

# INTERNATIONAL CHENIN BLANC CONFERENCE

2019

## ECONOMIC CHALLENGES FOR CHENIN BLANC WINES

A look at different economic models in Chenin Blanc Vineyards



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# The Dream

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You wish to be in the wine business!  
Naturally you have a deep and consuming love of Chenin Blanc.

You own (preferably) or have access to suitable terroir / vineyards to  
source great fruit to make great wine.

Therefore it should be very simple to establish a sustainable,  
profitable business – naturally, what could go wrong?!?!  
Not so fast . . . There might be some issues we've overlooked.



# The Reality!

The world has an oversupply of wine – at almost every level and price point. The basis of economics is the simplicity of supply vs demand. We start with an uphill battle to command a good price that guarantees a profitable and sustainable business.

This is really important – **read and repeat!**

The solution, apparently is not complicated, just extremely difficult . . .

Before you plan to plant your vineyard you have to first have the following:

- Great wine – delicious juice
- A winning label design, suitable to your target market.
- A clear understanding of your required price point – on premise or off premise



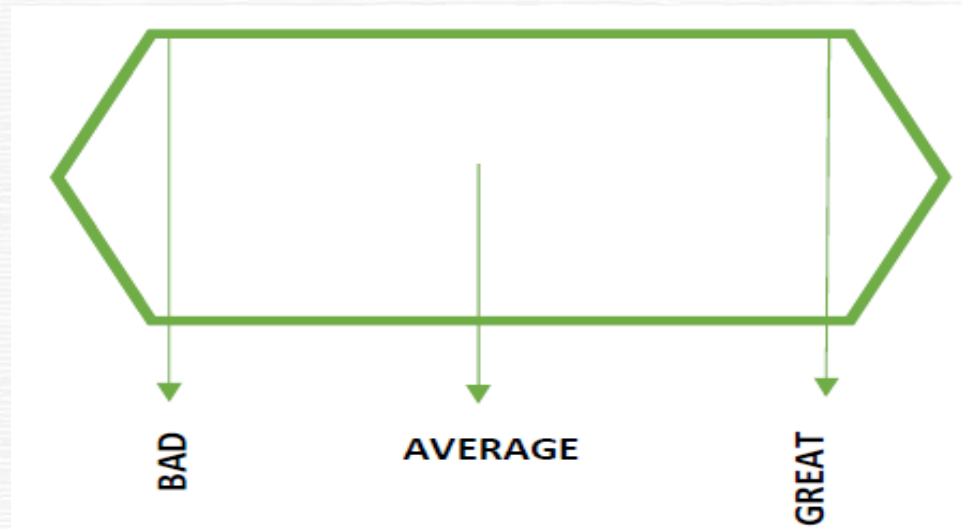
# Focus.Focus.Focus!

Mantra – the success and sustainability of any vineyard depends on the final point of sale in the market.

**This too is worth repeating. . .**

The quality of the wine is hardly negotiable – it's hard to find truly bad wine, look at the sales volumes of truly commercial wine!!

To find exceptional wine is equally difficult – with a sea of good average wine in the middle.



# Economic sustainability = PRICE

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Price – determined by yield value per ha.

