



Markets & Development

Burgundy is back on track

Burgundy has posted good results, particularly in comparison to other vineyards. The 2010/2011 campaign confirmed the return to a rise in sales of Burgundy wines, which began last year after the 2009 financial crisis. Despite the gloomy global backdrop, Burgundy has economic assets which allow it to defend itself and to continue conquering markets. The opportunities provided by developing markets also promise good future prospects.

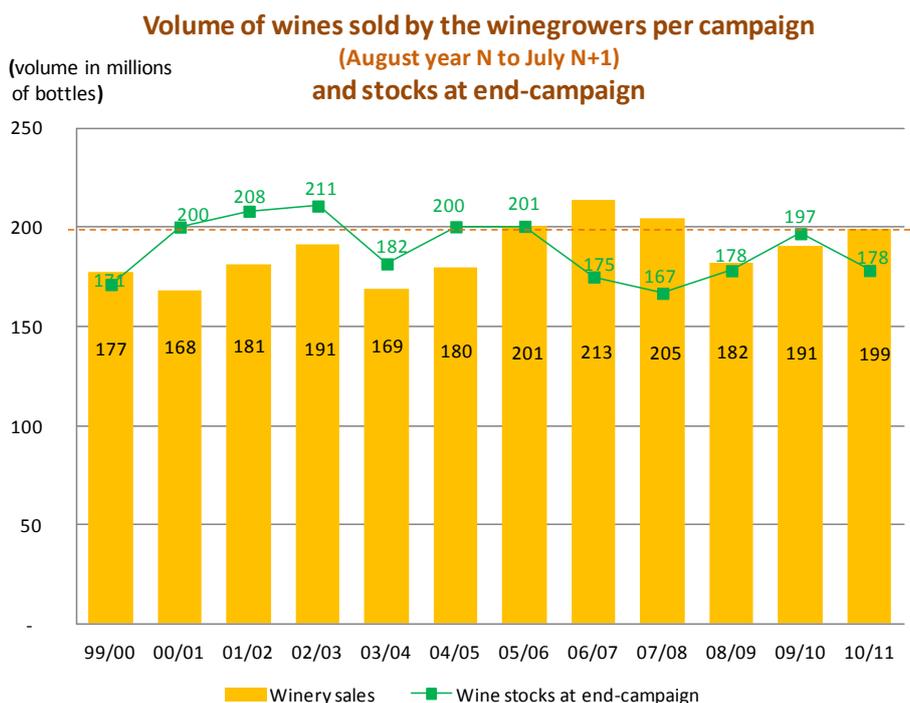
Sales of Burgundy wines, during the previous sales campaign, again increased by 4.5% in one year, after a rise of 5% during the previous campaign. Like last year, it is essentially exports which drove these good results, recording between 6.5% and 12% according to our estimates. These results were generated thanks to a strategy to redirect exports towards more distant countries, which is evidence that the Burgundy vineyard has retained its capacity to conquer new markets.

The French market has generally held up well with growth of 1%. Once more, this is due to growth in supermarket sales and to the development of direct sales. More traditional channels are still affected by economic difficulties.

■ A revitalised regional market

Despite the continued difficult economic context and a very low harvest volume in 2010 (discounting 2003 – a year of drought – it is the smallest harvest since 1997), the volume of wine sold by winegrowers increased by 4.5% in the last campaign (August 2010 - July 2011), compared to the previous campaign.

With an equivalent of 199 million 75 cl bottles sold, Burgundy is back on track, posting a normal level of sales, which also corresponds to the average harvest volume.



Adding the five million bottles used for various professional activities (tastings, free samples, etc.), the total volume of Burgundy wines leaving the cellars **exceeded 204 million bottles**. As during the period 2005-2008, sales exceeded the level harvested once again.

The stock of wines held by wine-growers at end July 2011 therefore fell by a considerable 9%, cancelling out the rise observed in 2010. This reduction has generated a decline in availability. The stock represents some 178 million bottles, which corresponds to less than 11 months' harvest before the arrival of the 2011 vintage. Given the average duration of maturing in Burgundy, this availability represents a fairly low threshold for the vineyard and contributes to the relative tranquillity of the professionals.

The marketing of the much-awaited 2009 vintage and the low volume of the 2010 harvest partly explain this decline in availability in the cellars. This also encouraged the wine-growers to reduce the volume of the 2010 vintage destined for wine merchants, which forced the merchants to quickly secure their supply. Purchases made by wine merchants ended up being similar to those made during the previous campaign, the equivalent of 115 million bottles, despite an increase in the average price of bulk wines. Burgundy wine merchants have shown with these transactions with the wine-growers their ability to find new markets, with a greater value, partly thanks to increased commercial business. Stocks at the wine merchants total some 1 million hl, or 130 million bottles at end July 2011.

The 2011 harvest, which seems to have reached around 1.55 million hl (or 207 million bottles), will allow the sector to reconstitute some of their stocks and meet the current level of demand.

The regional economic situation of Burgundy wines is fairly positive, despite the persisting gloomy international context. Benoît de Charette, Chairman of the Chamber of commerce and industry of the Burgundy region and co-manager of the Maison Bichot in Beaune, spoke of Burgundy's return to the markets on the occasion of the Vinomarket, on 4 November 2011: *"Burgundy is beginning to benefit, and rightly so, from the **recognition of leading global players in the wine market**. It is now fully enjoying being a **reference in terms of "Terroir" and authenticity**, which a lot of new world producers are now trying to copy, after considering this vineyard as a "has-been" for such a long time. Only one "large" vineyard can be present in 150 countries, despite its small size!"*



Export: 3rd best revenues for Burgundy in 2011

August 2010 / July 2011 campaign: confirmation of the recovery in exports

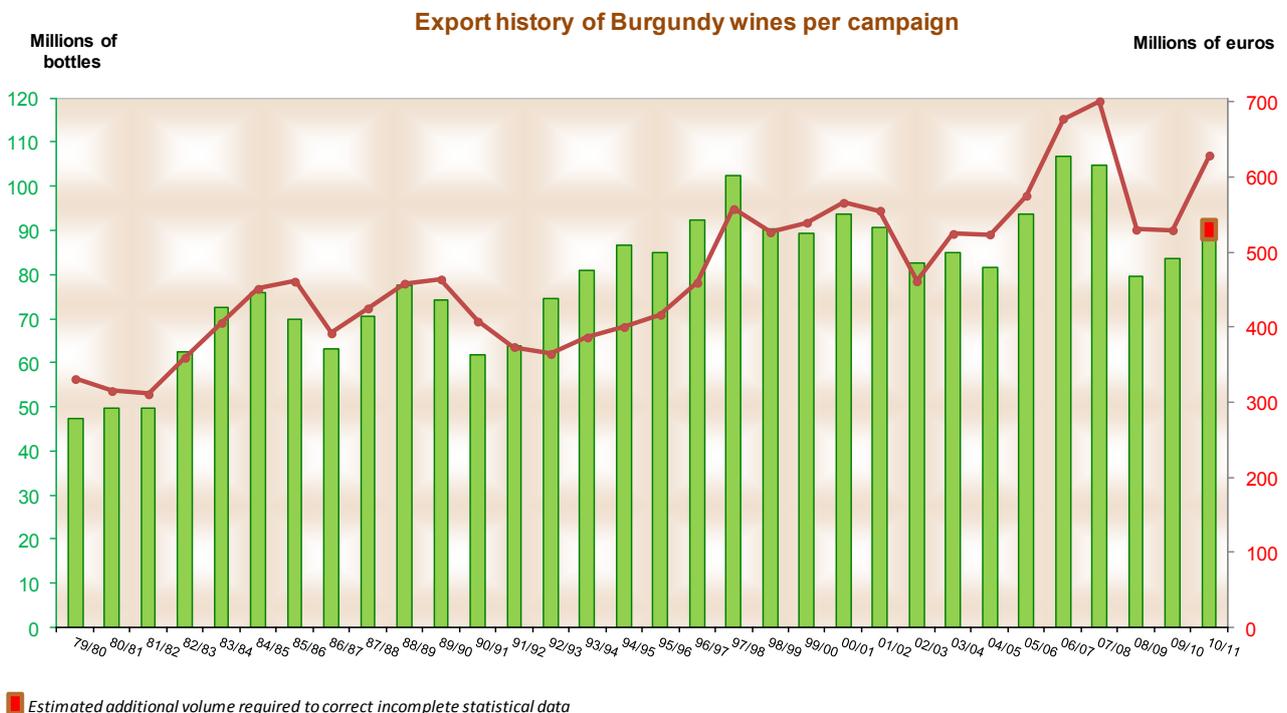
During the 12 months of the campaign, **customs statistics show new growth in Burgundy's exports by 6.4% by volume, after a 5% rise in the previous campaign.** Overall, and compared to the average exports observed over the last ten years, the accumulated fall in volume during the crisis has been caught up. **Exports have returned to a normal level, i.e. 89 million bottles.**

