

Extended Report

Q4 2020

LIV|EX
THE FINE WINE MARKET

The Rhone: Solid as a Rock



Introduction

The Rhone is something of a paradox in the fine wine world. Despite having many of the attributes that should make it shine on the secondary market – quality, diversity, history and stories – it has remained in the shadows for a long time. The region's market share, which is currently at 3.5%, has been barely moved in the past fifteen years. In terms of price, the Rhone has been a long-term underperformer. A seemingly endless series of critically acclaimed vintages might have suggested greater attention, but unlike its French counterparts Bordeaux and Burgundy, there has been scant evidence of genuine collector focus. So what has held it back, and is the picture likely to change? This report examines the market for Rhone wines over recent years and seeks to identify possible areas of growth in this diverse region that divides opinion.

Too much of a good thing

The Rhone presents an embarrassment of riches. To find an indifferent vintage in the Rhone, one needs to go back to 2008, if not further back to the 90s. The region boasts healthy production volumes, and most wines (with some notable exceptions) are relatively easy to obtain on the primary market. While the wines in the north are mostly single varietals, predominantly Syrah, the wines in the south are often complex blends. This blending technique has allowed winemakers to achieve consistency in quality year on year. But this perhaps presents a downside. Does the consistent quality suggest a lack of vintage variation, and has this in turn had an impact on the wines' collectible appeal and secondary market pricing?

A question of taste

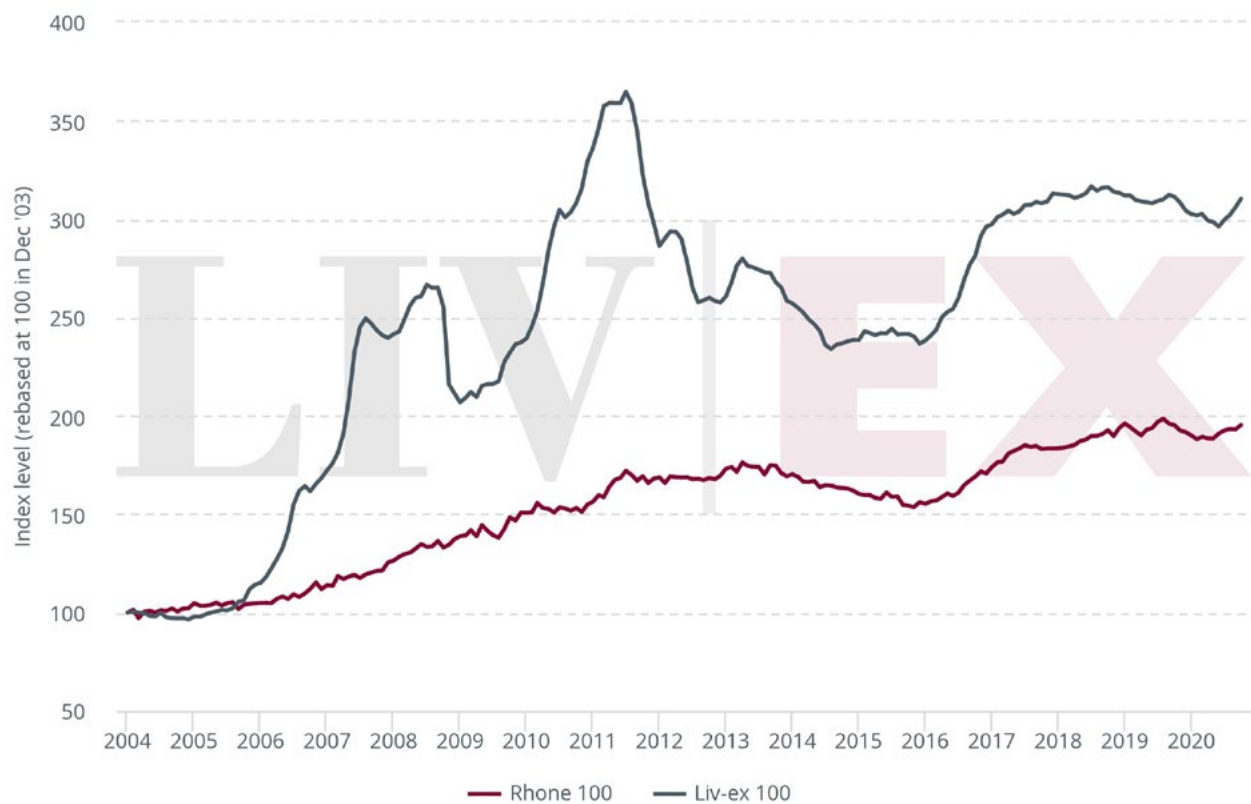
Robert Parker was famously partial to the wines of the Rhone. During his career, he scored 87 wines from the valley a perfect 100 points. By comparison, 113 wines from Bordeaux – a much larger region – and 67 wines from Napa received the same rating. Parker was a proponent of the Rhone benchmark style: bold, rich and spicy wines, often over 14% ABV. While Parker's high praise undoubtedly benefitted the region, the broader market would seem to have had its doubts. An array of fresher, more elegant wines, appealing to the modern drinker, are now starting to emerge. Secondary market trade is also diversifying beyond Parker's favourites: there has been a 660% increase in the number of wines traded over the past decade.

The Rhone: North and South

The sun-kissed slopes of Cote Rotie and rocky planes of Châteauneuf-du-Pape are producing wines that are increasingly capturing the attention of a wider range of critics and the trade. The north and south take almost equal parts of the Rhone's market share. However, the top wines from the north cost on average 2.2x more than the south's 'finest'. Over the past decade, the performance of the Northern Rhone and the Southern Rhone index has been identical – up a slow and steady 23%. The fine wine market's tortoise to Burgundy's hare, you might say.

