

Agriculture by Philip Ulanowsky

Wine market confirms EIR forecast

The speculative bubble has burst, and though good wine will cost less, there may not be much to celebrate.

As EIR forecast last winter, using information from sources in the international wine trade, the speculative wine bubble has popped. In fact, it had already been punctured at the time, but the effects have taken some time to manifest themselves. According to information received the week of Sept. 27, prices for second-tier red Bordeaux, as well as some top-rated Burgundy, are plunging. Meanwhile, a veritable ocean of fine wine from recent vintages lies in storage or on store shelves, going nowhere. Some sources say the difference between last year and this is dramatic.

Good to excellent weather, combined with technological improvements in control over the wine-making process, have led to a string of good and better vintages in Bordeaux, the French region whose wines in many ways serve as both standard and marker for the world. Nineteen eighty-eight produced a strong vintage, and the following two years were highly acclaimed. Although wholesale futures-offering prices for the '91s started the decline, the change was slight. However, prices for representative '92s, relatively only a fair vintage but by no means bad, came down about 40% from the '91s. (These wines will come onto the general market in '94.) This year's previously promising vintage met with rain just before harvest, bloating the grapes and forcing growers to leave them on the vine in hopes of some sun to dry them back out a bit. The vintage will not be prized.

The high prices for earlier vintag-

es have put them out of step with the collapsing world economy. Chateaux, whose bottles sold for \$12 in 1983 and soared to \$25-35 by the end of the decade, are no longer moving. The speculative market in wine, which was driving huge purchases from especially 1982 on, has collapsed, leaving the current glut. According to one source, in the major wholesale market the '88s "are being given away"; the '89s are trying to retain their high price but going nowhere; the '90s are not selling but have a chance if the top 10 first-tier wines can make a convincing case for pricing the rest of the vintage (plausible but unlikely, in my view); and sales of the subsequent years are, despite the fall in prices, "static." Even top management at Bronfman-owned Chateau and Estates importers (the largest in the United States) are reportedly admitting that "business is bad."

Prices for almost all Burgundy, which capitalized on its small production in a hungry market, have orbited into the stratosphere since the late 1980s; even rather ordinary bottles have been sporting price tags in the mid-teens. Markdowns, however, will not be long in coming. One leading East Coast wine dealer told EIR that last year, one Burgundy house offered him a maximum of three cases (36 bottles, total) of its top wine, at the going rate. Recently, the same representative handed him a list of the wines and told him to write in prices.

Offerings for top second-tier Bordeaux, such as rising star Chateau Lynch-Bages, tell a similar story, as

do prices for even leading classified second-growth wines. Cases (12 bottles) that were \$700 wholesale a year or two ago may see \$400 now (bringing in perhaps \$500 retail)—and not for big orders of thousands of cases but for a hundred or so. Said one New York dealer, "And I don't know if I can get that for them. Who's buying \$20 bottles anymore? There is plenty of excellent wine available for half that and less. People just aren't going to spend that kind of money now."

In France, supermarket shelves that normally hold ordinary table wines for the most part, are reportedly loaded with very good chateau wines from the '87 and '88 vintages at attractive prices, to provide an additional outlet and cash flow for the chateau. In the United States, although the market is relatively large in total, such a tactic is less feasible. The percentage of the population that drinks wine regularly remains low, and that which knows wines well, even lower. At the same time, the increased influx of fine, moderately priced wines from such countries as Chile is lowering the share of a static market available to France.

The price and consumption collapse is bound to cut a wide swath in France, where agricultural producers of all kinds have been suffering from years of volatile trade conditions, subsidy reductions, and concerted attacks from the free-trade forces behind the insane General Agreement on Tariffs and Trade (GATT) and similar wrecking policies. In the United States, the price drop will probably take a while to filter down through the broader market from the centers in New York and other major cities. However, the "natural" course which this flow might take may well be interrupted by major tremors in financial markets resulting from disruptions in the derivatives markets or from the effects of political eruptions in the East.