However, after simplified declarative measures implemented by French customs, a significant volume of exported Burgundy wines is no longer integrated in the official statistics. **Including the additional volume, estimated from different sources of information, it is reasonable to consider that the figure is closer to 94 million bottles.**

After being impacted by the severe economic crisis of 2008/2009, Burgundy was able to benefit from the recovery in the global wine trade and record significant growth in exports.

The change in 2011 resides essentially in the strong rise revenues, with growth of 18.8%, after weak growth the previous year. With a total of 629 million euros, it clearly exceeds the average of the last campaigns, recording **the third best result in the history of Burgundy exports.**

Although the results are good, we must remain cautious for the outlook for the new campaign. The current climate encourages a certain amount of caution amongst exporters for the coming months. With the latent crisis in the markets, global consumption and exports could fall at the end of the year.

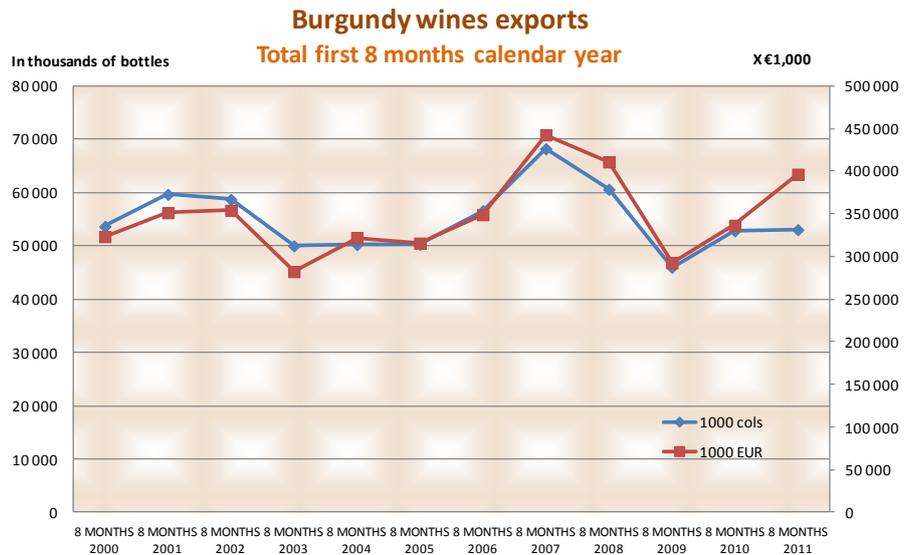


This campaign has enabled Burgundy to considerably increase the average value of wines exported, in accordance with the objectives of the "Bourgognes Amplitude 2015" plan. It has also favoured a recovery of Village and Grand Cru Appellations, whilst the previous campaign began with the Regional AOCs, more accessible wines with a quick turnover.

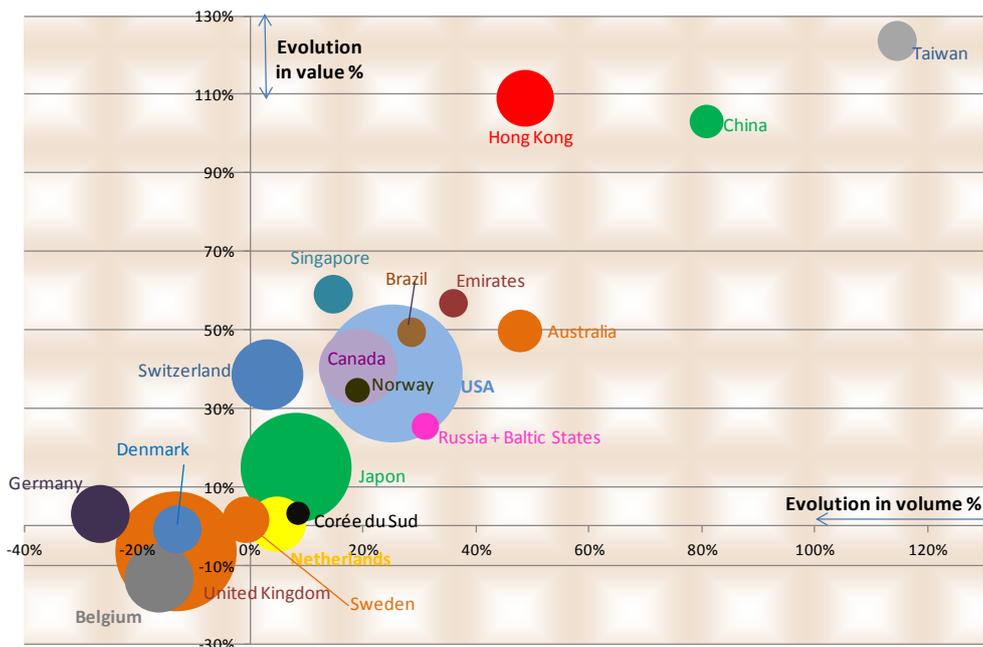
This growth has benefited both white wines, with a rise of 6.8% by volume and 14.7% by value, and red wines which posted 8.9% and 26.9% respectively. Only Crémant de Bourgogne seems to have registered a decline (*source: French customs 2011*). The survey conducted by the Union of Crémant de Bourgogne does show continued growth in exports for this sparkling wine, however.