The Rhone price patterns

Chart 1: Rhone 100 vs Liv-ex 100 since beginning

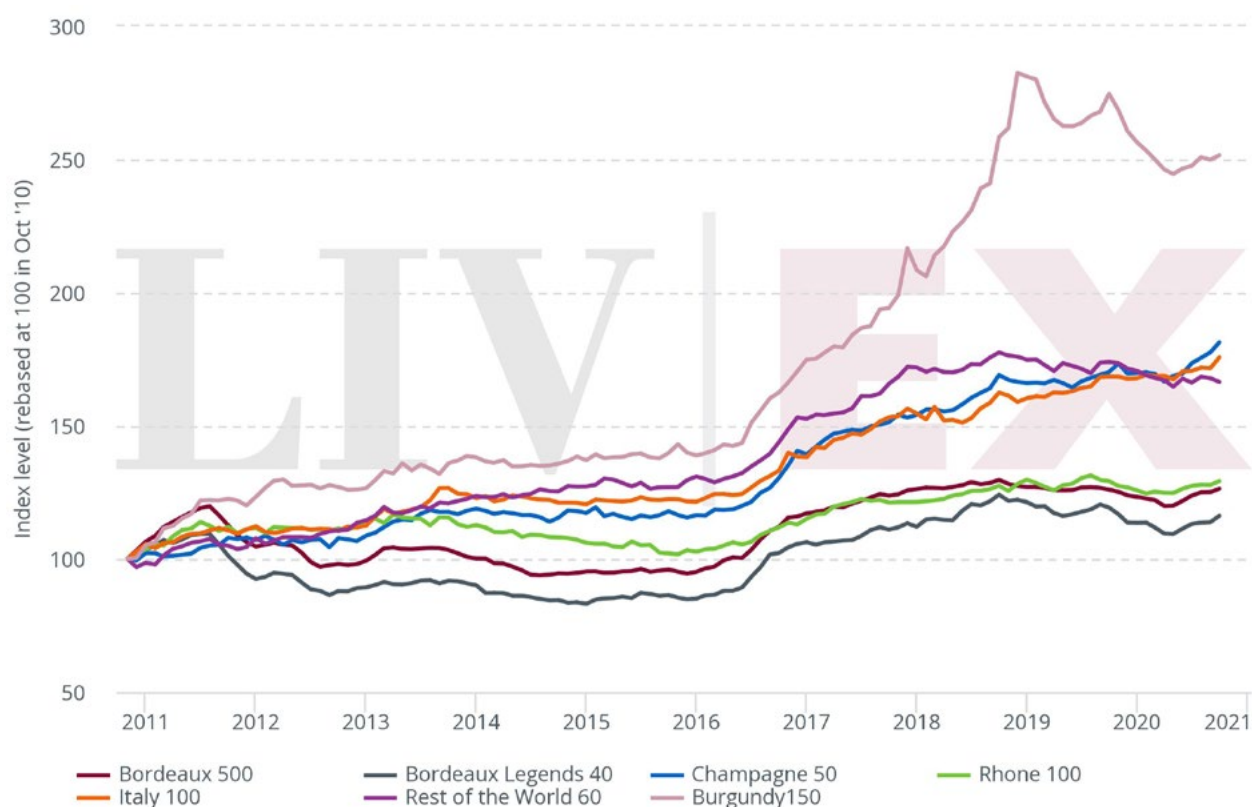


A picture of calm

Prices for Rhone wines have been rising at a slow and steady pace compared to the broader market. The Rhone 100 Index is up 95.3% since it was created in December 2003. This might sound promising, but the industry benchmark, Liv-ex 100 index, has risen by a much greater 210.4% over the same period. While the Rhone 100 focuses on the most recent physical vintages of Rhone wines (north and south in equal measure), the Liv-ex 100 reflects the wider market by tracking prices of wines from around the world. Thus, the Rhone can be considered an underperformer against the wider market.

The flip side is that Rhone prices have experienced much less volatility than the market as a whole. As Chart 1 shows, the Liv-ex 100 has seen numerous peaks and troughs. These coincide with global events such as the financial crisis in 2008, the Chinese antigraft campaign from 2011, and the Brexit vote in 2016. The Rhone market, by comparison, has been a picture of calm.

Chart 2: Liv-ex 1000 sub-indices over ten years



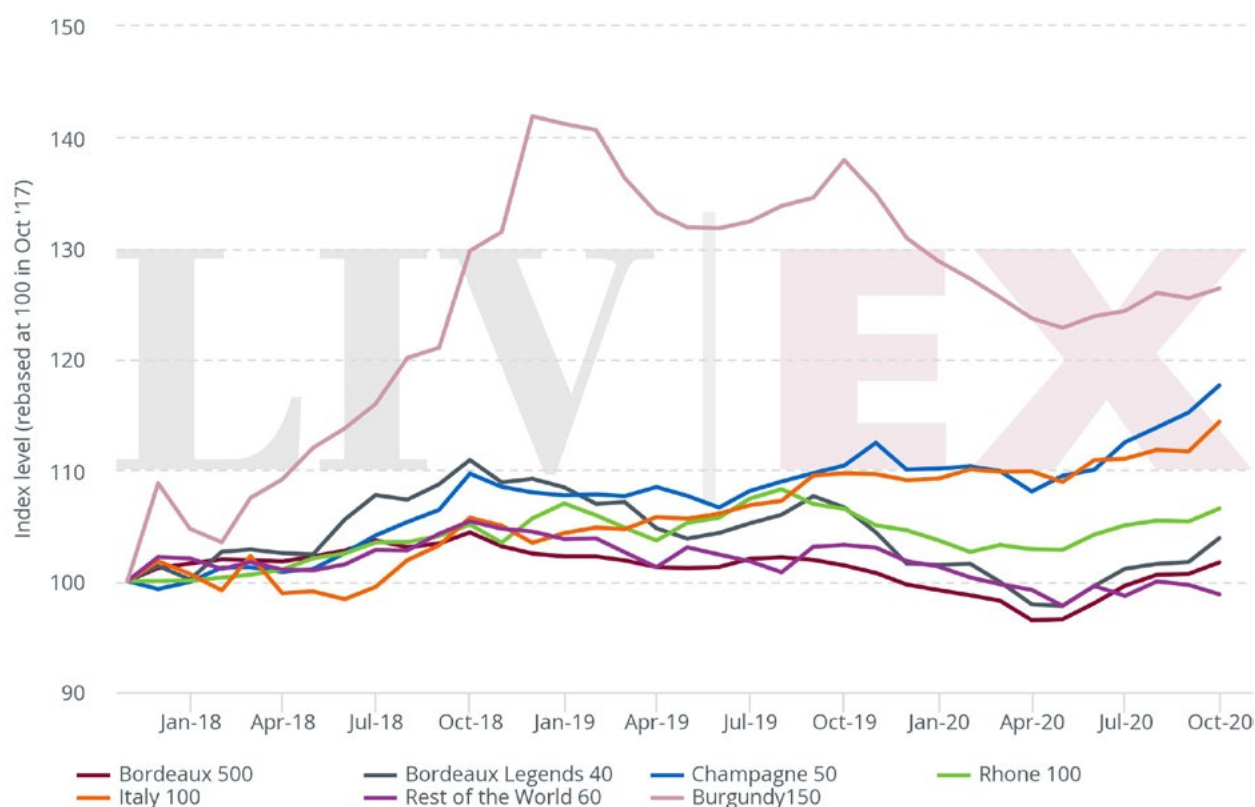
Poised for growth

The Rhone has been a slow mover, but it has been catching up more recently. Over three years, the Rhone 100 index has fared better than several other indices shown in Chart 3, including the major Bordeaux 500 index. Only the Italy 100, Champagne 50 and Burgundy 150 are ahead of it. These are three regions where prices have been particularly robust, as examined in previous extended reports.¹

Year-to-date, the picture for the Rhone seems even more promising. The index has risen 2.8%, bettered only by the Champagne 50 (6.8%) and Italy 100 (4.7%). Could it be that the region is emerging from an extended hibernation?

¹. See [Burgundy – in the spotlight](#), [Champagne – a market without bubbles](#), [The fine wines of Italy: past, present and future](#).

Chart 3: Liv-ex 1000 sub-indices over three years



Prices remain relatively low

As Table 1 below shows, the Rhone continues to provide the cheapest entry point into the fine wine market for dry wines. Prices for wines from the south in particular look low compared to those from other regions. One can obtain roughly two cases of the Southern Rhone's finest for the same price as one case of the Super Tuscans, or a staggering five cases for a single case of a 'First' from Australia or Bordeaux.

The Northern Rhone also continues to offer relative value for money. Its finest Syrah is 7.5 times cheaper than Burgundy's top Pinot Noirs on average. Even more pertinently, they are half the price of the best from Australia.

