

WORKING TOGETHER

Champagne's cooperatives support the grand marques but are a force to be reckoned with in their own right. Giles Fallowfield reports



TO UNDERSTAND the complex workings of the Champagne market you need always to bear in mind one important fact. It colours everything else. Although the négociant houses dominate sales of Champagne, particularly sales outside France's borders, with over two thirds of the volume and much more in terms of value, collectively they only own about a tenth (9.7%) of Champagne's total vineyards. The bulk of Champagne's grapes come from the 15,000 or so growers who between them farm 28,643 hectares, the négociants only own the remaining 3,282 out of the appellation's 31,925ha that are in active production (2005 harvest figures).

To fuel their brands, most of the big producers have to buy in the majority of the grapes they need. Houses like Louis Roederer and Bollinger, which each have enough vineyard to supply about two-thirds of their grape requirements, are rarities. Although the Louis Vuitton Moët Hennessy (LVMH) group has the biggest total vineyard holding among the négoce, with some 1,500ha, this area provides less than a third of the grapes they would need to produce their six brands of Champagne – Moët & Chandon, Dom Pérignon, Mercier, Ruinart, Veuve Clicquot Ponsardin and Krug – over 55 million bottles of which in total are sold each year. To make up the difference they need to buy in the production of another 4,000ha from across the appellation.

In a market where demand is strong and the average price of a kilo of grapes is by far the highest of any of France's major appellations, the next three biggest groups – Boizel Chanoine Champagne (which owns Lanson), Vranken Pommery Monopole and Laurent Perrier – are in a weaker supply position than LVMH as each of them has to buy 90% or more of their grape requirements.

Go-between role

Managing this large annual purchase of grapes has always been one of the biggest headaches for the négoce, and it's something that has become a good deal more problematic over the past decade of strong consumer demand for Champagne. It would, however, be an even trickier and more time consuming task if the houses had to deal with all the individual growers to get this material – grapes or vins clairs (still wine that hasn't

undergone secondary fermentation) – for the average vineyard holding of each grower is well under 2ha.

Fortunately for the négoce, most of these individual growers belong to some sort of local cooperative, and many of these co-ops have banded together to form larger groups, which means the houses can buy significant volumes of wine from one player (see below, p.80 onwards, for an explanation of the leading cooperative groups).

The relationship between the growers, who own most of the vineyards, and the large négociants who sell most of the bottles is a complex one. Clearly they need each other to function successfully and, at any given point, a harmonious relationship between the two is usually a good indicator of the health of the Champagne economy. However the balance of power between the two sides is delicate and can easily be upset – and it appears, certainly from the négociants' standpoint, that the pendulum has swung a significant distance towards the growers over this past decade.

The cooperatives play a vital go-between role in helping to keep this relationship working. Many were actually formed specifically to take on this role of negotiating a deal between the growers and the négoce, the idea being a larger organisation selling bigger volumes would be in a better position to command higher price for the grapes or vins clairs. However in recent years the picture has been complicated by the two largest co-op-groupings (see box on p.82) building significant brands of their own. The CVC's Nicolas Feuillatte marque has become the fifth largest brand worldwide with sales in 2006 reaching 8.3 million bottles and Jacquart, which now appears to have the appetite and marketing structure to follow suit, saw branded sales increase to 3.57m in 2006.

Profitable markets

On the face of it, the co-ops haven't increased their share of overall sales by very much over the past decade. In percentage terms it's only risen from 8.18% to 9.16% between 1997 and 2006, an increase from 21.99m to 29.46m bottles. However they have increased the proportion of Champagne they are selling in more profitable markets outside France. Shipments by the co-ops to the home market

actually fell by 1.4% in 2006 to 16.57m bottles, but exports to other European destinations rose 15.8% to 9.36m and exports to outside Europe jumped by an impressive 23.6% to 3.53m bottles. In volume terms these increases are dwarfed by the négociants' export growth of 15.8% outside Europe in 2006, a rise of over 7m bottles, but the major houses would prefer not to have more competition for their brands in the developing markets outside France.

Transfer issue

More worrying for the major houses, is the fact that the growers and the cooperatives have been holding on to more grapes and wine than they need to replace their previous year's sales. In the year to the end of July 2006, while stocks

THE COOPERATIVES HAVE INCREASED THE PROPORTION OF CHAMPAGNE THEY ARE SELLING IN MORE PROFITABLE MARKETS OUTSIDE FRANCE

generally were at a fairly healthy level of around three and a half years supply to current sales, the négociants were holding less than 60% of the stocks, while selling very nearly 68% of the finished wine. In other words at sales levels prevailing in 2006, the négociants should be holding another 87m bottles in their cellars just to satisfy current levels of consumption. In fact, because their sales are increasing at a faster rate than the growers and co-ops, up over 10m bottles in 2006, the position is actually worse than it appears.

