



WANG DONG / FOR CHINA DAILY

The vineyard of Chateau Leoville Poyferre. The chateau plans to hold a special promotion of a wine it adapted for the Chinese market.

# Reds' star rises in the East

Chinese investors have been picking off Bordeaux's best, to satisfy a growing thirst back home

By LI XIANG  
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As the global economic downturn hits Western demand for French wines, Chinese buyers are being viewed as the saviors of the industry.

The Bordeaux wine region, most recognized by Chinese consumers, has seen a three-digit growth in its exports to China since the country overtook the UK and Germany to become its largest client in 2010.

According to figures released by the Bordeaux Wine Council, or CIVB, China imported 58 million bottles of wine worth 334 million euros (\$410 million) from Bordeaux in 2011 — an increase of 103 percent on the previous year. The sales value generated from the Chinese market, including Hong Kong, now accounts for 35 percent of Bordeaux's total wine exports.

The lucrative region has seen Chinese State-owned companies, such as COFCO Group, as well as private businessmen, flocking to the region to acquire vineyards and chateaux in the hope of gaining control of supplies and eliminating intermediaries in the distribution chain to expand profit margins.

It is estimated that more than 25 chateaux in Bordeaux have been bought by Chinese companies or individuals in the past year, and 30 more are expected to close deals by the end of this year.

And despite the recent price plunge of top-growth Bordeaux wines, and concerns over a bursting bubble inflated by the surge of China's interest in luxury goods and Western tastes, wine experts suggest there is unlikely to be any letup soon in the growing Chinese thirst for French fine wines.

Lushang Group, a State-owned conglomerate in Shandong province, has already shipped 150,000 bottles of wine worth 400,000 euros back to China since it purchased the little-known Chateau de Gugat from a Swiss owner a year ago in the Blasimon region near Bordeaux.

"The production capacity of the chateau is about 220,000 to 250,000 bottles per year, which is far from meeting the demand at home.

"With our strong distribution and retail network, it can be sold instantly," said Tan Xingang, general manager of the chateau.

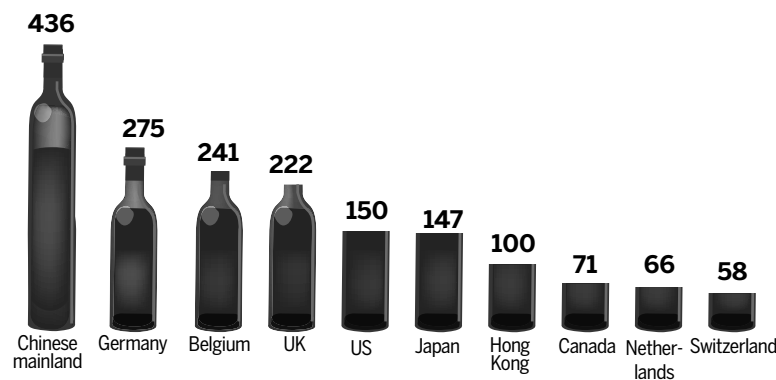
Setting up a wine trading entity in Bordeaux, added Tan, is the Shandong company's next step, which will enable it to not only sell its own wines but also gain a much wider access to wines from

## TOP EXPORT DESTINATIONS OF BORDEAUX

In 2011, 2.16 million hectoliters of Bordeaux wines were exported for a turnover of 1.97 billion euros.

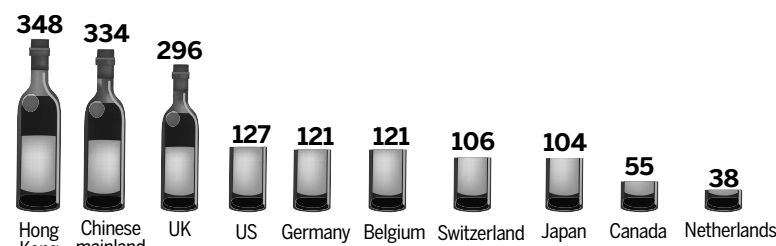
### IN VOLUME

unit: thousands of hectoliter



### IN VALUE

unit: million euros



Source: The Bordeaux Wine Council

GUILLERMO MUNRO / CHINA DAILY

neighboring estates and other wine brokers.

The company isn't the only one to be eyeing the potential opportunity in the traditional "negociant" trading system of the Bordeaux wine market, which sees a wine merchant assemble the produce of smaller growers and winemakers and sell the result under its own name.

