



AMERICAN HIGH

FOR THE FIRST TIME THE U.S. IS BECOMING THE LARGEST CONSUMER OF WINE. HOW DID WE DO THAT?

BY ROGER MORRIS

Raise your wine glasses in celebration. While each of us may not receive individual listings in the Guinness World Records, next year everyone who drinks wine in America will help set a record when we become the #1 worldwide consumer of table wine, surpassing Italy as the biggest global drinker and becoming the first country outside of Europe to hold that distinction. According to newly released projections, in 2012 Americans will collectively purchase almost 2.7 billion liters of wine—that's 300 million standard cases or 3.6 billion bottles.

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This ascendancy to Numero Uno status among wine-consuming countries would have been surprising even a decade ago when France and Italy were far ahead in total gallonage. But in recent years, it became evident that America's growing thirst for wine would eventually outstrip those two countries' emerging sobriety.

According to a study recently released by the Vinexpo organization

charting 114 wine-consuming countries, the U.S. is already the world's largest retail market (which excludes restaurant sales) of what it calls "still light" or table wines as well as the largest total consumer of wines priced higher than \$10. And the collective price tag for U.S. purchases is already first—we buy more-expensive stuff—with the British second.

This does not mean that Americans are individually the biggest wine drinkers, as we only rank 15th in per-capita consumption, a category the French, Italians and Swiss dominate. The average adult American drinks only about 16 bottles of wine annually.

Surprisingly, while the increase in worldwide consumption of wine slowed, it did not decrease during the continuing global financial crisis. Sales for 2007 and 2008 were essentially flat, and there was a tiny increase in 2009. "The world is drinking more, and the world is drinking better when it comes to wine," concludes Vinexpo CEO Robert Beynat.

The study, which also includes production figures from the top 28 wine-growing countries, compared actual results from the five-year period 2005-2009 with projections for the next five years.

HOW DID THE U.S. GET TO #1? WE ASKED THE EXPERTS

Boomers grew up as global sophisticates.

“My generation traveled more extensively than our parents,” says baby boomer and wine guru Robert Parker, inventor of the 100-point rating scale and owner of *The Wine Advocate*. “Everyone was going to Europe in the late ‘60s and ‘70s and taking their junior years abroad. So we became exposed to European and Latin wine-drinking cultures.” Gladys Horiuchi, communications manager of The Wine Institute, adds, “In the 1960s, baby boomers started drinking table wines instead of the dessert or sweeter wines their parents were drinking.”

Foodie and wine cultures became sympatico.

Boomers grew up with Julia Child on the kitchen TV and with Alice Waters at Chez Panisse leading the dining reformation. “In general, Americans paid closer attention to what they were eating,” says Chris Adams, co-owner and CEO of New York-based wine retailer Sherry-Lehmann. “We learned the pleasures of food and wine pairings.” Parker adds, “The culinary revolution was a catalyst for the wine revolution.”

Wineries popped up in every market.

“Whenever you have strong local producers, like in the U.S., imports rise as well,” says Vinexpo’s Beynat, pointing out that 27.8% of American drinking in 2010 was imported wine. This may seem counterintuitive, but the rise in Starbucks franchises didn’t drive out independent coffee houses. China’s growth as a winegrower is cited as a positive sign by those who want to sell wine there. The growth of regional wineries has allowed people to get their palates wet on the local stuff first, thus making wine less of an elitist beverage.

We drank to our health.

“When the French paradox studies came out with the health benefits, the stigma of drinking wine disappeared,” Horiuchi says. “Over the last several years, what has helped feed the growth in wine sales

has been the health benefits,” adds Mark Wessels, manager at MacArthur Beverages in Washington, D.C. “Even doctors are saying it’s okay to drink and to drink more, especially red wine.”

Popular culture validated wine drinking.

Movies such as *Sideways* and *Bottle Shock* glamorized wine the way cocktails had been glamorized a generation before. The Judgment of Paris in 1976 became a matter of national pride because even the French experts preferred American wine, with Robert Mondavi attaining folk hero status. “Since share of mind translates to share of market, the exposure to wine in movies, magazines, television and social media has helped,” says Fred Franzia, head of Bronco Wine and creator of world-famous Two Buck Chuck.

VINEXPO STUDY FACTS

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In 2009, 31.5 billion bottles of wine were consumed worldwide, and that is expected to grow 3.2% to 32.7 billion bottles in 2014.

Table wines (defined to exclude sparkling wine and wines over 15% alcohol) account for 92.6% of all wines consumed worldwide.

Rosé (about 10% of all table wines) is expected to experience the largest volume growth over the next five years—7.8%—while red wines (about 53% of total) will grow by 3.9%; white wines (about 37%) will increase the least—2.4%.

Sparkling wine sales are growing faster than table wines. Currently, about 7.4% of all wines drunk worldwide, sparklers are expected to grow by 5.6% over the next five years compared to table wine growth of only 3.0%.

Wine Production: France continues to lead Italy slightly in wine production with Spain and the U.S. rounding out the top four. Among the top 10 producers, only Argentina (#5), China (#7), Chile (#8) and South Africa (#9) are expected to increase production between now and 2014. Australia (#6) is projected to decrease by 11.6% and fall into the #7 spot behind China. U.S. production is expected to decrease by 2.2%. Germany (#10) will also decrease.

While quality has gone up, prices remained low.

“American wine consumption is being driven in a large part by the quality and value of the wines that are being produced, and in these times value remains quite important,” Franzia says. “Despite the economy, we’ve had 17 straight years of increased consumption.”

