannot expect to win all the time either, and such a drop in viability would not be an unreasonable price to pay to an economic situation which is basically so incompatible with their product. The real problem is, as usual, for would-be purchasers of 1980's, or any other vintage, to feel confident that the value of such wines will anyway keep increasing in value in pace with the current exorbitant cost of money. It is surprising and gratifying that so far they have appeared to do so.

There is no doubt that the basic concept of Appellation Contrôlée is justified. Certain soils are capable of producing wines with a unique character and it is on such soils that perhaps 40% (though probably less) of Bordeaux's red production and 20% of its white production are situated. They might not be of a type which will immediately appeal to a mass market but there is anyway no possibility of producing them in sufficient quantities to supply one. Financing problems are presumably not going to last for ever. The production of such wines has always been hazardous and if producers accept that their greatest hazard is not the increasing outside competition but their own lack of discipline in not always doing the utmost to produce wines worthy of their privileged soil and not always being sufficiently ruthless in the declassification of what is not, to cling to the hope that it will all come right in the end does not seem entirely unreasonable.

BURGUNDY

Southern Burgundy

Again the Beaujolais production topped 1,1 million hectolitres, including the "Crus". This has now happened for three consecutive years and for four consecutive years it has been above the million. Average production is now running at a level nearly 50% above that of ten years ago, whilst the amount of land producing A.C. wines has only increased by some 15%. The amount left in growers' cellars in August each year represents barely four months requirements and yet for the last six years prices have opened at much the same level and recently have ended the year lower than they started. Half total sales are exported, with Switzerland still taking 33% of total exports. Each year the area produces to its maximum permitted yield and each year sells all it makes. The "Primeur" campaign, now spreading throughout Europe, and even beyond, absorbs 30% of the crop in the first two months. After that orgy of activity the best wines are first creamed off, then prices start falling as what is left is bought up by those more concerned with the name than the wine. We have been predicting for some time that one day there will be a small crop, that when this happens the low stock position will send prices rocketing, but it did not happen in 1980. Perhaps it will in 1981.

Inevitably such a high yield in such a mediocre summer has produced wines which at their best are light, with a little pleasing fruit, which are adequate for early consumption. At the other end of the scale they are small, acid wines which, if the appellation were really a brand, would certainly be deemed inadequate by its owner. Apart from the variation of yield a major factor in quality was when the grapes were picked. There was a week of good weather at the beginning of the picking but then the rain set in, diluting further the already anaemic must.

Growers in Beaujolais must be facing a severe drop in revenue compared to five years ago. The table at the end of this report shows it as the area which has remained the most stable in price. It is a strange phenomena that with such regular demand, such popularity and such a vulnerable stock position prices should have remained so low. In order to have kept up with inflation in France bulk prices should be 30% higher than they are today.

The problems facing Beaujolais are clearly not those of financing charges nor of cash flow. Nor is there a lack of definition in the product, which, when it is good, is delicious and unique. Nobody else makes anything like it. The marriage of Gamay with the local soil is exactly what Appellation Contrôlée is all about. Perhaps if the price went up demand would fall, yield would be reduced and quality improve.....

It was not a large crop for the white wines of the area, but about average with 31 138 hectolitres of Pouilly Fuissé and a total of 95 333 of the various appellation of Macon Blanc. It is still early to taste these because the malo-lactic fermentation has not always taken place, but they appear rather hollow and small. Certainly less good than 1979.

No single wine better reflects the influence of the American market than Pouilly Fuissé. Prices there have breathed in harmony with the American economy. From 1968 to 1972 they nearly trebled as the USA inhaled a sufficient amount to put it on every self respecting wine list in the country. From 1972 to 1975 prices fell by nearly 40% as Uncle Sam exhaled in the first destocking operation. From 1975 to 1978 they nearly trebled again as the white wine boom continued and the shortage of Pinot Chardonnay set the country gasping. Since 1978 they have fallen by 33% as, with a weak dollar, most self respecting wine lists have decided they can survive without Pouilly Fuissé. Whoever said the price of wine has something to do with production costs? At its present level

Pouilly Fuissé is quite a reasonable buy, particularly in relation to wines of the Côte d'Or. We do not expect that, or the new strength of the dollar, to greatly renew demand because, as already mentioned, it is no longer essential to U.S. restaurants. It was the thousands of such restaurants who each bought perhaps only a case or two per year but felt that for their image they had to offer it who absorbed the 300 000 cases or so produced in an average year. This demand has probably gone forever so that the wine will find its right place as something for the discriminating who want a superior Pinot Chardonnay with the elegance that only France can provide, but who do not want to go to the expense of a great wine from the Côte d'Or.

The price of Macon Blanc has tended to behave as the shadow of Pouilly Fuissé. It is so difficult to find wines of the quality and style of Pinot Chardonnay from other sources that there seems no reason to consider the current level as exaggerated. However, only 75 000 hectos left growers' cellars last year, which is some 25% less than an average year's production. Prices could ease further, they certainly should not rise.

