



VINTAGE AND MARKET REPORT

THE 2003 VINTAGE

Introduction

2003 provided the most diverse and extreme set of vintage conditions Bordeaux has ever seen, with the hottest summer ever recorded here. Although parallels have been drawn with 1947 and 1949, any comparison remains very difficult, as so many variables other than climate have changed since then. What is certain is that 2003 will be the best illustration that no other wine-growing area in the world produces such a broad range of wines, with such a high proportion of exceptionally fine products in conditions that bring degrees of uncertainty, surprise and excitement year after year.

Excessive heat is not usually conducive to the development of great character and Bordeaux's reputation has been built upon complexity, depth, length and finesse, which can only be achieved in sufficiently cool climates. So what has been the effect of 2003's "New-World" climate conditions? Has Bordeaux produced Australian style Cabernet Sauvignon? Not quite but it is probably as close as it will ever get - or ever want to get.

The quality of the vintage, however, cannot hide the immense problems faced by the French wine trade in combating falling consumption on the home market and fierce competition internationally.

VOLUMES

	2003	2002	2001	2000	1999
<i>Production in thousands of hectolitres</i>					
Appellation Contrôlée red	4,908	4,976	5,859	5,989	5,928
Appellation Contrôlée white	603	636	701	816	879
Vin de table red	9	9	23	20	21
Vin de table white	1	2	26	21	28
Total AOC volume produced	5,511	5,612	6,560	6,805	6,807
Number of growers	10,884	11,091	11,433	11,760	12,052
AOC planted area (in hectares)	122,607	119,817	118,424	116,902	115,109
Average AOC yield (hectolitres per hectare)	44.9	46.8	55.4	58.2	59.2

Note: Average AOC yield calculated as: (AOC volumes produced + volumes sent for distillation) / planted AOC area.

The overall area under vine continues to increase - a modest 1% to 2% per annum compared to Australia's +76% over 5 years - however good terroir is not an inexhaustible commodity. All the best plots are already under vine and we cannot continue planting even at this modest rate, as this will mean spreading to less suitable land which, in turn, will inevitably reflect on the quality of the wine. It is widely argued that we have already gone too far and that it is time to grub up vines on inadequate soils.

By today's standards, the average yield of 45 hectolitres per hectare in 2003 is very low - a good 20% below the usual 57-58 hl/ha. Over the last 25 years, yields have only been this low in four vintages. In 1981, the ratio stood at 42.4 hl/ha. My father's vintage report for this vintage suggested such yields to be average, but the replacement of rootstock with more suitable varieties which began in the early 70s has led to an increase in

the quantity of fruit per plant. Since 1981, the smallest yields were in 1991 (24.3 hl/ha because of very severe April frost), in 1984 (35.6 hl/ha because of very cold, wet weather in May which, despite excellent flowering in June, lead to significant coulure on Merlot grapes) and then 1988 (48.1hl/ha mainly attributable to the summer drought as in 2003).

Production of white wine is the lowest it has ever been and only represents 11% of total volume. This is a direct consequence of the white wine crisis of the early 90s, which has since prompted growers to convert to red varieties. Only the most dedicated white wine producers on the most appropriate terroirs have persevered. Today Bordeaux white wines are scarce and usually of excellent quality, resulting in their bulk prices being higher than those of the reds.

The number of growers continues to decline and accelerated consolidation is expected over the next few years as more competitive market conditions, new legislation and more stringent quality controls will encourage part-time growers and owners of investment starved properties to sell their vines to younger, better-trained, dedicated professionals.

