



THE VAULT

MAY 2019

FOR LOVERS OF
FINE WINE

XII



OCTAVIAN



WELCOME TO THE VAULT, AN OCTAVIAN PERIODICAL

Having handled in excess of 1 million cases with a market value approaching £2 billion, it has been another busy year for Octavian. With a buoyant secondary market, inflow volumes from home and trade cellars have continued to rise, as has the need for our services. Demand for condition imaging has increased by 30% year-on-year and we completed 91,000 condition images in 2018. We have seen a marked increase in inspections from private customers seeking reassurance of provenance, clear identification of ownership, impeccable security and quality of insurance. And as an inspirational location, we are thrilled to have featured in Channel 4's 'Hidden Britain by Drone' - available to view 'On Demand' - and graced the pages of 'The Sentence is Death,' Antony Horowitz's latest murder mystery!

Ever conscious of our environmental impact, we have introduced lighting sensors to help reduce energy usage against rising costs and upgraded to dehumidifiers that run more efficiently at our temperatures. We are also mindful of reducing the amount of plastic sent to landfill and where possible use our own branded wooden cases rather than cardboard packaging.

We are soon to deliver a more customer-friendly, intuitive and secure online environment. Our customer portal will offer increased functionality with drinking windows, up-to-date market values and having listened to feedback, far greater focus on wine and portfolio management. Enhanced security features have taken longer to develop than we originally anticipated. For this we apologise, but we wanted the site to be as robust and secure as it could be. We hope you find it worth the wait.

In addition, new 'Exchange' functionality will allow our customers to trade through a closed peer-to-peer environment, negating the need to send cases to other warehouses in order to release value. This update will include the ability to see how long each case has been in our care, irrespective of how long it has been in your account. When polled, 67% of our customers stated they would pay more for an Octavian stored case. Now we will be able to demonstrate that our storage pays for itself.

On the safety front, plans are also underway to update our nitrogen delivery system in the case of a fire. While underground storage is naturally safe due to its inaccessibility and low level fire risk, in a year where Ocado saw a large warehouse destroyed we feel it timely to review our fire risks and mitigations. Many warehouses would use water, but we appreciate that when safeguarding rare and high value collections, water damage would be too grave.

Within a relatively old-fashioned industry that still works largely on trust, sadly it is increasingly the case that unscrupulous people are entering the market. In one recent instance, an individual who managed wine on behalf of clients raised collateral against their collections, only to sell the portfolios and disappear with the proceeds of both the sale and funds from the bank, leaving the true owners and the lender out of pocket to the tune of £millions.

Such events are driving Octavian to be increasingly diligent in customer verification. We also ensure that owners' names appear on cases for clear identification. Should collateral be sought via a bank or financial body, we ask to be informed and if we are involved, provide both bank and customer visibility of the stock with agreement from both parties before its release.

Similar safeguards are in place when it comes to insurance. You may have heard of a recent instance in which a commercial customer tried to claim on their own insurance following a warehouse break-in where some basic security measures were deemed to be lacking. Months later and the claim is still ongoing. The moral of the tale is if you are insuring yourself, be sure to check the small print and know exactly what is covered. Many policies exclude losses such as those over a period of time through theft.

Octavian customers however can rest assured that we have secured exceptionally high insurance cover, with full compensation available should the unexpected happen. Assets are protected physically and financially - finer, safer and ultimately, more valuable.

I hope you enjoy this issue.

Vincent O'Brien
Octavian Managing Director



MARKET UPDATE

DEFYING EXPECTATIONS,
THE MARKET FOR COLLECTIBLE
WINE CONTINUES TO INSPIRE
CONFIDENCE WITH ITS VIBRANCY
AND DEPTH. CHARLES CURTIS MW
PROVIDES A ROUNDUP OF 2018
AUCTION PERFORMANCE.

As regular observers of the category will recall, 2018 was a record year for collectible wine, and during the first quarter of 2019 the totals have surpassed those for the same period of 2018, with \$124.7 million in sales at live auctions in the first three months of the year, across 20 sales spanning the UK, the US, and Hong Kong, although this total includes the multi-vendor sale that Sotheby's organized on the 1st of April, since this formed part of their spring season of sales at the Hong Kong Convention and Exhibition Centre.

