

Extended Report
June 2019

LIV|EX
THE FINE WINE MARKET

Bordeaux 2018

A perplexing vintage



Executive summary

“Exceptional”, “heterogenous” or “controversial”, Bordeaux 2018 evoked numerous quality and stylistic comparisons with preceding years among the critics and trade. Ultimately, the question that lingered on the minds of the trade was whether the newly released wines would capture the attention of collectors and be priced to justify the investment at this early stage. The vintage was highly regarded among the critics for offering “a tremendous amount of choice” (Antonio Galloni) and for its potential to “be an all-time great, similar to 2010, 2009 and 1989” (James Suckling). Bordeaux 2018 was Suckling’s second highest rated vintage ever, only surpassed by 2016. This extremely positive critical reception gave the campaign legs and turned some releases into great successes.

Liv-ex’s merchant members were more reserved in their view of the vintage, rating 2018 above 2017 but below 2016, 2010 and 2009 and at a similar level to 2015. This year, Liv-ex introduced a critics’ choice ranking and a ‘Benchmark Critic’ series in addition to its ‘Fair Value’ methodology, designed to account for the diverse opinions of the leading wine critics. These guidelines helped to determine an individual wine’s implied value at the time of release, and position it within its own historical, critical and market context.

Pricing and buying appetite

While there was a marked improvement in the quality of this year’s releases compared to last year’s, for some merchants few stood out as a “must buy”. A number of wines were offered at record-breaking prices, though on average the vintage was released at the same price level as the much-admired 2016. The discount to current 2016 prices was a low 2.6%. Back vintages of comparable quality at similar or lower prices, already physical and easily available, confused the scene and challenged the assumption that En Primeur is the best time to buy. The wines that saw the highest demand were offered at a significant discount to the current Market Price of their 2016 alternatives, making them look like an attractive purchase. Others benefited from either tight allocations or unprecedented levels of critical acclaim.

Mixed En Primeur sales

Merchants suggested that while the 2018 releases did not necessarily persuade long-standing collectors with large stockholdings, they did appeal to a new generation looking to start building their cellars. Some merchants approached the vintage with great enthusiasm, taking advantage of the high average critic scores, while others with greater caution focused instead on the price – two contrasting strategies that were reflected in contrasting sales figures. Overall, sales by value rose 60% on 2017, surpassing the levels achieved for the 2015 and suggesting a successful 2018 campaign.

As production rose on last year, so did the volumes sold – by 50%. Liv-ex members expected this jump: 69% predicted that demand would increase, although it would be price-dependent and therefore not evenly spread. The campaign saw a narrow selection of highly desired wines and record scores driving demand despite near-record prices. When scores did not support the price level of this year’s offerings, wines were discounted shortly after release.

Alternatives and the secondary market

In the secondary market, activity continued to shift towards other regions during this En Primeur campaign such as Italy and Burgundy, which gained trade share. But Bordeaux itself has plenty to offer,

and within easy reach. Our analysis consistently suggested 'Fair Value' alternatives to the new releases, be it from older vintages such as the 2005 or the most recent years, which can be picked up in the market – often at a discount to release.

Vintage comparison

As critics released their Bordeaux reports prior to the start of the campaign, one thing became clear: while 2018 may be an excellent vintage, it is not a straightforward one. The Wine Enthusiast's Roger Voss was one of the first to note: "The test of a great vintage is when the wines are of superb quality at every level, from First Growths to simple appellation wines. That is not the case this year". James Suckling, however, dared to disagree with most other critics and claimed that "people are confusing the diversity in character and style of the 2018s with quality."

In the absence of one leading figure, critical opinion was more divergent than ever. On an individual wine level, Domaine Chevalier received 99-100 points from Suckling, but 94-97 from Antonio Galloni. Carmes Haut Brion was scored 98-100 by Jeff Leve (Wine Cellar Insider) but the lower barrel range of 92-94 by Voss. Jane Anson (Decanter) awarded Issan 96 points while Jean-Marc Quarin gave it only 92 points. To help members and collectors navigate this rather complex well of wine criticism, Liv-ex introduced the critics' choice ranking.¹

The differences in critical opinion extended across the vintage as a whole. Table 1 shows the average score for this year's releases per Bordeaux 500 sub-index. While critics were not necessarily divided on Left versus Right Bank, a topic of debate in previous years, there are identifiable gaps within the 'Benchmark Critics' alone (Galloni, Perrotti-Brown and Suckling).² Suckling scored the Second Wines 2.1 points higher on average than Perrotti-Brown, who in turn scored them 2.3 points higher than Galloni. Suckling also rated the wines in the Bordeaux 500 higher than any other critic in the table below, 2.4 points more than Galloni, who was the most sparing when tasting the wines in barrel.