It is important to account for stylistic characteristics and consumer preferences that contribute to these price differences. It has been argued that Burgundy's signature red grape caters to the modern palate by offering lower alcohol levels and classic elegance. Northern Rhone's style, on the other hand, leans more towards big and bold wines: a characteristic of the peppery Syrah. Why though should the market pay so much more for the best Australian Shiraz? Is it simply a question of better marketing by corporate behemoths like Treasury Wine Estates, or indeed trade associations like Wine Australia?

In a piece written for Wine Searcher, [James Lawrence](#) explores the hypothesis that consumer attitudes towards Syrah could be contributing to the Rhone's image problem: "It's no secret that the variety is hardly achingly fashionable, and that sales of Cabernet and other grapes outstrip it easily in the fine wine sphere." He further points out: "Few in the trade would deny that Syrah, or indeed the Rhône, is struggling to get greater traction in the premium on-trade, yet all would agree that the region's output is astonishingly diverse. In fact, it would be hard to imagine a region that suffers more from a chronic lack of intersect between consumer perception and reality in the UK".

Table 1: Regional 'Firsts'

Region	Wines	Av. MP 2018 (12x75)	Av. MP now (12x75)	Change
Sauternes	25	£932	£833	-11%
Southern Rhone	20	£971	£964	-1%
Italy (South)	30	£1,868	£1,924	3%
Northern Rhone	40	£1,930	£2,127	10%
Champagne	35	£2,006	£2,451	22%
Burgundy (White)	20	£2,392	£2,987	25%
Italy (North)	20	£3,283	£4,003	22%
Australia	10	£4,214	£4,666	11%
Bordeaux (Left Bank)	25	£4,745	£4,851	2%
Spain	10	£5,256	£5,224	-1%
California	25	£7,592	£9,463	25%
Bordeaux (Right Bank)	30	£10,247	£10,983	7%
Burgundy (Red)	50	£11,241	£16,039	43%

Trading Patterns

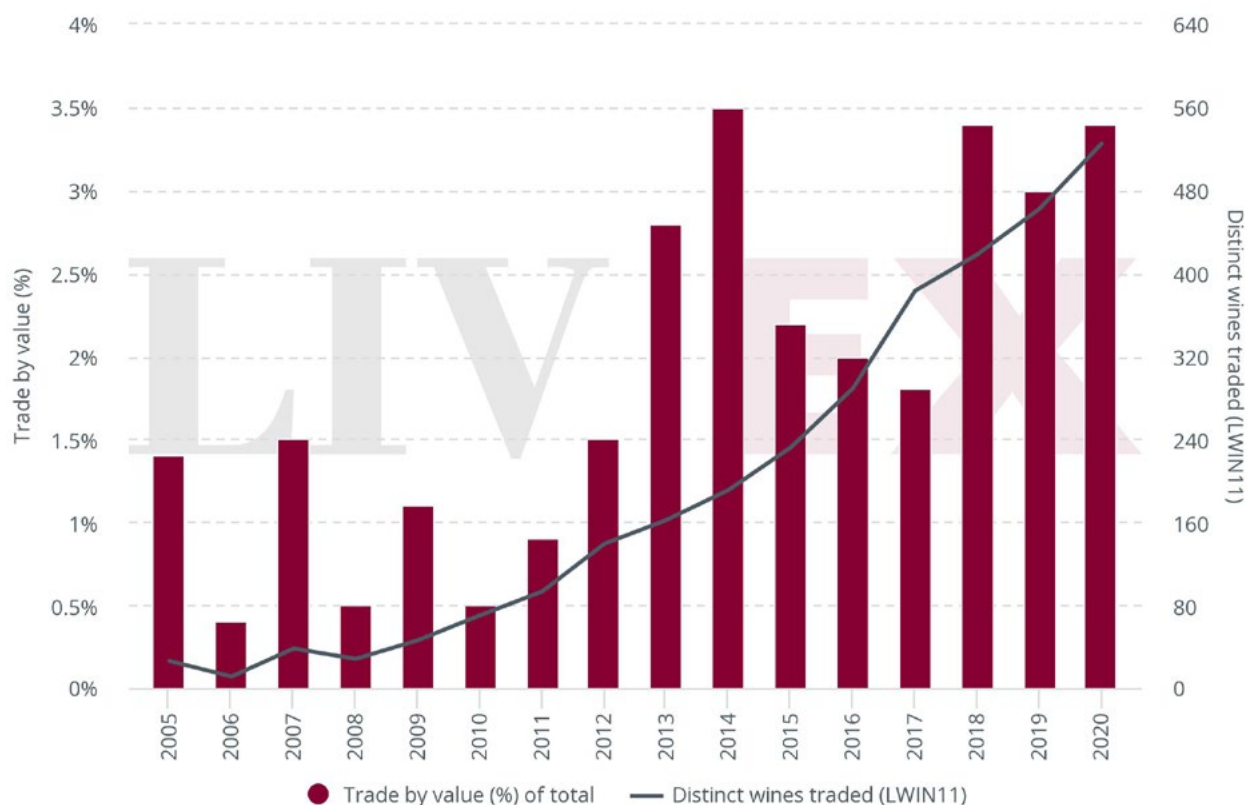
A small but diversifying market share

When it comes to trade by value, the Rhone's market share has remained stubbornly low: just 3% in 2019, and 3.4% so far in 2020. In April 2020, the Rhone reached a monthly record high of 5.2%, but this hasn't been sustained.

The Rhone's humble market share masks an increase in the number of trades and a rapid expansion in the number of distinct wines trading. The number of [LWIN11s](#) (wine and vintage) traded has risen 40% year-on-year, and 660% over the past decade.

Although in 2020 Chateauf-neuf-du-Pape has continued to lead by trade value (55.4%), activity in Rhone wines comes from an ever-broadening number of appellations including Cote Rotie (17.1%), Hermitage (13.6%), Cornas (6%), Condrieu (5.1%), Saint Joseph (1.3%), Cote du Rhone (0.7%), Gigondas and Crozes Hermitage at 0.3% each, and even Cotes du Vivarais, Costieres de Nimes, Rasteau and Vinsobres.