The first quarter was dominated by Sotheby's, with their exceptional "Trans-cend-ent" collection that went up for sale in Hong Kong. The sale included over 16,000 bottles from an anonymous Asian collection, including 250 lots of wine from the Domaine de la Romanée-Conti, and an astonishing total of more than 600 lots of wine from Coche-Dury, a quantity that is reputed to be greater than the stocks that exist at the winery. The highest-grossing lots were three twelve-bottle lots of 1990 Romanée-Conti, which sold for \$347,520 each, or just a bit more than \$28,000 per bottle. A generous price, but it is worth noting that this is, however, below the record price set by Sotheby's in 2017. Overall, however, the sale surpassed all expectations, with the wines of Mouton-Rothschild and Krug both coming in at double the pre-sale estimate. In aggregate, the sale reached almost \$30 million US against a pre-sale estimate of \$19 million.

This was far from the only notable sale in the quarter. The Zachys La Paulée sale featured over 2000 lots that hammered collectively for \$13.6 million, which followed their January season opener in Hong Kong that raised \$12.4 million from 1199 lots. Zachys wrapped up their first quarter with a \$7.9 million sale direct from the cellars of Lafite-Rothschild. Overall,



Sotheby's led the market with \$52.6 million in sales during the quarter, followed by Zachys, with \$33.8 million, and Acker came in third place with \$22 million spread across four sales. Geographically, the Sotheby's series weights the balance heavily in favor of Hong Kong, with \$66.3 million in sales in the first quarter, as compared to \$48.9 million in the U.S., and \$7.2 million sold into the London market.

Live auctions in London were relatively quiet in this period, with four sales in the course of the first quarter. The first of these was a single-owner sale at Sotheby's called "A Superlative Swiss Cellar" on January 23rd. At nearly 1,000 lots, it was a fairly large sale that was 87.3% sold by lot. The top lot was an original wooden case of six bottles of Leroy Richebourg that made just over £29,000 against an estimate of £16,000 - £20,000, in spite of three bottles having signs of seepage, a record price at the time. The second and third largest grossing lots were magnums and bottles of 2000 Mouton Rothschild. These, however, hammered within the estimate and were sharply eclipsed in the March Christie's sale.

THE STRENGTH OF THE MARKET HAS TENDED TO BRING WINE FROM PRIVATE CELLARS. MUCH OF THIS IS FUELING THE AUCTION MARKET, ALTHOUGH MERCHANTS AND BROKERS CAN ALSO BE STRONG COMPETITORS.

The second sale of the quarter was held on February 21st at Bonhams, where 576 lots brought just over £568,000 (71.7% sold). The top lot was nine bottles of 1982 Pétrus, which sold for £25,000 or £29,875 with premium, just at the low estimate. Three bottles of the '61 Pétrus also sold at the low estimate for £17,925 all in.

The third and fourth sales were both done on the 20th of March. Sotheby's sale of 966 lots produced £2.3 million (89.6% sold), while the Christie's sale of 334 lots produced £1.3 million (99.4% sold). The top lot at the Sotheby's sale was a jeroboam of 1989 DRC Montrachet that made just over £31,000 with premium, above the high estimate. The entire list of top ten lots was of an interesting composition: all were all from the Domaine de la Romanée-Conti, and all bar one were Montrachet. All bar two sold to Asian clients. The sale included an anonymous collection called "A Remarkable Cellar", and a selection from the Cartier Collection, sold to benefit Cartier Philanthropy. The



Image courtesy of Sotheby's.

THE MARKET FOR FINE AND RARE WINE: LEADING INDICATORS, Q1 2019

LEADING INDICATORS: AVERAGE SALE PRICES WITH PREMIUM FOR ICONIC WINES / 2019 Q1 UPDATE

VINTAGE	WINE	PRODUCER	2019 Q1	2018 FY	% Δ
1996	Brut Vintage Clos du Mesnil	Champagne Krug	\$2,047.00	\$2,280.00	-10.2%
1990	1er GC Saint-Emilion	Cheval Blanc	\$1,148.00	\$1,084.00	5.9%
1989	Pessac-Leognan	Haut Brion	\$1,997.00	\$1,880.00	6.2%
1982	Pauillac	Lafite	\$3,742.00	\$3,135.00	19.4%
1986	Pauillac	Mouton	\$958.00	\$916.00	4.6%
2000	Pomerol	Petrus	\$4,492.00	\$4,446.00	1.0%
1990	Romanee Conti	DRC	\$27,368.00	\$23,481.00	16.6%
1999	La Tache	DRC	\$6,229.00	\$6,582.00	-5.4%
1993	Musigny	Domaine Leroy	\$18,396.00	\$12,559.00	46.5%
2010	La Romanee	Liger Belair	\$5,726.00	\$5,665.00	1.1%
1990	Chambertin	Rousseau	\$5,671.00	\$5,111.00	11.0%
1996	Corton Charlemagne	Coche Dury	\$6,013.00	\$5,093.00	18.1%
2005	Montrachet	DRC	\$8,878.00	\$8,257.00	7.5%
1999	Cote Rotie La Mouline	Guigal	\$611.00	\$619.00	-1.3%
1978	Hermitage La Chapelle	Jaboulet	\$1,596.00	\$1,614.00	-1.1%
1990	Chateauneuf-du-Pape	Rayas	\$1,824.00	\$1,688.00	8.1%
2007	IGT Toscana Masseto	Ornellaia	\$651.00	\$744.00	-12.5%
1997	Napa Cabernet Blend	Screaming Eagle	\$4,302.00	\$4,775.00	-9.9%
2001	South Australia Shiraz Blend Grange	Penfold's	\$461.00	\$396.00	16.4%
1963	Vintage Port Nacional	Quinta do Noval	\$3,055.00	\$4,087.00	-25.3%

