

AMBITIOUS TARGETS

The UK has given itself until 2020 to export ten times the volume of sparkling wine that it does today. James Lawrence asks whether this is realistic or not.

In March 2016, UK environment secretary Elizabeth Truss announced to the press that the country's sparkling wine industry would endeavour to increase its export volumes from 250,000 to 2.5m bottles by 2020. This highly ambitious target was agreed following an inaugural panel discussion between producers and leading wine industry representatives, brought together to map out the future of English wine.

The response

The UK wine trade's response to Truss was decidedly mixed, with some commentators applauding the goal as completely obtainable, while others maintaining their skepticism. "I think the predictions are perfectly possible," observes Oxford Wine Company founder Ted Sandbach. "With the likes of Rathfinny coming on board shortly with its huge volume potential, exporting that volume of wine may well happen, and if so the increased competition and economies of scale may well also help control prices too."

In contrast, Christine Parkinson, head wine buyer for the Hakkasan restaurant group in London, observes that achieving such a giant leap in export volumes may be unrealistic, at least in the timescale allotted. "I think that opening up export markets will be hard work for producers, and it may be a real challenge to achieve

the same price points in overseas markets that the wines command in the UK," says Parkinson. "Realistically, exporting will probably only work for a few, bigger, producers."

Nonetheless, the pace with which the English wine industry has established itself in the UK market is nothing short of remarkable. What started as a brave venture by Felsted and Pilton Manor in 1976 has morphed into a vibrant, growing industry, with approximately 2,000 ha of vineyards planted - predominately in southern England - and a rash of new investment. The Champagne community is even starting to take English wine seriously; over the past 12 months, both Taittinger and Pommery have announced plans to invest in the UK. It's a far cry from the general consensus 25 years ago, when English wine was derided as "tasting of rain".

Moreover, the UK market has demonstrated an extraordinary thirst for sparkling wine of late. Sales of fizz (excluding Champagne) hit the £1bn (\$1.4bn) mark for the first time in 2015 and according to Nielsen data, in the 12 months to 23 April 2016, English sparkling wine sales increased by over 20% in volume and 19% in value. Currently, the annual production of English wine is approximately 6.4m bottles.

"We've had a fantastic last 12 months, to the extent that we have now allocated all our current stock," says Hambledon Vineyards owner Ian Kellet. However, despite these achievements in the domestic market, a growing number of producers are now seeking export success. Indeed, individuals like Hambledon's Ian Kellet and Rathfinny's Mark Driver want nothing less than widespread global recognition for English wine, and to forge an international reputation for quality comparable to Champagne. "I suspect England will be making circa 20m bottles per annum in 20 years' time, half for export and half for domestic market," says Kellet. He continues: "There is growing worldwide recognition of the quality of English wine and we're still only in our infancy. We aim to be producing a million bottles of sparkling wine from estate-grown grapes in the next 10 years and export markets will be a key part of our strategy, particularly the USA, the Far East and also India." He goes on to say that there are now several top quality UK estates all planning million-bottle-a-year brands and all looking to grow exports. "By

collaborating successfully together I believe that English sparkling wine could become a significant export for the UK."

The export goals

High on the list of priorities for English producers is the US market, particularly the East Coast, where the on-trade is currently enjoying record growth. Indeed, a growing collection of brands have recently signed deals with American importers, including Chapel Down and Hush Heath in Kent, and Camel Valley in Cornwall. Leading producer Gusbourne is also betting on the US; CEO Ben Walgate recently signed a contract with US importer Broadbent, to target the prestige on-trade in the US East Coast and California. Currently, only 10% of Gusbourne's volume is sold abroad.

"I'm confident that we will crack the US for two reasons. Firstly, we have a great importer. Secondly, they have extensive contacts with influential US sommeliers who hold great power in the American market," says Walgate.

However, his importer is under no illusions about the challenges ahead. "Launching a new wine in America is a very slow process. I expect the brand building to take ten years. The US has the most ridiculous alcohol laws, so it's easier to sell guns and drugs than wine. This is not going to be an overnight flash in the pan," explains Broadbent's CEO Bartholomew Broadbent, pouring cold water on Truss' figure of 2.5m bottles by 2020. He continues: "Establishing the reputation of Gusbourne as one of the greatest sparkling wines in the world is the goal. If we sell a few bottles on the way, great but I'm building the image, sales are a secondary concern."

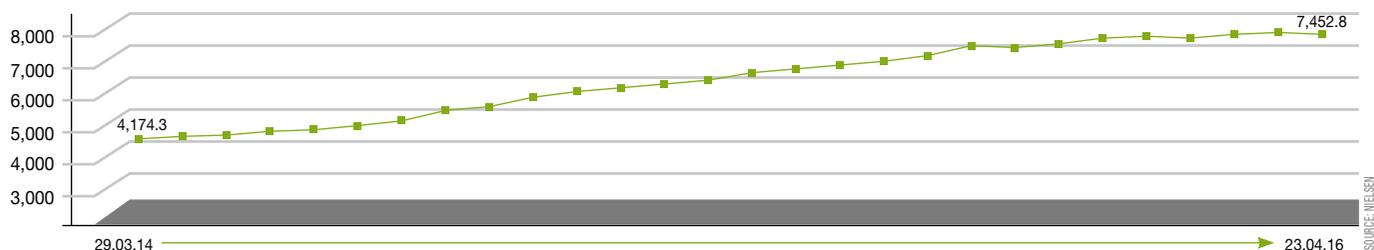
Julia Trustram Eve, Marketing Director for English Wine Producers, is a strong proponent of the export drive and leading voice in the UK wine industry. She believes, unlike Broadbent, that if producers adopt a collegiate approach, the target set by Elizabeth Truss will be achieved. "It's important to emphasise that this figure wasn't simply plucked from thin air. It was reached after an extensive consultancy process



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Value Sales ('000) - Total Coverage (£) - English Sparkling Wine



SOURCE: NIELSEN

with key producers,” says Trustram Eve. “Of course, there is an aspirational element to this goal of 2.5m bottles, but I believe it is totally achievable as production volumes are going to increase significantly over the next five years.”