Chart 4: The Rhone's trade by value vs number of distinct wines (LWIN11) traded

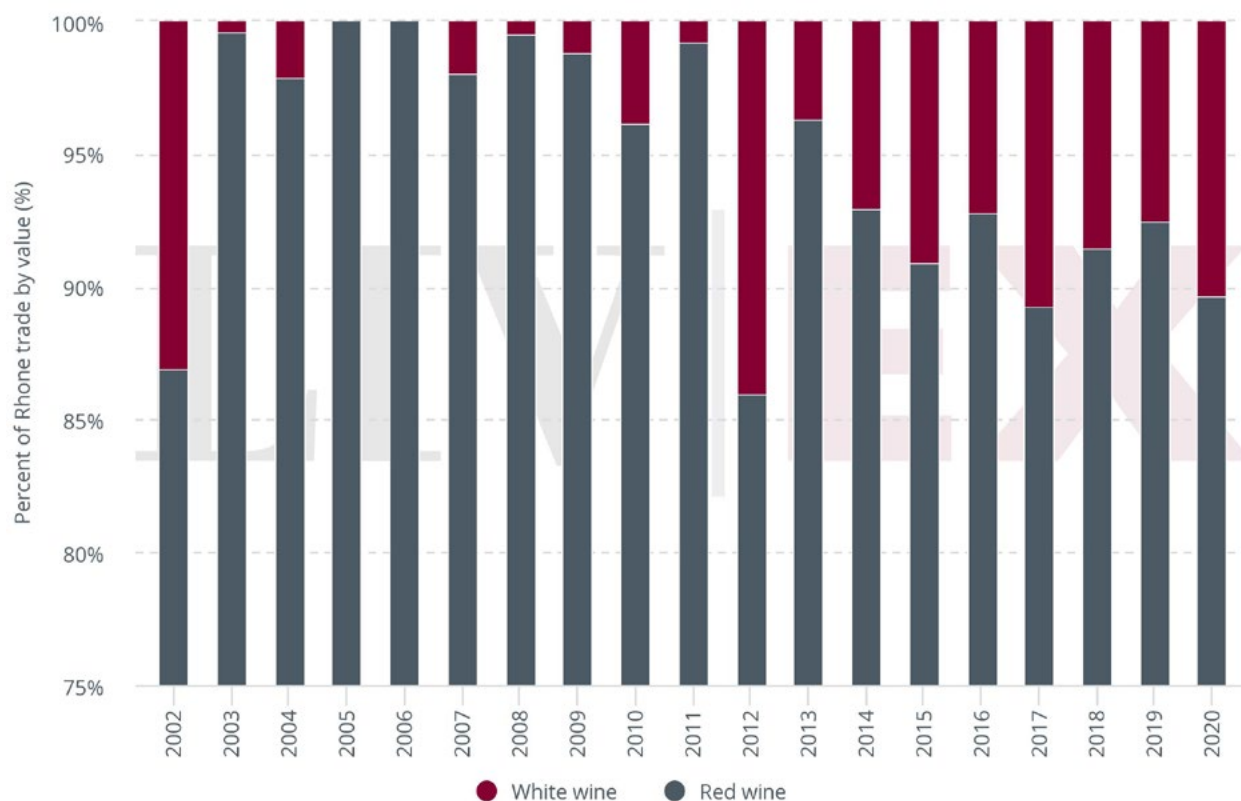


Part of this growth has been driven by trading automation, which enables end consumers to purchase wines from the secondary market via their wine merchant. A larger percentage of Rhone trade is [automated](#) when compared to regions like Champagne, Bordeaux and Burgundy, suggesting a private collector base that many in the wholesale market might not fully understand. So far in 2020, the Rhone has seen more than double the amount of automated trades than just three years ago, however, at a lower average case price. As collectors seek out value, it would seem the perennial underperformer stands to win.

Red vs white

The Rhone wines changing hands in the market have been roughly proportionate to the region's red and white wine production. Red wine has accounted for the majority of trade, 89.6% in 2020, with white taking a consistently smaller portion of the action, 10.4% in 2020. 2012 saw the highest level of white Rhone trading: 14% of the total. The secondary market for Rhone rosé is yet to develop. The average red Rhone case traded has commanded a premium of 50% to white Rhone traded this year.²

Chart 5: Trade by value: white vs red

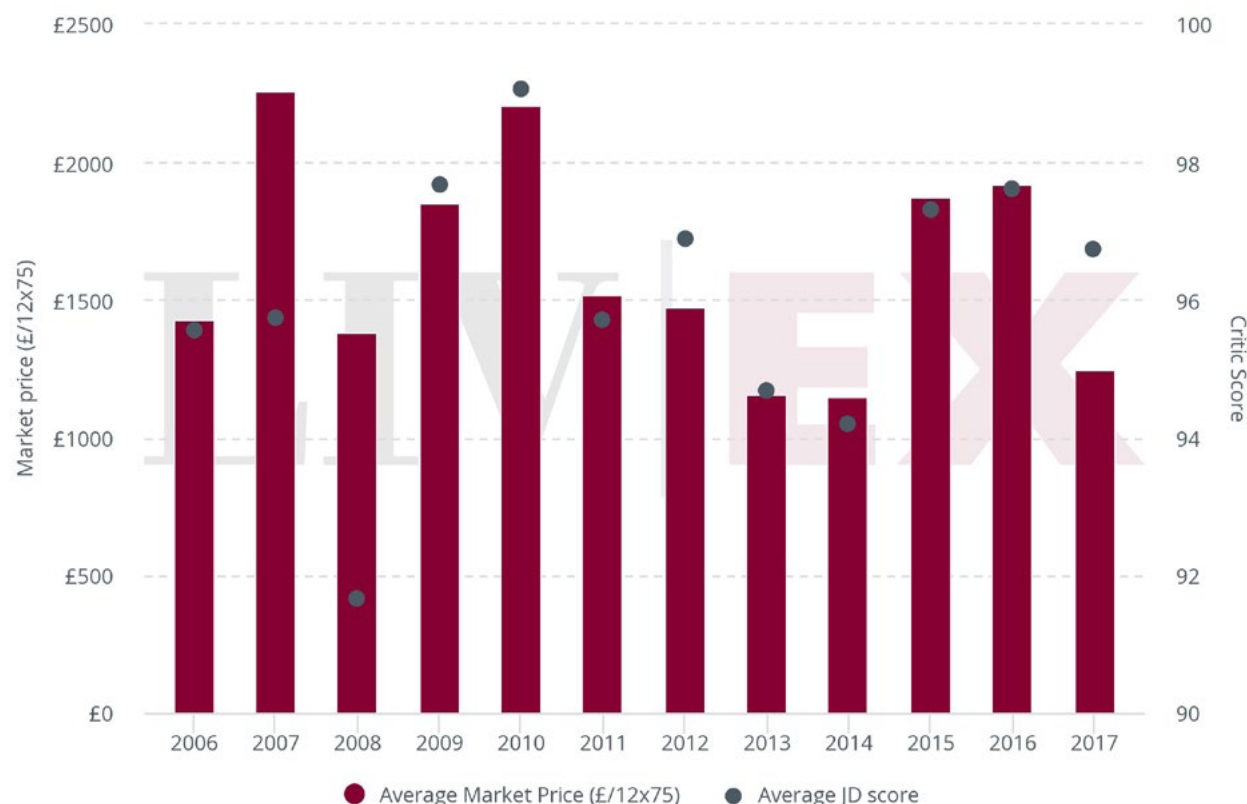


2. The average case price for red wine from the Rhone that traded in 2020 has been £885, compared to an average Market Price of £589 per 12x75 for white Rhone.

Vintage Variation

The 2016 (27.2%), 2017 (22%) and 2015 (12.5%) vintages have led trade from the Rhone year-to-date. Chart 9 shows how the average Market Price and Jeb Dunnuck's scores of different vintages compare.³ A clear correlation can be observed, with higher-scoring vintages commanding higher prices. The chart also highlights the relative value of the 2017 vintage, which carries an average score of 96.7 and average price of £1,247 per case. The highest-scored 2010 (99pts) sits at an 81% premium.