Table 1: Bordeaux 2018 average critic scores by Bordeaux 500 sub-index

	JM	JD	JMQ	JA	LPB	JS	AG
Fine Wine 50	N/A	98	98.7	98.4	98.5	99.4	98.7
Left Bank 200	97	97.2	96.8	96.6	96.8	97.1	94.9
Right Bank 100	97	97	96.4	97.1	96.7	98	95.5
Right Bank 50	N/A	98	99	98.5	98.5	99.3	97.9
Sauternes 50	92	94	92.7	94	94	94.2	N/A
Second Wines 50	92.5	94.4	93	92.2	93.4	95.5	91.1
Bordeaux 500	96.6	97	96.6	96.8	96.8	97.4	95.0

JM = James Molesworth; JD = Jeb Dunnuck; JMQ = Jean-Marc Quarin; JA = Jane Anson; LPB = Lisa Perrotti-Brown MW; JS = James Suckling; AG = Antonio Galloni.

Moreover, as Chart 1 shows, Suckling's average 2018 score for this year's releases was higher than other critics' scores for preceding vintages.³ Perrotti-Brown rated the vintage equal to Martin's in-bottle score for 2016 and Parker's for 2009 – two consistent and exceptional years. At the same time, Galloni's average score was higher than Parker's for 2005 and Martin's for 2015. While a pattern of score inflation

1. For more information on the critics' favourite wines of the vintage, see the [Critics' choice ranking](#).

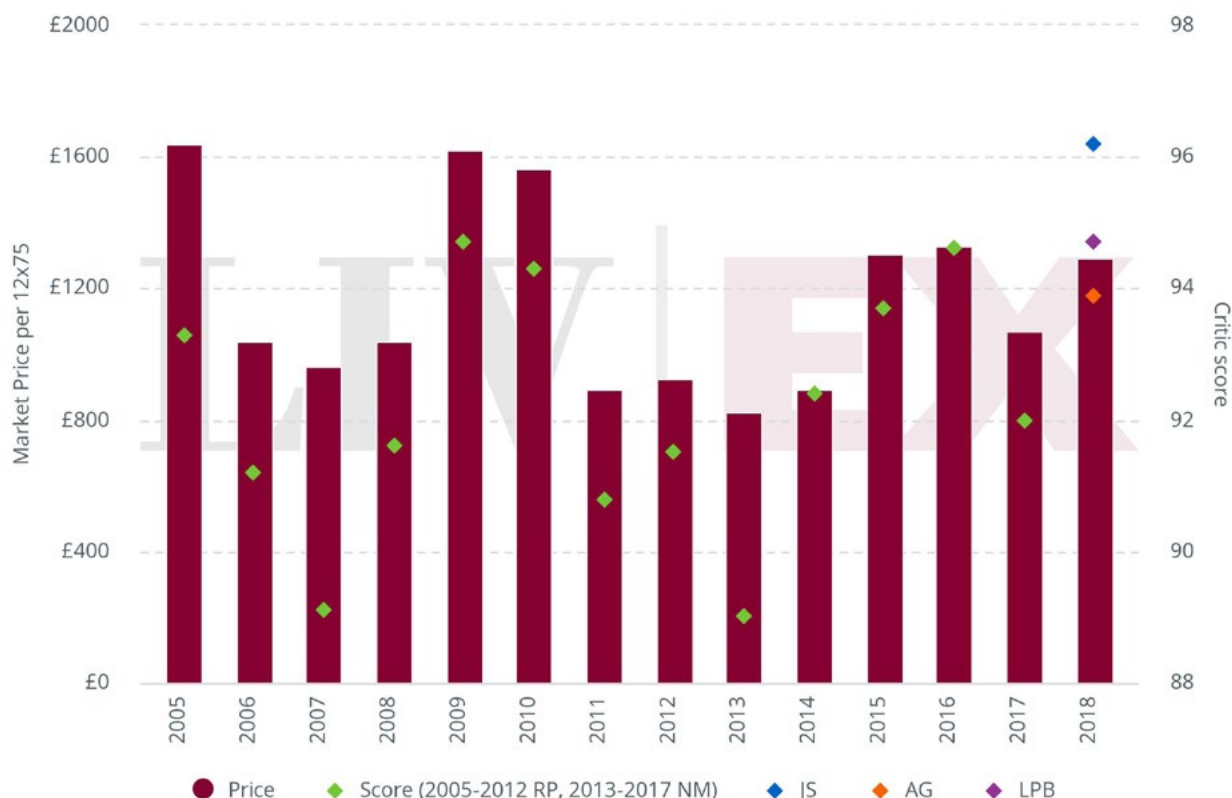
2. This year, Liv-ex's En Primeur charts showed scores from a selection of critics, known as the 'Benchmark Critics'. For the 2018 vintage, these three critics were Antonio Galloni, Lisa Perrotti-Brown MW and James Suckling. For more information, [click here](#).