Côte d'Or

An average sized crop of 285 419 hectolitres of A.C. wine produced on 7405 hectares, which is only 38,5 hectolitres to the hectare. Nobody can call that overproducing. In spite of this reasonable yield the mediocrity of the summer has inevitably produced wines which are light. The best nevertheless have elegance and length. There will be some pretty wines with style but it will be difficult to justify today's prices.

There is no area where all the realities, paradoxes, weaknesses and strengths of the French wine scene are so concentrated as in the Côte d'Or. Nobody who has spent a day in a Domaine cellar tasting casks from different 'climats' situated vertically up the same slope can retain any doubts about the importance of micro soil conditions. Nobody who has experienced the deep richness of subtle flavour in a great Burgundy can claim that with "technique" the same wine can be produced elsewhere. Nobody who has suffered some of the rubbish which is also produced from this hallowed soil can defend the claim that origin is a guarantee of quality, nor can he blame consumers from turning towards alternatives which at least have the advantage of being available at a fraction of the price. It is because they are at their best so superb that the disappointment is so great when they do not live up to expectations. Particularly when the image of origin being a guarantee of quality has resulted in the rubbish fetching the same price as the best. Of course this is true in other areas too, but nowhere in such a concentrated form as in the Côte d'Or.

The result of this situation is a fundamental change, now well underway, which ultimately can only be beneficial. Similarly to Bordeaux the wines can be split into three groups. Those from the micro climates of the greatest wines (Chambertin, La Tache, Richebourg, Bonnes Mares, Clos de Bèze, Montrachet, etc.) which have been primarily responsible for the reputation of the area but which, unlike the Crus Classés of Bordeaux, are nevertheless appellations as opposed to private estates. Those from surrounding areas also enjoying a privileged soil capable of producing unique wine, though with less depth of character, and those of outlying areas where the soil has little to offer but which have drawn a considerable advantage from their proximity to the great vineyards and have become "associated" with them through such appellations as Bourgogne Rouge, Côtes de Beaune Villages, Côtes de Nuits Villages, Bourgogne Hautes Côtes de Beaune, etc. The first category is produced in such tiny quantities that their distribution has long been what the French would call "confidential", being bottled at the estate and rationed out to privileged purchasers. The owner feels closely associated with the finished product so generally the quality is at least satisfactory. The middle category is where most of the disappointments have been. Until recently they were distributed as 'generic' wines with Pommard, Gevrey Chambertin, Nuits Saint-Georges and Puligny Montrachet particularly being, like Pouilly Fuissé, an essential element of most self-respecting restaurants' lists in the USA and also, in some cases, in the UK. There was no way these communes could supply sufficient quantities of quality wines to satisfy such a demand so through the 1970's prices went up and the quality went down, with negociants doing their best to produce "silk purses from sows' ears". The most recent increase in prices, the weakness of the dollar and sterling, the general economic situation and greater sophistication of consumers has changed this situation. Everybody has discovered that these wines are in fact not essential to their self respect. They are happy to print lists without them. There will be a market for them in high class outlets if the wines are good. In that case the price will not matter very much. If they are not good probably no one will any longer need them. It is a good example of origin being rejected as a guarantee of quality. Such an evolution can only be beneficial because growers will be forced to produce wines of quality if they hope to sell at a high price.

If this process is as firmly engaged as we believe it to be it is possible there will be a collapse of the current asking prices for 1980's. As the price index table at the end of this report shows these Côte d'Or wines have increased since 1971 to a much greater extent than any other category and greatly in excess of production or living costs. The Côte d'Or could be in for a difficult year or two but will come out of its crisis in much better health than it is at present.

Chablis

The total crop of 82 930 hectolitres might have been 27% below that of 1979 but it was 34% above the previous record breaking crop of 1976. Because of a considerable increase in the area of land in production an average crop is now considered to be about double what it was ten years ago. This has also been achieved by introducing effective methods of preventing the frost damage which used to wreak such havoc. The average yield in 1980 is about 53 hectolitres to the hectare, which is not excessive. But like other white Burgundies, the wines of 1980 have suffered from the lack of sunshine. They are healthy and clean but lack substance.

Unlike other areas it is difficult to judge the availability by adding the declared stock at the end of August to the crop. In other areas when the wine leaves the growers it indicates that it has entered distribution channels. In Chablis about 30% of the crop is bought by négociants in the form of must and fermented in their own premises. It therefore does not appear in the growers' stock declarations but it is not necessarily commercially sold. To know the exact position it would also be necessary to know the quantity which is unsold in the hands of the négociants who bought must, and these figures are not available. After the very large crop of 1979 and the sluggish sales during 1980, total availability must be considerable. The market is dead and it seems likely that prices, which have fallen by 33% since the 1978's opened, will fall further. Our table shows that prices have increased excessively since 1971, and this particularly in view of the exceptional increase in production.