■ **First eight months 2011: focusing on “value”**

Although 2010 saw an increase in exports by volume, 2011 has recorded a sharp rise in revenues. **Exports of Burgundy wines outside of France have grown by 0.4% by volume and, above all, by 17.8% by value during the first eight months of 2011, compared to the same period in 2010 (53 million bottles for some 400 million euros).**



Change in exports of Burgundy wines by volume and by value
Total first 8 months 2011 / 8 months 2010
(Bubbles weighted by Burgundy’s revenues)



Key to the graph:
The size of the bubbles: proportional to the weight of the market in revenues of Burgundy exports, over the period
Horizontal axis: growth by volume compared to the same period in 2010
Vertical axis: growth by value compared to the same period in 2010

This growth can be seen on all markets outside the European Union. All markets have moved back into the black, beginning with **Burgundy's principal markets**:

- ▶ The North-American market is **benefitting from a recovery in the consumption of premium wine** and continues to be at the heart of Burgundy wine merchants' development strategy.
- ▶ Japan, **whose "strong" yen favours imports**, has not curbed its Burgundy wine imports, on the contrary, thanks to the efforts made by the Japanese people to respond to the double catastrophe of March 2011.

The good health of the Burgundy vineyard is also due, to a large extent, to the **economic momentum of the new consumption markets**, principally in Asia. Continental China and Hong Kong (both markets being closely connected) are **rapidly approaching Burgundy's TOP 5 export markets by value**.

Other promising markets are beginning to hold significant weight in this ranking. Burgundy is enjoying growing popularity there, as in Australia, with 2% of Burgundy's revenues, in Brazil, with 1%, or in the United Arab Emirates, also with 1%.

Burgundy is therefore the French vineyard which generates the largest revenues for still wines in Australia. It totals 30% of exports of French still AOCs by value on this market, as in Brazil.

A 30% rise is observed in Burgundy exports to Russia, a market which should be linked to the good results in Latvia and Lithuania (transit countries to the Russian market).

Brazil is the most recent country to be included in the Burgundy Wine Board's export programme. A wine tour is scheduled for April 2012, in partnership with the Chamber of commerce and industry of the Burgundy region.

On the programme: tasting with Burgundy companies, training seminars and press meetings.

And Chablis is carrying out a training programme destined exclusively for Brazilian wine waiters.

Conversely, sales in the **European market** still seem to be penalised by the gloomy economic climate. However, the reduction in the volume of sales in the European markets should be seen in the context of the simplified declaration as mentioned above.

2011/2014 Burgundy wines export programme, a new agency for an ambitious project

The BIVB is continuing its educational work to increase knowledge of the subtleties and the diversity of Burgundy wines across the world. To this end, a new communication agency was recruited in September 2011 to help the BIVB develop its programmes abroad for the trade (wine waiters, restaurateurs, journalists, importers, etc.) and the general public.

After a European invitation to tender, the agency Soprexa won the contract for three years. This agency has been firmly established for many years in the food-processing sector, in particular in the promotion of wine. The campaigns implemented will allow us to reach the trade network as closely as possible and in the most relevant way possible.

Its tasks will include the BIVB's events and press relations abroad. The priority countries have been defined: UK, USA, China, Hong Kong, Japan and Belgium. The BIVB will carry out numerous events in these countries, particularly through tasting sessions hosted by Burgundy professionals. Training and press relations events will also be carried out in other destinations: Canada, Singapore, Taiwan, South Korea, Sweden, Norway, Denmark, Finland and Brazil.

In line with the "Bourgognes Amplitude 2015" plan, the aim is to consolidate Burgundy as a global reference for great wines produced from sustainable wine-growing. Chablis launched a similar invitation to tender and has also selected Soprexa. Their specific objective is to highlight the original, unique aspect of Chablis wines.

At the same time, the Discover the Origin programme conducted in the UK in partnership with Parma ham, Parmigiano-Reggiano cheese (Italy) and Porto and Douro wines (Portugal) has been re-launched for three years. It will now also cover Ireland.

Table of export results of Burgundy wines in the 2010/2011 campaign and in the first eight months of 2011

Burgundy wine exports	2010-11 campaign (August 2010 - July 2011)						Total first 8 months 2011 (January - August)					
	2010/11 campaign		% 10-11 / 09-10 campaign		Difference 10-11 / 09-10 campaign		Total 8 months 2011		% 8 months 2011/2010		Difference 8 months 2011/2010	
	1000 units	1000 EUR	VOLUME	VALUE	1000 units	1000 EUR	1000 units	1000 EUR	VOLUME	VALUE	1000 units	1000 EUR
World	89 007	628 787	+6,4%	+18,8%	5 335	99 584	53 023	396 392	+0,4%	+17,8%	224	59 910
EU	51 970	264 721	-2,8%	+1,9%	1 517	4 964	28 478	145 874	-11,7%	-4,9%	3 766	7 507
United Kingdom	22 240	113 399	+1%	+2%	221	2 077	11 781	62 515	-13%	-6%	1 775	4 279
Belgium	8 611	37 286	-5%	-5%	495	2 114	4 779	20 226	-16%	-13%	922	3 095
Germany	4 731	26 767	-13%	+13%	683	3 132	2 356	14 442	-27%	+3%	850	420
Netherlands	5 882	24 908	-5%	-7%	302	1 815	3 248	13 511	+5%	0%	149	54
Denmark	2 991	15 786	-7%	+7%	239	1 061	1 845	10 043	-13%	-1%	271	92
Sweden	3 254	14 198	+5%	+6%	148	859	2 075	9 089	-1%	+2%	14	141
Spain	184	1 846	+9%	-3%	15	59	106	1 064	-8%	-15%	9	181
Ireland	1 509	6 423	+6%	-6%	85	395	845	3 375	+1%	-11%	11	405
Italy	581	5 456	+8%	-2%	42	118	277	2 864	-11%	-15%	35	508
Luxembourg	399	3 919	-5%	-9%	21	385	178	1 898	-25%	-19%	59	451
Austria	166	2 025	-8%	+17%	15	290	82	1 135	-23%	+24%	24	221
Latvia	271	1 898	+12%	+21%	28	324	164	1 139	+25%	+24%	33	219
Finland	320	1 681	-16%	-5%	60	86	231	1 195	-19%	-2%	55	23
Lithuania	215	1 160	+309%	+431%	162	941	138	712	+162%	+160%	85	438
Non EU countries	37 038	364 066	+22,7%	+35,1%	6 852	94 620	24 545	250 518	19,4%	36,8%	3 990	67 417
USA	13 975	126 646	+27%	+38%	2 990	35 004	9 126	82 505	+25%	+39%	1 847	23 051
Japan	7 968	76 543	+7%	+16%	543	10 333	5 289	52 316	+8%	+15%	400	6 796
Canada	5 508	37 785	+35%	+50%	1 421	12 672	3 533	25 572	+19%	+40%	567	7 354
Switzerland	1 895	31 284	-5%	+24%	97	6 152	1 338	21 436	+3%	+39%	40	5 961
Hong Kong	745	18 065	+40%	+74%	214	7 693	546	14 129	+49%	+109%	179	7 368
Australia	953	9 545	+31%	+27%	227	2 045	780	7 990	+48%	+50%	252	2 651
Singapore	359	8 998	+6%	+61%	19	3 415	229	6 251	+15%	+59%	29	2 322
Taiwan	330	8 947	+111%	+101%	174	4 504	236	6 706	+115%	+124%	126	3 706
China	945	7 336	+79%	+112%	416	3 869	572	4 880	+81%	+103%	256	2 475
Brazil	497	4 943	+8%	+37%	36	1 340	385	3 508	+29%	+49%	86	1 160
United Arab Emirates	475	4 387	+23%	+43%	89	1 329	353	3 481	+36%	+57%	93	1 261
South Korea	335	3 704	+22%	+3%	61	115	212	2 473	+9%	+3%	17	77
Norway	546	3 442	+48%	+57%	177	1 243	407	2 636	+19%	+35%	65	676
Russia	299	2 215	-10%	+10%	35	201	221	1 429	+3%	+1%	6	8
Mexico	169	1 184	+10%	-5%	16	57	105	798	+10%	+10%	10	71

■ **The North-American market clearly on the up**

The USA has become Burgundy's first export market in terms of revenues (ahead of the UK), with growth of 38% by value and 27% by volume.

