

# Cabernet Chaos: World Wine Shortage Worries Build

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Panic undoubtedly has set in among a segment of the world's alcohol drinkers after a large banking firm declared a wine shortage is at hand, driven by a concurrent increase in consumption and a decrease in product on the market.



Bottles of aged wines, some of which date back to 1895, are lined up in a wine vault containing 280,000 bottles in Tokaj; Credit Reuters

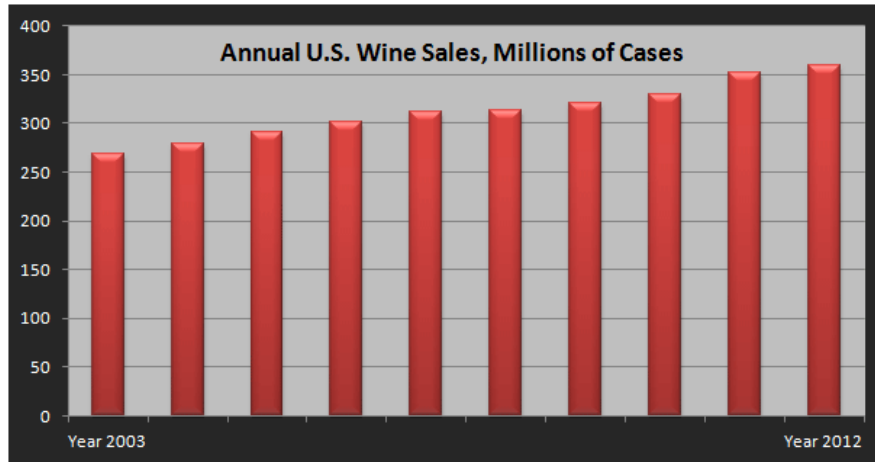
If true, it could mean you and your neighbor will soon enough be coming to blows over the last bottle on the shelf at the local spirits purveyor. But probably not, we hope.

What may well happen, however, is you'll be asked to shell out even more for your Pinot Grigio and Cabernet than you already are. After all, it's hardly a stretch to imagine that, if wine supplies shrink, wine sellers will be eager indeed to raise prices. So think about stocking up before your friends beat you to it.

Citing the conclusions of Morgan Stanley Research analysts in Australia, [Quartz reported that](#), in 2012, the "global supply for wine already barely exceeded demand. Adjusting the demand to include non-wine uses (such as making vermouth), there was actually an undersupply of about 300 million cases, marking the largest such shortfall in almost 50 years." This warning gets even more stark with the firm's proclamation that "there may be insufficient supply to meet demand in coming years."

Without question, that won't go over well with wine fans. Last year, [according to the Wine Institute](#), a trade association for California wineries, 856 million gallons of the good stuff went down the hatch in America, amounting to around 12% of the planet's production. Wine case sales in the United States rose 2% a year ago to 360.1 million, a record high that equated to a retail value of around \$34.6 billion, the institute says.

It's fair to say that's a lot of wine. And it's grown considerably, something that's probably not going to change.



Source: Wine Institute, which itself draws on other data providers. Case totals represent shipments from California, other U.S. states and foreign countries.

"Wine shipments to the U.S. market climbed by nearly 50% since 2001 and it is likely that American consumption will continue to expand over the next decade as wine continues to gain traction among American adult consumers," consultant Jon Fredrikson said in [the Wine Institute report](#).

### Are we doomed?

Hang on, though. There may be hope amid the wine-deficit scare. First, and only half-jokingly, we've got abundant supplies of other alcoholic beverages, such as liquor and beer; you're not likely to be forced into a life of teetotalism, even assuming wine gets harder to come by. Second, and more serious and relevant, other industry experts don't appear as convinced as Morgan Stanley that the Horrific and Devastating Wine Shortage of the 21st Century is at hand.

As a [recent Bloomberg report](#) points out, the International Organisation of Vine and Wine believes wine output will rise almost 9% this year to 7.4 billion gallons (roughly 3.1 billion cases), thanks to improved harvests in Spain, Argentina and France, reaching the best level in seven years. So that's a relief.

Or is it? As Quartz retorts, turning around an overall downward trend in production "will require more than a single, strong harvest," especially considering that predictions for the U.S. and China suggest each nation is likely to put away more than 400 million cases of wine on their own by 2016.

Amount of drinking going up, plus number of bottles going down, probably equals more expensive wine. [Wines & Vines](#), citing the Morgan analysts, lays it out thusly: "As consumption turns to the 2012 vintage, we expect the current production shortfall to culminate in a significant increase in export demand, and higher prices for exports globally. Further growth in consumption in the meantime may exacerbate the shortage when it comes through."

So it is bad, then.

### Let's take a step back

But wait again. Wines & Vines got commentary from an industry expert at Rabobank, Stephen Rannekleiv, who isn't certain his banking brethren have it exactly right.

"I don't see any real tightness in the market, I just think we are moving a little bit closer to balance," he told the publication. "And I don't think we are moving in that direction nearly as fast as it first appeared. It's

worth asking: If the market is so incredibly tight, why are bulk wine prices moving lower in most major regions of the world?"

Another reason for oenophiles to be optimistic, he says, is that, "when prices go high enough, additional wine has a way of 'magically' appearing."

Take a deep breath, is the message.

What can you, the concerned consumer, do here? If you're worried about prices, buy now because your wine will keep, probably longer than you will. But if you're not spooked, that's also fine. We're not in any immediate danger of drying out. Worst case, you might end up having to trade one fermented beverage for another. Presumably, you'll find a way to manage.

ORIGINAL LINK: <https://finance.yahoo.com/blogs/the-exchange/cabernet-chaos-world-wine-shortage-worries-build-211552801.html>