

Agriculture & Vineyards

Wine Production Industry Report



Raise a glass: The industry's strong recent growth has continued through the current year

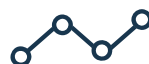
The Wine Production industry has exhibited robust growth in recent years, underpinned by rising demand for English and Welsh sparkling wine. Rising incomes and discretionary spending supported strong sales as the period began. Extremely wet weather resulted in lower production in 2011-12 and 2012-13, which led to revenue slowing even further in 2014-15.



However, growth has since been rejuvenated, with buoyant demand for domestically produced sparkling wine and rising exports boosting revenue. Overall, industry revenue is estimated to increase at a compound annual rate of 5.8% over the five years through 2016-17 to total £87.5 million, including growth of 6.4% in the current year.

Get in touch

info@carpenterbox.com
www.carpenterbox.com



Call Worthing: 01903 234094
Call Gatwick: 01293 227670

Key Statistics Snapshot

Revenue

£87.5m

Annual Growth 2012-17

5.8%

Annual Growth 2017-22

4.1%

Profit

£6.8m

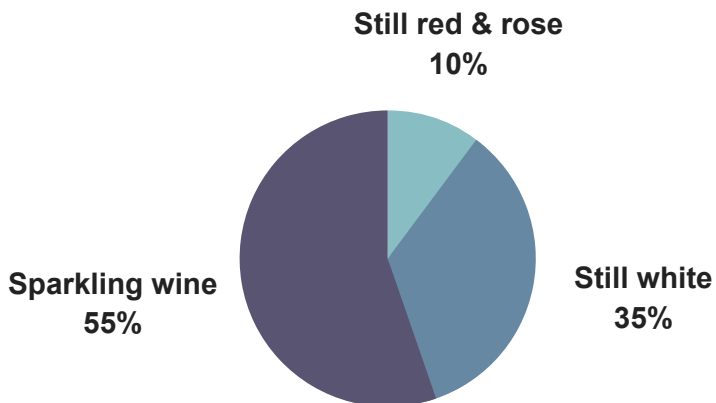
Exports

£10.4m

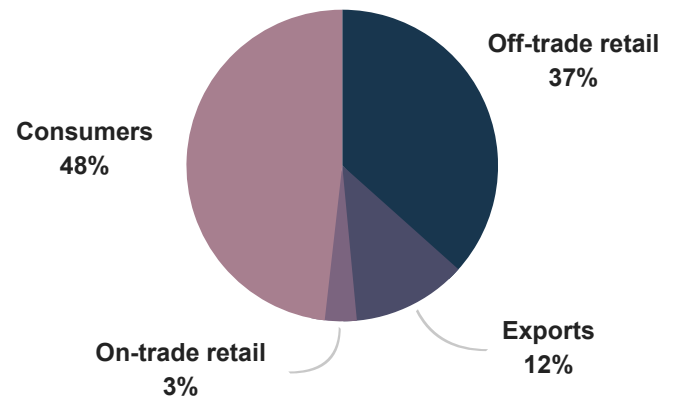
Businesses

136

Products and services segmentation



Major market segmentation



Although wine has been produced in the United Kingdom since the Roman era, wine production in modern times had, until recently, been little more than a hobby. During the past decade, however, the amount of land dedicated to vine growing has risen by 148%, according to the University of East Anglia.

Over the past five years, rising domestic and international interest in British wine has been supported by the attainment of a number of major international awards. Wine is mostly produced in the South and South East of England and is predominantly sparkling. Warmer than average weather for much of the past decade improved grape yields and wine quality. Industry revenue is projected to grow at a compound annual rate of 5.8% over the five years through 2016-17 to reach £87.5 million. This includes a rise of 6.4% in the current year.

Get in touch

info@carpenterbox.com
www.carpenterbox.com



Call Worthing: 01903 234094
 Call Gatwick: 01293 227670

Overall Summary

Despite strong growth in revenue, industry profit has deteriorated. The United Kingdom is a high-cost wine producer compared with other countries. The cool climate, relatively low grape yields and lack of scale and scope of production result in high costs and low margins for domestic producers. The sharp falls in wine production that occur following extremely wet and cold weather, as was the case in 2011-12 and which affect revenue in following years, highlight the industry's inherent volatility.