Canada is following the same trend, with +50% by value and +35% by volume, pushing it up to 4th place.

USA: Burgundy's new leading export market by value

American wines imports (from all origins) posted a considerable gain over the 12 months ending July 2011: +4% by volume and, more importantly, +7% in the average price. France has benefited from this situation to a large extent, with +8% by volume and +9% in the average price.

Burgundy is fully benefiting from the recovery in the consumption of premium wine on this market and should, in the medium term, continue to take advantage of this growth. But this is still far from its peak. It is driven by consumers which are younger than those in France. The vineyard has already profited from the rebound of the dollar at the beginning of 2010.

The fear that the dollar would fall again, as expressed by Burgundy in the summer of 2010, was partly confirmed. The euro exchange rate has mainly remained between 1.40 and 1.45 to the dollar. This did not prevent the sound growth in exports of Burgundy wines in the last campaign, reaching a volume of 3 million additional bottles and total growth of 35 million euros in revenues.

Burgundy wines maintain a considerable growth margin in mid-range and high-end restaurants, particularly with the development of “wines by the glass” sales operations. According to a survey conducted by BIVB in 2010, barely three out of five American restaurants, whose average bill per person is over \$30, currently offer Burgundy wines (*source: CHD Expert 2010*).



In the wine shops in the main states of the country, Burgundy wines are already well established. 50% to 90% of points of sale distribute at least one Burgundy wine (*source: IRI Symphony 2011*). Sales of Burgundy have increased by 5% to 15% depending on the state. The diversity of the range on offer continues to grow in these shops.

In supermarkets, sales of Burgundy are fairly low, but stable. There is room for optimism, however: sales of Pinot Noir, of all origins, are experiencing a boom, with growth of 13% in this channel.

There is a real opportunity available for Burgundy. Its Regional and Village appellations are still overlooked in this country and therefore represent new sales prospects.

■ Asia boosts sales of Burgundy

Sales of Burgundy have been on the rise for several years in Asia, but it would now appear that exports have moved up a gear.

Only Japan was a mature, substantial market for Burgundy until now. Although it is still growing, it is no longer the only country in this part of the world to increase its imports of Burgundy wines. The People's Republic of China and Hong Kong are constantly increasing their imports of Burgundy wine. These two markets, linked by import flows, are soon to become, within a few months, Burgundy's 6th largest market in terms of value.

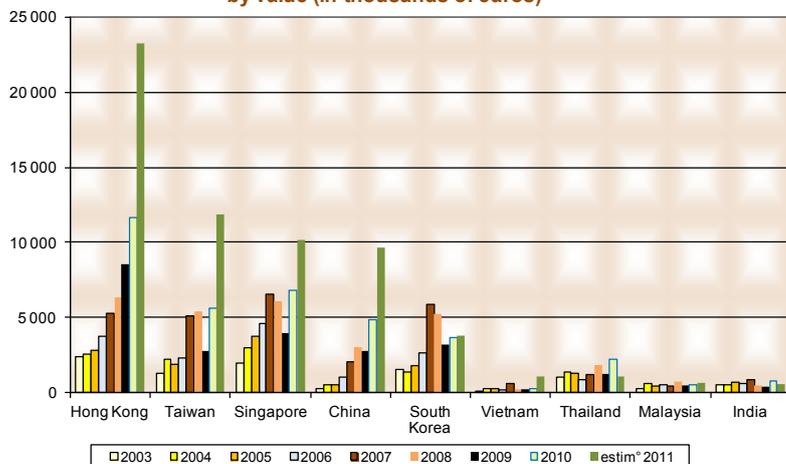
Singapore and Taiwan are also expanding rapidly, partly thanks to their role as export platform for Asia. It is also worth mentioning the interest of other Asian countries, which supply themselves directly from these platforms for tax reasons. Indonesia, Malaysia and Vietnam are key markets, despite the fact that their export volumes are low. India, which is often presented as a difficult market due to its high customs taxes, could develop quickly. The European Union-India free trade agreement, currently under negotiation, would be a key element.

Revenues generated by Burgundy from these new markets have doubled in one year. This will definitely be a key destination in the years ahead.

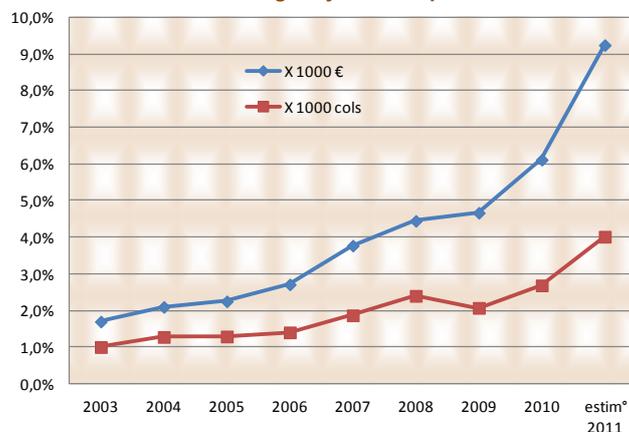
Asia should represent nearly 10% of export revenues of Burgundy wines at the end of 2011 (21% including Japan), versus only 2% in 2005.

To this overall weight should be added the rather significant share of volume exported to the UK. This country acts as an export platform for “fine wines” to Hong Kong.

Change in exports of Burgundy wines to Asia (excl. Japan) by value (in thousands of euros)



Market share of the Asia region (excl. Japan) in Burgundy's total exports



Japan: return to a record level by value

Japan is a key destination for Burgundy and remains its 3rd largest market by value, with 12.2% of export revenues. It is a historical market and has been very stable for Burgundy for 10 years. This country is home to a large number of wine lovers who are very interested in Burgundy wines. Burgundy accounts for a third of the revenues generated by all French still AOC wines exported to Japan.

After the catastrophe of March 2011, the Japanese have once more proven their dynamism and their ability to bounce back. The speed with which they were able to lift their heads and get the country up and running again demands admiration from us all.

Overall wine imports continued to grow, with a rise of 3.2% by volume in the first seven months of the year.

Burgundy has outperformed in this market. Its exports increased by over 7% by volume, returning to their normal level with 8 million bottles. **In particular, its revenues increased by 16% thereby returning to record levels**, i.e. 76.5 million euros. This demonstrates the attachment of the Japanese people for Burgundy wines, particular the most expensive appellations.

The year 2009 was marked by an unprecedented flight to low-cost wines. In 2010 and 2011, the yen exchange rate contributed to a large extent to boosting imports of higher-quality wines.

China and Hong Kong: Burgundy's new engine

Long considered as a future market, Continental China has become a key market.

It is now the 5th largest importer of wines by volume, with 4% of global imports and is the 4th country by value, with 8% of global revenues. Imported wines still only represent 20% of wine consumption in China... hence its vast growth potential.

Burgundy is fully capitalising on this vast growth in wine consumption. Its wine exports have almost doubled in one year, reaching 1.7 million bottles for 25.4 million euros.