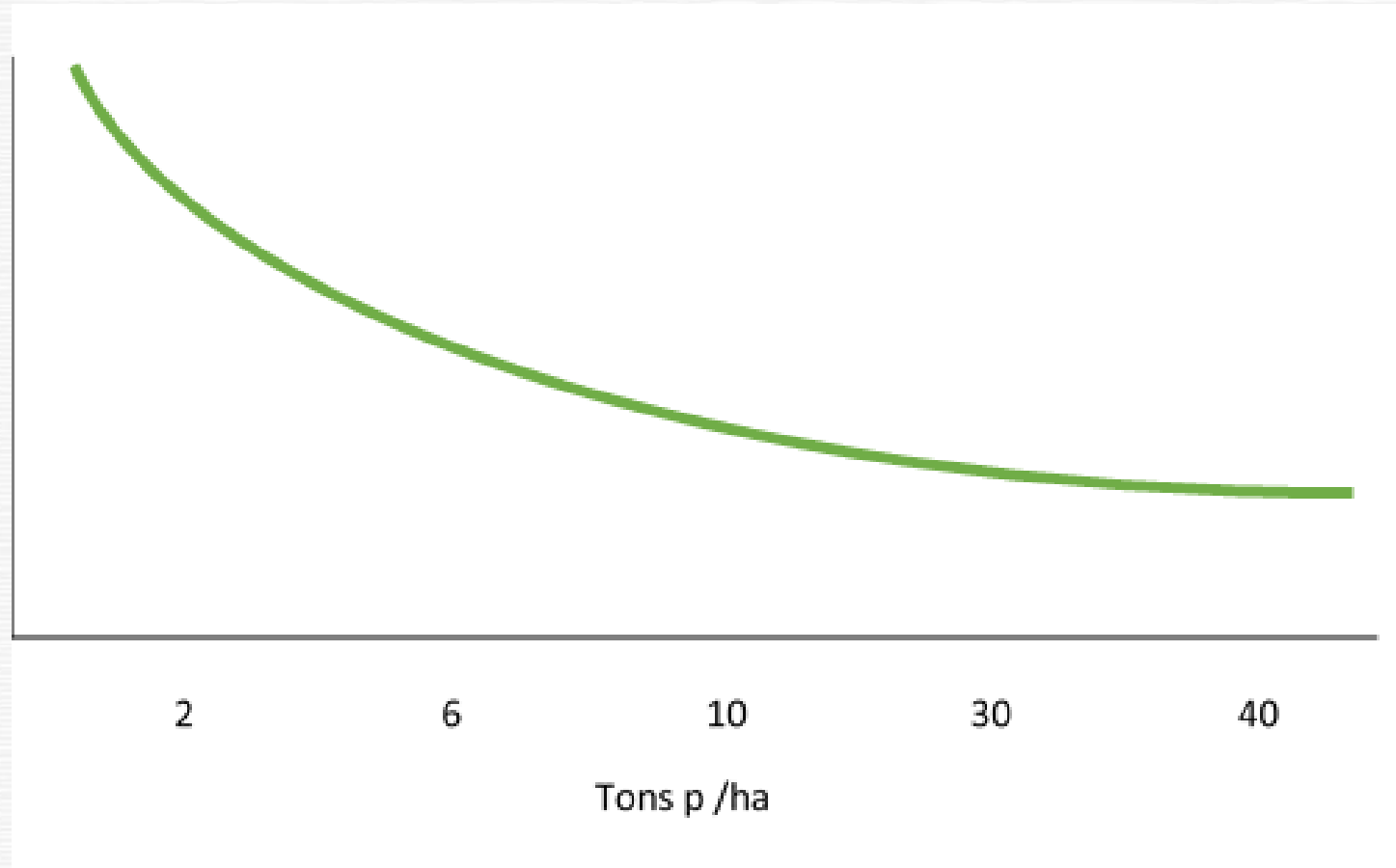
- Entirely viable to produce a commercially successful wine from a high yielding vineyard, say 260 hl/ha; 40 tons p/ha
- It is equally possible to produce a commercially successful wine from a low yielding vineyard, say 13 hl/ha; 2 tons p/ha

Most of the world market lies in between, but importantly – you have to show economic viability to be sustainable.

Your economic viability is a factor of your total costs and sufficient margin to be profitable and to invest in the future of the enterprise.

Simply put it looks like this...

# Economic sustainability = PRICE



# Economic sustainability = PRICE

YIELD = REALITY

a	b. Yield	c. Sales price / bottle	d. Total turnover
2 tons / ha	13 hl / ha	@ €40 / bottle	€69,333
40 tons / ha	260 hl / ha	@ €2 / bottle	€ 69,333

Note that the **outcome (d)** is essential!!

Only a, b and c are variable.

Financial yield is the key to economic sustainability.

# Conclusion

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The goal to achieving a successful financial yield from the vineyard is all internally focussed and relies on the final single point of differentiation –

## ACCESS TO MARKET

This is another subject entirely and needs to be dealt with separately. It has at the core the very same principle of supply and demand, but how you present your product, who you address as the client, your price point and finally your logistic performance all go to achieving success.

That success begins with understanding the following:

- The world has a **oversupply of wine** – at almost every level and price point.
- The basis of economics is the simplicity of **supply vs demand**. We start with an uphill battle to command a good price that guarantees a profitable and sustainable business.

Thank you!