Winemakers pressed to cut prices in face of glut

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In the cellar of the 18th-century Château du Pavillon in Bordeaux are 70,000 bottles of wine that nobody seems to want to drink.

Olivier Fleury, 48, the château owner, had earmarked them for the United States, where they usually sell for between $25 and $60 (£20-£45) a bottle.

That was before President Trump imposed a 25 per cent tariff on $7.5 billion worth of European exports including Scotch whisky, Italian cheese and still French wine containing less than 14 per cent alcohol.

The result has been a slump in sales as importers block orders and customers turn to Chilean, Argentinian and Italian bottles, unaffected by the tariffs.

"It's been an absolute catastrophe," Mr Fleury, in Paris for the annual farm and food show, said. "The US accounts for 20 per cent of my exports in normal times. But since the tariff came in, it's been zero. My importer says he doesn't want me to send him anything."

At the same time there has been an unprecedented supply of grapes and wine in California. Last year's harvesters left grapes on the vine rather than pick them after too many acres were planted and too few old vines removed. Falling demand from a slowing Chinese market, coupled with the effect of the coronavirus, are also taking a toll, prompting a leading French wine merchant to warn that Bordeaux's most prestigious châteaux will have to cut prices to avoid a collapse in sales. François Janoueix, whose family has been making and selling Bordeaux since 1898, said that the grands crus, the finest, most expensive wines, were in danger of pricing themselves out of the market.

Olivier Fleury sends a fifth of his exports to the US. François Janoueix, above right, and his Château Condat

"The price cut needs to be significant and not just symbolic," he said. "It needs to be in the order of 25 or 30 per cent."

Mr Janoueix said that his warning applied only to the 50 or so top châteaux, whose bottles sell for hundreds of euros. "I might buy a bottle for €100 [£86] and sell for maybe €110. [They] will sell it on for €130 but no one wants to buy it at that price. And that is why the châteaux at the start of the chain need to bring their prices down."

Bordeaux's grands crus enjoyed a boom last year, with revenue up by 12 per cent at €1.2 billion.

Mark Ross, of Farr Vintners, a London fine wine merchant, said: "For us as London wine merchants, there are three main markets. Europe has problems due to Brexit, Asia due to the Hong Kong situation and now coronavirus, and the US due to anti-EU trade measures. It is logical that prices need to come down if the Bordelais want to sell. They really haven't got any choice.

"Consumers stand to benefit because when prices come down it won't be because they're selling bad wine. Quite the opposite."

Mr Fleury is by no means alone. Bordeaux's wine-making bodies reported a 46 per cent fall in exports to the US since the tariffs. Across the French wine industry, exports to the US were 18 per cent down in the last quarter of 2019 compared with the quarter before.

When President Macron visited the farm and food show in Paris, he was greeted by worried châteaux owners demanding €300 million in state aid to help them through the crisis. They said that 100,000 people could be laid off.

"I employ 22 people and I will certainly have to get rid of some," Mr Fleury said. "I need to keep those who work in the vines but I won't be able to keep those who are employed to put labels on bottles and things like that. I've already had to reduce their hours."

The hillside château had been in Mr Fleury's family for 200 years before it was sold by his grandmother in 1989. In 2013 he bought it back.

Sometimes he wonders whether it was a good idea.

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