3. The chart is based on the same list of major releases each campaign. This list is thus broader than the wines in the Bordeaux 500.

can be observed, the changing face of wine criticism does not allow for direct comparisons. Depending on the critic of choice, different wines deliver different value.⁴

The international trade rated 2018 below 2016, 2010 and 2009. The quality of the First Growths was also deemed to be below 2015. Prices were expected to reflect this reality, with the newly released wines costing less than the already physical 2016 in order to prove attractive for the supply chain and their clients. As Chart 1 shows, this was only just achieved this year.⁵ The average discount to current 2016 prices was a mere 2.6%; to 2015 – 0.9%.

Chart 1: Bordeaux 2018 release price vs current Market Prices (2005-2017)



Rising prices

En Primeur prices do not move in line with the market but are instead influenced by the overall quality of the vintage. As 2018 was judged better than 2017 but lower than 2016, merchants expected that prices would rise on last year but remain below 2016 release levels. In reality, ex-negotiant (release) prices commanded a 0.03% premium to 2016 and 13% to 2017. This did not correspond with the anticipated 4.85% discount on 2016, according to the Liv-ex survey.⁶

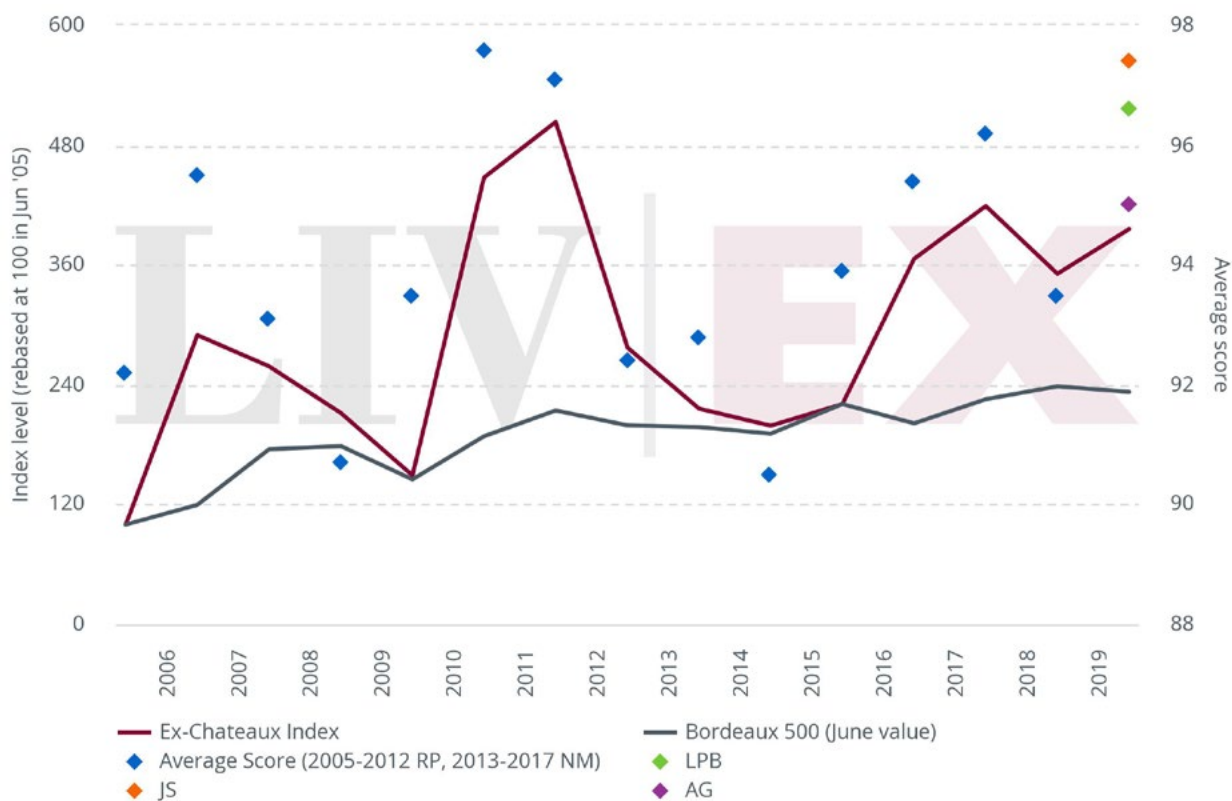
As Chart 2 shows, prices this year were pushed by high critic scores, with many chateaux choosing to price their wines in accordance with the highest scores available rather than reflecting the trade's view of the vintage. As a result, a secondary market has only developed for a handful of releases, unlike in 2009 and 2010 – years that saw over 30 wines trade shortly after release.

4. The wines offering the most and the least value according to the three 'Benchmark Critics' will be discussed later in this report.

5. The average prices and scores for each vintage exclude Petrus, Le Pin and Trotanoy, as these wines are not offered to the general public.