In response to this point Frédéric Burgun, deputy managing director of the CVC, notes that, "Champagne has been very successful because it has managed to find the right balance in the relationship between the growers and the houses. The supply of grapes is a very key issue for everyone who wants to develop their sales. Obviously some need in excess of what they can buy now. We have had large harvests with around 360m bottles produced in the past three years while consumption only rose to just above 320m in 2006."

Burgun adds: "The volume of wine isn't the issue, the problem is the transfer from the growers to the houses. It's partly because they have enough money to live on and they don't need more."

He concedes that stock levels at Nicolas Feuillatte have now risen to over 80m bottles while annual sales of the brand are 8.3m, plus the Buyers' Own Brand business which is now reduced to 1.1m bottles a year. "But every year the growers take back 7m bottles [to sell themselves, or trade on the vins sur lattes market], this gives us average stocks of 5.5 years if we take Nicolas Feuillatte and what growers store here. Over 5,000 growers work with us directly or indirectly through a network of 80 local co-ops."

Adding value

Although sales of Nicolas Feuillatte have gone up consistently year-on-year, Burgun says: "It is not a goal to raise volume, the goal is to really improve the price positioning, to give more value to the brand. We have been so successful in export markets we are now competitors with the great marques." But sales are not completely balanced yet. "We still sell over 54% of our volume in France, but we have improved our position in the on-trade there," continues ▶

CHAMPAGNE COOPERATIVES

Burgun. "We were the leading off-trade brand in France and while we'd like to keep this position, we won't at any price," he adds. "The UK is the number one export market with just over 1.1m bottles in 2006, then it's the USA and the French Caribbean Islands. Outside Europe, the USA has been growing fastest."

Playing catch up

After a concerted effort to boost the volume of its export sales, Jacquart has closed the gap on Nicolas Feuillatte in the past couple of years. "Total volume for the Jacquart brand was up 19% in 2006 to 3.57m bottles, with exports growing by 30% on 2005 and turnover was up 12% to €45m," explains Lagrange. And it's not just volume that's up. "Vintage and prestige cuvées now account for 15% of the mix and over the past two years the average sale price has grown by 8% too."

In 2006, Jacquart & Associés Distribution's turnover was €85,250,000, with a total sales volume of 7.8m bottles, a 10% increase in volume on 2005.

Of this, the Jacquart brand accounted for 55% of the value and 45.8% of the volume, the remaining 54.2% of the volume (or 4.23m bottles) being Buyers' Own Brand (BoB) business. Jacquart & Associés Distribution now claims to be the UK's fourth biggest Champagne distributor.

IT IS CLEAR THAT
THE COOPERATIVES'
OWN BRANDS WILL
HAVE A MAJOR ROLE
TO PLAY IN THE
CHAMPAGNE MARKET
IN THE FUTURE

"While sales in France are stable, exports grew by nearly a third to 2.09m bottles with the UK, Asia, the West Indies and Indian Ocean islands the best performing markets. Sales elsewhere in Europe were also stable. Jacquart's turnover in the UK in 2006 was €6.5m (£4.4m), with sales of 545,000 bottles, an increase of 5.1% on 2005. Vintage and prestige cuvées accounted for 30% of volume, up from 28% in 2005," says Lagrange.

In with the new

The big co-ops haven't just been selling more wine in the past few years, they have been at the forefront of innovation. Following the introduction of two new prestige cuvées – Katarina (unvintaged) and Allegra, the first vintage of which was 1999 – Jacquart also launched an Extra Brut Cuvée Mosaïque style earlier this year. And there's more innovation to come. Partly as a result, Jacquart's MD Pottiez, is predicting 2007 will be "an even better year".

At Nicolas Feuillatte there have been a series of new wines including a wood aged style – Cuvée 225 – and the Grands Crus collection of single varietal, mono crus (see "Singled Out" in Champagne trends feature, page 68, for more information). At Vinexpo this summer Nicolas Feuillatte added another new line, a zero-dosage style named Brut Extrem, and this will soon be introduced in the UK market where the brand as a whole has been performing very strongly in 2007. UK export manager Dominique Lahure reports that "by the end of August sales are up 30% and this isn't down to distribution gains but rather additional promotional slots."

