Consumer Trends: UK Wine Market Trends

NEW YORK (Rabobank) — Rabobank has published a new report looking at the global wine industry as of the end of 2013, and forecasting remaining challenges for the industry globally but a more optimistic outlook for the UK wine sector.

In the report, published by the bank's Food & Agribusiness Research and Advisory group, Rabobank says that the miserable economic environment in the key UK market has left the world's winemakers with little reason for optimism in recent years, as falling real wage growth has driven down consumption. However, Rabobank says, the UK's improving economic fundamentals, combined with recovery in the global harvest, should provide some relief in 2014.

UK Signs of Recovery

"Improving economic fundamentals should begin to provide more support to wine consumption in the UK," commented Rabobank analyst Marc Soccio. "However, old pressures remain as suppliers continue to deal with rising excise tax rates and a concentrated retail grocery sector."

Changing UK Consumer Habits

UK wine drinkers have become more experimental in their habits, following the downturn. Consumption continues to shift into the home and is increasingly occurring alongside food. Traditional pub formats continue to flounder in favor of more contemporary outlets.

Northern Hemisphere Harvest Update

Reports out of California suggest a very large U.S. harvest for 2013 – potentially larger than the record breaking 2012 harvest. European inventories have rebounded, as Italy and Spain have revised production figures upwards. However, poor weather in France saw production fall substantially.

Global Export Trade Performance

French, Italian and Spanish export volumes fell in 2013, mainly as a result of falling bulk wine demand. Australian exports declined, while New Zealand returned to growth due to strong demand from Northern Europe and the U.S. Argentina experienced a material decline, although exports strengthened in the second half of the year. Large harvests and a weak domestic currency saw Chilean export volumes increase 24% from January to November. The U.S. registered solid growth, particularly in high paying markets. Supported by the soft rand, South Africa exporters climbed 25.6% in the year.

U.S. Import Trends

The large U.S. harvest has driven a 25% decline in bulk wine imports. However, bottled wine imports experienced solid growth in both volume (7%) and value (9%) – France and Italy emerged as the main winners.

Key Currency Forecasts

New Zealand is expected to raise interest rates, supporting the New Zealand dollar against the U.S. dollar. By contrast the Australian dollar and Chilean peso are expected to weigh against the U.S. dollar as global commodity prices soften and U.S. tapering sets in.

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