

VINTAGE AND MARKET REPORT

THE 1992 VINTAGE

MARCH 1992

THE QUANTITY

The 1992 vintage produced :

Appellation Controlée Red	5.03 million hectos
Appellation Controlée White	1.23 million hectos
Vin de Table Red	0.11 million hectos
Vin de Table White	0.25 million hectos

In addition 384,000 hectolitres were produced beyond the legal limit which are destined to be distilled. In all over 7 million hectos were produced, some 4% more than in 1990, which was the previous record holder. It is the first time that the AOC red crop has topped 5 million hectos, the previous record holder having been 1990 at 4.95 million. It is also the largest AOC crop of white since 1973 produced 1.29 million hectos, so that the total declared Appellation Controlée crop of 6,269,085 hectolitres is the largest that Bordeaux has ever experienced. However, as each year these figures are taken from the crop declarations made by each grower and although in other years there is no significant difference between these and the quantities ultimately accepted by the authorities the situation may prove different this year. In view of the difficulties of production it seems probable that enough of the crop will be refused at the "label" tastings to rob the vintage of its record AOC production and bring it down to something below the six million hectolitres for 1990.

THE WEATHER

The drought is over! One of 1992s distinctions is to have provided the wettest summer for at least fifty years. Summer (June to September) rainfall totalled 446 millimetres, which can be considered about the double of an average summer, and is well in excess of some 'difficult' years such as 1987 (292 mm) or 1984 (252 mm). June and August were particularly wet but it was altogether a sad summer, as is further borne out by the fact that not only did it break previous records of rainfall but it was also the summer with the fewest hours of sunshine since 1980.

The tone was set by June, when the rainfall broke all previous records for that month, providing difficult conditions for the flowering. This did not lead to a high degree of "coulure" but it did cause the flowering to take place over an extended period, leading ultimately to uneven ripening too. Things improved as July went by with some welcome heat being provided at the end of that month. But the respite was to be short lived. In August vicious storms, usually of torrential rains but in Cantenac of hail too were often only local but by the end of the month a total rainfall had been recorded that varied from a mere 130 mm in the north of the Médoc (about double the average for the month) to a record breaking 248 mm at Merignac. So by the time September came the soil was saturated, there had been insufficient sun to ripen a crop that was evidently going to be large, and there was a risk that rot would affect the grapes before they could be picked. Top chateaux at this stage sent out teams to remove the later ripening bunches from the overburdened vines. This not with the hope of increasing the concentration in the remaining crop but primarily to remove those grapes that now had no hope of reaching a decent degree of ripeness whilst they could still be identified by their lighter colour. Had they been left on the vines they would have been indistinguishable at the harvest and would have diluted the potential quality even further.

Much of September was more cheerful than the rest of the summer had been. Growers quickly picked the grapes for the dry white wines so that may avoided the rains that returned at the end of September to trouble the red harvest throughout October. The temperature in both September and October was well below average, providing in fact one of the very few blessings of a largely damned summer. Had the temperature been higher the rot would have rapidly destroyed the crop. As it was those who had properly treated their vines were able to pick grapes that were reasonably healthy, though sadly diluted.

THE WINES

Obviously with such a wretched summer there can have been no question of producing great wine. Great Bordeaux is made in dry summers that are not too hot and when the grapes remain small, providing a high proportion of ripe tannin from thick skins that transmit the character from each terroir. Making such wines is relatively easy because they are a perfectly natural expression of Nature. There are those who believe that with some of the new weaponry now available to wine makers the details of Nature matter less. The evolution of taste - or at least the taste of wine writers - would indicate that this theory has merit. FRUIT we are told is what matters. The wines that are selected by these commentators are virtually always those with the deepest colour and most intense fruit, element that indeed can be strongly induced with modern wine making weapons. It is possible that the age of Bordeaux based on the qualities that were previously considered paramount is behind us. This partly through the pressures of a technical age but primarily because as in every other expression of human life today immediate impact is what matters and nobody apparently has the time to search beyond for qualities that are less obvious but more refined. But if it is debatable whether "wine making" has contributed anything to the production of the greatest wines, or whether to the contrary it has detracted from the natural expression of character that made them unique, nobody can dispute the contribution that science has made to the improvement of quality in difficult years, such as 1992.