Looking ahead

It is clear that the cooperatives' own brands will have a major role to play in the Champagne market in the future, and, unlike many of the major houses, they don't really have a supply issue. At present Nicolas Feuillatte accounts for 9.4m bottles (including 1.1m of BoB) out of the roughly 22m the Chouilly cooperative processes each year while Alliance Champagne sells and markets around 30% of the 26m odd bottles its three co-ops handle. Ultimately this is what the négoce don't like about the power of the co-ops. Getting more grapes for their brands isn't the same sort of issue. Their grower members just have to assign them more of their crop. ▶



ACCORDING TO
THE CIVC THERE
ARE CURRENTLY
64 COOPERATIVES
OPERATING IN
CHAMPAGNE

THE CO-OP GROUPS

When Alliance Champagne was first formed 10 years ago, the idea was that the entire production of the three original co-ops involved – COVAMA, COGEVI and Union Aubeoise – would gradually come under the authority of Alliance, but today, although Alliance manages their BoB business, and they all make and support the Jacquart brand, the co-op's three respective marques (Pannier, Raoul Collet and Veuve Devaux) are still marketed separately by their parent companies, and their sales have risen over the past 10 years.

Back in 1997 COVAMA's total sales were around 2.2m bottles with the Pannier brand accounting for 400,000 of these. Today Pannier's production has grown to 600,000 bottles, according to export manager Terence Kenny. "This is our best fruit, our top of the line stuff. The remainder goes back to our members in the form of bottles for them to sell themselves or to the négoce as vins clairs," says Kenny.

"So we are not really holding any back. We continue to make more Pannier as we are selling more," he explains, addressing the issue of the co-ops and growers allegedly holding on to larger stocks. "Our listing on the hip all business airline Silverjet, along with supplying all first class Eurostar trains indicates the quality of Pannier and the supreme value for money. We will be ramping up our volumes as new markets open and thus need the stock for that. This is more farsightedness than any type of retention. We extended our cuverie a few years ago so we have enough space."

For Laurent Gillet, Président du Directoire at Union Aubeoise, the issue of supply is straightforward. "Our mission, as it has been over the past 18 years, is to manage the contracts of our 12 member co-ops with six of the most important
C h a m p a g n e
groups. This

partnership is a consistent, stable, long-term one. The success of Champagne relies upon a strong relationship between the two 'families', the growers and the négociants. We deliver a percentage of our production [to the négoce] and this figure is determined for a minimum of five years, whatever the volume of the vintage is. We apply the same system to allow for the share of the crop dedicated to the Devaux brand and to Alliance Champagne for Jacquart," says Gillet.

According to the CIVC there are currently 64 cooperatives operating in Champagne and between them they accounted for total shipments of 29,460,108 bottles in 2006. Of these 64, just half were involved in the volume of 12,891,609 bottles that the co-ops collectively exported in 2006. While the brands Nicolas Feuillatte and Jacquart, and the BoB business the two largest co-op groups generate, accounted for a large chunk of this business, there are several other notable cooperatives active in the UK.

Union Champagne

Established in 1966, Union Champagne is based in Avize in the heart of the Côte des Blancs. The 1,800 members of this co-op control 1,200 hectares of vineyards between them, all located in grands and premiers crus. Production capacity at the winery is some 10m bottles a year, around a quarter of which are taken back by members to sell themselves. Another 1.5m bottles are sold under various brand labels, the best known of which is De Saint Gall (sold in the UK market by M&S).

Its top wine, Cuvée Orpale, only made in the best vintages, is one of the most impressive blanc de blancs styles made in Champagne in years like 1988, 1990 and 1996. Around 60% of Union Champagne's production is sold to the major négociants in the form of must (vins clairs), with Moët & Chandon a notably large customer. Union Champagne also supplies some of the UK supermarkets' own label brands including Tesco's Premier Cru Brut and its 'Finest' Vintage Premier Cru.

The CRVC

The Coopérative Régionale des Vins de Champagne of Reims (CRVC), founded in 1962, has some 640 grower members involved in 17 smaller affiliated co-ops, who own 825ha of vineyard, of which more than ▶



THE BIG TWO

The two largest cooperative groups are the Centre Vinicole Champagne Nicolas Feuillatte (CVC) and Alliance Champagne. The CVC began life in 1971 as a union of 41 wine producing co-ops seeking to pool their resources – like vineyard management expertise – and have wine made centrally by qualified winemakers in a specially created modern facility. It was one of the very first wineries to have automatic gyropalettes installed to operate the remuage process.

