



## Supply and Demand in the Champagne Region

Marie Ahm, PARES BALTA  
marieahm@paresbalta.com

The situation that most Champagne producers face today might seem like a dream for any wine producer; an overwhelming demand for their products and no signs that this will change in near future.

However; while this might seem as a dream the medal also has a reverse side. For what should there be done to solve the problem of unbalance between supply and demand? Today's production is almost at its maximum volume.

And fundamentally; should there be done anything?

The growing demand is the result of a conjunction of various factors. New markets emerging with the economy and urge to buy e.g. Japan, China, India and Russia.<sup>1</sup> Champagne being marketed as a fashion item.<sup>2</sup> Strong economies in existing markets and changes in taste creating an increasing market for high quality sparkling wine.<sup>3</sup>

This is today's' situation on the global Champagne scene. An increasing demand of 2,5% annually; with previsions of a growth up to 8% in 2007 and a supply that is destined not to be able to follow the increasing demand as the maximum production soon will be reached.<sup>4</sup> However; the stock position today is healthy and that even if today's increase in sales continues there will be no problems with supplying the worlds demand in the next 6 years. This year a total of 360 million of bottles were put into trade and the prevision for spring 2008 is 400 million. Only in 2013 a deficit of production will be reality supposing that the increase of demand continues at the same rate.<sup>5</sup>

Generally the demand has always been higher than the supply of Champagne which has resulted in champagne being a premium priced luxury product. But should this be changed? And would it be possible to maintain this image with an increased supply?

I will in the following discuss some possible solutions to the problem one by one and review their benefits and drawbacks.

Then I will look at the differing opinions in the Champagne trade industry in matters of solving the problem to draw a picture of reality on the marked.

I will furthermore give a short description of my local market in Denmark.

I will throughout the text ask many questions and leave them unanswered and then finally in the conclusion try to come with answers to some them along with my personal opinion and reflect upon my findings.

---

<sup>1</sup> "El mercado del vino en la Federación Rusa" Oficina Económica y Comercial de la Embajada de España en Moscú.

"Alcoholic Drinks in Japan" Euromonitor International  
[www.thedrinksbusiness.com](http://www.thedrinksbusiness.com) Champagne Focus Oct 07

<sup>2</sup> [www.iconique.com/flash/fashionnews\\_archives.php?id=A20061226](http://www.iconique.com/flash/fashionnews_archives.php?id=A20061226)  
[http://brandnoise.typepad.com/brand\\_noise/wineliquor/index.html](http://brandnoise.typepad.com/brand_noise/wineliquor/index.html)

<sup>3</sup> [www.just-drinks.com](http://www.just-drinks.com)

<sup>4</sup> [www.drinksbusiness.com](http://www.drinksbusiness.com) Champagne Focus Oct 07

<sup>5</sup> [www.drinksbusiness.com](http://www.drinksbusiness.com) Champagne Focus Oct 07