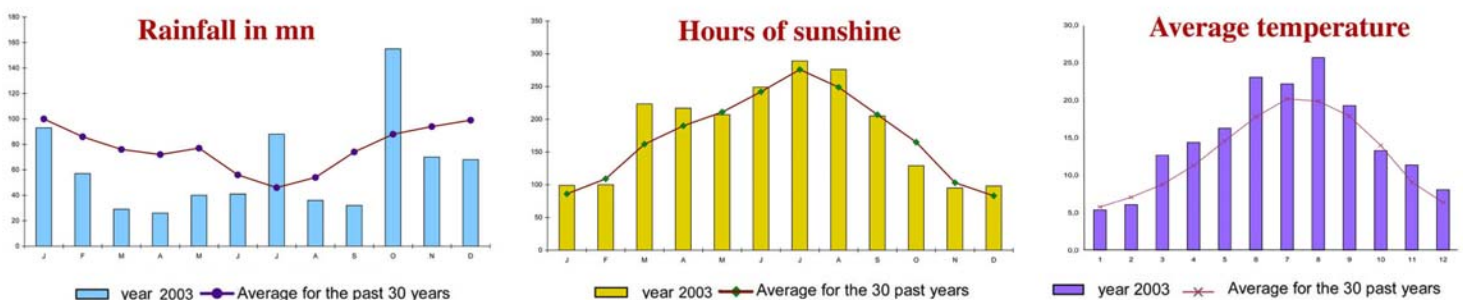
THE WEATHER

The main characteristics over the critical months of June to September* can be summarised as follows:

- Firstly the heat: very high average temperatures with many extremely hot days. The average temperature over the four month period would normally be expected to reach 18.9°C. An extra degree makes a difference and two extra degrees makes a significant difference. In 2003, the temperature was almost four degrees Celsius higher than the norm and the effect was massive.
- Good sunshine with 1.019 hours over the period (being 5% more than the norm).
- Little rain with 197 mm, 15% less than the expected 230 mm.
- Some violent hail storms causing massive damage in some areas.

*NB. The critical months would normally include October, but as the 2003 harvest was particularly early, October weather is not as relevant as it would usually be.

The schedules below show weather readings taken at Mérignac Weather Centre for 2003 compared with the 30-year average.



Source: CIVB

November 2002 to February 2003 saw 28 mm of rain, i.e. 25% less than normal. A few winter frosts and an unusually cold month of February made the winter seem rather colder than average temperatures would suggest. They stand at 8.3°C compared to the average 6.9°C.

Spring came early. March was warm, sunny and dry, encouraging early budding with the first leaves appearing during the first week of the month. The warm, dry and sunny pattern continued and over the 3 months March to May, total rainfall amounted to 124 mm - 45% less than the normal 225 mm.

The first Merlot grapes began flowering on 20th of May, almost as early as 1989 and a full two weeks earlier than usual. At best, flowering is a ten day process but in 2003 wild temperature fluctuations of 5 or 6°C from

one day to the next with some scattered rain showers appearing around 25th May and again 4th June, caused extended flowering which did not end until mid June. The consequence of less than ideal flowering conditions later revealed some damage caused by coulure. By July, most growers knew that the crop would probably not be very large in volume and, of course, it was actually small.

At this stage, even if the top layers of soil were dry, the vines had no problem pumping moisture up from deep water reserves. However, with the onset of summer, dryness became drought and warmth turned to searing heat. Average summer temperatures from June to September were 22.6°C, almost 4°C more than the norm which stands at 18.9°C. This was much hotter than previous record breaking years such as 1989 and 1947 (20.9°C), 1976 (20.8°C) and 1949 (21.3°C).

The heat brought spectacular electric storms but also devastating hail storms, a short-lived meteorological phenomenon that can have shattering consequences. The first was on 28th April and hit St Emilion but the one most remembered by visitors attending Vinexpo, was on the night of 24th June when very violent storms broke throughout the area. The experience was at best impressive and at worst very destructive. On that occasion 6,000 hectares of vines were severely damaged in the Graves, Entre-Deux-Mers and St Emilion areas with some plots being totally stripped. On 15th July more hail hit 3,000 hectares in the Médoc and across the river in Blaye.

After coulure, hail damage constituted the second reason for loss of volume.

Sustained high average temperatures with very hot peaks are the main characteristic of 2003. Nights were almost as hot as the days, giving no respite. The heat wave affected the whole of Europe and in France, as families, doctors and social service workers went off on holiday, the hospitals and emergency services could not keep up with the number of people suffering from heat related disorders. The elderly were particularly affected and it is estimated that 13,000 people died unduly from the heat during the first three weeks of August. Temperatures exceeded 40°C several times. August 2003 saw 28 days above 25°C (normally 20 days), 19 days above 30°C (normally 10 days) and 10 days above 35°C (normally 2 days). Bordeaux has *never* been faced with such extreme, unrelenting heat.

