



Something You Should Know ...

... If You're a Bordeaux Lover

by Charles M. Bear Dalton



Spec's is being raided. More specifically, Spec's Bordeaux section is being raided on at least a weekly basis. The raiding is being done by people who are buying wine from Spec's and shipping it to the west coast and on to China or other points in the Far East. Some of it is even getting shipped back to Europe - either the UK or France - and then on to China, etc.

Why is this happening? Due to an exploding market for the highest-end Bordeaux wines among the wealthiest players in China's booming economy, prices from the chateaux and the negociants on the top wines of Bordeaux have rocketed up. First it was Ch. Lafite and then it was Lafite's other wines - Carruades de Lafite and Ch. Duhart Milon - as well as the other first growths (Chx. Latour, Margaux, Haut Brion, Mouton, Cheval Blanc, Ausone, Petrus, and Le Pin). Then the second wines of the other firsts - Les Forts de Latour, Pavillon Rouge de Ch. Margaux, Le Clarence de Haut Brion (formerly Bahans Haut Brion) - took off. Now the East Asian market is pursuing the top second growths and a few other selected wines such as Chx. Lynch Bages, Beychevelle, and Leoville-Poyferre (all identified as wines of special interest in East Asia in a recent article in Decanter Magazine). The most expensive of these wines are used as symbols of wealth and success. In order to keep up and at least thrive in the "face" game, all the top players have to have these most highly sought-after wines.

As prices on direct-from-Bordeaux-wines went up, Chinese suppliers began to scour the U.S. and other markets for wines that were latent in those markets. These "latent wines" are wines that have been in the market, usually owned by a retailer, for a time. Maybe they were bought at first or second tranche pricing and are still being sold on that cost basis. Often times, these are wines where a retailer would like to raise prices a bit for every year they hold them but cannot (due to factors like the economic downturn and highly competitive national pricing). The pricing factor comes into play when merchants in various markets own the same bottlings - chateau and vintage - and so have to keep their prices down in order to compete with one another.

There were plenty of these sorts of wines. The brokers scan for the most competitive pricing and call to buy the wines as if they are local retail customers. At first they just bought unopened cases but now they are gleaning the bottles as well. All of our wine consultants and all of our buyers have gotten the phone calls. Since "you can only sell it once" and some of the brokers are acting through local intermediaries (regular customers we know), most times we don't know a sale is heading west (to go East) until after the sale is made, if we ever find out for sure at all.

The most desirable (at least to the label conscious in the Far East - and there it is ALL ABOUT the label), wines have begun to disappear. We can still buy a lot of these wines from the Bordelaise but at MUCH higher prices - so we probably won't, at least not until the market settles down again.

Will the market settle down again? Most likely. This same sort of thing happened in the late 1990s with Japan as the main driver. When the Japanese economy tanked and much of the Far East slowed down for a time, rationality returned and prices stabilized. We got back to something approaching business as usual with Bordeaux. We even had some brokers offering us some wines that been shipped back from the Far East, which we declined. Why did we decline them? We did not know how they had been stored or shipped and so were concerned about the quality. That's why we buy Bordeaux only from the chateaux or from negociants where we have a solid business relationship. And that's why we insist that everything be shipped in refrigerated containers.

So what does all this mean to you? It means that the top end of the Bordeaux market is going up in price and is taking part of the mid-tier with it. Which, in turn, will eventually take more of the mid tier with it, which will eventually pull up some of the lower tier. If you are wine drinker who likes Bordeaux in the mid-to-upper quality ranges, you should consider buying in some wine to lay down.

Since Ch. Beychevelle and Leoville Poyferre have become popular in the Far East, they are more scarce elsewhere so they are driving up the price of comparable St. Juliens such as Leoville Barton, Branaire Ducru, and Gruaud Larose. Since Duhart Milon and Lynch Bages are popular in the Far East, they are causing price increases in other Pauillac wines such as Grand Puy Lacoste and Batailley. The ripple effect has already started. Even simpler wines from the Haut Medoc and lesser right bank reds are starting to inch up in price due to east Asian demand.

As a matter of policy, Spec's would much rather see these wines go to our local loyal clientele than see them shipped off to Asia in a one shot deal. In fact, the chateaux and negociants we buy from also want to make sure we are supplying our local market. They give us good allocations but if they find that much if not most of the best we offer to consumers is going to California and points west, eventually, those allocations will be diminished.

We at Spec's are much more interested in building our business with you our customers in Texas than in pursuing a one shot deal in Singapore or Hong Kong. On the other hand, we can't not sell the wines - hence this warning. Less and less high quality Bordeaux will be available in the coming months. We are laying in good supplies of affordable Bordeaux in both the Merlot-dominant, right bank styles (St. Emilion, Lalande de Pomerol, Cotes de Castillon, Cotes de Francs, and the St. Emilion satellites of Montage, Lussac, Puissiguin, and St. Georges) and the Cabernet-dominant left bank styles (Medoc, Haut Medoc, St. Estephe, Pauillac, St. Julien, Margaux, Pessac Leognan, and Graves). Nevertheless, we know that even these more affordable, so far hype resistant wines will be going up at least some and soon.

If you like fine red Bordeaux, now is the time to buy whatever you can afford. Call it a "red (Bordeaux) scare" and call me an "alarmist" if you like but do check in for some of your favorite beverage before it goes up in price, goes east, or both. ✨

