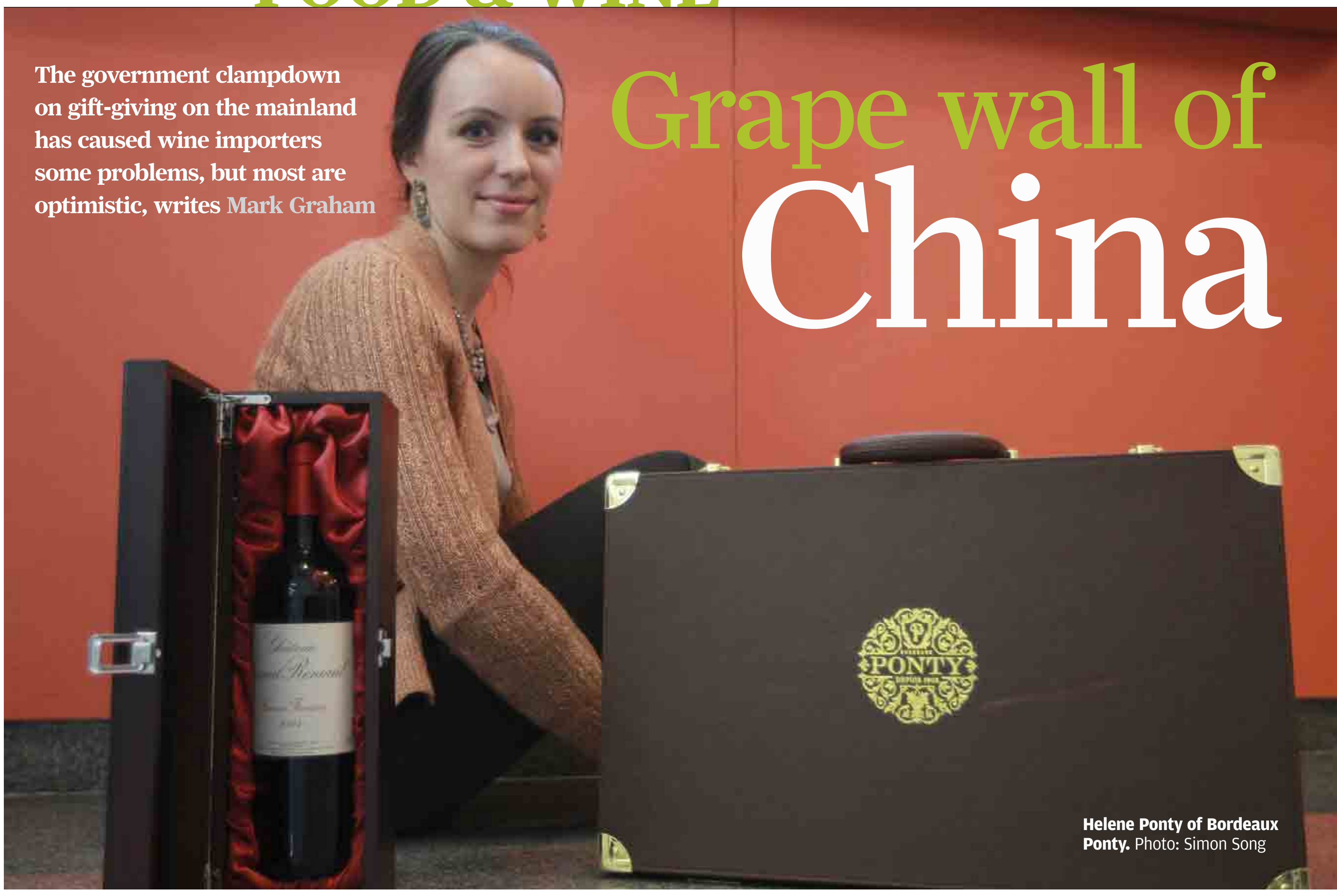
Grape wall of China

The government clampdown on gift-giving on the mainland has caused wine importers some problems, but most are optimistic, writes Mark Graham



Helene Ponty of Bordeaux Ponty. Photo: Simon Song

In years gone by, the giant wine company Torres made special decorative gift boxes for Lunar New Year, confident there would be plenty of corporate buyers in China seeking expensive, elaborately packaged wine to give to contacts.