COINCIDENT INDICATORS: AVERAGE SALE PRICES WITH PREMIUM / 2019 Q1 UPDATE

VINTAGE	WINE	PRODUCER	2019 Q1	2018 FY	HOUSE
1996	Brut Vintage	Champagne Krug	\$417.00	\$444.00	-6.1%
1990	Brut Vintage	Dom Perignon	\$334.00	\$310.00	7.7%
1989	Pauillac	Lynch Bages	\$355.00	\$334.00	6.3%
1996	Saint Julien	Leoville Las Cases	\$296.00	\$291.00	1.7%
2005	Gevrey Chambertin Clos Saint-Jacques VV	Fourrier	\$618.00	\$613.00	0.8%
2009	Vosne Romanee Aux Malconsorts	Sylvain Cathiard	\$659.00	\$736.00	-10.5%
1990	Barolo Monfortino	Giacomo Conterno	\$2,104.00	\$1,639.00	28.4%
1994	Napa Valley Cabernet Blend	Dominus	\$308.00	\$319.00	-3.4%
1977	Vintage Port	Taylor Fladgate	\$116.00	\$121.00	-4.1%

Christie's sale also included a charitable element, as a selection of Burgundies donated by the estates themselves were sold to benefit the Maison Jacques Copeau, a theatrical institute in Burgundy. The top lot of the sale

was a dozen 1988 Romanée-Conti which sold for £232,740 with premium, just below the low estimate. Christie's London has produced the top three prices achieved at auction for this wine, but this latest result is considerably below the bar they set in their October 2018 sale.

The strength of the market has tended to bring wine from private cellars. Much of this is fueling the auction market, although merchants and brokers can also be strong competitors. Some will buy stock outright, while others will offer the wines on consignment "subject to confirmation". Many of these are priced at or near the market price as established by the auction market, although some seem more speculative. We saw in the first quarter a 12 bottle case of 1990 Gentaz Côte Rôtie for £38,000; a 12 bottle case of 2005 Rousseau Chambertin priced at £58,000; and 6 bottle cases of Haut Côtes de Nuits Blanc "vinifié par DRC" for £5,000.

In order to analyze category dynamics, we have developed a system of looking at a list of leading indicators selected from each category that will give us a more concrete idea of which way the market is moving. We use global averages across all sales sites to get a more solid idea than anecdotal examples of outlying exceptional results would give us.

(Continued on page 6)



THE GOLDEN AGE OF BURGUNDY

FOLLOWING NEARLY 40 YEARS OF COMMERCIAL ACTIVITY IN THE WINE TRADE, JASPER MORRIS MW RECOUNTS HOW, SOMEWHERE ALONG THE WAY, HE BECAME A SPECIALIST IN THE WINES OF BURGUNDY. THERE WAS NO INTENTION AT THE OUTSET TO DO SO; IT HAPPENED AS A SERIES OF CHANCES AND OPPORTUNITIES GRASPED.

I have been fortunate to live through the golden age of Burgundy, perhaps encapsulated within the 30 years 1985 to 2015, or the narrower framework of 1990 to 2005. Either version is a relatively Pinot-centric view, though, since I do not think the white wines of Burgundy have since matched what they were offering in the 1970s. More of that later.

At the start of my professional wine-buying career, only the keenest aficionados were interested in Burgundy. Most importers were happy to choose from a range of the better appellations as provided by one or two merchants (négociants). My first employer, Birley & Goedhuis, had only a small selection in its winter 1979 wine list, but it did include some interesting wines, such as Marquis d'Angerville's 1972 Volnay Clos des Ducs at £6.50 a bottle, while magnums of Marquis de Laguiche Montrachet from the same vintage were a snip at £34 each.

