

Chambre d'Agriculture de la Gironde

Référentiel Economique du Vigneron 2018

The study

The 2018 study looks at five different examples, two for *organic viticulture* and three for *sustainable viticulture*:

	Organic Bottles		Sustainable Bottles		Sustainable Bulk
Vineyard size (hectares):	25	15	25	15	35
Planting density (vines/hectare):	3,333	5,000	3,333	5,000	3,333
Raw materials	1,313 €	1,537 €	1,076 €	1,260 €	1,034 €
Mechanisation	1,678 €	3,065 €	1,264 €	1,998 €	1,097 €
Labour	2,679 €	3,444 €	2,264 €	3,008 €	2,263 €
Viticulture costs €/ha	5,670 €	8,046 €	4,604 €	6,266 €	4,394 €
Agricultural lease	209 €	209 €	209 €	209 €	209 €
Vineyard depreciation	960 €	1,256 €	978 €	1,274 €	965 €
Subsidies for vineyard restructuring	-400 €	-400 €	-400 €	-400 €	-400 €
Climate insurance	110 €	110 €	110 €	110 €	110 €
Other costs and administrative expenses	469 €	782 €	469 €	782 €	335 €
Total vineyard costs €/ha	7,018 €	10,003 €	5,970 €	8,241 €	5,613 €
Winemaking costs €/ha (excl. barrel ageing)	2,313 €	3,017 €	2,313 €	3,017 €	2,084 €
Total cost of bulk wine €/ha	9,331 €	13,020 €	8,283 €	11,258 €	7,697 €

Production costs are approximately 13-16% higher for organic viticulture than for sustainable viticulture, while economies of scale generate savings of approximately 8% for a 35-hectare estate planted at 3,333 vines per hectare vs a 25-hectare estate planted at the same density.

Impact of yield on production costs

Yield continues to be a key factor influencing production costs. When climatic conditions are less favorable and yields are lower, production costs can increase significantly, diminishing or even wiping out already thin profit margins

Bulk wine production:

In 2018 many Bordeaux vineyards were affected by mildew, thus reducing yields. The impact of the consequent higher production costs has been accentuated by ***recent falls in the price of bulk AOC Bordeaux wine***, despite the overall high quality of the vintage. In one period in July this year, the average price paid per tonneau (900 litres) fell to 1,294 Euros, with prices ranging from a low of 800 Euros to a high of 1,700 Euros.

At an average price per tonneau of 1,294 Euros, an AOC Bordeaux producer with 35 hectares planted at a density of 3,333 vines per hectare would need to have achieved a yield of 54 hectolitres per hectare in 2018 in order to break even...

	Yield Hl/ha	Bulk wine €/tonneau (900 L)	
		Organic 25 ha 3,333 vines/ha	Sustainable 35 ha 3,333 vines/ha
Impact on costs if climatic conditions lead to lower than expected yields	30	2,703 €	2,206 €
	35	2,341 €	1,913 €
Average yield – organic	40	2,069 €	1,693 €
	45	1,858 €	1,522€
Ten-year AOC Bordeaux yield	50	1,689 €	1,386 €
Impact on costs if climatic conditions lead to higher than expected yields	54	1,576 €	1,294 €
	57	1,502 €	1,234 €
	60	1,435 €	1,180 €
	63		1,132 €
	65		1,102 €

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Bottled wine production:

For bottled wine, production costs range from 2.45 Euros per bottle for a 25-hectare sustainably farmed vineyard planted at 3,333 vines per hectare, to 3.76 Euros per bottle for a 15-hectare organically farmed vineyard planted at 5,000 vines per hectare. However, the latter figure increases to **4.51 Euros per bottle at a yield of 30 hl/ha**.

		Bottled wine €/bottle			
		Organic		Sustainable	
		Yield (hl/ha)	25 ha 3,333 vines/ha	15ha 5,000 vines/ha	25 ha 3,333 vines/ha
Impact on costs if climatic conditions lead to lower than expected yields	30	3.45 €	4.51 €	3.19 €	4.06 €
	35	3.15 €	4.08 €	2.93 €	3.70 €
Average yield – organic	40	2.92 €	3.76 €	2.73 €	3.43 €
	45	2.75 €	3.51 €	2.57 €	3.22 €
Ten-year AOC Bordeaux yield	50	2.61 €	3.31 €	2.45 €	3.05 €
Impact on costs if climatic conditions lead to higher than expected yields	54	2.51 €	3.18 €	2.37 €	2.94 €
	57	2.45 €	3.09 €	2.31 €	2.86 €
	60	2.40 €	3.01 €	2.27 €	2.79 €
	63			2.22 €	2.73 €
	65			2.19 €	2.70 €

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The cost of going green

The study also examines the impact on production costs of *eliminating weed killers and CMR (carcinogenic, mutagenic or reprotoxic) substances*:

	Sustainable viticulture			
	15 ha 5,000 vines/ha		25 ha 3,333 vines/ha	
	Standard practice	Without CMR substances or weed killers (mechanical weed removal)	Standard practice	Without CMR substances or weed killers (mechanical weed removal)
Raw materials	1,260€	+ 87 €	1,076€	+ 49 €
Mechanisation	1,998 €	+ 775 €	1,264 €	+ 342 €
Labour	3,008 €	+ 315 €	2,264 €	+ 207 €
Viticulture costs €/ha	6 266 €	+ 1 177 €	4,604 €	+ 598 €

Conclusions

The most obvious conclusion to be drawn from this latest analysis is that, while production costs have for the most part fallen since the previous report published in 2016, the impact of the move towards more environmentally friendly viticulture practices and adverse climatic conditions in both 2017 (frost) and 2018 (mildew) have tended to increase costs over this time period at the same time as softer demand has reduced prices, creating *a perfect storm for producers in the less prestigious Bordeaux appellations*.

Not surprisingly, this challenging economic environment has contributed to an increasing number of growers in these appellations deciding to sell their properties, with the consequent *downward pressure on vineyard prices*.