6. Results: [Liv-ex 2018 En Primeur survey](#)

Chart 2: ex-chateaux price index vs Bordeaux 500



Fair Value?

While many of the wines this year came to the market above a number of recent vintages, they often represented 'Fair Value' when one of the three 'Benchmark Critic' scores was used. For example, the 2018 Smith Haut Lafitte fell below its 'Fair Value' line when Suckling (-30%, 98-99) and Perrotti-Brown's (-24%, 97-99+) scores were considered but appeared overpriced for followers of Galloni (51%, 90-93).

Charts 3, 4 and 5 show the percentage difference between 'Fair Value' and merchants' release prices for the 2018 En Primeur campaign when using the 'Benchmark Critic' scores. On aggregate, the 2018 En Primeur releases were priced 9% above their implied 'Fair Value' when Galloni's scores were used. The releases fell 10% below the 'Fair Value' line with Suckling's scores and 2% with Perrotti-Brown's. The percentage change versus 2016 release prices is also displayed as a reference point: wines could be released at higher prices than ever before but still offer good value.

Chart 3: Difference from 'Fair Value' for Bordeaux 2018 releases using AG scores

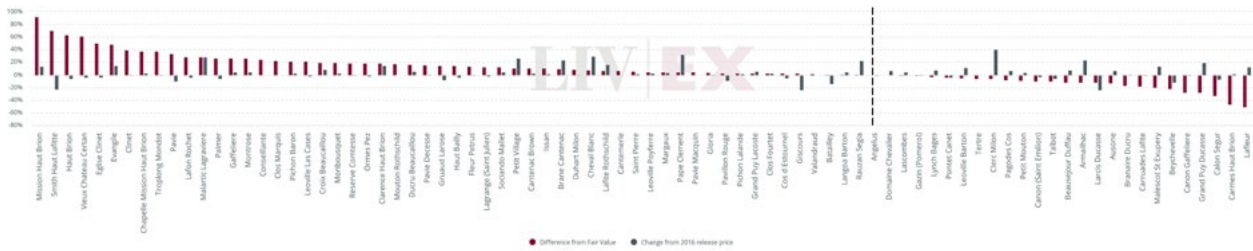


Chart 4: Difference from 'Fair Value' for Bordeaux 2018 releases using LPB scores

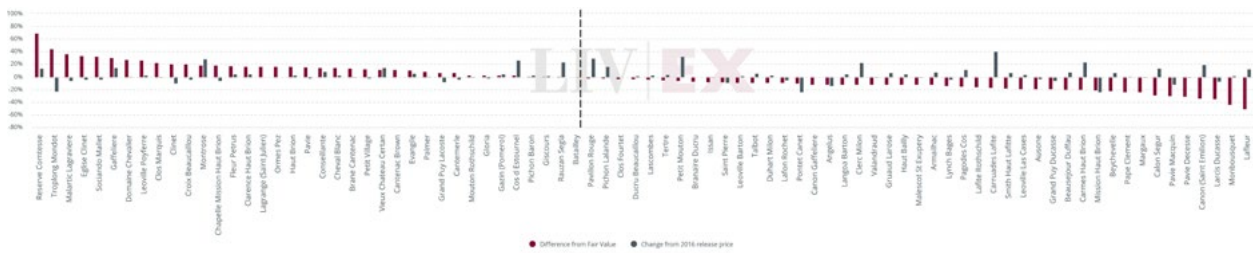
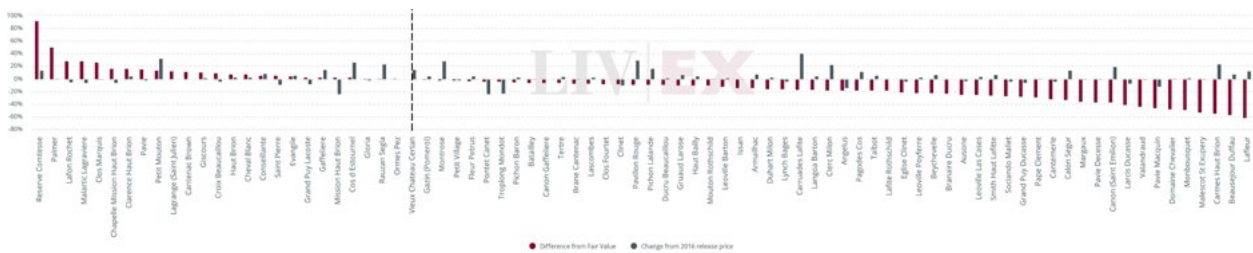


Chart 5: Difference from 'Fair Value' for Bordeaux 2018 releases using JS scores



For the full size versions, please [click here](#) or on each individual chart. For individual wine data, see Appendix 1.