Chart 6: Average Market Price and average Jeb Dunnuck score per vintage



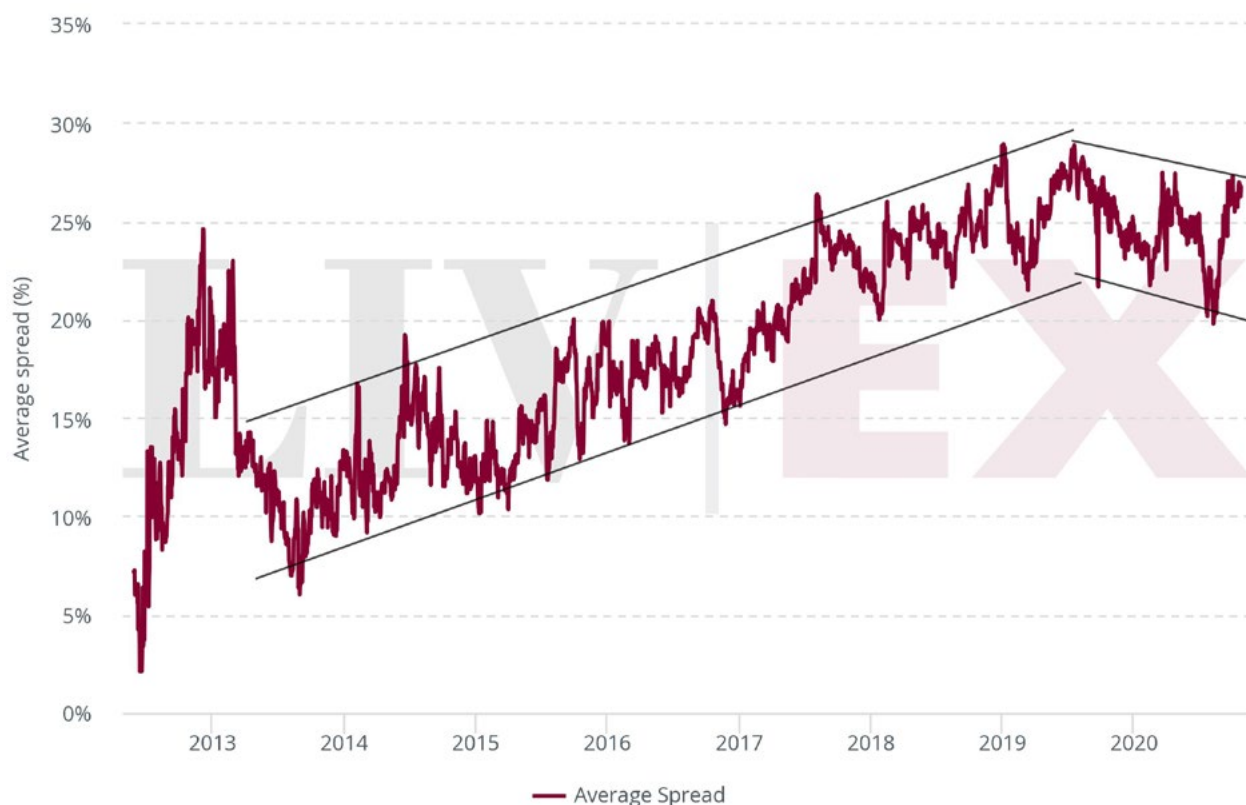
Market efficiency

Market spreads – the difference between the highest live bid and the lowest live offer – indicate how easy it is for buyers and sellers to trade at an agreeable price. As spreads get narrower, the market is considered more efficient. Typically, this happens as markets become more active and more liquid. As Chart 7 shows, average spreads in the Rhone wine market have widened despite a significantly more action in recent years (more participants, more wines, and more trades).

3. For 80 wines from the Rhone 100, where there is both Market Price and a Jeb Dunnuck score.

Currently, the Rhone market has spreads hovering around the 25% level, making it look rather inefficient compared to Italy (15%-25%) and Bordeaux (10%). This can be attributed to increased segmentation, and increased interest in wines that are rarer and thus far less heavily traded than the more liquid wines of Chateauf-neuf-du-Pape. However, the trend line in Chart 7 indicates that spreads are now beginning to narrow. As the market continues to develop and greater liquidity is pooled, it can be expected that spreads will narrow further, leading to higher volumes and value of trade.

Chart 7: Average Rhone market spreads



Buying power: US popularity

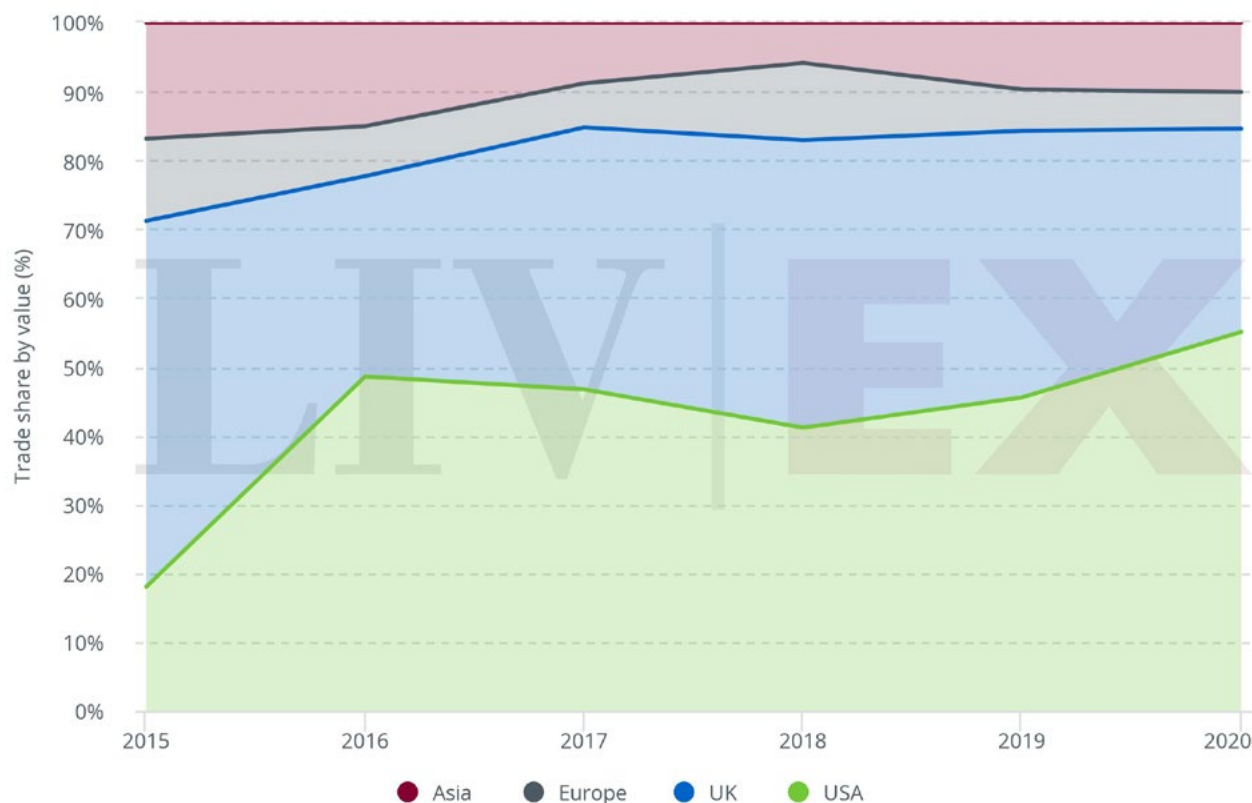
In recent years, trade for the Rhone has been driven by US-based demand. American buyers have made up a record 55% of sales by value so far in 2020. By comparison, the UK (previously the most active) has accounted for 30% of the trade share, Asia for 10% and Europe for just 5%.