Thirty years ago 1992 would have been a disaster. As it is there is of course a mass of light, dilute wine made from overproduced wet grapes more or less damaged by rot, that will gradually have to be absorbed into cheap blends. At the other end of the scale top Chateaux have been able to salvage something from the battlefield. To do so involved effective rot control, the exclusion of unripe grapes, the elimination of unhealthy grapes as they came into the cuvier, elimination of the grapes from younger plots and a severe selection of only the most successful vats for selling under the Chateau name. In order to eliminate the excess water in the grapes some have been able to add the benefits either of "inversed osmosis" or "cold concentration under vacuum", two recent creations of technology still largely experimental but which could make a real contribution to the problems of such vintages, and which might also provide the critics with the "added fruit flavours" they crave. Those not equipped with these expensive machines resorted to "bleeding" the vats in order to increase the proportion of skins to juice, and of course to chaptalisation.

Whatever the method used responsible wine makers have been able to make limited quantities of wines which though they will have no claim to greatness will be able to serve a useful purpose to follow on the 1987s in providing easy, quick maturing soft wines, sometimes with a little character and with no aggressivity. Such selections by the top Chateaux, as in 1987, will often represent less than 50% of their total production.

The dry white wines would certainly seem to be the most successful of the vintage. High yields and even a degree of dilution do not seem to detract from the light, clean refreshing qualities to which the market now gives its preference. What is even more vital than for the red wines is that the grapes should be healthy, and this seems to be a message that is now clearly understood by most producers. There is an ample supply of light, fruity, well balanced dry Bordeaux. Perhaps the lack of concentration will prevent the great Chateaux of Pessac Leognan from producing wines with maturing potential, but there will be light elegant wines for early enjoyment.

Not even with the help of cryoextraction was it possible to make high quality sweet wines in 1992. The continuous rain, the absence of sun and the cool temperatures of the autumn were all alien to the development of botrytis.

THE MARKET

If total quantities that left growers cellars during the 1991/92 campaign were down by some 6% this shortfall was entirely due to the shortage of white wine resulting from the tiny 1991 crop. At just over 4 million hectolitres the sale of red Bordeaux was stable, and this in spite of an average price of basic Bordeaux that was up by 16% on that of the previous campaign. The home market continues to absorb 68% of red Bordeaux sales. Export over all remain steady too, and if some markets were down (UK, Sweden and Denmark), others showed good increases - The United States particularly, but also Germany and Belgium. In view of the fact that the 1991 crop only produced enough wine to cover six months

requirements and that in order to satisfy sales at the current rate Bordeaux needs a large crop every year, this can be considered a thoroughly satisfactory result. The fact that it was achieved in a rapidly deteriorating international economic situation makes it even more remarkable, though it is true that the campaign year ends at the end of August and, when compared to what has happened in the last six months, the first half of 1992 now looks relatively prosperous.

