



## Gomberg-Fredrikson Report Shows Tariff Impacts

Just as threats of further increases in tariffs on wines imported from leading EU producers are once again ramping up in Washington D.C., newly released data on imported wine shipments to the U.S. from Europe shows the dramatic effects of the tariffs on wines from France and Spain as well as signs of compensation in the form of a shift to wines outside the tariff category.

The April edition of the Gomberg-Fredrikson import/export report states that importers increased shipments to the U.S. in January and February because of the threat of even higher tariffs. Overall volume declined in March in compensation for the early year increases but was stable in April. Over the January through April period, the total value of bottled imports increased 5%.

As the leading source of imported wines in the U.S. and a country whose wines are not subject to tariffs, January through April shipments from Italy can be seen as “control” data against which to compare imported wine volume and value shifts in wines from countries subject to the tariffs. In terms of value, Italian still wines under 14% grew a modest 3% in the January – April period, while still wines over 14% grew by 50% (on a rather small base). The net result was a gain in table wine value of 7% for Italian wines coming in to the U.S. in 2020 compared to 2019.

French wine imports, subject to tariffs for still wines under 14%, show the dramatic effects of tariff imposition. Still wines under 14% were halved in value (-49%) from January through April. But the shipments from France of still wines over 14% grew 256%. The result was a softened blow to total value, which declined 30% over the period.

Wine imports from Spain (on a much smaller base than France) fared somewhat better. Imports of still wines under 14% lost 58% in value through the first four months of 2020 compared to 2019. But shipments of still wines over 14% grew by 207%. The result was an overall slight decline in total bottled wine value of -3%.

Gomberg-Fredrikson report editor Jon Moramarco cites another factor in the decline in value of French still wines under 14%. “Numerous importers and collectors of very high-end French wines, such as the classified growths of Bordeaux, are purchasing these wines but keeping them in storage in France. As these wines are not intended for near-term consumption, there is little to gain by paying a 25% tariff premium on them at this point.”

Where the issue goes from here is uncertain. A public filing from the office of the U.S. Trade Representative reveals that new tariffs as high as 100% could be imposed on wines from selected EU countries as soon as August 12th. And a change in administrations following the November elections might well result in the lifting of tariffs altogether. Until then, EU producers and U.S. importers continue working through the issues to satisfy the demands of Europhile wine drinkers in the U.S.

### Imports to the U.S. January - April

Italy	Case Value YTD (thousands)	Percent Change (vs. 2019)
Still wines under 14%	\$446,457	3%
Still wines over 14%	\$61,546	50%
<b>TOTAL</b>	<b>\$508,003</b>	<b>7%</b>

France	Case Value YTD (thousands)	Percent Change (vs. 2019)
Still wines under 14%	\$222,931	- 49%
Still wines over 14%	\$102,459	256%
<b>TOTAL</b>	<b>\$325,390</b>	<b>- 30%</b>

Spain	Case Value YTD (thousands)	Percent Change (vs. 2019)
Still wines under 14%	\$29,887	- 58%
Still wines over 14%	\$56,154	207%
<b>TOTAL</b>	<b>\$86,041</b>	<b>- 3%</b>

Gomberg-Fredrikson Import/Export Report April 2020

## "Lockdown" Unlocks Sales Surge at Wine.com

It comes as no surprise that sales at Wine.com have dramatically surged during the COVID-19 crisis. They are by far the leading online wine retailer in the U.S., with over \$1 billion in sales to date, including sales in 2019 exceeding \$150 million. Through the end of May, Wine.com’s trailing 12-month revenue has exceeded \$220 million. The surge is revealed in data from April through June, with sales increases primarily fueled by the flight to online shopping during the “lockdown” phases across the U.S. These recent sales gains register growth of 250% compared to the same period in 2019.

Of particular interest is that while wine sales gains tracked by Nielsen have consistently been led by table wines in the \$20-plus categories, the opposite has been true for Wine.com, with April-June sales of wines selling in the \$15 - \$19.99 range up 396% and wines selling in the \$8 - \$15 range up an astounding 432%. These gains stand out against total sales gains for the period of 250%. But it is also notable that sales in every price segment are dramatically higher (from a 100% sales gain for wines selling over \$100 to a 258% gain for those in the \$20 - \$29.99 range).

Wine.com’s Founder and Executive Vice President Mike Osborn believes the tremendous surge for under-\$20 wines may be explained by two phenomena. “Since mid-March,” Osborn notes, “we have attracted many new shoppers who most often buy under-\$20 wines. But I believe also that a great deal of daily wine consumption has moved into homes from bars or restaurants. The after-work drink, for example, is an occasion that continues at home, with or without colleagues raising their glasses via Zoom.”

More frequent, casual consumption of wine at home – beyond the dinner table – is also indicated by increases in white wine sales, which grew from 19.7% share of April-June sales in 2019 to 25.2% in 2020. Conversely, red wine sales share of 64.8% in 2019 has declined in the April-June 2020 period to 59.3%. These white wine sales gains have in particular benefited Sauvignon Blanc, with share of sales growth from 4.6% to 7.0%.

Along with Sauvignon Blanc, Pinot Grigio wines have nearly doubled their share of sales, but from a much smaller base (1.5% in April-June 2019 vs. April-June 2020 share of 2.5%). Among red wines, Pinot Noir alone has registered a meaningful share gain, from 8.9% to 9.5%.

While impressive total sales in the past 90 days at Wine.com have been registered by every wine-producing country, there have also been shifts of note in share of total sales value, detailed in the chart below. The rising share for Sauvignon Blanc sales has primarily benefitted New Zealand, with their share of all sales dollars nearly doubling – from 2.6% to 4.4% – in April-June 2020 vs. the same period in 2019. Value share for wines from Argentina, likewise, have grown (up to 3.0% from 2.2% in 2019). And from a very small base, value share of wines from Germany doubled, from 0.3% in 2019 to 0.6% in 2020. Wines from France have suffered the greatest decline in share, slipping from 25.5% in April-June 2019 to 19.9% in 2020.

Wine.com was named “Retailer of the Year” in 2019 by The Wine Enthusiast. Judging by their sales through June, it might not be too early to look for a repeat performance in 2020.

### Sales Share by Country

(Share and Value Gain 2020 vs 2019)

Country	Apr-Jun 2020 Sales Share	2019 Comparable	Apr-Jun 2020 Value Gain
USA	46.8%	45.8%	255%
France	19.9%	25.5%	171%
Italy	12.6%	12.5%	249%
New Zealand	4.4%	2.6%	494%
Spain	3.7%	3.8%	244%
Argentina	3.0%	2.2%	371%
Australia	1.7%	1.7%	243%
Chile	1.6%	1.5%	272%
Portugal	0.9%	1.0%	187%
Germany	0.6%	0.3%	556%

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