58 of the 82 major releases appear to have represented 'Fair Value' when using Suckling's scores. More than half of the releases also offer good value for money, when applying Perrotti-Brown's scores. With Galloni's scores, however, Bordeaux's pricing strategy seems unrealistic – 58 of the wines are positioned above their 'Fair Value' line, while only 24 fell below it.

For instance, Galloni's most overvalued wine – Mission Haut Brion – appears 22% undervalued according to Perrotti-Brown. While his followers might also hesitate on Clinet's value, those guided by Suckling's scores might consider it a great buy.

We hypothesise that over time wines will tend toward their 'Fair Value' price. Hence, wines offering more value should be bought at En Primeur. Typically, though not always, the most 'undervalued' wines provide the best returns as the price moves up to 'Fair Value' in the secondary market whereas 'overvalued' wines provide the worst return.

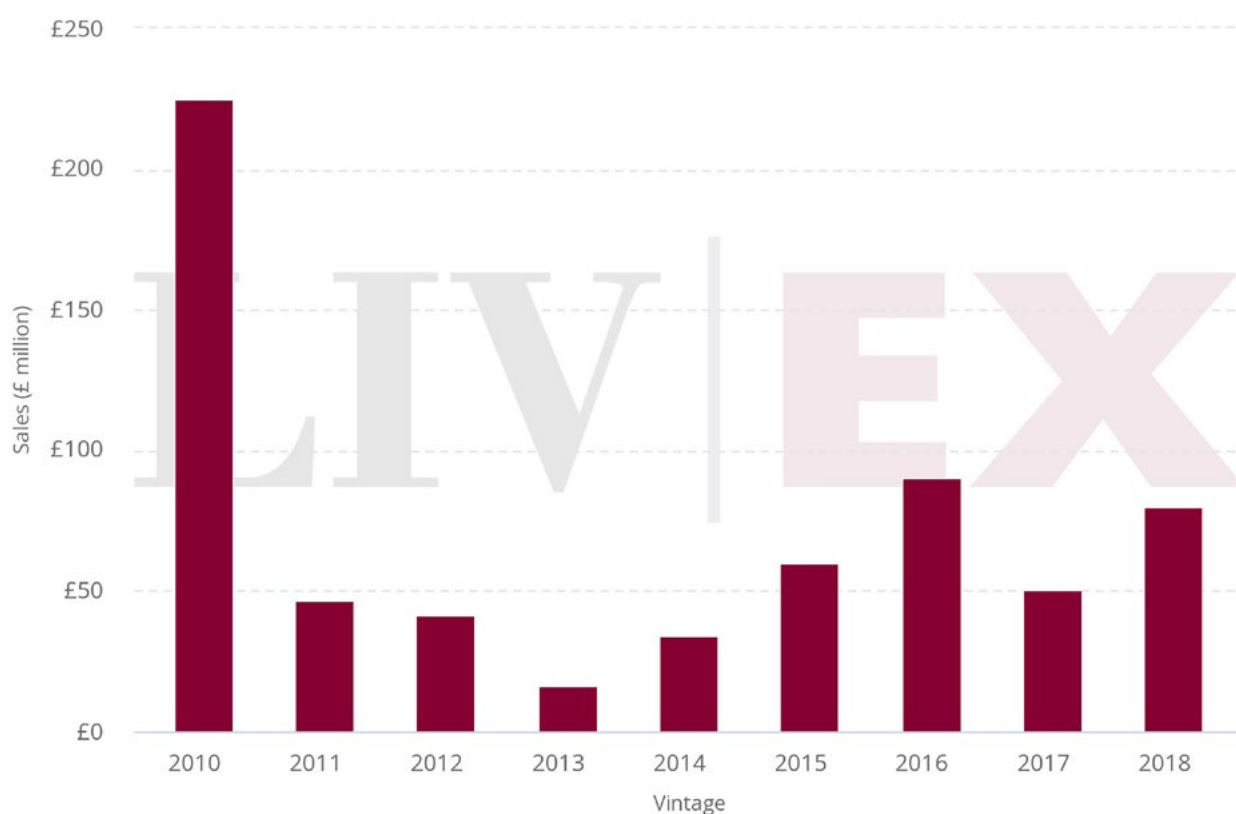
Nearly all of the wines in high demand this year represented 'Fair Value' and were priced below their 2016 alternatives. Lafleur, for example, was released at a 45% discount to the 2016 current price and was deemed undervalued by all three critics. Similarly, Canon was offered at a 25% discount to the 2016,

and at 11% to Galloni's scores, 34% to Perrotti-Brown's and 38% to Suckling's. Beychevelle, 22% below its line for all three critics, was 13% cheaper than the 2016. Not surprising, therefore, that allocations for these wines were tight and some merchants were quick to buy and sell them.