But it is a result that will surprise many distributors, particularly in the UK where the feeling is often expressed that France is losing out to the New World, and indeed with Australian exports to the UK now having reached the same volume as those of Bordeaux it is clear that the New World challenge is costing Bordeaux business. There seem to be a number of reasons for this. The full bodied structure of the wines, and the simplicity of their descriptions play a part, as does their novelty and their friendly image, which contrasts particularly with that of the French at a time when cross Channel relationships are perhaps at their lowest since Bonaparte. There does not seem a great deal that Bordeaux can do about any of this. In spite of the evident conviction of a number of the wine press that there is one flavour of wine that is most popular and "right" and than everything else is "wrong" there seems a good chance that the public is less undimensional in its vision than these gurus would suppose. Neither would it make any sense for the French to succumb to the temptation of varietal labelling - particularly as anybody who tastes through a range of varietal wines quickly realises that the grape variety on a label is by no means a valid indication of the style of the content. The greatest regret that Bordeaux exporter has when looking at the competition from the New World is that suppliers from the Old World, or from France anyway, are treated as suppliers of a commodity who compete under constant price pressure for contracts to supply an acceptable quality under the customers own label. These labels are often in house designs, lack imagination and certainly are not likely to excite the consumer. Wines from the New World on the other hand are offered with original labels and it appears that the suppliers are even allowed to suggest price structures, promotional budgets and all the other elements of a policy a producer would like to be able to use in order to invest in the long term success of his product. This difference in attitude can only be to the disadvantage of French wines. Not only is it out of the question for a supplier to be able to invest in the marketing of his wine but as the large distributors fight fierce battles to keep the retail prices of their own labels below that of their competition quality levels are inevitably forced down. France is suffering from this phenomena not only in the UK but also in Germany and Sweden. It is a serious problem because fundamentally it is an attitude that prevents anybody from investing in quality, and of course with the current rate of exchange the pressure on quality is greater than ever. £2.99 might seem a "sensible price" for Beaujolais, as one journalist recently wrote, but the only way Beaujolais can be produced at that price is by going for maximum yields and avoiding all "added quality investment". That cannot be the right policy for an area that has the potential of making limited quantities of unique and delicious wine.

But if Bordeaux generally had a satisfactory year's trading there is no denying that the figures hide a real malaise. This is partly due to the fact that there are large stocks of excellent wines from the 1989 and 1990 vintages that nobody seems to want, but more significant perhaps is the total uncertainty about the future. It is inevitable that it should take time for the market to absorb the series of outstanding but also exceptionally large crops of the eighties, as it is that in a period of worldwide economic recession consumers reduce their spending on fine wine. Neither is it surprising that the trade shifts it's priorities away from a country whose currency is generally considered to be overvalued. Who can afford to take a position or hold a stock when it is likely that a realignment of currencies will devalue that stock overnight? These are difficult problems but problems that should solve themselves when the economy eventually turns around.

But more fundamental is the doubt whether things will ever be the same again.

Nobody seems to have any idea as to what the future will bring. If the young are to be able to take an interest in wine they are going to have to be able to find jobs. Is there any hope of the unemployment situation being solved in the foreseeable future? We are told that our economic future depends on Europe. But Europe is a non event. The politicians have proved totally incapable of creating anything more than a bureaucratic zoo. Currencies were to be harmonised, but have now totally blown apart. Common economic policies were to be formulated but seldom can they have been more diametrically contradictory. Excise taxes were to be harmonised but instead the British wine trade has been put in a position of being unable to compete with retailers just as the other end of a tunnel. Goods

were to circulate freely but nothing has become easier and just to thoroughly irritate everybody concerned you are now asked to show your passport three times before even getting on the plane on Bordeaux for London whereas, incidentally, when you travel from a non EEC country, Finland, nobody asks for your passport at all!

Relating this total absence policy or direction to the little world of Bordeaux wine it is possible to imagine two scenarios. Things will "come right". As the stocks of quality wine are gradually consumed the trade will start looking for replacement. It will become apparent that there is probably more high quality wine available at low prices in Bordeaux today than at any time in history. The press will "discover" it. Somebody might express the opinion that as delicious as those big fat fruity Cabernets from the New World might be the finesse of the 1989 and 1990 vintages is something else. Whenever will Bordeaux be able to make such wines again? And of course the great wines of those vintages are going to be even more appreciated as it becomes clear that as a long term investment they are the type of rare vintages that ultimately can only increase in value. In the meantime we might have had an exciting 1993 vintage. The economy will only just be recovering, growers will be needing cash, prices will be reasonable and there will be an en primeur campaign that will take us back to 1982. After all 1982 first growths sold like hot cakes at Frs 170 per bottle so that at around Frs 220 1993s would be a real bargain. The new French government will decide that the national beverage that has contributed more to the country's well being than the mountains of legislation can ever hope to achieve should be blessed rather than damned and a professor in the USA will discover that red wine is an antidote to AIDS. We will wonder what all the fuss was about ... and life will go on.