Demand for UK-produced wine is expected to grow further over the next five years. The reputation of English sparkling wine is expected to continue improving, while a depreciating pound is anticipated to further support revenue growth through rising exports and slowing import competition. The recent rise in wine excise duty may dampen growth in the short term, as may declining consumer confidence in the wake of the EU referendum.

However, global temperatures are forecast to rise over the next five years. This is expected to boost grape yields and, consequently, industry margins. Industry revenue is estimated to increase at a compound annual rate of 4.1% over the five years through 2021-22 to reach £106.9 million.

Industry Outlook

Demand for UK-produced wine is expected to grow strongly over the five years through 2021-22. The reputation of English sparkling wine on the international stage is expected to continue improving, and consumer demand for locally produced, high-quality products is anticipated to boost domestic sales. Later in the period, supply is expected to exceed domestic demand, forcing producers to target export markets and presenting challenges to profit growth.

Further challenges may come in form of possible increases in excise duty for wine, weak consumer confidence in the aftermath of the EU referendum and ongoing competition from flavoured ciders and craft beers. Weaker business confidence may also limit investment decisions in the short term due to the EU referendum. This is evidenced by the fact that roughly 90% of the members of the Wine and Spirit Trade Association backed the Remain campaign in the build up to the referendum.

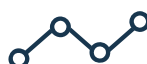
However, Britain's exit from the European Union may also allow the industry to gain more favourable trade terms with growing wine markets in Asia and America, possibly boosting exports. IBISWorld expects industry revenue to increase at a compound annual rate of 4.1% over the five years through 2021-22 to reach £106.9 million.

Revenue Outlook

Year	Revenue £ million	Growth %
2018	92.5	5.7
2019	98.1	6.1
2020	102.1	4.1
2021	104.2	2.1
2022	106.9	2.6
2023	110.1	3.0

Get in touch

info@carpenterbox.com
www.carpenterbox.com



Call Worthing: 01903 234094
Call Gatwick: 01293 227670

International Trade

Exports

Exports represent a small but growing share of the industry. Exports are expected to increase to 11.9% of industry revenue in 2016-17. The value of exports has expanded considerably in nominal terms from £6.3 million in 2011-12 to £10.4 million in 2016-17, representing compound annual growth of 10.5%. Until recently, local wine was generally considered to be of poor quality and there was little demand for it outside the United Kingdom.

However, this perception has changed, with UK sparkling wines picking up a number of international awards and its reputation improving. Exports are forecast to demonstrate solid growth during the next five years as UK-produced sparkling wine continues to grow in popularity, while a weaker pound should encourage demand in the short term.

Imports

The United Kingdom is one of the world's largest wine markets and the second biggest importer of wine by volume, according to The Wine and Spirit Trade Association. Imports are estimated to account for 97.8% of domestic demand for wine in the United Kingdom in 2016-17. Major import markets are Australia, the United States, France and South Africa. South Africa and Chile are fast-growing import markets. Lower cost new-world wine producers from the southern hemisphere have gradually displaced traditional producers like France and Italy.

Over the five years through 2016-17, imports are expected to grow at a compound annual rate of 1.2%. Import growth is expected to stall in the short term as a weaker pound in the aftermath of the EU referendum pushes up the price of wine for consumers and weighs on demand.

How MHA Carpenter Box can help

We can offer advice and assistance on all aspects of managing your vineyard.

If you would like further details about the opportunities noted above please contact Holly Mitchell in our Agriculture and Rural team by calling 01903 234094 or emailing info@carpenterbox.com.

Want to find out more?

Call: 01903 234094

Email: info@carpenterbox.com

Visit: www.carpenterbox.com

Follow:    

Report and statistics reproduced with permission from IBIS World UK. All information, text, statistics, data and material contained are owned by or, licensed to, IBISWorld Limited.



MHA Carpenter Box is a trading name of Carpenter Box Limited, a limited company registered in England under company number 02360917. Our registered office is: Amelia House Crescent Road Worthing BN11 1QR where a list of the directors' names is available for inspection. Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. Registered with the Chartered Institute of Taxation as a firm of Chartered Tax Advisers. MHA Carpenter Box is a member of MHA, an independent member of Baker Tilly International. Arrandco Investments Limited is the registered owner of the UK trade mark for Baker Tilly and its associated logo.