

UNDER THE SOUTHERN SKY

While there is dynamism in certain sectors and a steady supply of new investors, the Languedoc and Roussillon are in a state of mutation. Varietal wines continue to gain market share, writes James Lawther MW, but the appellations are losing lustre.

The wine trade show Vinisud, held every other year in Montpellier, showcases the wines of the Mediterranean, in particular those of the Languedoc-Roussillon. This year's edition, the eighth, finished on a positive note. Foreign visitors were up 5% on 2006 to 28% of the 32,660 total and, according to exhibitors, buyers from the UK, Holland, Belgium and France were clearly in evidence, while interest from Asia was keen.

There was a further note of optimism from leading producers in the region. Skalli posted results which showed a consolidated turnover of €87m (\$137m) for its south of France and USA concerns in 2007, up 10% on 2006, the group aiming for a further 10% growth in 2008. At the same time, Jeanjean declared a progression in sales of 9.8% in 2007, the advance attributed to an increase in activity on the export front.

Results from the Fédération des Exportateurs de Vins et Spiriteux de France (FEVS), however, told another story. With French exports as a whole showing a positive balance in 2007, the Languedoc-Roussillon, along with the Beaujolais, ended up the party pooper with exports for AOC wines down 2.5% in value and 11.2% in volume. This was the second year in succession exports had fallen with a resounding bump, the results for 2006 down 2.6% and 9.6% respectively on 2005.

Market share in the principal export markets has been declining in recent years and for certain producers in the Languedoc-Roussillon 'crisis' is not an ill-defined word. Prices at the 'generic' end have dropped to unsustainable levels and where progress has been made the news hasn't been readily communicated. But is it all gloom or did Vinisud 2008 signal a ray of sunshine?

The region's structure

The Languedoc-Roussillon is France's principal wine producer with 290,000ha and 16m hectolitres (2006). Thanks to a programme of uprooting and conversion this figure has declined from a high of 29m hectolitres in the late 1980s.

Within the region, production can be broken down into four parts: AOC wines account for 19% (Corbières, Minervois, Coteaux du Languedoc and Côtes du Roussillon the principal appellations by volume), Vins de Table 14%, Vin de Pays d'Occ

40% and other VdPs 26%. 40% of AOC wines are exported.

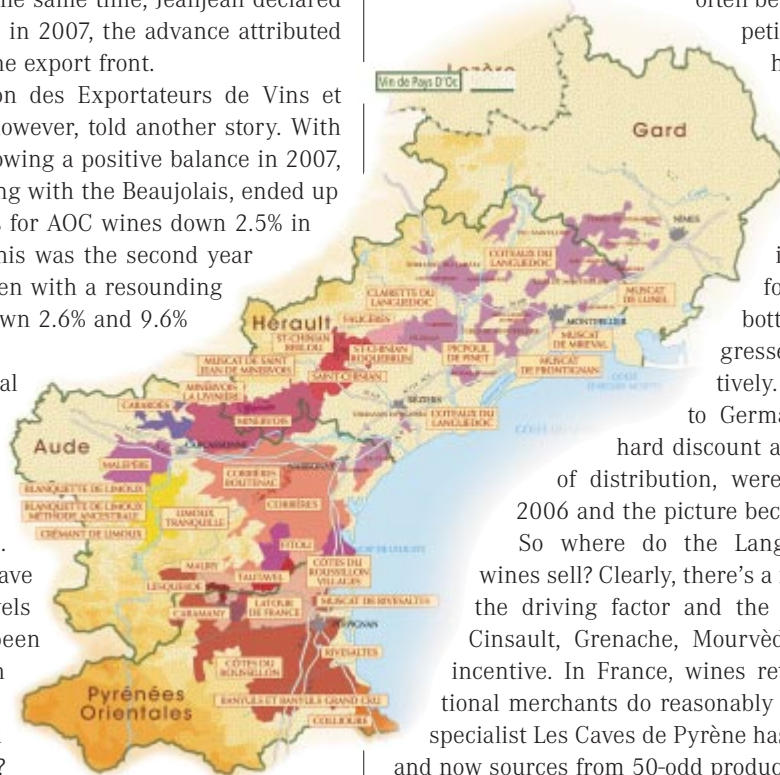
For AOC wines trading at *premier prix* or entry level it's clearly an uphill struggle today. At under €1.5 a bottle or even €1.50-2.50 a bottle in French supermarkets (approximately 50% of the volume in this retail sector) there's little reason to exist. "France is potentially an important market, but the mass of wines are sold too cheaply with tiny margins, hence the need to export to procure added value," explains Christophe Palmowski, marketing manager for Vignerons Catalans.

Nor is *premier prix* in exports the solution. Production costs for New World wines are lower, quality often better and prices more competitive, particularly in the hard discount sector.

Breaking down the export figures, bulk sales of red wines were down 22.9% by value in 2007 and 24.1% in 2006 compared to 1.2% for bottled wines, while bottled whites actually progressed 7.7% and 9.8% respectively. Add the fact that exports to Germany and Holland, where hard discount accounts for 38% and 63% of distribution, were down 15% and 17% in 2006 and the picture becomes clearer.

So where do the Languedoc-Roussillon's AOC wines sell? Clearly, there's a market where price is not the driving factor and the expression of Carignan, Cinsault, Grenache, Mourvèdre and Syrah the main incentive. In France, wines retailing at €5-12 in traditional merchants do reasonably well. In the UK, on-trade specialist Les Caves de Pyrène has seen permanent growth and now sources from 50-odd producers. "Quality and typicity are the two important factors with price less of a problem," says managing director and chief buyer Eric Narioo.