Water reserves were adequate and sufficient until July but the situation became more problematic in August. The statistical analysis of rainfall shows a relatively modest 15% deficiency over the period. With 197 mm of rain from June to September, 2003 had twice as much water as the record breaking 1961 vintage (only 97 mm). Other very dry years were 1945 (139 mm), 1929 (116 mm) and 1928 (110 mm). The drought was exacerbated by two factors. Firstly, the rain came in the form of heavy downpours which did not have time to seep into the soil. Secondly, there was increased evaporation caused by the heat as easterly winds accelerated the dehydration of already water-starved vines. On the lighter soils of sand and gravel with much less water retention potential, vines often suffered badly. Leaves turned brown, dried up and dropped off exposing grapes to the sun. On particularly exposed plots, grapes literally burned and gradually dried up to resemble raisins. Where this happened it was crucial to be very selective during harvesting and discard the damaged berries.

Over the last 10 years, de-leafing and green harvesting techniques have gradually become widespread among quality-driven growers who eliminate green, herbaceous characteristics by giving the grapes greater exposure to the sun. In 2003, no such treatment was necessary and those growers who did may have caused more harm than good. It was a year when the vines did better without any human intervention.

This extreme heat is the third factor to explain low yields in 2003.

During the very hot weather in August, younger vines on thin, gravelly soil went into shock and then survival mode. At that stage the Merlot grapes were reaching the end of the ripening cycle, skins were thin and frail and open to the risk of rot attack. From 20th August temperatures cooled and became more bearable, while a little rain helped the vines recover. The Cabernet Sauvignon, on the other hand, was less advanced in terms of maturity; skins were thick and more resistant. When the heat eased off and a few showers re-hydrated the thirsty vines around 8th September, the Cabernets had more time to benefit from more clement temperatures.

From early September a warm easterly breeze picked up, exactly as it had done in 2002. The beneficial effect was to prevent the development of rot and by accelerating evaporation, to increase concentration. This is the fourth reason for low yields.

The first white grapes were picked in Pessac-Léognan on 13th August. The grapes might have been ready but the Powers That Be had to be recalled from holiday early to pronounce the official *Ban des Vendanges*, which authorises harvesting. Picking of red varieties began as early as 1st September on the earliest ripening plots of the left bank but generally got under way from the 10th. Most of the picking was over by 30th September, even for the sweet whites in Sauternes and Barsac where the vendanges normally goes on for an extra 4 to 6 weeks.

October was cold, overcast and very wet, with twice as much rain than normal. Luckily the grapes were already in the cellars by then, though the situation illustrates perfectly the benefits of early flowering and ripening!

Drawing a parallel with previous record-breaking vintages illustrates just how unique and singular 2003 really is:

1989 was very early ripening and very hot but rainfall was not particularly low. The vintage was marked by a large crop (yields of 60.2 hl/ha). Sugar content was unusually high and acidity was low. The 2003 should benefit from greater concentration than 1989.

1982 was also early ripening but it was not particularly dry. August was actually relatively cool encouraging the development of complexity. September was very hot and accelerated the ripening process. The general characteristics were low acidity, high sugar levels and very seductive fruit.

1976 was a very hot summer, especially June. Temperatures dropped as the summer progressed to finish with quite a cool September. Grapes were very ripe, giving good colour and low acidity. Heavy September rain led to some dilution and the wines generally lacked concentration.

1961 saw the vines flower very early but late frost and widespread *coulure* caused significant loss of volume. The very dry weather (97mm of rain from June to September) further reduced yields. Average temperatures were only slightly above normal. September was unusually hot. The wines benefited from superb concentration and complexity.

1945 saw very low yields because of severe frost on 2nd May. The summer was drier than in 2003 but not particularly hot. The result was wines of exceptional concentration and legendary quality.

THE WINES

The 2003 vintage is certainly exceptional but it would be misleading to label it a great vintage. The extreme heat, the inconsistency and the very great variation from one type of soil to another mean we should show a degree of caution at this early stage. There are some fantastic wines at every level and it seems that the exceptionally good stand out from the crowd more in the more modest appellations, where expectations are not as high. The more modest the terroir, the greater the impact of the vintage characteristics. The very high temperatures could have lead us to expect rather heavy wines, very full bodied but lacking finesse, sometimes tasting over cooked. On the very great terroir, it is quite incredible the way the wines taste fresh, complex and perfectly balanced, which are much more closely related to their terroir than to vintage characteristics.