THE RHONE

In the Rhone valley everything is up. Sales reached a record level, the crop beat all previous records (as far as Côtes du Rhone and Villages is concerned) and total availability is also greater than it ever has been. With the added benefit of the Mediterranean climate providing much greater stability of quality, the Rhone Valley is the ideal source of quality wine for modern distribution. The vintage provided nearly 1 800 000 hectolitres of Côtes du Rhone and Villages. That is only 10% less than the 1980 production of AOC red wine in Bordeaux. But instead of being split amongst 37 different appellations and a myriad of châteaux, the message of good deep red solid wine available in almost unlimited quantity at stable prices can be put across loud and strong. It might not be so romantic but it has the advantage of being realistic. Having suffered a severe drop in sales in 1977/78 as a result of the sharp increase in price from 1976 to 1977 the market learned its lesson and for the last three years prices have remained stable. Sales during the first months of the current campaign have been brisk enough to indicate that the year's figures will again show a healthy increase. If this is so sales are likely to overtake production and some increase in prices seems inevitable. With the ten year price index (see table) lagging so far behind most other areas and costs, some increase must be essential if quality is to be maintained. Cultivation costs are lower in the Rhone than in Bordeaux and yields are higher but these two basic A.O.C.'s must both be under considerable strain to cover their costs.

Châteauneuf du Pape had a less successful year's trading, with a drop of 21%. This is surprising in view of the high quality and reasonable value. It is perhaps mainly a question of destocking in the U.S.A. and in the U.K. The crop of 101 000 hectolitres beat that of 1979 which had been the record holder, making a total availability of stock plus crop of over 200 000 hectolitres, or just under three years' requirements. This is a comfortable position and should keep prices stable for a further year. They are in fact 10% cheaper than they were two years ago. The quality is good.

CONCLUSIONS

The world has not yet come out of an economic crisis which we are told is the most severe since that of the 1930's. French wine is a luxury item on most export markets and fine French wine a luxury in France itself. It would not have been surprising to see stocks pile up, demand fall and prices crash. None of this has happened. There has been a tendency to buy down market and consumption has perhaps not increased as fast as it would have done, but remarkably the world of wine seems to be almost unscathed. Even more remarkable is the fact that fine wine, as our charts below show, has even kept its value in relation to the rising cost of living and the falling value of currency.

If the trade carried the burden of the crisis of 1974/76 this time it has been carried by growers. The need for merchants to keep their stock to a minimum and the tendency for consumers to seek out wines of value have kept a pressure on prices at source which has prevented them rising to cover rapidly increasing costs of production.

If, as we are promised, there is a good chance of climbing out of the recession in the second half of 1981 growers will be hoping to re-establish previous levels of viability and if there is a surge of wine into distribution channels encouraged not only by better economic conditions but also by the new found strength of the dollar and sterling, it will need a large crop of good quality wine in 1981 to prevent prices surging up with demand.

Perhaps the most significant long term result of the crisis will be the accentuation of the tendency for the new generation of consumers, which is supplying the wine trade with a unprecedented boom, to be more relaxed about the subject than the previous generation which came awkwardly and nervously, seeking the maximum security in well known names. There is no reason to

believe that the new and future generations will not be willing to pay for wines of real quality but there is every chance that growers will find it increasingly difficult to get away with wines which do not objectively stand up to competition.

France has the enormous advantage of having been the first to realise the contribution certain rare soils can make to the character of wine. This has enabled her to reach a sophistication in the subject which no other country is near to matching. The danger has been the tendency to rely entirely on this magic, to view the world from a position believed impregnable and to ignore the alternatives to character provided by modern wine making techniques. It must be important for growers to become aware of the fact that to survive in today's difficult times they will need the best of both worlds.

Bordeaux, March 4, 1981
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TABLE 1

RELATIVE INCREASE IN COSTS SINCE 1971

Index base 100 in each case. Wine prices base of 100 is price of 1970 vintage in March 1971, compared to 1979 vintage in March 1980.

Cost of Cultivation of the vine (including harvesting and vinification)	250
Opening prices First Growths 1979 compared to opening price 1970	176
Opening price 2nd/3rd Growths 1979 compared to prices 1970's were fetching in March/April 1971. (Some had opened very low in December 1970)	190
Bordeaux Rouge	253
Médoc	350
Saint-Emilion	416
Bordeaux Blanc	257
Graves	330
Sauternes	370
Beaujolais	190
Côtes du Rhone	186
Nuits Saint-Georges	450
Chablis	400
Puligny Montrachet	416
Pouilly Fuissé	200
Cost of living in France 1970 to 1980	242
Cost of living in U.K. 1970 to 1980	345
Cost of living in U.S.A. 1970 to 1980	210

TABLE 2

Increase in value of Château La Lagune, Haut Médoc. Base 100 opening price ex vineyard which is indexed to Bordeaux market price February 1981.

1970	800*
1971	418
1972	94
1973	248
1974	353
1975	462
1976	289
1977	164
1978	154
1979	119

For those who are impressed by the current strength of the Dollar and Sterling they might like to be reminded that in March 1971 the rates were as follows :

Frs 5,51 to the US Dollar

Frs 13,34 to the Pound Sterling

On the other hand in March 1979 :

Frs 4,28 to the US Dollar

Frs 8,56 to the Pound Sterling

* This is based on the actual opening price of La Lagune as opposed to the price in March-April 1971 for average 2nd/3rd Growths in Table 1.