On the other hand it is just as likely that the depression will continue, that the world will continue to get poorer, that a younger generation battered by television, unemployment, drugs and violence will have little time for the subtleties of a "vin de terroir", will consider it totally absurd to tie up their limited resources on aging wines in cellars that they anyway won't have, and if they drink wine at all it will be because the anti alcohol campaign will have tempted them to live dangerously and to taste of the forbidden fruit. Naturally they will be drawn to the strong and the obvious and fine Bordeaux will join other relics of past civilisations. Even if 1993 did produce great wine, which seems out of the question in such circumstances, the whole notion of buying en primeur will have been lost, the cash resources even of the Grands Crus will dry up, fine 1989s and 1990s will be dumped in the Foires aux Vins of the French supermarkets, growers will no longer be able to make the financial sacrifices and investment to go all out for quality, standards will collapse and the Bordeaux market will find itself back in the 1930s.

Perhaps, in fact probably, neither of these extreme scenarios will come true. It seems more likely that out of the crisis a new balance will be found between supply and demand, and between price and consumption. It seems unlikely that the future of the top wines of Bordeaux will return to being primarily a vehicle for investment and speculation. There are not enough investors around to absorb the production year after year, and neither are cellars easily expandible. The health of the market depends on the wines being consumed, and for them to be consumed they have to be at prices that enable a large number of consumers to be able to afford them. As painful as the important sale of Chateau Talbot must have been to those who had bought the wines earlier it served to prove that even in these difficult times at the right price there is a market. Some 1.2 million bottles were sold. The prices were of course low when compared to those with which the Bordeaux market has been living in recent years, and neither could that price level justify the prices that corporations have been paying for top vineyards, but they were sold at prices that must have left a perfectly healthy profit margin to the proprietors, even taking into consideration financing charges, on condition that these are calculated on the cost of production, and not on the market value of the wine.

If high price levels have restricted consumption high volumes have saturated the market. Some of this high volume is due to a series of exceptionally large crops but part of it is also due to most of the cur classés having increased their vineyard area and having planted clones that because they are healthy are also more productive. Some feel that these increased yields diminish the expression of character in the wines. Others disagree, and some even claim that now that there are machines available for concentrating the must there is no reason why yields should not be permitted to go even high, as, they claim, what matters is not how much the vine has produced but the intensity after concentration. The fact that so many of the critics are above all attracted by power and fruit gives credence to this theory but for

a wine culture that is based on the ability of certain terroirs to produce wines with inimitable character, and the fact that historically the vintages when that character has been most intensely expressed have been years of low yield, it is a dangerous premise. Volumes are therefore important for two reasons. If yields do affect the expression of character that should be unique to each cru classé, and unless consumers ultimately follow the critics who above all seek power, volume can destroy the qualities that consumers have a right to expect. But also the market can only absorb a certain quantity of wine. Or perhaps it is even true to say that it can only absorb a certain value of wine. Either a small amount at high prices - on condition that the wines are outstanding - or a larger quantity at lower prices. In recent years, and at a time of severe economic crisis, it has been asked to absorb large quantities at prices that have proved to be too high, and has consequently choked.