The expression "good, hearty Burgundy" was in common use in past decades. Indeed, the heartiness, if not the goodness, used to come from the admixture of juice from outside Burgundy, typically from the deep south of France or Algeria. Light vintages might require this bone-setting red, and then the good vintages needed to be in line with the others. This style of Burgundy may well have continued to be shipped to the UK until our accession into Europe, whereas stricter rules applied within the community after the Treaty of Rome.

The 1960s had been a difficult decade on the weather front, with disastrous years in 1963, 1965, and 1968.

The 1970s were not easy either, though 1971 and 1978 were both very fine - indeed, the latter a reference point; 1976 also has provided some fabulous, long-lived wines but also plenty that did not turn out well in this exceptionally hot, dry year. Certainly by the 1970s a very different style of Burgundy was prevalent. Now the watchwords were "finesse" and "elegance," but in point of fact the wines were frequently altogether too light.

Not only had there been a reaction to the adulterated reds of the past, but a long period of chemical pesticides and herbicides in partnership with chemical fertilizers was damaging the health of the soil and, indeed, the balance of pH in the soil, leading to a surplus of potassium in the grapes and the wines - and microbial misadventure thereafter unless the wines were acidified. Jacques Seysses's supposed comment that "I only acidify if I have to, and so far I have needed to every year" may well be apocryphal, but it illustrates the issue nicely. The wines might have been pure, and they might have been fine-boned, but they could be fragile, even undernourished.

The 1980s saw the start of a revolution that has brought about the golden age of Burgundy. Prior to this time, the vast majority of Burgundy seen on the export markets came from the leading merchant houses - I remember an early visit to a major figure in Beaune who told me firmly, "Monsieur, in Burgundy we are four: ourselves, Jadot, Drouhin, and Bouchard." There were also some useful cooperatives for inexpensive wine and a limited number of top domaines, one or two in each of the best-known villages. The trade in Burgundy was becoming

fossilized, with the marketing centered on the region's glorious past and its historic pageantry.

But all this was on the point of changing. A new generation of young growers was about to step up to the plate. Some were the sons and daughters of the well-to-do families in Burgundy, whose parents may or may not have been bottling some or all of their own produce, while their vineyards were frequently managed by sharecroppers (metayers). These young vigneron, born in the late 1950s, were the ones I met on my first trip to the region in 1981. It was possible to knock on doors and get allocations from domaines that have now achieved cult status - Dominique Lafon, Christophe Roumier, Etienne Grivot, and Ghislaine Barthod, for example. Anne-Claude Leflaive and Eric Rousseau belong to the same generation, though their domaines were already known internationally. Other stars such as Denis Bachelet, Denis Mortet, and Etienne de Montille are only a little younger.

THIS WAS THE FIRST GENERATION THAT TRAINED TOGETHER AT THE LYCÉE VITICOLE ("LE VIT") IN BEAUNE, WHO TASTED IN EACH OTHER'S CELLARS, WHO BEGAN TO UNDERSTAND WHAT BURGUNDY COULD BE.

What was different? This was the first generation that trained together at the Lycée Viticole ("le viti") in Beaune, who tasted in each other's cellars, who began to understand what Burgundy could be rather than just accepting the status quo inherited from the previous generation. Later on they began to travel abroad, to present their wines, to taste Pinots and Chardonnays being made in California, New Zealand, and elsewhere, perhaps to consult at wineries in the New World, and certainly to receive young interns from around the globe to work in their own cellars.

· GOOD VINTAGES AND PRODUCERS ·

During the 1980s, the modern era of red Burgundy began to fall into place - it would take a while for all the improvements to filter through into the wines, but the seeds were there. The breakthrough vintage was perhaps 1985; it was certainly the first time I heard the phrase, "The only way to make a bad wine this year is to do it deliberately." By the 1990s, Burgundy had really found a new rhythm that heralded its golden age.

No vintage is universally successful, but there is so much to enjoy during the '90s. 1990 itself remains powerful and full of fruit, though some might prefer a cooler style. 1991 was ignored because of frost damage and global recession when it emerged, but the small volume that was made has often turned out to be exquisite. 1993 in the Côte de Nuits has certainly outperformed expectations, and the better wines are still only just beginning to blossom. 1995 remains an enigma, the fruit having taken a prolonged leave of absence in most appellations apart perhaps from Volnay and Chambolle-Musigny.