However, there were a few exceptions to the 'Fair Value' rule this year: brands on the move⁷, wines whose quality was considered better than ever or those only produced in tiny amounts. For example, this year's Palmer stood above its 'Fair Value' line and all other recent vintages available in the market but the very low production levels of just 11hl/ha made it a highly desirable collectors' item, resulting in a quick sell-out. The First Growths constitute another category that tends to defy the logic of 'Fair Value' by nature of the popularity and exclusivity afforded to the wines at the top of the 1855 Classification. They were priced 5% above 'Fair Value' on average but were generally said to have sold well (although interestingly, not 'out').

En Primeur Sales

Chart 6: Liv-ex's UK members' En Primeur sales by value



The top 20 UK merchants' sales (reported to Liv-ex) increased to £80 million this year, surpassing those achieved by the 2015 vintage, which totalled £60 million. Demand was concentrated in a narrow band of wines generally priced well against their 2016 alternatives. Anecdotal evidence suggests that there were plenty in the "middle" that failed to garner much interest and this was squarely down to perceived mispricing amongst the collector-base.

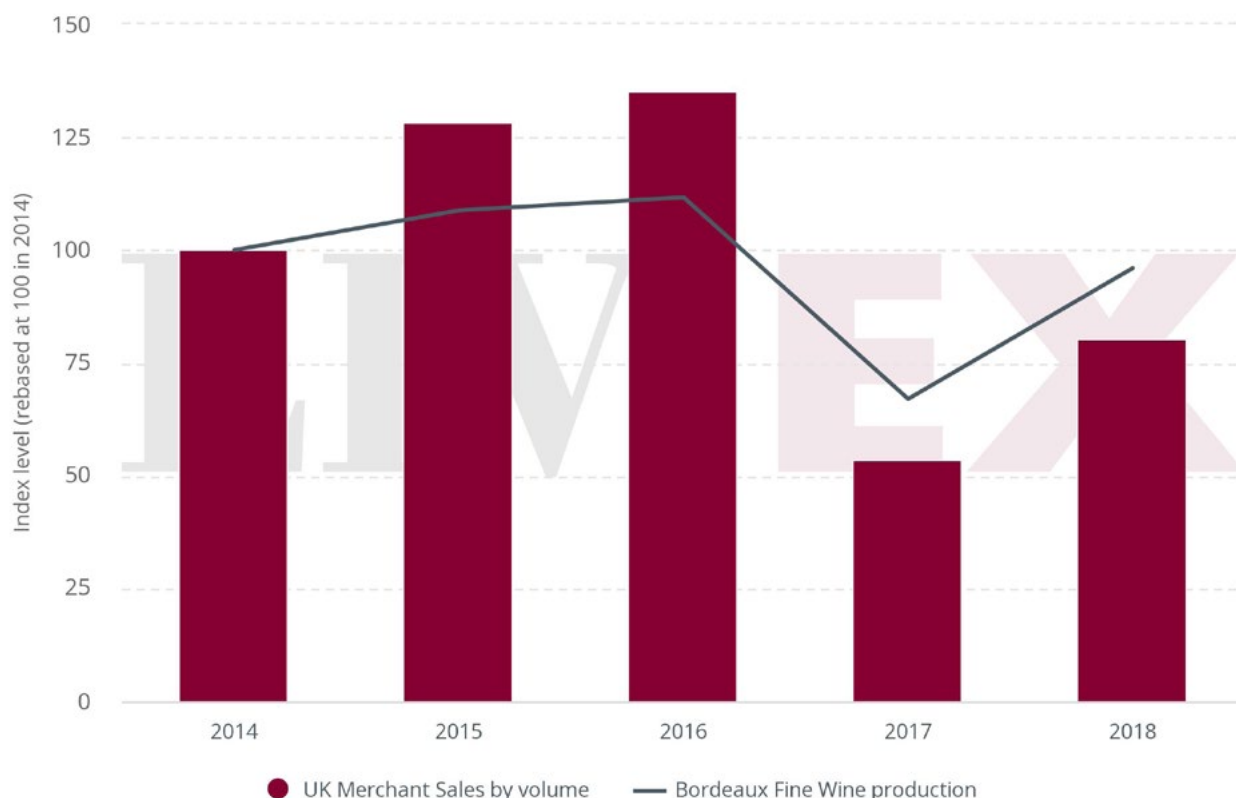
But nothing about Bordeaux 2018 is uniform, and neither were the sales this campaign. Some merchants took advantage of the unmatched critical praise for the vintage across the board and

7. Brands on the move are largely considered to be wines that have recently increased in popularity and price. Historically, a strong indicator of a brand's increasing popularity on Liv-ex can be gauged through the number of places it has moved up in the Power 100 ranking. To view the 2018 ranking, [click here](#).

reported record-breaking sales. Others took a softer, highly selective approach and only concentrated on the value stories of the vintage, which resulted in comparatively lower sales figures.