A recent move by Chinese group Bright Food, acquiring 70 percent of shares of Diva Bordeaux, a leading wine trading company, has heralded a trend of Chinese companies expanding from vineyard and chateau purchases to investing in the wine trading business.

Bright Food's move caught some in the industry by surprise, as it was the first time that a Chinese company had invested in a Bordeaux negociant.

French newspaper Le Figaro described the deal as a step by Chinese investors to "finally plant the flag in the heart of French gastronomy".

Xu Qinghua, head of China business services at accounting firm Ernst & Young in France, said of the move: "In my view, the deal with Diva is a genius move by Bright Food, as the wine trading business is usually the most value-adding in terms of brand creation and brand management, as well as the most profitable in the wine industry supply chain.

"And wine traders are the ones who have the most up-to-date market intelligence."

Xu believes it will give the company access to a much wider range of wines, get a sniff of the market and identify first hand those most in demand by Chinese consumers.

It may also help pave the way for future acquisitions by Bright Food and give it the advantage of being the first to

shape the taste of the relatively immature Chinese wine market.

For Diva Bordeaux, the investment reinforces the company's capital position and brings it closer to China's huge customer base, which already accounts for 45 percent of its total sales, said its managing director, Jean-Pierre Rousseau.

The company posted a total turnover of 33 million euros last year, and Rousseau thinks with the help of Bright Food, it can easily double that in three to four years.

Ripening enthusiasm by China's growing wealthy and middle classes for luxury goods and a Western lifestyle has meant a massive rise in wine consumption in the country.

Eager to go with the flow, to date, most Chinese investors have been targeting mid-range chateaux in Bordeaux at a cost under 10 million euros.

With a ready-made distribution and retail network back home, new Chinese chateaux owners usually ship their entire production back to China.

The main distribution channels for Bordeaux wines in China are private clubs and luxury five-star hotels where a 4-euro bottle of wine can be easily sold for 1,000 yuan (\$157).

"The wide profit margin is definitely the major motivation behind the Chinese acquisitions, said Lin Lan, manager at real estate company EC Immobilier in France.

"Some Chinese buyers would look for chateaux that have a similar-sounding name to famous first-growth chateaux such as Lafite Rothschild, hoping to cash in on the 'Lafite effect' in the home market."

While wine producers and traders in Bordeaux are well aware of the risks of putting all their eggs in one basket, the

temptation of the Chinese market is just too hard to resist.

Many top-tier chateaux in Bordeaux have already stepped up their promotional efforts in China, hoping to capitalize on China's surging interest in wine.

Hiring Chinese-speaking assistants, opening Chinese social media websites, designing labels that appeal to Chinese consumers, and organizing tasting events in China are common ways for French chateaux to attract Chinese buyers.

"You have to be there to build the brand. You have to show your face and your wines for a market that is very eager to learn and to taste different wines," says Anne Cuvelier, public relations officer for Chateau Leoville Poyferre, a second-growth chateau in the Medoc region.

The chateau is gathering ideas for a special promotion of a wine that it has adapted especially for the Chinese market.

"We want to make sure they understand the wine and the work behind it. It would be a pity if a bottle is opened just because it is expensive," she says.

So far, Chinese consumers have been buying either at the very top or the very bottom end of the Bordeaux range, as the main purpose of wine consumption is still predominantly based around entertaining and gift giving.

But the trend is gradually changing, as Chinese buyers become more knowledgeable and sophisticated about wines, reflected in the rapidly growing demand for mid-range wines.

"We don't expect three-digit growth to happen forever," said Georges Haushalter, president of CIVB.

"What is very interesting to notice in China now is that we actually have a growth rate higher in volume than in value, which shows that we are going from a position where people are looking at the most expensive wines as social trophies, to a position where more and more people actually drink wines themselves."

CIVB's president for Asia, Thomas Jullien, added: "We are seeing a turning point in the Chinese market where growth is likely to be slower.

"But we are comfortable with it because it means that people are starting to care about the long-term prospect of the market."

Diva Bordeaux's Rousseau said that the company has been selling mostly 2-euro wines or bottles costing more than 50 euros over the past two years.

But now wines priced between 4 to 10 euros from the Saint-Emilion and Graves areas are becoming increasingly popular among Chinese buyers.

"These wines are consumed by the middle class, who hold huge potential in China. And demand in the second- and third-tier cities has just begun to grow," he said.

"That's why we think, for a great part, the future of Bordeaux's wine market is in China."