2003 was by no means an easy year: high temperatures, drought (no irrigation allowed), slow phenolic maturity... Growers had to keep a watchful eye on the vineyard and there was plenty of scope for ill judgement! Possible pitfalls included insufficient phenolic maturity which would translate into lack of colour, lack of concentration and hard, green tannins. Another risk lay in excessive extraction by allowing fermentation temperatures to rise too high or over-lengthy maceration which would result in loss of fruit and harsh excessive tannins. Alcoholic fermentation was sometimes difficult to bring to completion because of very high sugar levels and this, associated with low acidity, increased the risk of developing volatile acidity.

Acidity management

Acidity is an essential component in the balance of every wine. Bordeaux wines naturally carry close to ideal acidity levels. The two measurements are total acidity (TA) and more importantly the perception of the acidity measured by pH levels. Red Bordeaux wines normally register TA levels between 3.3 and 3.4 and pH levels between 3.65 and 3.70. As acidity drops, pH increases. Measurements are very sensitive and variations of 0.2 are considered significant. Acidity measurements are an indicator - what is of prime importance is to preserve the overall balance of the wine through tasting.

The 2003 vintage was generally marked by low acidity but the situation was very different depending on type of soil, age of vines and depth of rooting system. When needed, acidification was authorised but there were two conflicting schools of thought. Bordeaux has never before been faced with the necessity of correcting acidity levels and this was a major concern, as no one knew what the wines would turn out like.

It is quite clear that the very great wines at Grand Cru level on prestigious terroirs did not suffer from worrying low acidity levels. Many of them actually recorded close to normal pH levels. Even on poor gravelly soils where the vines and grapes suffered a lot, the most prestigious vineyards did not need to acidify.

This is so remarkable and in such contrast with lesser appellations that it warrants some explanation. The first reason lies in vineyard management. High plant density on poor soils obliges the root system to drive down as deep as possible and this is further encouraged by regular ploughing which cuts up any roots spreading at the surface, forcing the plant to dig deeper. Consequently, older vines on poor soils coped better with the heat than younger ones. The second reason is related to the complexity of the wine itself, where acidity becomes one of a much greater number of components, hence reducing the impact of any single one on the overall balance. In vintages such as 1989, 1983, 1982, 1981 or 1976, top wines demonstrated their ability to maintain surprising freshness and ageing ability despite pH levels which would make a basic Bordeaux turn sour.

However, on less prestigious terroir when TA could be as low as 2.3 with Ph at 3.9, it became essential to adjust acidity to prevent the wines from turning brown in colour, developing volatile acidity and tasting prematurely flat and tired.

In hotter countries these considerations are dealt with on a regular basis but not so in Bordeaux. For Maison Sichel chemical analyses were faxed across the world to our friends in Australia and South Africa who are well experienced in acidification. We got much help and sound advice, which contributed significantly to the quality of our wines. In Bordeaux there are those who needed to acidify and those who didn't. Amongst those who should have, some failed to do so and for these the consequences may well be catastrophic.

So what does 2003 compare to? Some wines could potentially present the characteristics of hot country wines: very ripe, dark, high in alcohol with a pleasant softness. They possibly lack the structure and length of a classic Claret but are perfectly suited to modern consumer expectations. Could this be our opportunity to seduce new consumers and show them how generous, easy and friendly Bordeaux wines can be ?

Red wines

The vintage provided the potential for excellent wines, combining very ripe fruit, expressive aromas, a velvety texture and powerful yet round tannins. The wines already taste lush, generous and velvety, The colour is deep. The nose is rich and expressive showing generous, ripe fruit. Alcohol and tannin levels are relatively high but the best wines are perfectly balanced.

Purists will probably miss the typicity of a "great Bordeaux classic" (as 2001 is turning out to be) but when consumers want more fruit, more generosity and no longer have the means or the patience to allow wines to mature for several years to reach their full potential, then 2003 will certainly fit modern requirements perfectly.

There are however enormous variances. Some of the less attractive wines are marked by one of three major problems; aromas loss (from the heat), lack of depth and excessive tannin.