A combination of factors has led to this growing American demand. Donald Trump's 25% tariffs on European wines, introduced in October 2019, do not affect wines with an alcohol level above 14%, and much Chateauf-neuf-du-Pape sits above this line. Although the Northern Rhone wines are often below 14% (and thus affected by US tariffs), producers like Chave, Chapoutier, Guigal, Allemand, Clape, Juge and Voge have built a strong following in the states over the years. Dedicated Rhone critics from the USA, first Robert Parker and now Jeb Dunnuck, have doubtless played a part in shaping the American palate. A slew of excellent vintages, both north and south (2015, 2016, 2017) have further attracted quality-conscious US buyers.

The Rhone has failed to hit a chord with the Asian market in the same way that Bordeaux, Burgundy and the big beasts of Australia have. As one Asian based Liv-ex member put it, the Rhone remains "on the

undercard to Bordeaux, Burgundy, prestige Champagne and the Super Tuscans” for Asian buyers. This could simply be a matter of taste as previously discussed. According to another merchant, “Syrah is not everyone’s cup of tea”. The Rhone market in Asia is led by a smaller number of “sophisticated customers who know exactly what they want”, and care more about “taste than the brand”.

Chart 8: Regional buying demand: trade share by value over five years



Mainstream Asian fine wine demand tends to be brand-driven, and the Rhone largely lacks brands with status like the top wines of Bordeaux, Burgundy and Champagne, which are helped by their classification systems and greater marketing investment. [James Lawrence](#) argues that the Rhone might be “stuck in a rut” when it comes to its marketing. A wine merchant selling in Asia suggested that “Rhone wines other than the big names (Guigal, Janasse Bonneau etc.) have been quite tricky to sell”. “Prices and rarity are key”, they added. Perhaps then, the Rhone suffers from a perception of abundance. One Liv-ex member noted that “the overriding problem is vintages are generally always good and wines get big scores, creating a morass of good wines, lacking differentiation and thus the imperative to buy”.

Another theme that emerged amongst our surveyed merchants was that buyers are often looking to the Northern Rhone for high-end wines, and south for wines at lower price points. This divide (production, pricing and market dynamics) is discussed on the following pages.

The North and South divide

On the ground

The north and the south of the Rhone are often viewed as being worlds apart. Geographically, the Northern Rhone takes up less than 10% of the Rhone Valley, with its steeply terraced hillside and granite soil mixed with stone, shingle, and clay. Selling predominantly single varietal wines made from Syrah or Viognier (100% white in Condrieu), the northern Rhone is home to many of the region's premium wines. The southern Rhone valley is much larger and flatter and is known for its blends of many different grapes. Grenache, Syrah, Mourvedre and Cinsault are just some of the red varieties planted in the region, which offers an impressive range of wines, from high-volume and inexpensive to premium.

Big and small production

There is also a notable difference in production volumes. The north produces lower volumes and many of the wines are sold only on allocation. To obtain the best of Chapoutier, Jean Louis Chave and Guigal "La La's", for instance, buyers are often forced to take on additional stock of their more entry level wines, which tend to get discounted on merchants' shelves at a later date. In part driven by small production, the top wines from the north have built a reputation of exclusivity and a strong following amongst knowledgeable collectors. Many of the top names produce under 2,000 cases annually.

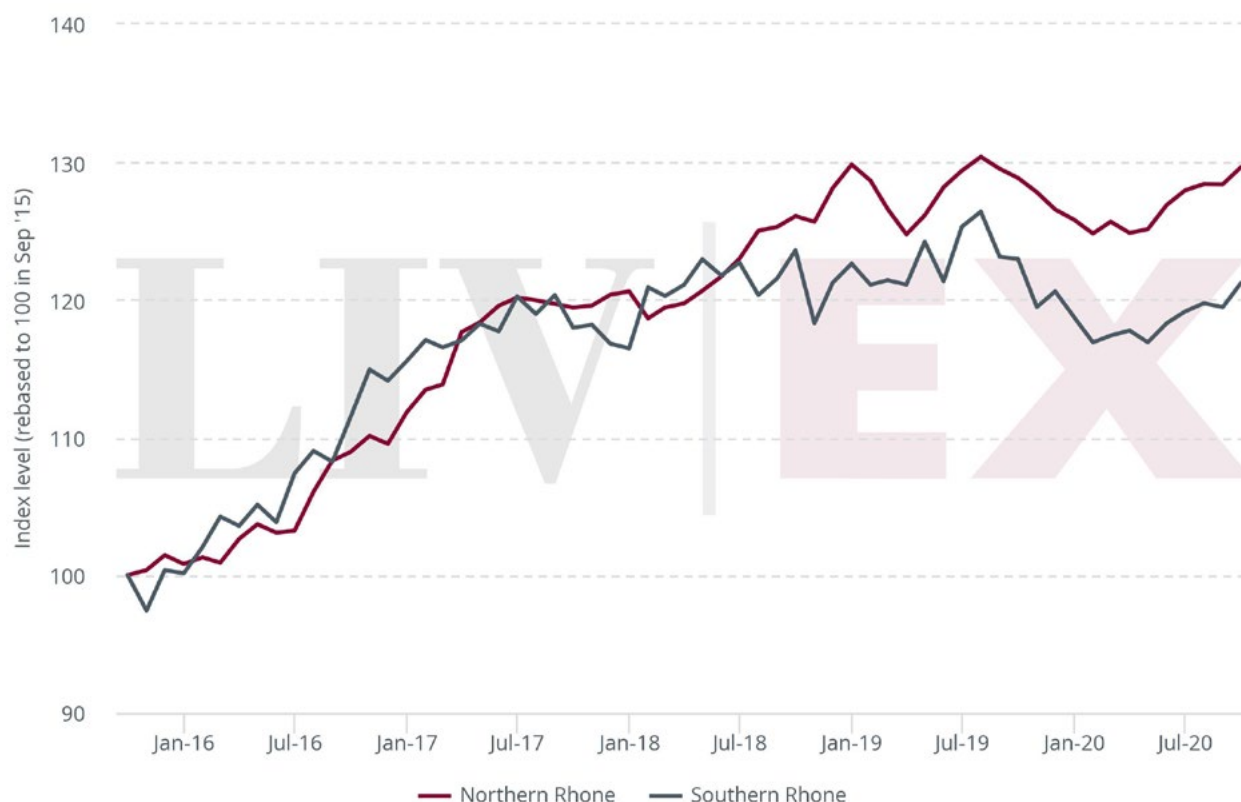
In the south, Rayas produces low volumes, more comparable to wines from the north. The domaine's production is limited to an average of [1,100 cases per vintage](#). Regarded as the leading Chateauneuf-du-Pape producer, it fetches some of the highest prices in southern France.