In 1986 the CVC reached an agreement with Nicolas Feuillatte to market his eponymous brand (originally created back in 1977 when Feuillatte inherited a 12-hectare vineyard at Domaine St Nicolas in Bouleuse near Reims). Since then the CVC has grown rapidly and it is now made up of 80 smaller co-ops, which between them have nearly 5,000 grower members who send to the Chouilly co-op for processing, the crop from the equivalent of 2,200ha of vineyard spread right across the appellation.

They actually own an area of vineyard far greater than this, but their total crop is shared between three major destinations: local co-ops, contracts with the négociants and the CVC. The CVC in turn divides its volume of roughly 22m bottles between the Nicolas Feuillatte brand and Buyers' Own Brand (BoB) business.

Alliance Champagne was formed in April 1998 by three major cooperative groups – the Coopérative Vinicole de la Vallée de la Marne (COVAMA) which makes Champagne Pannier, the Coopérative Générale des Vignerons de la Champagne Délimitée (COGEVI), which sells Champagne Raoul

Collet and the Union Aubeoise des Producteurs de Vins de Champagne, owner of the Veuve A Devaux brand.

These three co-ops were joined later in the summer of 1998 by the Coopérative Regionale des Vins de Champagne of Reims, better known as the producer of the Jacquart brand, which dates back to 1962. Jacquart then became the main brand promoted by Alliance Champagne, although the Reims co-op subsequently left the organisation and now has its own brand De Castelnau.

Jacquart & Associés Distribution (JAD) is a wholly-owned subsidiary of Alliance Champagne which was set up by the three remaining co-ops both to handle the distribution and marketing of the Jacquart brand, wine made under the Champagne Ritz licence and all the BoB production for COVAMA, COGEVI and Union Aubeoise. This BoB business is significant and JAD has become a major supplier of own label Champagne to UK supermarkets including Tesco, ASDA and Sainsbury's.

Between them the three cooperative groups that promote the Jacquart brand have 1,700 grower members who own 2,620ha of vineyards which are spread across the appellation in 130 different villages including 10 grands crus and 22 premiers crus.

This area of vineyard represents just over 8% of the entire Champagne AOC. Currently about 30% of this volume is sold and marketed by Alliance Champagne, the rest by the other three individual cooperatives that formed Alliance.

THE TWO LARGEST COOPERATIVE GROUPS ARE THE CVC AND ALLIANCE CHAMPAGNE

forward, soft and attractively fruity wines sell through Oddbins. Sales in 2006 were above 175,000 bottles, about a third of which was accounted for BoB products made for companies like Adnams and El Vino.

Beaumont des Crayères

To the north of Epernay, Beaumont des Crayères is a medium sized co-op located in the Vallée de la Marne village of Mardeuil. Here most of the 200-odd growers are part-timers who tend their 80ha of vines at the weekends or on holidays. While a fifth of their output is taken by the CVC and a further 7% by the major houses, Beaumont is also unusual in that it sells the remaining 400,000 bottles under its own label. In the UK its wines are sold by John Armit and Tanners; its top cuvée Nostalgie is another good example of the high quality the co-ops are capable of producing.

Champagne Maily Grand Cru

The Grand Cru cooperative at Maily in the Montagne de Reims is a popular source of top quality Pinot Noir among the négoce. Its 70 grower members own just 70ha of prime 100% rated vineyard and around a fifth of its 500,000-bottle production is sold off to the big houses for use in their top blends. In the UK its wines are currently stocked by Berry Bros & Rudd, which sells its impressive non-vintage and the vintage Brut (1998 and 1999). **db**

half are in premiers and grands crus, the vast majority in the Marne department. The CRVC has a production capacity of some 10m bottles and, like most other co-ops, produces wine for its members to sell, provides the négoce with vins clairs and markets some wine under its own labels. It bought the rights to the De Castelnau brand (a small house founded in 1916 in Epernay) in 2003 and is slowly building distribution in markets like the UK. It also produces rather larger volumes under the Offenbach label which to date has only been stocked by Sainsbury's in the UK market.

Champagne H Blin & Co

H Blin & Co was founded in 1947 by 28 growers owning just 16ha of vines. But today this co-op based at Vincelles in the western Marne Valley has grown and now boasts 100 members owning 110ha mainly planted with Pinot Meunier. Of its 1.1m bottle annual production it sells a little more than half under its H Blin label, producing six different cuvées including a blanc de blancs style (10% of its vineyards are planted with Chardonnay). Its most important export market is the UK where Julian Baker Fine Wines is the agent. Its