Rather than seeking differences between grape varieties it is actually much more meaningful to consider types of soil. Generally clay and limestone based soils did better than stony gravelly ones. Notwithstanding the above the usually more difficult grape varieties such as Cabernet Franc and Petit Verdot did particularly well. Petit Verdot represents a small proportion of plantings (4% of vines in the Médoc). Growers are attracted by its colour, structure and character but fear its fragility and its capricious ripening. Despite these drawbacks, the more adventurous vigneron are gradually re-introducing this difficult but rewarding variety and will be much sought after in 2003 blends.

Dry white wines

It was not easy to produce fresh, crisp, white wines in such hot conditions. To do so required avoiding the heat as much as possible by picking in the early morning hours only. The most dedicated started picking at 4am and stopped before 9 am. The grapes then had to be kept cool in refrigerated tanks and fermented at low temperatures to preserve fruit. The acidification problem mentioned above was particularly acute in the case of dry white wines.

The whites are certainly very aromatic, generous, with good fruit but in some instances seem rather flat due to lack of acidity. When acidification compensated for this natural deficiency, the wines regained their attractive crispness. The quality of dry whites varies from excellent to dreadfully disappointing.

Availability will in any case be scarce as the cumulative effect of the reduced area under vine, low yields and quality selection will lead to small volumes.

Sweet white wines

Showers of rain during the second week of September allowed the easy development of botrytis. Picking began exceptionally early and spread over a very short three-week period, ending during the first days of October. Such a short picking time is very unusual. Potential alcohol readings were exceptionally high, showing up to 20°, the equivalent of 360 grams of sugar per litre!

The wines are intense and rich, showing very clean aromas and great complexity. Parallels are drawn with vintages of great repute, such as 1947 and 1929, and 2003 will certainly be of exceptional quality. Yields are slightly lower than normal, standing at 20 hl/ha in Sauternes and Barsac.

THE MARKET

Despite two consecutive small crops, there is no shortage of wine in Bordeaux. The unusually low yields are actually a blessing in disguise as this has inevitably contributed to higher quality wines than would have been achieved with normal yields. Small crops in 2002 and 2003 also contributed to restricting stock levels which, considering the fall in sales in France and abroad, would otherwise have left Bordeaux with the virtually impossible task of finding sufficient storage facilities. As it is, stock levels have been kept at reasonable levels, just 3% down on last year.

The home market

Powerful lobbying at government level is calling for a significant reduction in alcohol consumption. Recently announced objectives are aiming for a drop of 20%. Courts have pronounced a ruling against Bordeaux's current advertising strapline "*Buvons moins, buvons meilleur*". In a country where wine consumption is so much part of every day way of life, it seems unreal that the government should wish to further enforce the "Loi Evin" by preventing communication and most forms of advertising.

Despite the well documented benefits of moderate wine consumption, it is inevitable that modern wine drinking habits will continue to reduce the volume of wine consumed per capita. We therefore need to gain more consumers. In other words, Bordeaux, as other French regions, needs to re-conquer export markets to compensate for declining home sales.

Export Markets

International markets are increasingly competitive. All wine producing countries are faced with increasing production and need to encourage faster consumption. The emergence of "Bogofs" in the UK, "Two buck chuks" in the US and other super deals in hard discount stores throughout northern Europe are paving the way for difficult times for the industry as a whole. The expected beneficiary ought to be the consumer but price pressure will inevitably lead to lower quality which, rather than attracting the consumer to good deals, is more likely to turn him away through disappointment and further confusion.

Over the 12 months ending 31st December 2003, the breakdown of exports to the main destinations for Bordeaux wines was as follows:

	Value in '000 €	% change over 2001	Volume in hectolitres	% change over 2001
USA	279.278	+ 53%	161.893	- 4%
United Kingdom	227.960	+ 37%	334.280	+ 4%
Germany	161.277	- 12%	380.833	- 9%
Belgium + Lux	161.232	- 14%	355.597	- 11%
Switzerland	117.826	+ 13%	93.407	+ 1%
Japan	115.899	- 5%	136.040	- 11%
Canada	52.754	+ 9%	80.527	+ 0%
Netherlands	48.933	- 16%	142.132	- 21%
Denmark	45.573	- 22%	102.839	- 26%
Hong Kong	14.887	- 17%	13.610	- 8%
Other markets	153.122	+ 13%	223.401	+ 4%
Total exports	1.378.770	+ 9%	2.024.559	- 7%

The above figures are taken from customs records; they are positively affected by the shipping of Grands Crus of the 2000 vintage, which also explains why, in a context of price reduction, the value of exports has increased by 9% when volumes have actually dropped by 7%.