Chart 7 further highlights the changing shape of En Primeur sales by value and volume. Although sales by value were only down 12% on 2016, volumes were down by approximately 40%, pointing to a tighter range of wines sold at a higher price point. Sales of wines that were once regarded as En Primeur staples (typically in the €15-€30 range) were almost entirely ignored this year due to the large quantities of back vintages still being available in the market (for less).

Chart 7: Liv-ex's UK members' En Primeur sales by volume (vs Bordeaux production)



The general critical acclaim and the strong sales figures reported mask some of the challenges faced by merchants and negociants this year. The wines that did not sell (often those released at equal or higher prices than previous vintages) are building up earlier in the supply chain, both at the chateaux who are releasing fewer cases onto the market and with negociants who are protecting allocations. The UK trade – the single biggest buyer of En Primeur – operates a net cash model, with an average of 43 days in stock. This is not a stock holding model: if En Primeur prices are unattractive and demand is low, UK merchants can opt out of buying and holding stock.

Negociants, who have little choice but to accept their allocations for fear of losing them in the future, remain exposed to downturn with stock days at elevated levels. This year, some negociants reportedly refused allocations of some wines. For this business model of stockholding to function, it is required that the prices of the wines they are holding rise. If the wines are 'overvalued' at release (9% according to the model using Galloni's scores), there is a risk that they will show negative returns in time.

Table 2 points to a further complication, which is the more recent tendency of chateaux to withhold stock. The list is far from comprehensive but increasingly indicative of the strategy of many producers.

In 2018, volumes released were down 20% overall. As discussed in our report prior to the campaign, keeping back production creates an overhang that can exert downward pressure on future prices. This excess supply will only slow the Bordeaux market going forward.

Table 2: Bordeaux 2018 reduction of volume

Chateau	Volume reduction from 2017
Rauzan Segla	-40%
Mouton Rothschild	-37%
Montrose	-33%
Lafite Rothschild	-30%
Palmer	-30%
Pontet Canet	-30%
Calon Segur	-25%
Vieux Chateau Certan	-15%

Conclusion

Bordeaux 2018 proved a perplexing vintage on matters of critical opinion, prices and sales. Not only did it lack consistency from producer to producer and critic to critic, but there were also less clear-cut winners and losers this year. Whilst some merchants found the pricing of this year's releases frustrating, others took advantage of the critics' scores and developed a new collectors' base helping to increase sales. At the same time, chateaux were confused as to why some wines worked and others did not. Indeed, demand was concentrated on a far narrower selection of wines than in previous "exceptional" years. Rather more baffling still were offers of second tranches in wines that had clearly not sold through their first.

This complicated story, more often than not, held one simple truth: the wines that failed to attract buyers were released too high, at or above the current Market Price for the physical 2016 vintage. The ones that "sold out" represented 'Fair Value' or compared favourably to their 2016 alternatives.

The availability of wines on the secondary market – from First to Fifth Growths – presented a key pricing challenge to the En Primeur system once again. Many chateaux failed to recognise this. Brands on the move and the merchants' favourites found willing buyers but it was the unparalleled critical acclaim, in particular, that drove demand and lifted sales by both value and volume.

Indeed, the highest average critic scores justified the pricing of this campaign. The next interesting moment will be when Neal Martin, the trade's preferred Bordeaux critic, tastes the wines later this year. His opinion may prove crucial in determining whether 2018 is one of the better buys of recent vintages, or turns out to be something rather less profitable.

The scores given to Bordeaux 2018 pointed to an exceptional vintage, comparable to the "greats" of 2009, 2010 and 2016. Merchants that embraced this fact reported strong sales – indeed, record sales for some. Key to this success was a new generation entering the fine wine market and choosing Bordeaux 2018 as the vintage upon which to build their future cellars.

Press: Further information

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About Liv-ex

Liv-ex is the global marketplace for the wine trade. We have over 400 members from start-ups to established merchants and supply them with the data, trading platform, technology and fulfilment services they need to price, source and sell wine more efficiently.

Liv-ex exists to make the fine wine market more transparent, efficient and safe.

We publish the actual prices at which wines are transacted. Our platform contains over £60m of firm buying and selling opportunities in over 15,000 wines. All are available to trade in real-time. We conceived the Standard In-Bond (SIB) contract to assure stock condition, delivery and faster payments and provide cost effective logistics and storage solutions. Our APIs can automate much of this to further improve our merchant members' gross profits.

Background

Liv-ex, The London International Vintners Exchange, was founded in 2000 by two stockbrokers, James Miles and Justin Gibbs. It started with a group of 10 founding members in London, and a vision to make fine wine trading more transparent, efficient and safe. The founders believed that by creating an online exchange they could grow the size of the market for the benefit of Liv-ex's merchant members and everyone with an interest in fine wine. For more information, [click here](#).