# Rich pickings in learning white from red

By LI XIANG  
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A grape-picking trip to a vineyard in Champagne two years ago that sparked an interest in French wines has led to a sparkling career for young Chinese student Wang Qiyun.

The 29-year-old

from Henan province gave up the offer of a masters program from an American university to study wine in Bordeaux, where she was trained as a sommelier — the expert in a restaurant who selects the wine to go with the chosen cuisine.

"Initially I struggled with the language and did not have much fun studying wine. But as I gradually honed my skills and started to be able to taste and tell the difference between wines, I became fascinated by the richness and diversity of a good wine," Wang said.

"It felt like I had discovered a whole new world."

Oenology, a word almost unheard of in China a decade ago,

has become an increasingly popular major among young Chinese due to the growing increase in wine consumption throughout the country, driven by an expanding middle class, and a liking for Western tastes.

And, like Wang, many Chinese students are coming to France with a strong business sense, knowing that the booming wine market in China, is only likely to grow in future.

Industry experts have predicted that China is likely to out-drink the United States to become the world's thirstiest nation for wine within two decades.

It has already overtaken UK and Germany to become Bordeaux's largest export client.

Wang now works as an intern at Chateau Leoville Poyferre in the Medoc area where she helps maintain the chateau's official weibo, or Chinese micro blog, and translates the chateau's news releases into Chinese. She also helps with the reception of tourists and business people from China who have become regular visitors to the famous Bordeaux vineyards.

"The number of Chinese students going to France to study wine has grown at a rate of 30 percent annually over the past few years," said Ren Lianfang, manager at Strong Study, a Chinese education agency in Zhejiang province.

The interest in wine education in the Chinese mainland and in Hong Kong has grown substantially, with enrollment soaring nearly 200 percent year-on-year, according to the Wine and Spirits Education Trust, a UK-based wine education organization.

The thriving wine market in China has not only wooed Chinese students to France, but has also bolstered the education market as French universities and private organizations that offer oenology courses, and are struggling with a decline in domestic enrollment, look to the East.

"In France, we don't have too many French students coming to learn about wine. But in foreign countries, the situation is exactly the opposite," added Franck Chausse, director of Cafa Formation,

a private wine school in Bordeaux.

"You have a lot of countries interested in wine education because the wine business is faring well there and people want to learn more about wines."

Chausse said that more than half of Cafa's students are Chinese. Five years ago, they only accounted for just 2 percent.

"Most Chinese students want to work in the wine trading business. Less than 10 percent would choose a sommelier career in restaurants or hotels," he says.

Cafa offers a two-year diploma course for 9,500 euros (\$11,700), and students can choose a third-year program in teaching oenology.

The oenology schools in France are also seeking Chinese partners to attract students and offset falling numbers.

Cafa has developed ties with the College of Oenology at Northwest Agricultural and Forestry University in Shaanxi province.

In 2008, it opened its own school in Beijing and is planning to open another

in Shanghai, according to Chausse, who added that the school is currently training teachers in France to become instructors at the school in China.

It also offers training programs for sales staff to work in wine trading companies in major Chinese cities, including Chengdu, Wuhan, Hangzhou and Kunming.

Meanwhile, wine distributors in France are also paying attention to wine education in China.

Diva Bordeaux, a leading wine trading company, is planning to establish a new wine school with Cafa in China to train local sales staff and to promote French wines.

"Most of the time, people are very shy about wine. They don't dare push the door of the wine shop because they don't know much about wines," said Jean-Pierre Rousseau, managing director of Diva Bordeaux.

"The purpose of wine education is to let them define their own tastes and to realize that wine is not complicated."

Although China does not yet have its own wine experts with the reputation of, say, US wine critic Robert Parker, dubbed 'the pope of vineyards', Chausse is optimistic about the younger generation in China.

"They have the potential to reach the very top in wine advice. They learn very fast, and what matters after that is the experience," he said.

This summer Wang Qiyun is graduating from the University of Wine in Rhone Valley with a degree in wine commerce and marketing.

She applied for the masters course at the University of Montesquieu-Bordeaux IV, one of the leading universities in France for oenology, but was unsuccessful.

She said competition for places was intense, with eight of the 20 interviewees coming from China.

"I can picture myself traveling to different vineyards and chateaux and getting to taste different wines for my customers," she said.

"But what's most rewarding is that I've found something that I want to do for the rest of my life."

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JEAN-PIERRE ROUSSEAU  
SEAU  
MANAGING DIRECTOR OF DIVA BORDEAUX