En primeur

In his 1970 Vintage and Market report, analysing the worrying prices fetched by First Growths, my father pointed out that it was generally accepted that they would be released at 4 times the price of the best Second and Third Growths. In 1969, Mouton and Lafite were priced at 8 times the price of their followers.

Prices for the 2002 vintage were on average 20% lower than 2001 and 14% lower than 1999 (comparison with the 2000 vintage is meaningless but for interest's sake First Growths halved their release price between 2000 and 2002). The fundamental trend over the last two years has been the much tighter selection carried out by buyers who carefully picked the best, longest established, strongest, most reliable Grand Crus, who had reasonably priced their wines according to market conditions. Thus, the success of the 2002 en primeur campaign varies from excellent to disastrous, according to the particular château in question. The same pattern will surely follow this year.

The potential of the 2003 vintage is already generating great interest. Many visitors have indicated their intention to attend the en primeur tastings. We have not seen such interest since the 2000s but given the variations in quality, buyers will again be encouraged to be very selective

Market conditions are not much better than they were a year ago, economic indicators are gradually turning to green but the "feel good" factor is not high enough for consumers to indulge blindly in expensive wine. The US dollar is actually 15% lower than it was a year ago, standing at 1.25 USD to the Euro. This will inevitably affect sales to the USA. The positive side to that coin is that Europeans can now buy back older vintages from the USA for less than their respective en primeur opening prices.

The most successful wines, those which sold well in 2001 and 2002, will continue to do well, they will have been sufficiently selective in their blends to produce fabulous wines and may be tempted to raise their prices by 5% to 10%. At the other extreme, some properties having sold little 2001 and 2002 need to resume sales which will mean further price cuts to generate renewed interest.

By being selective, buyers will find exceptionally good value, consumer friendly wines which will be pleasant to drink at an early stage and the best will mature well and may even become legendary wines.

Cru Bourgeois

Since Vinexpo 2003, heated discussion has surrounded the new Crus Bourgeois Classification. Out of 480 candidates only 247 were awarded Crus Bourgeois status. Any system can be criticised but it must be recognised that the denomination had become totally meaningless and attempting to reinstate some sort of order was a commendable effort. Results, if not perfect, were nevertheless a significant step in the right direction. It now appears that there were fundamental flaws within the selection process, primarily surrounding the composition of juries, which included Crus Bourgeois owners! Regardless of their undoubted impartiality, the new classification lies open to legal attack which will probably lead to its complete annulment. The president of Crus Bourgeois has resigned leaving all the work to be completely redone. Three years of work thrown away, but lessons have been learnt.

Conclusion

The mood in Bordeaux is somewhat sombre in this early part of 2004. The enthusiasm and excitement surrounding the 2003 vintage has been dampened by worrying market conditions in France and abroad. There is little worry for Grands Crus who can easily generate sales by adjusting prices to market-acceptable levels. The situation is more serious for modest growers who are faced with higher costs per hectare, lower yields and falling selling prices per hectolitre for the second year running. The cumulative effect of all this is enormous financial strain on a category of properties from which a significant number will not recover.

A sea-change is about to take place within the Bordeaux wine industry. It will come from within or be forced upon by market forces. Either way, the result will be larger production units through concentration, greater severity in quality control measures and intensified promotion and communication. On the basis that "*what doesn't kill you makes you stronger*" the future will be desperately dramatic for some but a land of opportunity for others.

In addition, we can't help but notice the increased frequency of extreme weather conditions that seem to lend credence to the most alarming global warming scenarios. The green house effect may be with us sooner than we bargained for; the consequences on wine production could be considerable.

In the meantime buyers can look forward to finding some delicious wines from the 2003 vintage, the best of which will be perfectly suited to modern drinking and offer excellent value for money.

Allan G Sichel

March 2004

Our thanks to the CIVB archive department for providing enormous quantities of statistical data.

Copies of previous vintage reports are available and we will be happy to send them to you.

For further information, please contact Valérie Frestel on: v.frestel@sichel.fr

MAISON SICHEL

19, Quai de Bacalan - BP 12 - 33028 Bordeaux FRANCE

Tél: 05 56 11 16 60 - Fax: 05 56 50 54 21

www.sichel.fr