To that end, Trustram Eve has been investing heavily in major trade events like Prowein, and plans to unveil several promotional initiatives this year in markets like the US, Hong Kong and Germany. “One key element of our strategy will be working with British Embassies across the world, to get them onboard and ensure that the message of English wine is getting out there,” she says. “That said, our campaign must be a targeted one as we don’t have the volumes, but we have already started working with the prestige on-trade in the US, which is our natural home.”

“Exporting clearly represents an incredibly exciting opportunity for ESW in general, not least Nyetimber, and this area will form an even greater focus for the brand in the coming years,” adds James Mason, global head of sales at Nyetimber.

Other considerations

And for other producers? At present, only a small percentage of English wine is currently sent abroad and only the bigger brands can afford the considerable investment that is required to break into highly competitive export markets like the US. While respected brand Ridgeview now leads the market, with 20% of their total volume exported, the majority of wineries send between 5% to 10% of their output abroad.

“There are a lot of factors that will make that target difficult,” agrees Mark Flounders, wholesale manager at Vagabond Wines. “Climate and yields will be the main factor. Also, it’s an easy thing to sell 250,000 bottles when compared to 2.5m. I would also question the avenues they are aiming to hit and who is going to pick up these export bottles. Without that information I can’t see the target being achieved.” In comparison, more than 350m bottles of Champagne are exported, of which 33m are consumed in the UK.

In addition, even the producers themselves

admit that a certain degree of consumer patriotism – a sales hook that would clearly be absent in export markets – has aided greatly in boosting sales. “The main opportunities for Exton Park will be the increasing awareness of what is quintessentially a uniquely English product – patriotic pride will contribute to this understanding,” says Exton Park’s oenologist Corinne Seely.

There is also the crucial issue of price to consider. In the UK market, producers have typically emulated the price point of NV Champagne, building a strong reputation in the prestige on-trade and promoting UK fizz as a product of equal quality. In foreign markets, however, consumers may be reluctant to trade across from Champagne, or up from Prosecco.

“English sparkling must set a benchmark for premium quality and premium pricing against Grande Marque Champagne,” replies Julia Trustram Eve. She continues: “The point is that we aren’t simply selling just another sparkling wine/Champagne alternative – our USP is that we offer a top quality British product at a time when British Food & Drink has enjoyed a massive revival. Lower pricing, discounting and starting a price war will benefit no one.”

“Prices for English fizz are still too high,” disagrees Simon Field MW, buyer for Berry Bros & Rudd. “Economies of scale and the natural mechanics of the market may well put that right, however.” His views are borne out by Mark Flounders, who has struggled to sell his allocation of English sparkling wine. “It has never been a strong point for us. I believe it’s mainly due to the poor value for money offered by English wine. I personally believe that the

majority of wine is simply not worth the money – prices are crazy.”

The marginal and volatile British climate is also a factor. In recent vintages – 2012 being a particularly unpleasant example – the weather has been so poor that several key producers, including Nyetimber, couldn’t make any fizz. “A few wet vintages could really harm smaller producers in this capital intensive business and what’s more, the culture of maintaining stocks of reserve wines isn’t there yet,” agrees Corney & Barrow owner Adam Brett-Smith. Moreover, grape growing in the UK is very labour-intensive, expensive and suitable land is relatively scarce in southern England’s densely populated landscape.

Overall, though, there is cause to remain tentatively optimistic about the long-term prospects for English fizz abroad. Brands targeting the US have started to form relationships with some of the most important people in the business, who have the experience, sommelier contacts and budgets to create good distribution for English sparkling wine over the next 15 to 20 years.

But equally, what is also clear is that English sparkling wine has a long march ahead before it becomes a widely recognised global name, and the timescale suggested by Elizabeth Truss is probably unrealistic. Rome wasn’t built in a day, and neither will a sizeable export presence – Franciacorta is only just starting to see any traction, after over 10 years of continual investment. For now, it is British patriotism and palates that will continue to drive the success of this very young industry, rather than global ones. ■

Total Coverage					
		MAT 2YA WE 26.04.14	MAT YA WE 25.04.15	MAT TY WE 23.04.16	MAT % CHG YA
SPARKLING WINES	Value Sales ('000)	478.476,6	604.344,1	721.787,6	19
	Volume 9litre (000)	5.848,8	7.430,6	8.803,9	18
	Price per 75cl	6,82	6,78	6,83	1
	Wtd Dist 4w	93	93	95	2
ENGLAND	Value Sales ('000)	4.319,9	6.259,3	7.452,8	19
	Volume 9litre (000)	18,1	28,9	34,9	21
	Price per 75cl	19,88	18,03	17,79	-1
	Wtd Dist 4w	27	27	27	-3

SOURCE: NIELSEN