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Bordeaux, on-trade, threatened by financial fall-out

Jane Anson in Bordeaux and Howard G Goldberg in New York. The world of fine wine is proving to be no longer immune to the global financial crisis – although no-one is panicking yet.

Bordeaux is hardest hit, say some commentators, as it is perceived as an investment wine. There is a silver lining, however, in the form of good prices to be found. Max Lollondrolle of Berry Bros and Rudd told decanter.com, 'Not many people are building up their portfolios right now. The first growths have lost up to 25% over the past few months, but there is a lot of trading going on, and some great bargains.'

According to Liv-ex, the fine wine exchange, the overall index was down 3.7% from August 31 to September 30. Falling prices are not affecting all vintages. Jack Hibberd, research manager at Liv-ex said, 'The popular back vintages such as 1995 and 2000 are holding their value.

'The 2005s, however, have been losing between 10% and 20% of their value, particularly those wines which went up dramatically over the past year. But there is certainly no large scale panic.' According to most insiders, merchants which deal largely with the on-trade are likely to be hardest hit because it is restaurants that are seeing biggest drop off in sales of super-premium wines.

Yves Le Pin, sommelier at Alain Ducasse at the Dorchester, said, 'The average bottle spend has dropped 40% or 50% over the past six months. We are looking at buying third wines, such as the excellent Pauillac de Chateau Latour, rather than even second wines that are still too expensive.'

But there are bright spots. According to Leigh Claridge, UK sales director for Maison Sichel negociants, the value supermarkets such as LIDL are reporting sales rises of around 25%, as customers look for bargains.

'With the increase in duty, plus the credit crisis, a lot of people are still buying wine, but choosing to drink it at home.'

Stuart Whitwell, managing director of Intangible Business brand valuation consultancy also sees a positive side. 'Bordeaux has the best branding in the world. The brand value in the top Bordeaux isn't going anywhere, even if the prices drop for a few years.'

Howard G Goldberg in New York adds: A sampling of America's wine trade finds indications of reduced buying since the crisis arose.

In New York, Bernard Sun, corporate beverage director of Jean-Georges Management, whose 18-restaurant group includes the Michelin three-star Jean-Georges, said: 'We see fewer bigger bottles being sold. People are becoming more conservative. Instead of US\$100 bottles, they are buying US\$70 to US\$80 bottles.' Tina Fischer, an owner of Polaner Selections, a major distributor with a 250-producer portfolio based in Mount Kisco, a New York City suburb, said: 'People have a lot of trepidation. Retailers are buying more judiciously. We are not finding a backlash against our high end. The storm hasn't really hit yet.'

In Washington DC, Ed Sands, an owner of Calvert-Woodley, a long-established shop that does its own direct importing, finds that 'people are definitely trading down.' Sands said: 'The people who bought US\$35 to US\$50 and US\$50 to US\$75 are rethinking these things. People buying over US\$100 are definitely cutting back. The collectible wines have come to a screeching halt.'