In a few months, China and Hong Kong will become Burgundy's 6th largest market by value. This prospect is a considerable advantage for Burgundy wines in Asia: Hong Kong is an almost obligatory platform for high added-value wines entering Continental China (since the abolition of excise duties on wines in February 2008).

The offers carried out in the sales channels show the strong presence of Burgundy, mainly in the highest price segments (*source: MIBD 2011*).

Burgundy wines are mainly sold in bars, hotels, restaurants and specialist shops. They are still under-represented in supermarkets, as they are mainly sold by foreign names. The offering is, however, gradually increasing.

Within its "Bourgognes Amplitude 2015" plan, the Burgundy Wine Board (BIVB) has decided to develop and continue the presence of Burgundy in this growth market. To this end, it is launching a **VIE (International Volunteers in Business) programme in Shanghai**, one of China's largest cities. After a few months' training in Burgundy, the successful candidate will leave for China at the beginning of 2012 for a minimum of one year to carry out various tasks with the trade:

- ▶ Maintaining a network of trade professionals highly invested in promoting Burgundy wines.
- ▶ Communication channel between the BIVB, training organisations and the official Burgundy wines instructors, to favour the development of specific training seminars with the trade and serious wine enthusiasts.
- ▶ Provide feedback on the needs of the trade to the BIVB in terms of economic information, material presenting Burgundy wines (brochures, training material, etc.).
- ▶ Identification of good channels and establishment of press relations to increase the visibility of Burgundy wines.
- ▶ Supervision and alert in the event of fraudulent use of Burgundy appellations distributed on the Chinese market.

After touring in Hong Kong and towns in Continental China in October 2011, many Burgundy companies, accompanied by the Chamber of commerce and industry of the Burgundy region and the BIVB, will be enthusiastic about travelling to the region in May 2012 for Vinexpo Hong Kong.

"We are strengthening our presence in this growth market," says Pierre-Henry Gagey, Acting Chairman of the BIVB, "but of course we are not forgetting those markets and clients with whom we have worked for a long time. In Burgundy, we appreciate loyalty and don't want to betray it."

Chablis wines are also entering this market, which provides many possibilities. These wines are counting on their wealth and gastronomic diversity to encourage the Chinese to discover and appreciate white wines, although it is currently essentially a market for reds. They are proposing "White nights with Chablis", a promotional operation highlighting the culinary harmonies between Chablis wines and Chinese food, aimed at the trade and consumers in Hong Kong, in December 2011 and in Canton in 2012.

Several training courses and press meetings will enhance the Chablis and Burgundy programmes.

■ Contrasting development in traditional European markets

The economic and social situation of European countries remains difficult. Wine consumption in these countries seems to be weakening relative to the dynamism of the new markets. The economic situation in Europe is not doing any favours for growth in this consumption. Let's begin by Burgundy's main market by volume, the UK.

Other markets (Germany, the Netherlands, Denmark), which are very price sensitive, are in the same situation. French wine consumption is faced with competition from low-price wines from Chile, Australia and even Italy. Belgium, which was caught up by the crisis fairly late on, is now affected by inflation.

And only the monopoly-run Scandinavian countries are enjoying a calmer situation.

In the UK, the economy and taxes are affecting sales of Burgundy

Exports of Burgundy wines to the UK ended the 2010-11 campaign very slightly up by 1% by volume and 2% by revenues. With 22.2 million bottles exported, the UK remains the leading destination by volume (a quarter of Burgundy's total exports) and a 2 million euro increase in revenues.

However, the fall in sales observed since January (-13% by volume and -6% by value over the first eight months of the year) does not favour optimism. This is a result of the government's drastic austerity measures along with the increase in taxes which is penalising the market.



For several years, excise duties on wine have been constantly rising. Taxes have thus risen by 25% alongside the increase in VAT from 17.5% to 20% in 2011. The impact of the euro/sterling exchange rate is also affecting the price of European wines.

With an overall increase of 5% in the average price of wines in supermarkets, wine purchases in this channel fell by a total of 2% over the last year. The more expensive wines are, of course, affected to a greater extent, beginning with Burgundy wines whose supermarket sales fell by 5% by volume and 3% by value during the campaign (*source: IRI Symphony*).

The bankruptcy or economic difficulties of chains of general stores and specialist wine shops (Thresher, The Wine Rack, Oddbins) also impacted on the sale of Burgundy wines in the UK. In 2009, 95% of UK wine shops had sold Burgundy wine, with an average of fifty names sold during the year.

Germany, the Netherlands, Denmark, Belgium: traditional markets down

For some years, we have witnessed a slow erosion of exports of Burgundy wines to neighbouring markets, due to the combined effect of two factors:

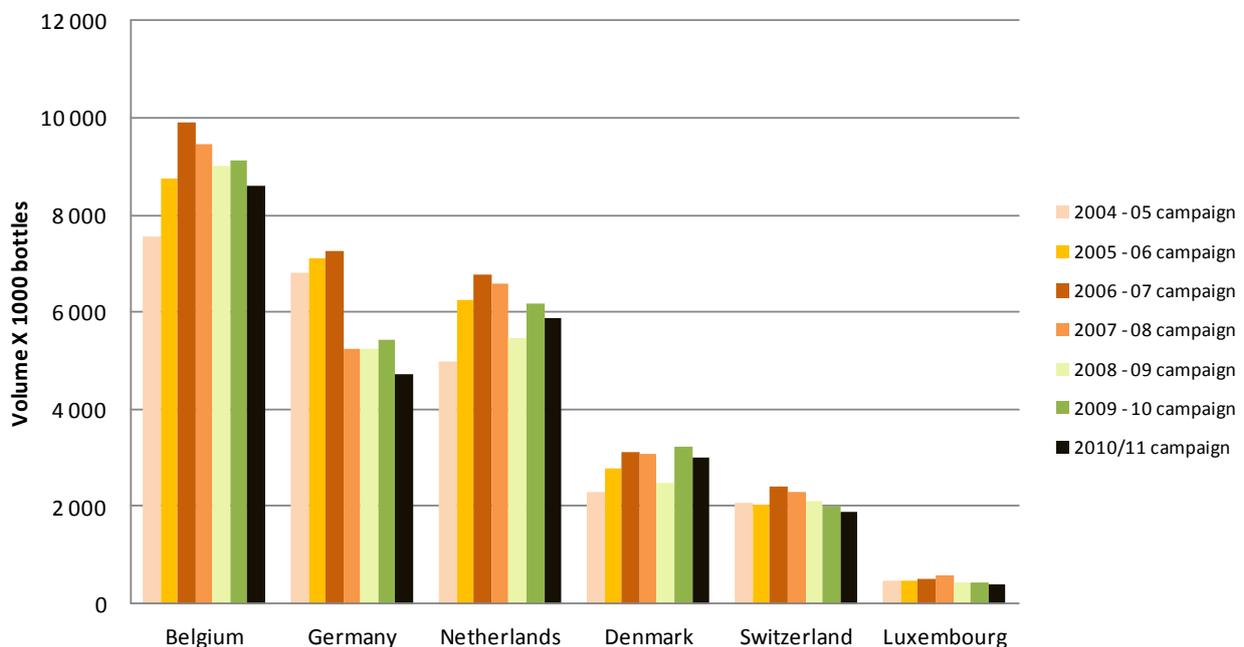
- ▶ Saturation and increased competition on these markets, where consumption is no longer growing.
- ▶ Increasing demand from new consumption markets, which brings about a reorientation of Burgundy wine exports.