I remain a believer in 1996, a vintage with high acidity alongside otherwise ripe fruit. More time is needed, and past vintages with high acidity (and much less ripe fruit) have evolved well over decades. 1999 earned a great reputation from the start, though it is a more consistent success in the Côte de Beaune than the Côte de Nuits, where some wines were perhaps overcropped - but in general these wines remain in their infancy. 2002 is the most beautifully fine-boned vintage, coming into its own now, albeit without the exceptional concentration of the greatest years. Who would have thought that 2003 would have turned out as well as it has - though of course the sumptuous, peachy richness of the fruit in this very hot vintage makes the wines somewhat atypical. The apogee for me is 2005 - a vintage in which the generic wines remain a thrill to drink, the village wines are only just beginning to open, and the crus should certainly be kept.

More important perhaps than the reputation of a particular vintage, is the fact that there are now so many more reliable, often exceptional producers from among whom to choose. Take Gevrey-Chambertin, for example; in the 1980s, there were perhaps half a dozen domaines, led by Armand Rousseau, whose wines were being widely distributed in overseas markets.

In 2015, one might well be clamoring for an allocation (price considerations apart) from any of the following, and I will surely have overlooked further contenders: Bachelet, Burguet, Charlopin, Damoy, Drouhin-Laroze, Dugat, Dugat-Py, Duroché, Esmonin x 2, Fourrier, Geantet-Pansiot, Harmand-Geoffroy, Herezstyn, Mortet, Rossignol-Trapet, Rousseau, Roy, Sérafin, Trapet, Varoilles...

From the perspective of wine quality, we may very well still be in the golden age. After the duo of 2009 and 2010, good whites were made in 2011, excellent wines in both colors in 2012, some exciting top-end reds in 2013, consistently fine whites in 2014, highly praised reds and potentially fine whites in 2015 - followed by exciting reds in 2016 and early interest in the 2017 whites. So, Burgundy continues to make some of the finest wines in the world. Furthermore, and this is crucial, I do not detect complacency from the red-wine producers. There is still a drive toward improvement.



The cross overlooking the great Hill of Corton toward sunset. Photography by Jon Wyand.

BURGUNDY CONTINUES TO MAKE SOME OF THE FINEST WINES IN THE WORLD. FURTHERMORE, AND THIS IS CRUCIAL, I DO NOT DETECT COMPLACENCY FROM THE RED-WINE PRODUCERS. THERE IS STILL A DRIVE TOWARD IMPROVEMENT.

· THE WHITES: STILL SOME WAY FROM FORMER GLORY ·

The palm for the greatest dry white wine on earth is usually given to Le Montrachet, supported by other wonderful white wines of Burgundy - though some (and I can be tempted) will push the claims of Riesling. There were some glorious vintages in the 1970s, especially the enormous crops of 1973 and 1979. A bottle of Meursault Charmes 1979 from Pierre Morey was the star turn of the evening (alongside much grander competition) when drunk at La Tour d'Argent in January 2018. The great success of red Burgundy, however, may have damaged the whites as producers started looking for elegance, throwing the baby out with the bathwater.

Chardonnay is a muscular grape not a ballet dancer, and attempts to produce a very pure, fine style of white Burgundy have missed the point. From the mid-1990s, a great many of Burgundy's white wines (and indeed some from other regions) have lost their ability to age, oxidizing prematurely. In the worst instances, the wines

take on a deep color, a bouquet of bruised apples and furniture polish.

Progress has been made in a number of areas, expressed in the timeline from picking to bottling as follows: a greater understanding of procedures during pressing, so that oxidases can act before it matters; avoidance of excessive bâtonnage; a more intelligent sulfur regime; better calibrated bottling machines with an understanding of the amount of dissolved oxygen in the wine; alternative closures.

Any bottle, however, that is affected by premature oxidation when it is opened is a wasted bottle; and white Burgundy that is made in a style to allow for instant gratification, without the need for extended cellaring, is but a poor imitation of what these wines used to deliver.

· FUTURE CHALLENGES: SUPPLY ·

Just when the world has taken Burgundy to its heart, supply has been threatened to a degree not seen for more than a generation. Some producers are concerned that yields are lower than expected even in vintages unaffected by meteorological hazards. Vines are dying much earlier than they should from a variety of ailments, not least esca, which can cause a vine to descend from apparent health to being extinguished in a matter of days - poor grafting and pruning practices have been blamed for this.

Some think that yields are lower because the vineyards are more intensively farmed than they were. Have producers, in their zeal to avoid the excesses of fertilization in the years after 1945, actually gone too far in the opposite direction? Or indeed, have organic practices deposited too much copper and sulfur in the vineyards?