In general, however, the geographically larger southern Rhone is naturally more associated with abundance. The production of [Vieux Telegraphe](#) is one of the largest in the entire Chateauneuf-du-Pape appellation, making more than 16,000 cases of the flagship wine annually. The domaine spans 60.5 hectares of vines (54ha red, 6.5ha white). Another prominent southern Rhone winery, Château de Beaucastel, holds a total of 100 hectares of vineyards. The average production of Beaucastel's rouge is close to 8,000 cases per year. But its super cuvee, Beaucastel Hommage Jacques Perrin, tends to make less than 350 cases each vintage. Things aren't always black and white in the south.

Price divides

The average Market Price for the Southern Rhone's finest is under £1k per case – the cheapest entry point into the fine wine market for dry reds. The top wines from the north cost over twice as much, commanding an average Market Price of £2,127 per case. The price gap has widened over the past two years, as the Southern Rhone has fallen 1% and the Northern Rhone has risen 10%.⁴ However, viewed over the long term, the North and South Rhone indices have broadly mirrored each other.

Chart 9: Northern vs Southern Rhone index over five years

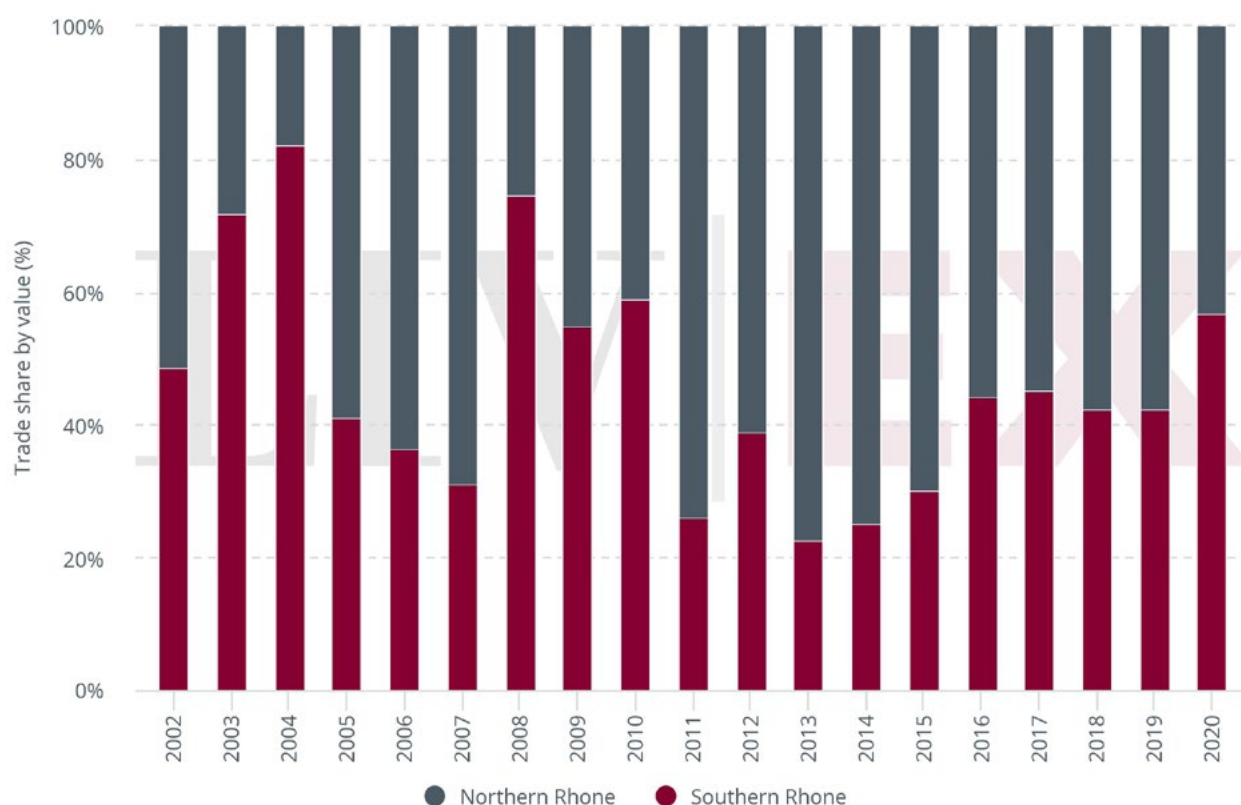


Trading patterns

On the secondary market, the north and south have taken almost equal parts of the region's trade share by value, as Chart 10 shows. For the first time since 2010, the Southern Rhone has taken the larger portion, accounting for 56.7% of trade by value so far in 2020. Chateauneuf-du-Pape has been the major force behind this growth. Over the past nine months, the number of trades for its wines has surpassed the whole of 2019 by 29%. Volumes traded are also up 20% in this shorter timeframe. At brand level, Clos de Papes, Famille Perrin (Beaucastel), Janasse, Pegau and Vieux Telegraphe have led the charge.

⁴. See Table 1 on p. 6.

Chart 10: Trade share by value, North and South



Top-trading wines

As Table 2 shows, all but one of the most active wines by value traded in 2020 come from Chateauneuf-du-Pape. All wines are from the highly rated and recent 2016 and 2017 vintages bar Rayas 2007 (WA, recommended drinking window 2016-2032). Much about Rayas, however, deviates from the norm. Often likened to a top Pinot, its wines are collected and cellared for the long term, rarely re-entering the market. The estate's signature red wine is made solely from Grenache unlike most Chateauneuf-du-Pape. The Northern Rhone is represented by Domaine Jamet, Cote Rotie 2017, which [Jeb Dunnuck](#) (96pts) describes as "as Côte Rôtie as Côte Rôtie gets".

Table 2: Top traded wines from the Rhone by value year-to-date

	Wine	Vintage	Current Market Price (12x75)	JD score
1	Janasse, Chateauneuf Du Pape Vv	2017	£664	98
2	Pegau, Chateauneuf Du Pape Da Capo	2016	£2,554	100
3	Vieux Telegraphe, Chateauneuf Du Pape La Crau Rouge	2016	£510	97
4	Clos de Papes, Chateauneuf Du Pape Rouge	2016	£830	100
5	Famille Perin, Chateauneuf Du Pape Chateau de Beaucastel Rouge	2017	£478	95
6	Pegau, Chateauneuf Du Pape Reservee	2016	£454	98
7	Saint Prefert, Chateauneuf du Pape Charles Giraud	2017	£1,020	100
8	Famille Perin, Chateauneuf Du Pape Chateau de Beaucastel Rouge	2016	£630	96+
9	Rayas, Chateauneuf Du Pape	2007	£7,656	95
10	Domaine Jamet, Cote Rotie	2017	£1,145	N/A

Best performers

Four out of the top ten places for the top price performers in 2020 also go to the Southern Rhone.⁵ Three are from the critically acclaimed 2016 vintage, one from the highly rated 2015. However, the north's Guigal Cote Rotie Landonne 2008 leads the way with a gain of 39%. Beaucastel Rouge 2016 is the second biggest mover (+37.5%) and the fifth most traded wine by value in the past year. Wines from Cornas pioneer Auguste Clape, who died earlier in the year, have also traded actively. His Cornas 2008 is a notable mover – up 11%. Beaucastel, Chateauneuf Du Pape Hommage J Perrin 2016, rated 100 points by [James Suckling](#), has risen 9% year-to-date.