Germany, with its hard discount market, is certainly the most affected by the price war. However, there are niches of informed wine consumers who are prepared to finance good bottles, but they remain confidential.

This country does, however, have a number of assets: a solid economy, a rather high proportion of well-off households, development in the behaviour of German consumers, awareness of the notions of the environment, "Terroir" and health, not to mention the development of gastronomic restaurants (some 2,500 of the country's 20,000 restaurants). All these factors are likely to favour a recovery in sales of Burgundy wines.

During the August 2010/July 2011 campaign, **the Netherlands has shown increased stability** over the medium term (around 6 million bottles of Burgundy). It is also the only one of the neighbouring markets to significantly increase its Burgundy wine imports over the first eight months of 2011 (+5%). It is a country which sells and exports towards more favourable destinations. The fact that the Dutch like to holiday in Burgundy also has a positive impact.

**Exports of Burgundy wines, per campaign, to traditional European markets
By volume**



In **Denmark**, general wine consumption is declining, with a fall of 0.6% in the number of households buying wine, and the volume per purchaser dropping by 3.1% (*source: GFK panel*). At the same time, the average price of wines has increased.

Sales by volume of French wines fell by 13% over one year. However, white Burgundy has gained market share, with a rise from 2.8% to 3.3% in overall sales, but with a 4% fall in the average price. Finally, exports of Burgundy wines to Denmark have reached their highest levels on this market.

Belgium, which is very loyal to French wines, and particularly Burgundy wines, has held up reasonably well against the economic crisis. However, for the last few months it has been faced with strong inflation of 3.5% and little by little seems to have been caught up by the crisis. Spending seems to have stabilised and the level of household confidence is showing signs of weakness.

Flanders, the driver of Belgium's wine growth, has posted a significant fall in white wine consumption with a considerable decline in prices in the short term. On this white wine market, Burgundy is subject to the sharp reduction in prices from competition from Australia, Italy and South-Africa. Spanish Cava is also positioning itself on the aperitif segment to the detriment of white wines.

Exports of Burgundy wines consequently fell by 16% over the first eight months of 2011, even though they were very stable in previous years despite the crisis. **The decline over the 2010/2011 campaign**

is, however, limited to 5% compared to the previous campaign, thanks to a strong end of year in 2010.

The fall in exports to this country has to be seen in context: Belgians often buy their wine across the border in France where it is less expensive (27% of households buy their wines in France, on average eight times per year). They are the leading foreign customers in Burgundy (80% of Burgundy estates quote Belgium as one of the main origins of foreign tourists to the cellars).

Scandinavia: the monopolies increase their sales of Burgundy wines, spurred on by Crémant de Bourgogne

Scandinavian countries with the monopoly system represent a real opportunity for niche wines. These public bodies are obliged to represent the diversity of the world's wines, which means that Burgundy and its varied ranges have a significant place. These markets are amongst the few in Europe to have increased their imports of Burgundy wines over the last campaign.

This way of structuring the product range is sensible and consumer demand is healthy: **sales of Burgundy wines in Scandinavian state monopoly shops are constantly beating their records, despite the crisis.**

In Sweden, they increased by 17% by volume in 2010, compared to 2009 and established a new record with 2.62 million bottles of Burgundy wine purchased. They have tripled in volume in only five years.

In Norway, sales of Burgundy wines have increased by 5.6%, reaching the equivalent of 2.2 million bottles. This growth is almost three times greater than that of the overall market.

The majority of the 100 Burgundy AOCs have been sold, over recent years, in the three countries (Sweden, Norway, Finland) although most sales concern just a few names. Hundreds of different Burgundy names are sold every year, but only around a dozen are permanently present in a large number of shops (the rest are provided on order).

White wines account for the majority of the Burgundy offering, and contribute to its growth to a large extent. It is worth noting the performance of Crémant de Bourgogne, which is particularly appreciated by consumers and is hence one of the best sellers of sparkling wines amongst the monopolies. Finally, there is a strong development opportunity for red wines, the favoured colour for Scandinavian consumers.

■ France: supermarkets and wine tourism are growth drivers

The French market remains fairly gloomy overall. According to figures from Insee (National Institute of Statistics and Economic Studies), household spending fell by 0.5% in September 2011, after a 2nd quarter which was down by nearly 2%. Morale has also plummeted in France, with people worried about unemployment and purchasing power. Inflation, which has been rising since the end of 2010, is weighing on household budgets.

The French are concerned for the future, and sales of AOC wines are being penalised as people spend their money elsewhere (*source: Kantar*). In 1960, food and drink accounted for 35% of household spending compared to less than 20% today. Spending on alcoholic drinks has been divided by three, now accounting for only 1.4% of budgets. Accommodation and transport spending has doubled, from 20% to 40%.

“Deconsumerism” of wine is continuing: the number of households having purchased at least one bottle in the year has fallen by 1%. Above all, people are buying less and less (54 bottles per year on average, compared to 58 bottles three years earlier).

French AOCs are the first to be affected by this erosion. They have lost 300,000 households. Consumers are focusing on the middle range, between 4 and 7 euros a bottle. This is perfectly fine for Burgundy, which has a wide offering in this price range. It thereby retains its share of 20% of French households buying Burgundy wines.

Burgundy is better equipped than other vineyards to tackle the crisis as it attracts purchasers who are the least sensitive to prices (*source: KANTAR 2011*). It is mainly the more modest households which are reducing their purchases. Conversely, the number of better-off customers seems to have increased, contributing to a rise in the average price.

Those last points contribute to supporting Burgundy wines on the French market. Sales in the last campaign in France reached a volume of more than 105 million bottles (+1%) which still accounts for half of sales of Burgundy by volume.

■ Two channels that favour Burgundy

Supermarket distribution: Burgundy is an exception in the main sales channel

Burgundy is growing constantly in this channel, against the backdrop of a structural fall in wine sales in supermarkets. **Sales of Burgundy wines in supermarkets and hypermarkets grew by 2.3% by volume during this campaign, and reached a new record with 34.5% million bottles** (*source: IRI 2011*).

Burgundy has not discounted its wines to achieve this performance. It holds an atypical position on this network, as it sells few bottles in promotions and has increased the average price of its wines by 2%. **It has increased its revenues by 4.2% in one year.** The objective to increase the value of its wines, which is part of the BIVB’s “Bourgognes Amplitude 2015” plan, has therefore been achieved in this channel. Finally, it is interesting to note that although the majority of French vineyards make up for losses made in the 75cl format by sales of the Bag-In-Box©, Burgundy has made considerable progress in the traditional format. This overall growth is likely to continue, given the spectacular results achieved during summer 2011 compared to the same period of 2010: +7 % by volume and +9.5 % by value.



This good annual performance concerns almost all categories of Burgundy wines. The **growth of white wines** (+2.5% by volume and +4% by value) benefits Chablis Appellations (+4%), Regional white (+2%) and Mâconnais Village AOCs (+12 %), as well as Côtes de Beaune and Côtes de Nuits Villages (+6 %). The main surprise is from **Burgundy red wines which have jumped 3.5% by volume and 5.1% by value**, despite strong competition and a fall in red wine consumption overall (-2%). Here too, the Regional AOCs (+2% by volume) have done almost as well as the Village AOCs (+3% by volume). However, sales of **Crémant de Bourgogne are beginning to stagnate, in terms of volume, due to a lack of availability**. This is due to the small 2010 harvest and the increase in demand from various export markets. This lack of availability obviously leads to an increase in prices in Crémant de Bourgogne, just as for still white wines (prices up by an average of 2%).

