

# The State of the Wine Market

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Personal Risk Services





### **New highs set the stage for a robust market**

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In three of the four quarters in 2017, the major wine auction houses in the United States, United Kingdom, and Hong Kong all reported finishing far above estimated values, giving the houses more confidence to source wines from noteworthy single-owner collections. These elevated auction results and an increase in buyer participation are a testament to the current strength of the global wine market.

After the fraudulent scandals that rocked the industry, provenance is key to selling wine at the highest estimates, and the attention paid to that by the main auction players was evident in record breaking early 2018 sales. Revered consignments and lots offered direct from the chateau/domaine put provenance worries to rest.

Overall, online bidding continues to grow and is fast becoming a dominant part of the success of wine sales for many auction houses.

### **Burgundy continues to drive sales even as production gets smaller**

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While weather and other natural occurrences have caused a string of challenging vintages, prices continue to soar in this region. Hail and frost have battered the area since the 2011 vintage. However, much of the wine made is of great quality, though there is considerably less of it to sell. For example, Premier Cru vineyards have gained momentum as the yields of the Grand Cru vineyards decline. And some of the top Premier Cru bottlings have been selling for prices equal or above lower tier Grand Crus.

With so little of the top domaines available (many reporting production shortages of 30 - 70% for more than five vintages), younger, less famous vigneronns have been coming into the spotlight. The new generation of Burgundians have been bringing in higher prices and securing a seat at the table for themselves. This is a real opportunity for these producers to get the exposure they may not have had in the past. The best among them will have a lasting presence on this front.

### **Top California estates are seeing a resurgence**

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Many preeminent producers in California have been exceeding high estimates at auction. Mature, ready-to-drink wines of all types, but especially those from California, are harder to come by and therefore more desirable. A string of vintages from the 1970s through the 1990s have netted final bids greatly above the estimate. These wines are attracting the attention of new and seasoned collectors alike.

### **Bordeaux may have abdicated as king**

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Bordeaux was once the king for collectors. It was a commodity used for investment and trading with first growths lining private and commercial cellars. The reasons for ruling the market are easy - first and foremost, the wines are made with a precision that is usually not duplicated due to time and financial restraints. The attention to detail given to the vines and in the cellar are exceptional. And, even at the highest level, there is enough wine to go around, with typical production in the tens of thousands, with each of the five first growths making close to 20,000 cases. Compare that to the miniscule productions in other regions, as well as proximity to the river for transport, and it's clear why Bordeaux's standing has been so strong for so many years.

The exceptional 2009 vintage brought prices higher than in years' past. In 2010, another great vintage, the prices climbed to a record high level, leading merchants and collectors to question their new value. The weak dollar did not help as the asking prices nearly doubled. As new collectors and younger sommeliers joined the ranks, they sought a new taste and a different price point, thirsting for wines that they could discover. As a result, Bordeaux's popularity declined and its sales in the United States suffered.

Initially, the region was not alarmed by declining sales in the U.S. as Bordeaux wines were still selling well in other markets. However, once they realized that they were losing their holding in the U.S. market beyond that one vintage, the region collectively began a damage control campaign to regain its grasp on the industry. While they are not where they used to be entirely, there is a renewed interest in Bordeaux and the pendulum seems to be swinging back as first growths are commanding aggressive prices. With the bidding wars escalating over the First Growth, the impressive



Second and Third Growth are becoming more attractive to prospective buyers.

### **Looking ahead**

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The growth of the economy in 2017, along with the decrease of tax regulations, is giving collectors the assurance they need to bid on wines they might have been hesitant about in years' past. If the economy continues its healthy upward growth, the wine market should remain strong or exceed previous results.

Kristie Petrullo is a highly acclaimed Sommelier having worked in some of the most prestigious wine programs in the world, including Jean Georges, Daniel, and Eleven Madison Park. She founded Petrullo Wine Company, a consulting firm focused on the wine needs of collectors, industry professionals, and enthusiasts in 2012. Kristie often sits on the NY Times tasting panel and lends her expertise to publications such as TIME Magazine, VinePair, Time Out New York, and Bloomberg Business. She was featured in the NY Post article "Wine and Dandy" as one of New York's Top, Hot, Young Sommeliers and has been highlighted as one of "New York's Best Sommeliers" at French Institute Alliance Francaise (FIAF).

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