We’ve been dazzled by choices.

“When I started in 1978, there were very few choices,” Parker observes. “You couldn’t find an Australian wine, not even Grange. One of the best wines in the world, Vega Sicilia, wasn’t available in the U.S. No one sold wine by the glass.” Today, the global wine gates have been opened, in large part by a group that barely existed in the 1970s—restaurant sommeliers—whose wine by-the-glass programs have introduced us to wines from “new” regions and “new” grape varieties. Andrea Englishis, co-owner of Athenee Imports, makes this point: “Originally, the majority of our sales were ethnic, in Greek neighborhoods and in ethnic restaurants. Then in the early 2000s, sommeliers started becoming more adventurous, and now you can find Greek wines in many restaurants.”

The ratings game gave us a buying strategy.

“Regardless of what you think of wine ratings, they do make things simple,” retailer Wessels says regarding the popularity of Parker and *Wine Spectator* rankings. “Some people who come into a store with hundreds of bottles of wine are overwhelmed and tempted to turn around and walk out. But wine ratings give them something to work with.”

Sampling has driven sales.

“Wines by the glass gave the opportunity to try something new without buying a whole bottle as you once did,” Horiuchi says. The Riedel phenomenon of big, wine-friendly glasses made also drinking classy.

Status always counted.

“As professionals became more successful, they started buying luxury goods, including wine and wine collections,” says Stephen Rowland, a regional manager for Pasternak Imports. “It was a way to show status, and the people they associated with were also trying to show their status.”

The Internet became information central.

Every producer we talked with mentioned how easy it is to get information about their wines to consumers via electronic media—and for customers to check them out. Social networking programs are now a part of every marketing plan. And is there a winemaker on any continent who doesn't tweet from green harvest through malolactic?

As Americans drank more, Europeans drank less.

Part of the American ascendancy to #1 has been our growth, but part is also due to the Italians and French falling back.

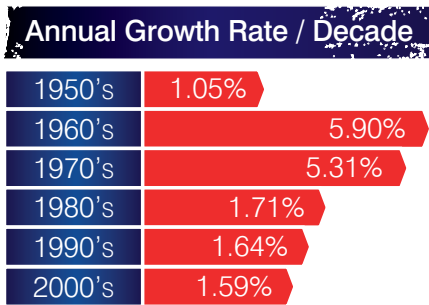
Wine became the feel-good drink.

"When you drink wine at dinner with friends, you have a measured mellowness that is enjoyable," Parker advocates.

A WINE PERSPECTIVE

But before we start singing "We Are the Champions" to the Europeans, we should put our wine-consumption gains into perspective. For example, Karl Storchmann, New York University economist and managing editor of *Journal of Wine Economics*, downplays the touted rate of growth of U.S. wine consumption in the past decade. "People always stress the incredible increase in the wine market over the last few years," Storchmann says. "That seems a fairytale to me."

Using real 2010 dollars, Storchman shows the greatest growths in total retail wine sales took place decades ago in the 1960 and '70s.



Source: *Journal of Wine Economics*

"The growth in wine consumption," he argues, "appears to be linked to economic growth."

Nevertheless, retail spending for wine in real dollars in the past 50 years jumped from \$5.56 billion in 1960 to \$27 billion in 2010—a fivefold increase. Thus, we are spending five times as much on wine today than drinkers were in 1960. And everyone—especially foreign producers—sees room for continued growth in the American market, although no one predicts a return to that heady growth of the '60s and '70s.

For example, while Prosecco consumption in America has more than doubled in the last five years, Giancarlo Vettorello, director of the classic Prosecco consortium, points out that only about 3% of his region's 61 million bottles end up on this side of the Atlantic. "We have a lot of room to grow in the U.S.," he shares.

"There's been a big increase in port tawnies in the U.S, particularly in restaurants," says Adrian Bridge, director of the Fladgate Partnership, and he sees restaurant sales as continuing to be big driver.

Martina Rothe Obregon, chief marketing officer of the Freixenet Group, adds, "We believe that the Spanish wine segment is still underrepresented in the U.S. and will continue to invest and lead development here. Because of its size and growth potential, the industry will be focusing on the U.S. and how to attract and bond new consumers entering into the category."

Then there are the Millennials, the 70 to 80 million social networking consumers aged 21 to 33 who are the fastest growing market segment, and one which is taking over as the Baby Boomers drift off into retirement.

Pasternak's Rowland says he approaches the over-30 and the under-30 customers quite differently. "Younger people are much more interested than their elders in sustainable, organic and biodynamic wines," Rowland says. "For them sustainability is a great selling point. They also get their information from the Internet and they have a confidence that middle age people do not. They are not intimidated and are generally more difficult to sell."

"Ratings are less important than they once were," adds Adams of Sherry-Lehmann, which has a strong Internet presence and supports Millennial programs, "and younger people are more interested in hearing the story of the wine."

Finally, Fred Franzia, while believing that the American market will continue to grow, adds a word of caution: "I would not like to be in the over \$20 per bottle part of the wine business. The U.S. is going to be the #1 wine market in the world soon, but I don't think that the rising tide of wine will lift all boats." ■

WINE GURUS

Top: Robert Beynat, Vinexpo; Fred Franzia, Bronco Wine Co.; Robert Parker, The Wine Advocate; Chris Adams, Sherry-Lehmann; Bottom: Gladys Horiuchi, The Wine Institute; Mark Wessels, MacArthur Beverages; Karl Storchmann, Journal of Wine Economics; Steve Rowland, Pasternak Imports; Andrea English, Athenee Importers