But not for the Year of the Horse. The demand for such special gift packaging has fallen so dramatically that it is no longer worth making special editions for significant festivals, such as the New Year or Mid-Autumn.

The government clampdown on gift giving has also affected another handsome, year-round revenue earner for the wine industry. Lavish banquets where red wine flowed and toasts were endless, have been pared back, particularly in Beijing. In the capital, people have to be seen to be implementing the government's decree to stop splashing the cash on wining and dining; events featuring high-end Bordeaux and top-drawer *bai jiu* (rice liquor) are thin on the ground.

Customs figures show the volume of wine imports rose by 5 per cent last year. But they increased just 0.5 per cent by value and imports from France rose only 1 per cent by volume, and fell 10 per cent by value. But this doesn't mean it is total gloom and doom for the Chinese wine trade. China's wine-lovers enthusiastically took to grapes from Spain, Chile and Portugal, and continued to enjoy wines from Australia, Italy, the US, South Africa, Argentina and Germany.

The revenue gap has been, at least partially, filled by demand from young urban professionals who have developed a genuine love and appreciation of wine, rather than a desire to guzzle down exorbitantly priced Lafite Rothschild or Pétrus.

"These are younger people in their 20s and 30s, urban professionals who see wine as a hobby and a way of socialising. They drink to enjoy wine not to fall down," says Campbell Thompson, who runs The Wine Republic, a company little affected by the gift-giving clampdown. It notched up an increase in sales last year to 20 million yuan (HK$25.5 million).

"When I first got involved in the wine industry 12 years ago there were fewer than 20 companies importing wine into China. Now we are told by China customs there are more than 4,000 individual companies importing wine," he says.

Thompson says that, with such vast competition, it is hardly surprising that some firms have chosen to exit the market. "A lot of it was opportunistic trading; it's good that people give it a go, but there have been huge surges of new people and probably a bit of an oversupply. It got out of kilter with what is being consumed.

"Throw the austerity measure on top of that then there is a huge amount of wine coming in from Bordeaux without a home. People bring it in hoping to sell it and then find that prices have collapsed."

One importer from Bordeaux has bucked the trend by using an unusual business model. Helene Ponty, whose great-grandfather founded Le Ponty Wines, came to China with her Hong Kong-born boyfriend to explore the possibility of selling the chateau's wines directly to mainland customers.

It has worked well. Her clients are pleasantly surprised to receive personal visits from a Frenchwoman with a working knowledge of Putonghua who can explain the wine's characteristics and give a first-hand account of how it is made – by her father, Michel Ponty.

Since starting the business less than two years ago, the entrepreneur has sold 50,000 bottles, with China demand now accounting for around a third of the Bordeaux vineyard's production. Sales are consistent, despite the austerity drive.

"When I moved to China everyone was telling me you have to be very cheap, or very expensive, that there was no market for wines at around 300 yuan to 600 yuan," says Ponty.

"Now there is no more market for the expensive wines – the government doesn't buy it any more and the big companies have cut back, so there is now a market for those mid-range wines like ours."

Ponty says some importers played on the lack of knowledge by Chinese consumers, selling lesser-known Bordeaux wines, confident that no information about the wine's provenance, or usual retail price, could be found on Chinese-language websites. This allowed distributors to heavily mark-up the price.

The sellers were also capitalising on the inclination among less wine-savvy Chinese buyers to focus on the picture on the label and the price, rather than worry about the contents of the bottle. Ponty has also benefited from the attitude where would-be buyers have only shown interest in the packaging, not the product.

"Everyone says they want something that looks French. They think a leather box looks French but it does not," she says. "In France, you would give wine very simply in a cardboard box or wooden box.

"My understanding of what is French is different from theirs. My new six-bottle box is like a little suitcase in leather, but in France you would not do that.

