



WINE CELLAR  
FINE WINE MERCHANTS

## INTERIM MARKET REPORT – Q4 2018

In the months following Wine Cellar's first investment portfolio, South Africa has continued its rise in the world of fine wine. Cape Wine 2018 showcased an energetic industry and the finest wines ever produced in South Africa. Releases from the key 2015 and 2017 vintages have created a buzz, both locally and internationally, while a surge in overall quality, use of old vines and freestyle winemakers has added to the excitement.

Fine wine sales have been strong in a recessionary market as many wines are being released with price increases above inflation. The most important release of the year, the 2015 Kanonkop Paul Sauer, sold out from the farm in record time. Both the CWG and Nederburg auctions produced higher average bottle prices, albeit with lower volumes. Two of the world's most important wine critics, Neal Martin and Tim Aktin MW, also released highly positive annual reports.

### KEY WINE – KANONKOP PAUL SAUER

Tim Aktin MW awarded Kanonkop the first 100 points in South Africa, making it his first perfect wine in the New World and pushing Paul Sauer to a new level. The wine was due to sell out in a short time with its honest pricing (R595 per bottle) and the huge demand for the 2015 vintage. However, this could be the first time a single critic has influenced the market. It may also become the first wine to appear immediately on the secondary market.

Kanonkop Estate has been at the top of the industry for more than 2 decades; at least according to Tim James' fine wine pole on Winemag.co.za. With the fine wine market exploding since the 1990s, Kanonkop continues to be South Africa's First Growth. A record price was paid at the Cape Winemakers Guild Auction for the CWG version of the 2015 Paul Sauer; averaging R3,944 per bottle.

### PLAYING CATCH-UP

In 2014, South Africa had the lowest average price per wine, 90 points or above, of any other country in the Wine Spectator publication. In another more recent study of top Bordeaux-style wines from around the world by The Global Wine Score, South Africa's top wines were, once again, the world's cheapest. Along with the weak Rand, this has triggered a major price correction and many wines have risen above inflation. Icons such as Vin de Constance and Hamilton Russell have increased by 10% per annum for the last 5 years. New wines from top producers are being released at ambitious prices and South Africa's first white wine above R1,000 sold out on release (De Morgenzon The Divas Chenin Blanc 2017 – R1,050).

There are a number of key wines that have not corrected however. Meerlust Rubicon has increased by just 2,6% annually; effectively becoming cheaper over time. Thelema Cabernet Sauvignon has increased by 4,3% but remains 34% cheaper than the average Stellenbosch Cabernet Sauvignon (R260 vs. R395). Similarly, the Alto Cabernet Sauvignon and Neil Ellis Jonkershoek Cabernet Sauvignon lag behind.

Pressure from the drought and overall poor economics are further influencing cost inflation. South African wine farmers continue to struggle for sustainability and 1,000 ha of vines are being pulled out every year in South Africa. While the bulk side was down in volume between 15 – 25% in 2018, top-end grapes have seen prices rise well above inflation too.

#### **INTERNATIONAL NEWS – BURGUNDY, BURGUNDY, BURGUNDY**

Two international wine auctions astonished the world with incredible prices for the rarest Burgundy wines. Henri Mayer died in 2006, aged 84, and his wines from the 70s, 80s and 90s continues to attract extreme demand. An auction lot of 1,000 bottles was sold in Geneva for \$35 million; almost 3 times the estimate. More recently, a bottle of Romanée-Conti 1945 was sold for £424,000 which trumped the previous world record bottle price of £177,000 fetched by a Lafite 1869.

Liv-ex 100, the global standard index which tracks the world's most-traded fine wines, is up by just 1% year-to-date. The Burgundy sub-index rose 7% in September alone however, with the prices of the top wines showing almost no ceiling. There have also been solid gains in Champagne and Italy, while Bordeaux is relatively flat. Bordeaux's market share hit a new low this year, comprising of just 57% of the index, it is down from its 90+% at the inception of the index.

**Roland Peens (October 2018)**