· FUTURE CHALLENGES: DEMAND ·

Be careful what you wish for! After all those years trying to persuade potential customers that it was not just in Bordeaux that wonderful wines could be found, worldwide demand has made the fine wines of Burgundy both much scarcer and much more expensive.

The official importers of record remain the USA and UK, but that does not necessarily mean that the wines stay there. Auction evidence indicates that a considerable proportion of mature stock heads east. Nowadays, a huge amount of very fine Burgundy is being drunk in Hong Kong, Taipei, and Shanghai, to name only three vibrant centers of wine appreciation, and by people who really understand what they are drinking and just how good it is.

It is not just because these new markets are opening up that Burgundy has joined the ranks of the “collectibles.” There are now market prices for the top wines from the most famous producers, even though there may be so little stock around that it is hard to define a firm level. In my younger days in the wine trade, it was possible to wander into a store and pick up bottles of Rousseau Clos St-Jacques or Chambertin for between £30 and £60 each, and I see I bought some Coche-Dury Meursault from the early 1980s for about £10 a bottle. Prices for these iconic names were changing anyway, but it was with the stellar 2005 vintage that the phenomenon emerged of rare wines being listed (perhaps just one six-pack) at hugely inflated prices - and for that listing to be deemed as forming the market price.

· PRICES: CAUSES, EFFECTS, AND INCONSISTENCIES ·

Some wines have undoubtedly become investment vehicles. La Romanée-Conti 1988 was originally offered in 1991 at £2,800 per case. One such case was sold by Christie's in London in September 2017 for £198,000 - 70 times the opening price.

ONE NARRATIVE ON RECENT PRICING IS THAT GREED HAS GOT TO THE BURGUNDIANS, WHO ARE NOW “DOING A BORDEAUX,” REFERRING TO THE PERIOD OF THE 2009 AND 2010 PRIMEUR PRICING EXCESSES.

Price inflation has affected Burgundy across the board, though not to a consistent degree. The table compares the en primeur prices of the same wine from the 2005 and 2015 vintages, as sold by the same merchant, Berry Bros & Rudd. This selection is too small to be statistically valuable, but it does point to a few trends, not least the move toward six-bottle cases. It is also clear that the grander appellations have increased in price considerably more rapidly than the simpler ones.

White-wine pricing has followed a similar if not quite so extreme profile, which is harder to understand given the doubts expressed above about the performance of these wines at the moment. The only counterargument relates to the comparative scarcity of top vineyards for the whites, which are limited to the three - now four, with St-Aubin - leading villages of the Côte, plus Corton-Charlemagne. There is more choice among the leading reds, even though for some the hunting ground appears, sadly, to be confined within the boundaries of Vosne-Romanée, Chambolle-Musigny, and Gevrey-Chambertin.

One narrative on recent pricing is that greed has got to the Burgundians, who are now “doing a Bordeaux,”

2005 v 2015
EN PRIMEUR PRICES

	2005			2015			%
	BOTTLES	CASE	PER BOTTLE	BOTTLES	CASE	PER BOTTLE	
Bourgogne Rouge, Les Bons Batons, Domaine M&P Rion	12	£108	£9.00	12	£144	£12.00	+33%
Beaune 1er Cru Perrières, Domaine de Montille	12	£264	£22.00	6	£198	£33.00	+50%
Volnay, Vendanges Sélectionées, Domaine Michel Lafarge	12	£276	£23.00	12	£465	£38.75	+68%
Nuits-St-Georges 1er Cru Clos de la Maréchale, J-F Mugnier	12	£360	£30.00	6	£315	£52.50	+75%
Chambolle-Musigny, Domaine Ghislaine Barthod	12	£282	£23.50	6	£255	£42.50	+81%
Clos de Vougeot, Grand Cru, Domaine de la Vougeraie	6	£285	£47.50	6	£600	£100.00	+111%
Pommard 1er Cru Clos des Epeneaux, Domaine du Comte Armand	12	£468	£39.00	6	£540	£90.00	+131%
Vosne-Romanée 1er Cru Malconsorts, Domaine Sylvain Cathiard	12	£780	£65.00	6	£1,080	£180.00	+177%
Vosne-Romanée 1er Cru Beaux Monts, Domaine Jean Grivot	12	£540	£45.00	6	£750	£125.00	+178%
Chambertin, Grand Cru, Domaine Rossignol-Trapet	12	£600	£50.00	6	£870	£145.00	+190%

referring to the period of the 2009 and 2010 primeur pricing excesses. In conversation with producers, I rarely feel this, though one could cite a very small number of producers who are actively looking for the highest possible price.