The 1991 primeur campaign provided an expression of the heart searching taking place. It was felt that for there to be any chance of success prices would have to be at least 20% down on those of 1990. First growths came out at that level and sold relatively successfully. A few others followed suit and also met with a degree of success but others, including most of the "super seconds" felt that they would do better by abandoning the "primeur" market and by not putting their wines on the market until after bottling. Time will tell whether, financially, they were right. Perhaps in the meantime alternative methods of marketing will be developed. The sale of Chateau Talbot again illustrated the extraordinary ability of the Bordeaux market to absorb large quantities of wine, but there is also an awareness that the successful marketing of top growths cannot only be a matter of dealers passing on the wines to supermarkets that are primarily interested in being able to offer top wines at low prices during short periods of promotions. Top growths need marketing support twelve months a year and this from the traditional trade that can only supply the service if they have margins that are not wholly dependent on successful speculative purchases en primeur. Because top Bordeaux has to be matured and therefore financed for at least five years it seems likely that proprietors will need to continue to seek the support of the trade to finance stocks. But if they are to get that support primeur prices are going to have to be at level that guarantees a proper return. What is that level? Perhaps some of the questions that owners will have to ask themselves are: What prices are older vintages of my wine fetching on the open market? What quantity will I have to sell of this vintage? Is there any hope of the traditional trade absorbing this quantity or will some of it have to be distributed through supermarkets? If so at what price are the supermarkets likely to be willing to buy in three years time? Basing myself on current interest charges and the economic climate at what price must I sell to my most faithful buyers to guarantee them a return on their investment? This is a different formula to that which has been recently - How can I prove that my wine is more prestigious than that of my neighbour and that the quality of my most recent vintage is better than anybody thinks? - but it could help to recreate a healthy market. There would remain a speculative element resulting from the unknown factors of future vintages and also from the varying exchange rates and interest rates in different countries, but this would add spice to the proceedings. Situations could recur such as the high dollar in 1983 which was at the origin of the price boom of the 80s, or the current collapse of sterling that has given UK investors the opportunity of making good money by selling their stocks abroad. The Claret Standard would still exist as a hedge against local economic instability but the priority must be to once again make the top of the Bordeaux market a worthwhile activity for the Trade and to bring prices to a level that makes it possible for the market to absorb the quantities being produced. Applying the formula to the 1992s a guide line would be that those chateaux whose 1987s are now selling at prices at least 30% above their opening level would be justified in coming out at the same prices as for 1987, whereas those that have not should open below that level.

The need for a readjustment of prices of top growths has been evident for some time. It has been delayed partly as the result of two outstanding vintages in 1989 and 1990 and partly because owners have been making sufficient money to be able to dictate to the market. Those days are over. Financial pressures are building up even amongst top growths. Shareholders wanted dividends from those prosperous vintages of the eighties. The fantastic new cellars that will be monuments to a golden age were often financed with loans that must be financed and repaid. Huge amounts of taxes have had to be paid, and often inactive members of a family have wanted their shares bought out whilst the market was at it's height. Sales of bottled wine are at a standstill whilst the trade absorbs it's high priced en primeur purchases. The 1991 primeur campaign produced little cash and nobody is expecting an easy campaign for the 1992s either. On the other side of the counter the trade has made no money from recent vintages, in France is suffering from high interest rates at a time when the value of their stock is at best stagnant

and is only too aware that things are likely to get worse before they get better. This atmosphere is unlikely to create great commercial activity, but it does create the type of crisis from which new ideas are borne. It seems likely that with a pragmatism that is uncharacteristic of the Nation is so typical of Bordeaux new relationships will be created that will put a little order into the anarchy of the Grand Cru market.

If the basic red market is healthy and the top of the red market facing a period of deflation the market for white Bordeaux remains in the doldrums. The improvement in quality has not yet been recognised by the consumer and somehow white Bordeaux still has a badly defined image. It is a pity because having swung from the medium dry to the excessively dry many good wines are now being made from fully ripe healthy grapes that offer both quality and real value. Having enjoyed a justified boom as the result of a series of outstanding vintages Sauternes prices have eased considerably over the last year, but then nobody could claim that the quality of 1991 or 1992 could justify similar prices to the great 1988, 1989 and 1990.

CONCLUSION

Bordeaux has so far survived the recession with little damage. The sales of most categories of red wine have been good, and this in spite of ever increasing competition on many export markets. The category that has suffered most is that of crus classés, but this probably as much due to a series of large crops of high quality wine as to the recession itself. Though saturated the market has not collapsed as it did in the last crisis nearly twenty years ago and although things are likely to get worse before they get better, with the possibility of severe problems arising for some proprietors and some negociants, a price level will eventually have to emerge that enables the market to absorb the new levels of production and permits the trade to make a proper margin. In the meantime there is extraordinary value available from the exceptional vintages of 1989 and 1990, particularly from chateaux more or less petit, and also from seconds wines of top chateaux. There is also value available from white wines that can compete without complex with wines from anywhere in the world.

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