Wine&Spirits

Bubbles Rising

A perfect storm of conditions in the vineyard and in the market are affecting Champagne supply.

by Tyler Colman

As wine buyers and diners look to raise a glass of their favorite Champagne this holiday season, many may face a problem: It might not be available.

After more than a year of lockdowns and other restrictions on dining out and gatherings, people are getting together again. And where there is joy and celebration, there are often bubbles—particularly Champagne.

"In the 35 years I have been working at the domaine, I have never seen such demand," says Didier Gimonnet, who oversees his family's domaine at Champagne Pierre Gimonnet. He is, also, a prominent member of the Club Trésors, a group of 28 artisan winemakers in the region.

"Our three main export markets reached their annual allocations by the end of August—and they still wanted more," he continues, explaining the "overheated" demand.

Big houses have also seen a surge. "Demand has been exceptional since the end of last year," says Cyril Delarue, a sixth-generation Bollinger family member and the Business Development Director at Champagne Bollinger. "Every cuvée at Bollinger and almost every format has been allocated since May this year, and this will be the case also next year." When a wine is allocated, it is a sign in the trade that demand exceeds supply; it's a means to divide up what is available, rather than sell it on a first-come, first-served basis.

“Optimism and thirst for celebration, especially in the U.S., is driving up demand,” says Benoît Collard, General Manager at Piper-Heidsieck.

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Didier Gimonnet

The Champagne Bureau reported an 18 percent decline in shipments from the region for 2020, the latest year for which regional data are available. But each of these three producers has seen sales snap back, with increases between 35 to 55 percent from the year prior; their sales have eclipsed 2019.

The story of how we arrived at this point is not one of simple demand. As with other industries, the pandemic has made business less predictable, and exacerbated supply chain pressures.

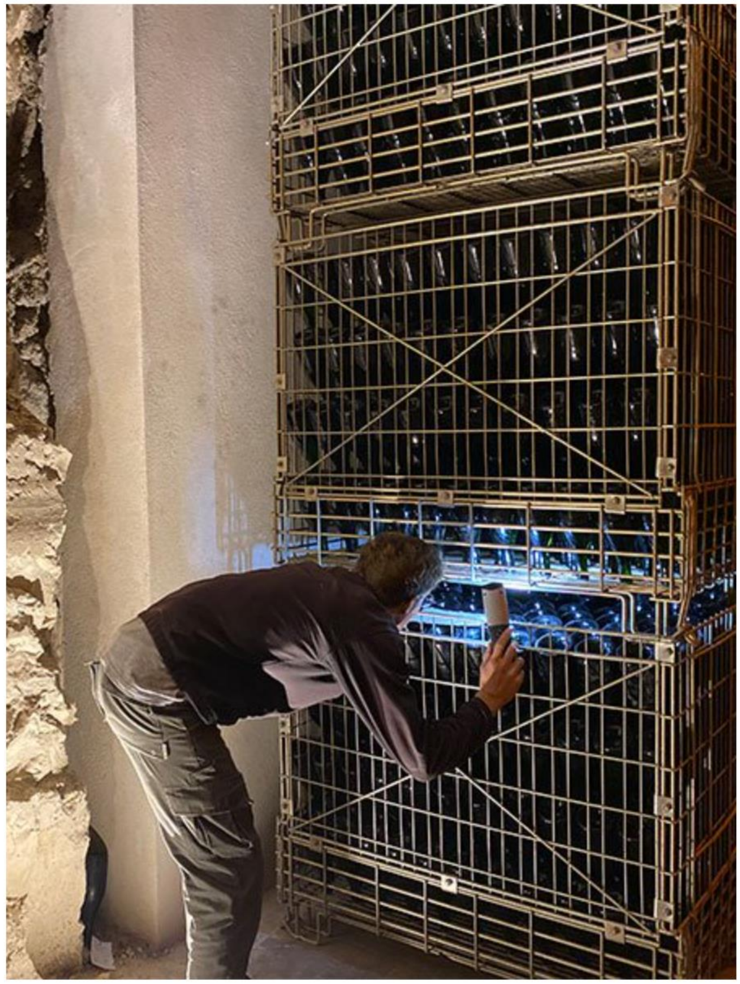
The seeds of this current imbalance were planted a few years ago. Demand had softened in the two years leading up to the pandemic. By late summer 2020, while the sun was shining in Champagne, the world remained in lockdown, and vaccines were still months from release. Despite what many consider a second consecutive year of exceptional growing conditions, the authorities decided to cut allowable yields 20 percent below the norm—without knowing if demand would come back, and still feeling the weight of the previous slowdown. (A board of industry stakeholders including growers and houses sets the permissible yield every year).

Champagne growers lobbied for the right to harvest ‘a normal volume’ in 2020, Gimonnet says. “It is impossible for a winegrower not to pick [fruit of] incredible quality; we know that nature can be generous in one year, and capricious the next.” But, he says, their requests were denied.

Sure enough, 2021 proved a difficult vintage for the region as a whole, with a late frost that reduced quantities, as well as hail and rain that led to mildew pressure on the grapes in some parts of the region. Throw in a worldwide shortage of shipping containers and backups at ports—as well as importer anxiety about not being able to fulfill holiday orders—and it’s a recipe for volatility.

Economists have a term for this: the bullwhip effect. Even small shifts in consumer demand (the handle of the whip) ricochet through the supply chain as shops start to stock up, which means distributors scramble for more product; ultimately, the producers feel the snap of the whip and sell out of inventory earlier than usual, this year, by August.

"The desire to celebrate at home and on-premise is fueling a stronger than expected demand, which also leads the retailers and distributors to secure additional supply," says Collard.



Checking on the lees at Pierre Gimonnet & Fils

Meanwhile, the market in the U.S. has been robust. Delarue reports Bollinger's U.S. sales last year increased by 20 percent and are up 42 percent through September this year.

Seeing demand rise off the charts sounds like a great problem to have. But when the product's quantities are largely fixed years in advance, it can lead to frustration for producers and consumers alike.

"Life is simple and sweet when it is balanced and harmonious," Gimonnet says. "Currently, it is not. We are really worried. It is not normal that every morning, I wish the sales would stop."

"We are sold-out of a record number of wines even before the Champagne season has begun," says Gabriel Clary, who manages Skurnik Wines & Spirits' Austria, Germany and Champagne portfolios. Through September, Skurnik's Champagne sales had increased by 100 percent over the previous 12-month period.

Advice for American consumers hoping to raise a glass of their favorite Champagne this holiday season? Plan ahead. Or, if that (container) ship has sailed—be flexible.