The opposite narrative discusses the shortage of supply and the hardships faced by honest growers struggling to survive after years of reduced crops - no full harvest between 2009 and 2017, and several instances of catastrophic reductions. This analysis is fair enough within the heart of the Côte de Beaune, and especially relevant to the minor appellations; producers of Savigny-lès-Beaune have not been able to increase prices by anything like the amount needed to compensate for the shortfall.

The crucial difference, however, between this recent experience and a similar run of problem years in the 1960s is that it is quantity rather than quality that has been affected, since producers now know not to include any compromised grapes. The commercial situation for many of them, however, is very tricky indeed at the moment. A grower with just over half a hectare of Beaune premier cru Pertuisots (in which I have a small share) could theoretically produce 11 barrels of wine from his 0.53ha (1.3 acres) each year - but the total yield of the five vintages 2012-16 has been 9.5 barrels.

Certain domaines own all their vineyards outright, but there is also a widespread model by which either different family members, or the family property owning company, lease the vineyards to the domaine that exploits the vineyards. Now, the wholesale price of the grapes comes into play because the lease will typically be calculated on the value of four barrels of the relevant wine per hectare (for Côte d'Or reds) or five barrels for white. In years of short production, that can be a very heavy price to pay. Sometimes the rent is due in wine rather than cash - in which case, what happens when the exploitant has actually made fewer barrels than are owed?

Furthermore, high land prices are thought to have two negative effects on the traditional Burgundian landscape. Locals can no longer afford to purchase any of the higher ranked vineyards, and inheritance taxes based on the theoretical value of the vines will lead to the break-up of established domains that will have to sell vineyards to find the money. So, perhaps we will see a concentration of

the best vineyards in fewer hands, but with a bias toward the most competent protagonists.

THE MARKET DOES NOT FEEL HEALTHY - TOO MUCH MONEY CHASING THE TINY FRACTION OF WINE THAT FORMS THE TIP OF THE TRIANGLE, AND TOO MUCH DIFFICULTY IN MAKING ENDS MEET AMONG THE LOWER ECHELONS.

· CONCLUSION: FEARS AND HOPES ·

I find myself positioned somewhere between Dr Pangloss and Louis XIV. Not all is for the best in this best of all possible Burgundian worlds, yet the deluge has not fallen on the head of my wine-buying successor insofar as the necessarily expensive 2016 vintage has been well received despite coming after the glamour of 2015.

The market does not feel healthy - too much money chasing the tiny fraction of wine that forms the tip of the triangle, and too much difficulty in making ends meet among the lower echelons. The arrival of the plentiful 2017 vintage on the market may necessitate some recalibrations.

But there remain reasons to be cheerful, not least the continued excellence in myriad different styles of red-wine making, backed by something of an improvement in the reliability of the white wines. I see no reason not to continue my love affair with the wines of Burgundy, though my own purchases must necessarily be on a much humbler scale than they once were. Thank goodness there are so many delicious wines being made these days from the humbler appellations.

A longer version of this article first appeared in *The World of Fine Wine*.

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CELLAR MASTERS

WHERE HOUSING WINE IS DIFFERENT

"You just don't know the sentimental value attached to each bottle; the history; the story behind each case. What may be stock in a typical warehouse is the customer's prized possession at Octavian, with huge personal value, so we handle it as if it were our own."

The very nature of its stock differentiates Octavian from any other warehouse environment, explains Stephen Fox who joined the Company five years ago after twenty years spent working within the fresh, chilled and frozen foods industry - environments in which products can be viewed as much more of a commodity.

"Conventionally, warehouses focus on stock turnover which can occur up to 20 times a year, whereas we offer long-term storage and the average case at Octavian stays for eight years.

"And in a typical warehouse, operatives can be trained up and working on the floor within a matter of days. Some environments are so automated that they require very little human interaction. But it takes a full six months to train someone to work within Octavian's Operations team so that they have the skills to deliver the world's best fine wine storage service. And in the main, cases are owned by private customers rather than companies - hence the emotional connection. So I say to everyone joining us, 'Remember, the wine's not ours, but how would you look after it if it did belong to you?' That's the approach we take."

Octavian's quality of care starts from the moment a consignment is received. "Products arrive without bar codes so each case must be verified against paperwork," says Stephen. "In fact as much as 40% of all stock we receive has insufficient paperwork so additional work is

required to obtain the right information to enable it to be landed and to conform to HMRC regulations."