5. Based on Liv-ex Market Prices. For more information, [click here](#).

Table 3: Biggest risers from the Rhone, year-to-date

	Wine	Vintage	MP (Dec. 2019)	MP (Sep. 2020)	Change
1	Guigal, Cote Rotie Landonne	2008	£1,700	£2,360	38.8%
2	Famille Perrin, Chateauneuf-du-Pape Chateau de Beaucastel Rouge	2016	£534	£734	37.5%
3	Vieux Telegraphe, Chateauneuf-du-Pape La Crau Rouge	2016	£425	£544	28.0%
4	Domaine Jean Louis Chave, Hermitage	2011	£1,900	£2,380	25.3%
5	Vieux Telegraphe, Chateauneuf-du-Pape La Crau Rouge	2015	£370	£453	22.4%
6	Chapoutier, Ermitage Pavillon	2011	£2,500	£3,050	22.0%
7	Chapoutier, Ermitage Pavillon	2010	£2,220	£2,500	12.6%
8	Domaine Jean Louis Chave, Hermitage	2013	£990	£1,100	11.1%
9	Auguste Clape, Cornas	2008	£1,008	£1,117	10.8%
10	Beaucastel, Chateauneuf Du Pape Hommage J Perrin	2016	£3,052	£3,320	8.8%

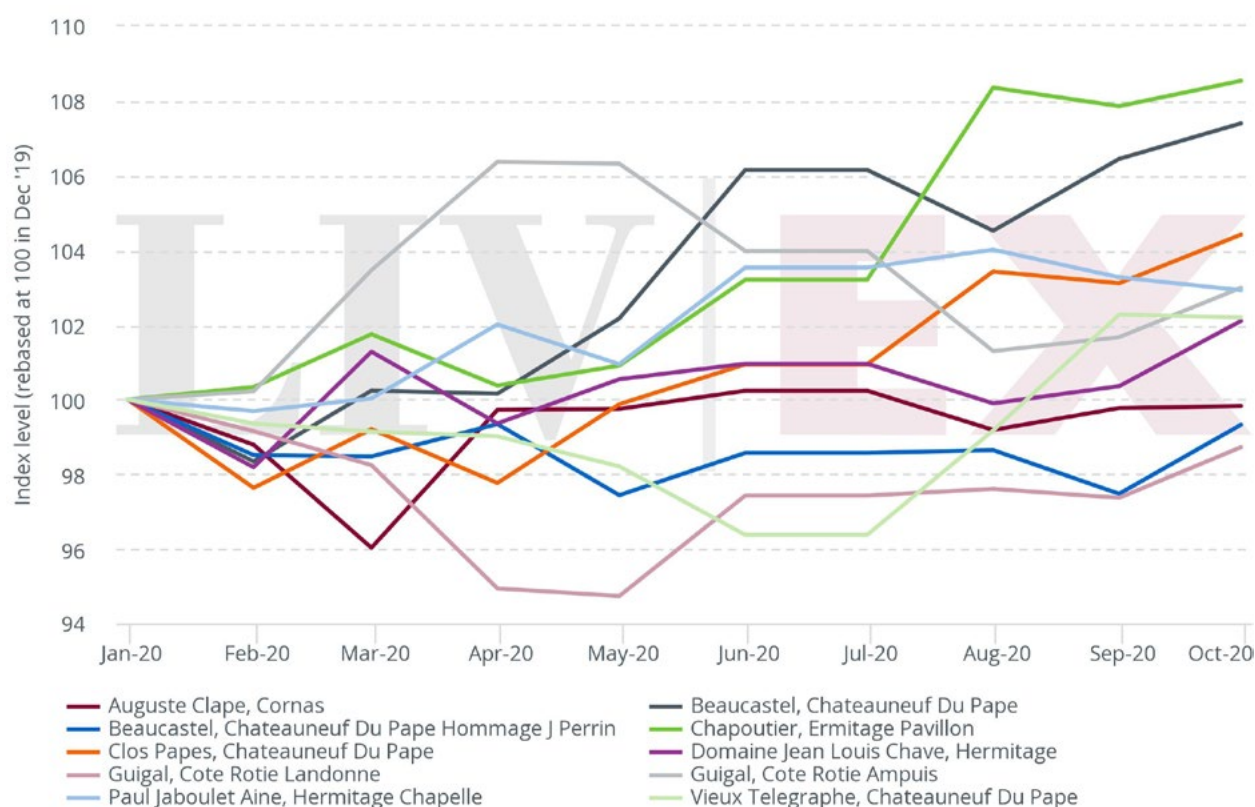
It is also possible to look at the performances of wines across multiple vintages. Wine indices track the most recent physical ten vintage of a given wine.⁶ The Chapoutier Ermitage Pavillon index has risen the most year-to-date, up 8.5%. Supply and demand appear to have played a role: the wine is notoriously expensive and difficult to obtain. Its 2010, 2011, 2012, 2013, 2014 and 2016 vintages have risen the most this year.

Beaucastel Chateauneuf-du-Pape has been the second best-performing index (7.4%), helped by a string of successful releases. The Clos des Papes index has also steadily risen (4.4%).

Meanwhile, Auguste Clape and Beaucastel Hommage J Perrin have been flat, with Guigal's Cote Rotie La Landonne down the most (-1.2%), due to a dip in the first half of the year.

6. Based on Liv-ex Mid Prices. For more information on our indices, [click here](#).

Chart 11: The Rhone 100: individual wine indices year-to-date



Powered on

Big names remain at the forefront of the Rhone's quiet revolution. In last year's [Power 100 rankings](#), Guigal climbed twenty places, powered on by the large numbers of its different labels finding trade. Chapoutier was also a leader in the number of different wines traded category (5th) helping to drive its overall ranking up 53 places to 45th overall. Domaine Jean-Louis Chave rose a sizeable 132 places to 59th, supported by impressive price performance, while Beaucastel came 66th, backed by a large share of volume traded (for which it ranked 12th). Domaine Jasmin, which did not make the top 100, ranked 8th in the price performance category.

Conclusion

Manfred Krankl, owner of California icon Sine Que Non which specialises in Rhone varieties, once said that Grenache delivers what Pinot promises. He was referring to the vineyard – but might the same also be true of the investment market?

It's certainly a stretch to suggest that the Rhone is heading for a Burgundy-style market surge any time soon, but there are indications that eyes are turning to the region as customers look for value beyond other classic regions. Though its market share remains small, both the number of transactions and the number of wines trading have increased significantly over the past decade, a trend that has gathered pace in recent years. The Southern Rhone in particular, which offers the lowest entry point into the fine wine market, has seen rapid expansion. This has been driven by consumer-led trade via automation. Buyers seem to appreciate the diversity and consistent quality that the Rhone offers, but have left the higher priced reds and whites to a knowledgeable few.

The Rhone's price performance has been slow and steady since our price records began. In a turbulent year for the fine wine market – and the world – this no longer looks like a weakness. Long term, it has proven itself to be a very stable investment, showing no signs of volatility in global crises. So far this year, its index is the third-best performing of the Liv-ex 1000 stable. Only Italy and Champagne have fared better.

The US market has appreciated the Rhone for a long time, helped in part by critical appraisal from Robert Parker and now Jeb Dunnuck. In Asia, it has not achieved such widespread appeal. Buyers who understand it seem to love it. And they have many reasons to cheer: lower prices, consistent excellence in quality, a broadening market, and a shelter from any financial storm. Few fine wine regions deliver on quite so many fronts.