Among producers there are also individual success stories. Pierre Bories of the family-owned Château Ollieux Romanis in Corbières has seen turnover quadruple in the last five years. Part is due to the increase in size of the vineyard, where production is now 600,000 bottles, but the rest is down to quality, marketing and the ability to offer a range of wines that retail at €4-€20. "Value-for-money is the key to success and this we can do with our volume, vineyards and pricing," explains Bories.



Japan, the UK and Switzerland are the biggest export markets for Ollieux Romanis, the 'new discovery' dimension making it easier to sell quality wines. Sales in the USA, where the Languedoc-Roussillon has a mixed reception, are stable and, says Bories, there's room for progression once the exchange rate becomes more favourable. This mirrors to a certain extent the list of the region's top export markets, with Germany still ahead in terms of volume and value followed by the UK, Canada, Benelux, Switzerland, the USA, Denmark and Japan.

Notwithstanding these and other positive examples, the sheer volume of AOC wine maladapted to today's markets, much from cooperatives that have yet to evolve, continues to mar the image of the region. "There's need for a more coherent offer and assistance for those who want to progress," says Michel Laroche, producer of the eponymous Chablis and Mas La Chevalière in the Languedoc.

This is not the case for Vins de Pays, which account for 66% of the region's production, in particular Vin de Pays d'Oc, which provides the lion's share at 40%. Exports of French Vins de Pays as a whole were positive in 2006 and 2007 improving 0.4% and 1.4% by value. Vin de Pays d'Oc alone showed an increase of 3% in volume and 2% in value in 2006 with an increase of 6% in volume in 2007.

Vin de Pays d'Oc basically equates to varietal wines (91% of the production) and it's this sector that has seen more than a gleam of success. There are less restrictions than in the AOCs, allowing vineyards and winemaking to be tailored to the needs of the market. Of major consequence, as well, the leading players in the region have fully embraced the cause, their commercial structures driving sales.

Exports now represent 62% of production, with 347m bottles sold in 149 countries, making Vin de Pays d'Oc the leading French export denomination. Styles and colours vary from market to market with, for instance, demand for red varieties strong in northern Europe and white in Asia, while the UK has latched

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Christophe Palmowski, marketing manager for Vignerons Catalans

on to growing trends like bi-varietal blends and rosé. The home market is now progressing even faster, with the facility of these wines attracting a new generation of French wine drinkers.

There are two projects of note pushing the region forward. First, 2006 saw the launch of the new AOC Languedoc, which geographically encompasses the entire Languedoc-Roussillon. The idea is to galvanize the sale of AOC wines through the creation of a generic appellation with which the consumer can identify clearly. The knock-on effect, it is hoped, will be to give added value to appellations like Corbières and Montpeyroux. It's early days yet, but the 2007s were well received at Vinisud and groups like Val d'Orbieu support the initiative.

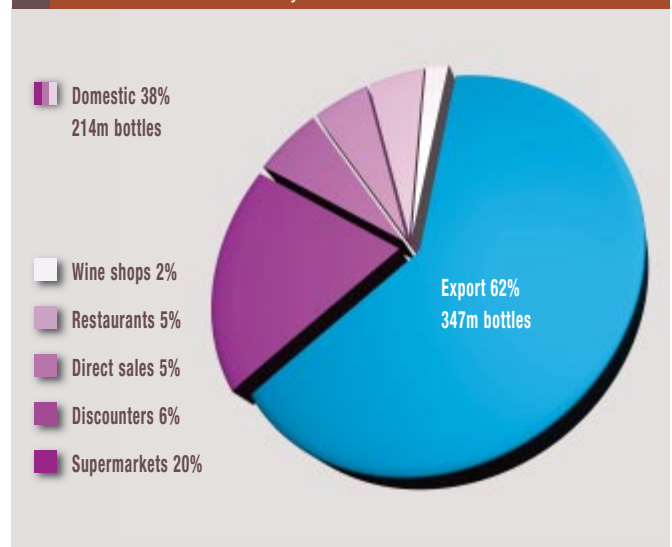
The other important development has been the federation of the region's four major producers' associations (CIVL, CIVR, ANIVIT, InterOc) under the marketing umbrella Sud de France. A yearly budget of €15m euros for the first three years has been allocated to improve market share in France and overseas and enhancing the image of the region.

What's clear is that the Languedoc-Roussillon is in a state of mutation. There's dynamism in certain sectors and a ready supply of new investors, but equally wines that are unwanted in the market today. The drive for quality and improved margins must continue accompanied by a greater number of companies with the ability and structure to sell the wines. ■

1 Exports by country of Vin de pays d'Oc in hectolitres

Country	2007	2006	Change in %
Germany	515,552	486,489	6%
United Kingdom	453,091	376,825	20%
Netherlands	223,844	245,638	-9%
Belgium	169,140	143,337	18%
United States	164,637	181,755	-9%
Canada	113,034	108,871	4%
Japan	68,917	76,475	-10%
Switzerland	59,588	51,451	16%
Italy	53,462	59,922	-11%
Sweden	45,960	45,058	2%
China	38,686	24,975	55%
Norway	35,379	31,602	12%
Denmark	34,951	34,545	1%
Ireland	29,159	26,490	10%
Others	239,174	218,453	9%
Worldwide	2,269,553	2,136,492	6%

2 Sales of Vins de Pays d'Oc in 2007



SOURCE FOR BOTH TABLES: UBIFRANCE