Appendix 1

Table 1: Difference from 'Fair Value' for Bordeaux 2018 releases using AG, LPB and JS scores

Wine	AG	LPB	JS	Change from 2016 release
Angelus	0%	-12%	-18%	-14%
Armailhac	-13%	-13%	-14%	8%
Ausone	-13%	-19%	-25%	-3%
Batailley	1%	0%	-6%	-1%
Beausejour Duffau	-12%	-21%	-57%	7%
Beychevelle	-22%	-22%	-23%	6%
Branaire Ducru	-18%	-7%	-24%	-1%
Brane Cantenac	9%	14%	-7%	-1%
Calon Segur	-33%	-30%	-33%	14%
Canon (Saint Emilion)	-11%	-34%	-38%	19%
Canon Gaffeliere	-28%	-12%	-6%	-1%
Cantemerle	6%	6%	-32%	-5%
Cantenac Brown	10%	12%	11%	0%
Carmes Haut Brion	-47%	-21%	-55%	24%
Carruades Lafite	-18%	-18%	-17%	40%
Chapelle Mission Haut Brion	38%	18%	16%	-6%
Cheval Blanc	8%	15%	8%	3%
Clarence Haut Brion	18%	17%	16%	5%
Clerc Milon	-7%	-12%	-18%	22%
Clinet	39%	21%	-9%	-11%
Clos Fourtet	3%	-3%	-9%	0%
Clos Marquis	22%	22%	27%	-1%
Conseillante	25%	15%	6%	9%
Cos d'Estournel	2%	2%	2%	27%
Croix Beaucaillou	19%	21%	10%	-4%
Domaine Chevalier	0%	27%	-48%	0%
Ducru Beaucaillou	17%	-3%	-9%	1%
Duhart Milon	8%	-10%	-16%	2%
Eglise Clinet	50%	33%	-21%	-5%
Evangile	49%	11%	4%	6%
Fleur Petrus	14%	17%	-3%	5%
Gaffeliere	27%	31%	2%	14%
Gazin (Pomerol)	-2%	2%	-2%	5%
Giscours	2%	0%	10%	1%
Gloria	4%	2%	1%	-3%
Grand Puy Ducasse	-28%	-20%	-28%	-7%
Grand Puy Lacoste	3%	6%	3%	-9%
Gruaud Larose	14%	-13%	-10%	6%
Haut Bailly	14%	-13%	-10%	5%
Haut Brion	63%	16%	8%	3%

Wine	AG	LPB	JS	Change from 2016 release
Issan	10%	-8%	-14%	-1%
Lafite Rothschild	6%	-16%	-19%	0%
Lafleur	-51%	-51%	-62%	12%
Lafon Rochet	29%	-10%	29%	-6%
Lagrange (Saint Julien)	13%	16%	13%	0%
Langoa Barton	0%	-12%	-18%	4%
Larcis Ducasse	-13%	-35%	-41%	-7%
Lascombes	-1%	-4%	-8%	2%
Leoville Barton	-5%	-9%	-12%	2%
Leoville Las Cases	22%	-19%	-26%	3%
Leoville Poyferre	5%	26%	-23%	2%
Lynch Bages	-3%	-14%	-16%	-5%
Malartic Lagraviere	28%	36%	28%	-7%
Malescot St Exupery	-20%	-13%	-53%	-2%
Margaux	5%	-24%	-36%	-1%
Mission Haut Brion	92%	-22%	2%	-24%
Monbousquet	19%	-44%	-50%	1%
Montrose	26%	18%	-2%	29%
Mouton Rothschild	18%	3%	-10%	-1%
Ormes Pez	18%	16%	0%	0%
Pagodes Cos	-8%	-16%	-18%	12%
Palmer	27%	8%	50%	0%
Pape Clement	5%	-24%	-30%	1%
Pavie	34%	15%	15%	-2%
Pavie Decesse	15%	-31%	-37%	-1%
Pavie Macquin	4%	-30%	-46%	-12%
Pavillon Rouge	3%	-2%	-9%	30%
Petit Mouton	-9%	-7%	14%	33%
Petit Village	11%	12%	-2%	-3%
Pichon Baron	22%	1%	-5%	2%
Pichon Lalande	3%	-2%	-9%	17%
Pontet Canet	-4%	-10%	-4%	-24%
Rauzan Segla	0%	0%	1%	23%
Reserve Comtesse	19%	69%	92%	13%
Saint Pierre	5%	-9%	5%	-9%
Smith Haut Lafitte	70%	-19%	-26%	6%
Sociando Mallet	13%	32%	-27%	-5%
Talbot	-11%	-10%	-18%	5%
Tertre	-6%	-6%	-7%	3%
Trop Long Mondot	37%	44%	-5%	-24%
Valandraud	1%	-13%	-44%	-1%
Vieux Chateau Certan	61%	12%	-1%	14%