

# Foreign Vineyards Keen To Tap China Wine Market

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HONG KONG (AP) -- As growth slows in their traditional markets, wine makers from around the world are eager to tap demand in China but industry players say the increased competition and a lack of wine drinking culture mean it won't be easy money.

Thousands of people attending a major wine and spirits trade fair last week in Hong Kong sipped and spat countless vintages made by producers ranging from boutique vineyards in New Zealand to famed chateaux from France's Bordeaux region. Others were in town to attend a wine conference that featured speakers including Hollywood director Francis Ford Coppola.

Many are keen to get a foothold in China's wine market, which has taken off in recent years, particularly at the high end, as newly wealthy collectors splurge for bottles of fine French wines at auctions in Hong Kong. The southern Chinese city abolished wine import duties in 2008 in a bid to become a regional wine center and imports surged by nearly 60 percent in the first nine months of 2011 to \$940 million.

In September, a private Chinese buyer paid 4.2 million Hong Kong dollars (\$541,000) for a 300-bottle collection of Chateau Lafite Rothschild consisting of 25 cases spanning 1981 to 2005 at a Christie's auction. That was the highest price for a single lot of wine at auction this year in a sale that raised \$7.7 million in total.

China is the world's fastest growing market for still light wine and is forecast this year to overtake Britain as the fifth biggest market, according to a September report by UK-based International Wine and Spirit Research.

The report forecast that China's wine consumption will double to 250 million 12-bottle cases by 2016, from 125 million in 2010. If growth rates remain unchanged, the country could become the world's biggest wine market in the next 20 years, the report said.

The tantalizing prospect of such rapid growth drew Daniel and Lesley Jackson, husband and wife owners of Redoubt Hill Vineyard, a boutique winemaker in New Zealand's Marlborough region -- famed for its sauvignon blanc -- to the trade fair for the first time.

"The traditional markets, apart from Australia, are a bit stressed at the moment -- Europe, Britain, America. Asia, obviously their economy is doing really well," said Daniel Jackson.

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The Jacksons were trying to find a distributor in Hong Kong and China for bottles of their sauvignon blanc and pinot gris, which retail for \$35 New Zealand dollars (\$28).

They were among nearly 1,000 exhibitors from 37 countries hoping to cut deals with the 2,750 buyers expected to attend the fair. For the first time, vineyards from countries not usually known for their wines, including Georgia, Israel, Latvia and Malta were in attendance.

Winemakers are hoping growth in China will offset flagging sales in traditionally key markets such as Europe, where a long term decline in wine drinking has been exacerbated by the continent's government debt crisis.

"People think that because China has 1.4 billion people, it's easy to come here and sell wine, and that's the catch," said Pancho Campo, president of the Wine Academy of Spain.

China's status as the world's biggest and fastest growing consumer market has drawn many foreign businesses in pursuit of big profits. But some, retailers in particular, have found that size alone doesn't guarantee success, forcing them to pull out or change marketing strategy amid tough competition -- and in some cases after misreading local preferences.

China's wine market is split between the high end, where the wealthy spend thousands of dollars on bottles as an investment or to drink at restaurants on special occasions and the low end, dominated by local and foreign producers selling wine for just a few dollars a bottle or in large containers. The middle market doesn't really exist, said Campo, who is also president of the Wine Academy of Spain.

That will be a particular challenge for so-called New World winemakers from countries such as Australia, South Africa, Chile and Argentina, who will face tougher competition on prices, said Antonio Gaudio, export manager at Vecchia Cantina di Montepulciano, a cooperative in Italy's Tuscany region.

That's because in China, when it comes to foreign wines, red wine from France is prized much more than those from other countries -- even those from other Old World producers Italy and Spain.

Regardless of their origin, winemakers will have to work hard to educate China's new middle classes about wine and spend money promoting their vintages as they develop the middle market, both Campo and Gaudio said.

A key challenge will be adapting to a different culture of imbibing at meals.

"It has nothing to do with food pairing, it's just to do with ganbei," said Campo, referring to the Chinese equivalent of "cheers." The word is a common utterance at formal banquets where diners take turns toasting each other with baijiu, a clear sorghum liquor with more than 50 percent alcohol content -- usually until everyone is blind drunk.

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"If these people, whenever they have a dinner and they can include wine as one option to baijiu, you're talking about millions of barrels that can be consumed throughout China," he said.

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