Logging the condition of stock upon arrival is crucial and while in most warehouses packaging is simply for the protection of goods, in Octavian's case, it is considered part of the wine's value. "As more secondary market stock is being traded, the increased movement of goods means a higher incidence of damaged stock arriving," Stephen points out. "A high percentage of wine is purchased unseen, so we have more notifications going out to customers to ensure they are satisfied with the condition of what they have purchased while they still have the opportunity to push back on their supplier. There's no recourse if this is left to a later date.

"Customers can instruct us to repair damage incurred in transit where possible, and if woodworm is detected, we'll treat it to prevent cross contamination. We apply a unique identification number that stays with the wine for as long as it is stored with us. Of course, our aim is not to disturb a case and wherever possible, we'll seek to preserve the integrity of what is often the original, from-Chateau case banding. This may have been in place for some twenty years or more.

"Verification continues as the cases travel on our train underground - they're logged whilst in transit and re-checked again when they reach their allocated space within our cellars."

Should photography be required, Octavian's state-of-the-art underground studio, staffed by a team of four, offers high quality images and photographic evidence of condition. "With so many wines being bought and sold unseen, professional images that show the condition of

wines provide tangible verification and this is a crucial part of our service today," Stephen points out.

Ask Stephen what else differentiates Octavian from the everyday warehouse and he doesn't hesitate. "What we do is different but where we do it couldn't be further removed from typical, purpose-built warehouse space. For starters, we're the only underground cellars in the world; a million square feet of premium storage space and 157 steps down into Bath stone. Our environment alone makes us unique and within this space, we strive to ensure the very best possible wine storage conditions and services."

Stephen goes on to explain that underground temperature levels are naturally stable, though carefully monitored nevertheless, there is no vibration and humidity gauges located throughout the mine are checked frequently throughout the day to maintain constancy of conditions. The adoption of technology, such as sensors on material handling equipment, helps ensure that stock is handled safely. "Drivers know that they are monitored constantly and this is important since for the majority of the day, they are not visible due to the size of the mine; it's such a vast and cavernous area.

"What's really different at Octavian to any other warehouse environment is that we appreciate the emotional and financial value that wines hold for our customers and rather than storage providers, we see ourselves as custodians. This is not without its challenges, but we genuinely feel proud of what we do and how we go about it. When I meet new people and they ask what I do for a living, it takes some explaining. I tell them, 'it's storage, but not as you know it!'"

MARKET UPDATE

CONTINUED

As one might expect in the current market, Burgundy continues to lead the market. 1990 Romanée-Conti picked up 16.6% to average \$27,368 in the first quarter (global averages given in US\$), while 1990 Rousseau Chambertin picked up 11% to average \$5,671 in the same period, up from \$5,111 for the full year 2018. Among white wines, 1996 Coche-Dury Corton Charlemagne picked up 18.1% to average \$6,013 in the first quarter, and 2005 DRC Montrachet gained 7.5% to average \$8,878. The truly spectacular result, however, was 1993 Leroy Musigny

which sold for an average of \$18,396 in the first quarter (up from \$12,559 in 2018), largely on the strength of Sotheby's "Trans-cend-ent" sale. However, not every Burgundy rose in price - 1999 DRC La Tâche lost 5.4% to average \$6,229 in the period.

Bordeaux also continued to appreciate. Most notably, 1982 Lafite picked up 19.4% to average \$3,742 during the period, and 1989 Haut-Brion continued its hot streak to end up just shy of \$2,000 per bottle in the first quarter, although 2000 Pétrus grew only 1% for an average of \$4,492.

Results elsewhere were mixed: Guigal's La Mouline and Jaboulet's La Chapelle lost 1.3% and 1.1% respectively, while 1990 Rayas grew 8.1% to average \$1,824/btl. In the New World, Screaming Eagle 1997 lost nearly 10% of its value to end at \$4,302, but 2001 Grange grew 16.4% to end at \$461/btl, and '07 Masseto lost 12.5% of its value, while 1990 Monfortino from Giacomo Conterno picked up a healthy 28.4% to end at \$2,104/btl in the first quarter.

Executive summary: a good time to sell Burgundy, to buy Bordeaux, and to choose your other wines carefully.

LATE SPRING WINE AUCTION SCHEDULE

April 24 - 25	Zachys, New York
April 27	Acker, Hong Kong
May 4	Sotheby's, New York
May 14	Christie's, Geneva
May 15	Acker, New York
May 17 - 18	Zachys, New York
May 17 - 18	Hart Davis Hart, Chicago
May 24 - 25	Christie's, Hong Kong
May 31 - June 1	Zachys, Hong Kong
June 5 - 6	Christie's, London
June 7	Christie's, New York
June 12	Zachys, New York
June 16	Baghera, Geneva
June 21 - 22	Heritage, L.A.



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