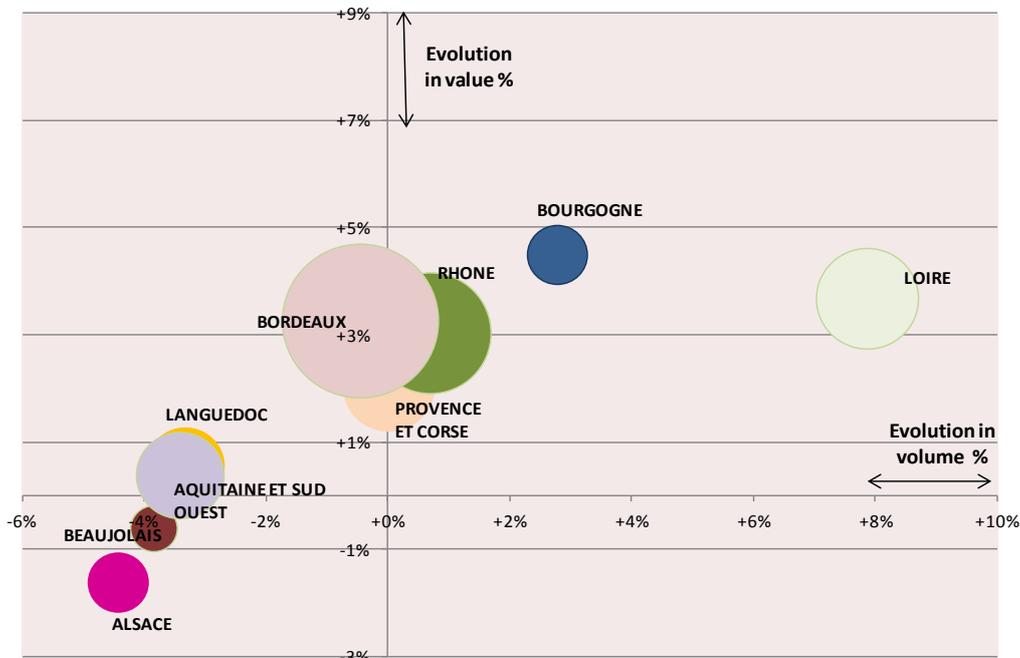
Overall, if we include mini-markets and hard discount stores, sales of Burgundy in modern distribution channels represent 46 million bottles, or 45% of the French market.

The fall in sales registered in hard discount stores is compensated by the growth in sales in mini-markets: as going shopping is increasingly seen as a chore, consumers are gradually favouring neighbourhood shops (6.2% market share of food and drink purchases) and “click and collect” options (0.8% market share).

This overall service shows that Burgundy is perfectly well positioned in this channel, despite its weak presence in the two main drivers of supermarket wine sales: rosé and the Bag-In-Box®. With a large, diverse product range between 4 and 10 euros, Burgundy is increasingly attracting consumers who have re-directed their purchases towards high-quality, pleasant wines.

The strategic implementation of special events by the BIVB, with advisors specially trained in Burgundy wines, also increase sales in a crucial period for the vineyard (between the autumn wine fairs in supermarkets and the end of year celebrations).

Matrix showing growth of sales of wines in supermarkets
(total 12 months, end August 2011, source: IRI Symphony)



Key to the graph:

Size of the bubbles proportional to the weight of the vineyard amongst all still AOCs in this channel
Horizontal axis: growth, by volume, compared to the previous period
Vertical axis: growth, by value, compared to the previous period

Direct sales: wine tourism, a new growth driver

Direct sales represent nearly 30 million high-quality bottles (+3%), i.e. 15% of total sales of Burgundy wines. This channel is growing from year to year and concerns almost all of the wine companies which sell by bottle, or 93%. They now welcome customers to their cellars (one quarter of whom are foreign tourists). At the same time, the companies are increasingly going out to meet the consumers, at regional produce markets or regional fairs (65% compared to 60% in 2010) and some are even active on the Internet (25% compared to 18% one year earlier).

One of the main origins of foreign tourists is Belgium (quoted by 86% of respondents to the survey). It is the Paris region which is the most represented (81% of respondents) by French visitors.

Fewer of these companies welcome visitors on appointment only (26% compared to 36% in 2006 in the summer period), and are more likely to provide a permanent welcome all year round. The reception at the estate is carried out by an employee in 21% of cases (18% in 2010).

The quality of the reception is also measured by the increase in the number of companies who carry out visits of their estate (63% compared to 55% in 2010). The offer is becoming more diverse, with the possibility of accommodation (13% compared to 7%) or the possibility to enjoy a meal on site (10% compared to 4%). More than half of respondents believe that this has allowed them to increase their sales.

Direct sales continue to grow, as 64% would like to further develop sales in the cellar. 31% of respondents would like to increase their presence at fairs.

Wine tourism is key today: consumers are seeking authentic regional products.

The percentage of households bringing back wine from their holiday destination is significant (20% of holidaymakers in Burgundy), proof that wine tourism is an excellent means of promoting wines. Purchases are growing in number, but quantities remain small (two thirds of holidaymakers buy fewer than six bottles).

Customers tend to favour the following key factors: ongoing relations with the producer, knowledge of the product and the possibility to taste the wines. 68% of those questioned said they would buy next year again from the same suppliers (*source: KANTAR 2011*).

In 2011, customers are still present: 65% of tourism providers (all activities combined) regarded the tourist season as “rather good” or “very good” despite the weather which was not always favourable (*source: Bourgogne Tourisme*). In the Côte d’Or, the initial indicators are encouraging: +13% overnight stays in June 2011, compared to June 2010 in the Beaune region and +10% visitors at the tourist information office in August.

Foreign tourist numbers are stable. The Belgians, Dutch and Germans are the most represented, remaining loyal to Burgundy. This is proof that although exports are falling to these countries, the consumers are still interested. Increasing numbers of Asian visitors, with a high purchasing power, are coming to stay in Burgundy. There is therefore a significant pool available for selling wine via this channel.

And this year again, restaurants and wine cellars are among the main beneficiaries of the flow of tourists.

See the press release: “Wine tourism: Supporting high-quality wine tourism in Burgundy” P.34 to 36

■ **A traditional network to be sustained**

Restaurants: sales of Burgundy wines are slowly recovering

Since 2010, commercial activity has been slowly picking up in the restaurant industry, the distribution network most affected by the economic crisis. Though frequentation of restaurants has improved since the heart of the crisis (2008-09), it has not enabled wine sales to return to previous levels. Nevertheless, the fall in volume of wine sold appears to be lessening (-1% in 2011 against -2% in 2010 and 3% in 2009).

Sales of Burgundy wines to restaurants should also fall slightly in 2011. But with around 24 million bottles, this circuit remains important for the Burgundy wine-growing area.

The improvement in sales of wine to traditional restaurants (with average restaurant spend per person over 30 euros) and gastronomic establishments is quite reassuring, as their customers tend to favour Burgundy wines.

Burgundy wines benefit from the ramped-up presence in restaurants in 2011; 60.5% of restaurants have at least one Burgundy wine on their wine list (58% in 2010, 52% in 2009). This figure reaches 90% for “gastronomic” restaurants. Each establishment lists an average of 7 names.

Burgundy has been able to hold onto its place partly thanks to sales made in the north-east quarter in France, an area which is more traditional and which favours the consumption of 75cl bottles and AOCs.

Another favourable factor in Burgundy is the method of supply. Restaurants tend to favour direct suppliers (65%). Half of them did so as their main supply method.

However, Burgundy, (which mainly produces white wines), is penalised by the general fall of white wines consumption compared to other colours.

Restaurants are a good means of showcasing Burgundy wines. Since October 2011, the BIVB has provided restaurants with a free “Burgundy wines list” (up to 10 wine lists possible for larger establishments, where possible). This is a simple, aesthetically-pleasing document, entirely hand-made, using solid materials with a view to sustainable development in line with the “Bourgognes Amplitude 2015” plan. It covers the key points about the region: grape varieties, wine colours, main vineyards. A QR code on the document allows restaurant guests to access a variety of information on the vineyard and wine tourism in Burgundy directly from their smartphones.

At the same time, for the last year, the BIVB has been providing a training programme to wine clubs and wine waiter students **thanks to the French network of official Burgundy wine instructors** (currently eight across France). Over 2,000 students have been trained in this way.



Specialist wine shops: considerable reduction in sales, but reasons for optimism

The situation amongst specialist wine shops remains difficult. The reduction in customer numbers is worrying, particularly that of occasional customers (*source: Equonoxe 2011*). Only 8% of French households claim to visit wine shops more than twice a year (*source: Kantar Worldpanel 2011*).

The number of specialist wine shops has, however, grown in France, by 4% in 2011, after a phase of destabilisation during the crisis (*source: Equonoxe 2011*). There are now around 5,350 wine shops. However, numbers have fallen in Burgundy (-1.4%), no doubt due to the development of direct sales. Specialist wine shops have been subject to the increased competition from chains of shops which now occupy 20% of points of sale in urban areas and almost half in the Paris region. This development might be unfavourable for Burgundy, where the small volumes are more suited to independent retailers.

Today, this market segment represents only 7 million sales of bottles of Burgundy wines, a drop of 10% compared to 2010.

However, there are reasons for optimism. The vineyard is represented in nearly all of the shops in this channel (93.5%). The range of Burgundy wines seems to have increased with 44.5 names sold during the year, on average, per shop (including a large proportion of red wines: 27), compared to 38.7 one year earlier.

The increase in the average basket of goods in 2010 (+9.4%) is reassuring, after the 25% decline posted at the heart of the crisis. Unsurprisingly, Burgundy positions itself towards the top end of this channel, with an average sales price per consumer of 20 euros. Half of its sales are concentrated in the 12 and 25 euro segment. One bottle of Burgundy in three is bought at below 12 euros and one in six above 25 euros.

There are two key elements in this channel: customer relations, through advice and welcome, and the diversity of the offering (*source: KANTAR 2011*). In the end, the price is secondary. These points are all in favour of Burgundy.

The majority of wine shops, questioned in spring 2011, were expecting stable or indeed rising sales of Burgundy in the future. Burgundy takes the second place amongst the vineyards that the wine shops want to highlight. Nevertheless, 35% of wine shop owners say they are not sufficiently informed about Burgundy wines. **It would appear that training is a key factor in maintaining sales in this channel.**

“Rencontres avec les Bourgognes / Chablis”: there’s always a Burgundian near you

Paris, Dijon, Roscoff, Essey-lès-Nancy, Pau... These are just some of the destinations of the “Rencontres avec les Bourgogne” (Meetings with Burgundies” and the “Rencontres avec les Chablis” since September. This 5th edition will extend to the end of the year with a total of 2,000 events. It is the first year that the Burgundy Wine Board (BIVB) has carried out this campaign to focus on Chablis. The aim of these meetings is to allow the Burgundy producers to meet as many wine lovers as possible at points of sale, in wine shops, wine fairs or even in supermarkets. To see the schedule and location of each event, visit: www.rencontresaveclesbourgognes.fr (in France only, soon in Belgium).



■ Key figures from the Burgundy region *(Source: French customs/ IRI/ BIVB/DRAF)*

October 2011

■ Average production

<p>1.5 million hectolitres</p> <p style="text-align: right;"><i>of which</i></p> <p style="text-align: right;"><i>and</i></p> <p style="text-align: right;"><i>in other words</i></p>	<ul style="list-style-type: none"> ▶ 60.5 % white wines ▶ 31.5 % red wines (and rosé) ▶ 8 % Crémant de Bourgogne <ul style="list-style-type: none"> ▶ 1.5 % Grand Cru wines ▶ 47.5 % Village Appellations and Premiers Crus ▶ 51.0 % Regional Appellations <ul style="list-style-type: none"> ▶ 6.5 % of the production of French AOC ▶ 3 % of the production of wines in France ▶ 0.4 % of the world's wine production
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28 000 hectares in production (3% of the French wine-growing region)

2 main grape varieties:

- ▶ Chardonnay (56%): is used in the production of nearly all white wines
 - ▶ Pinot Noir (31%): is used in the production of nearly all red wines
- Other varieties: Aligoté (white, 7.5%), Gamay (red, for Bourgogne Passe-tout-grains and Mâcon, 5%), Sauvignon and César (0.5%)

<p>100 different appellations (22% of the French AOCs)</p>	<p style="text-align: right;"><i>of which</i></p> <ul style="list-style-type: none"> ▶ 33 Grand Cru Appellations ▶ 44 Village Appellations and Premiers Crus ▶ 23 Regional Appellations
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■ Companies

3 800 Wine-growing estates (of which **1,300** bottle and sell over 10,000 units)

250 Wine merchants
23 Cooperative cellars

■ Market

- ▶ **Some 200 million** bottles sold
- ▶ **48 %** are exported

1.2 billion euros in revenues (estimated)

Burgundy accounts for: Burgundy represent:

- ▶ **2.8 %** of worldwide wines exchanges, in terms of value
- ▶ **18.5 %** of revenues of French still VQPRD exported in 2010 (for 6.5% of the production)

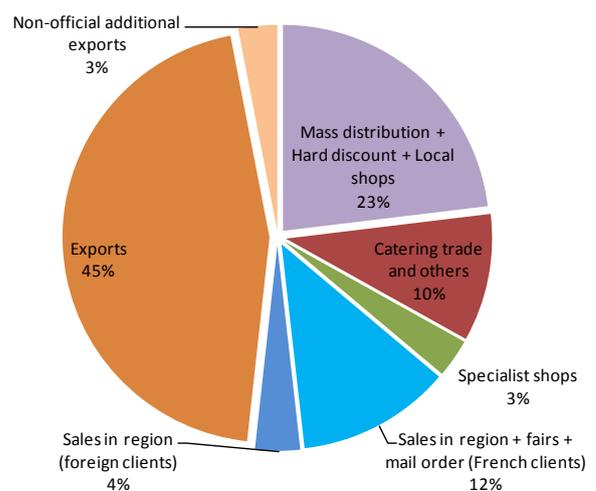
■ Regional weight

2 % of the agricultural land exploited in Burgundy

3 % of Burgundy's GDP

45,200 jobs generate (direct and indirect) i.e. 7% of total employment in Burgundy

Estimated breakdown of sales of Burgundy wines (October 2011)



Source: BIVB/French Custom/IRI/CHD/Equonoxe