"You have to adapt if you want to do business here. I think a lot of people come from France and criticise the culture when they see people saying *gan-bei!* with wine.

"I have to explain that is the way you show respect, so if you refuse to drink wine like that, you are not being respectful."

One senior executive who has done his share of *gan-bei*-ing over the years is Damien Shee, north China general manager for the Spanish giant Torres, where annual revenues now stand at 250 million yuan. But last year saw a slowdown in gift-box sales, so the company decided to drop special packaging editions for Lunar New Year and the Mid-Autumn Festival.

But the gap has been filled to some extent by middle-class professionals who have developed a wine-drinking habit. Sales have also held steady at the very top end of the Torres catalogue: its prime wine is Chateau Mouton Rothschild, which sells for 21,786 yuan.

"We have Chateau Mouton but we do not focus on these high-end wines, our business model is based on wines for every day," says Shee. "It is like a car dealer who has the licence to retail Bentley, Rolls-Royce and Toyota; you would be selling a lot more Toyotas.

"The high-end brands are the ones that give you the prestige, but the ones that help you put your kids through school are the things that you sell every day."

Shee predicts that more and more oenophiles will be placing their orders online, meaning China will effectively have bypassed the traditional wine-store method of sales. There is a smattering of retail wine outlets in the major cities, but nothing on the scale of, say, Watson's Wine outlets in Hong Kong.

Torres already has its Ever Wines online outlet, which is doing brisk business. Wine lovers in the second, third and even fourth-tier cities, where wine stores are scarce, can browse a world-class selection.

They can decide whether to go down the French route – wine from that country still accounts for more than 40 per cent of imports – or opt for offerings from Spain, Italy, Chile or Australia.

Overall, despite the luxury squeeze, Thompson of The Wine Republic is bullish on the future of the business for importers.

The respected trade body Vinexpo is also confident that China is destined to become a wine-drinking nation; as of now, it is ranked fifth in the world consumption table, with sales predicted to reach more than two billion bottles annually within three years.

"I think that in the long term, there will be strong growth," says Thompson. "We are fairly positive, but it will be different from two, three or five years ago when there was that exuberance in the market.

"With Bordeaux there was a boom, and then a bit of a bust. Bordeaux is always going to be important in the China market, it won't disappear. There was just too much of it.

"We are seeing a lot of interest in the 100 yuan to 200 yuan range – affordable but not the really cheap and cheerful stuff," adds Thompson.

life@scmp.com

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>
> CAMPBELL THOMPSON

Gan-bei! It's a cultural revolution in wine

Revolutionary times call for revolutionary alcohol. That's the thinking behind Hong Kong-owned Grace Vineyard's latest wine, as the Communist Party tightens its spending belt.

The People's Series is the brainchild of Alberto Fernández and Damien Shee, the managing partner and north China manager of the vineyard's distributor, Torres.

They commissioned the limited-edition Peoples Series, complete with tongue-in-cheek labels that feature smiling Chinese workers holding aloft bottles of wine.

However, it's debatable how many mainland workers would spend 99 yuan (HK$127) on a bottle of the People's Cabernet. Its real audience is wine lovers who like to be tickled.

"I think it will jump out on a shelf and also at trendy bars, where they don't want that cheesy Chinese-looking label," says Shee.

"One hotel asked if it could be their house wine and we also think it will be popular at airport stores."

Just 10,000 bottles of the Peoples Series have been produced. The red wine is made from grapes harvested at Grace's new vineyards in Ningxia, while the white wine comes from vines grown near its main operation, in Shanxi province.

RESTAURANTS

Complements of the season

Mischa Moselle
mischa.moselle@scmp.com

Chef Jacques Barnachon has come to Hong Kong to set up French fine dining restaurant La Saison and bring the city an environmental message. Barnachon says that we should be eating seasonal, locally produced food cooked very simply, a message strongly tied to his menu of traditional French ingredients such as frogs legs, snails and foie gras.

The chef is also an active member of Euro-Toque, a 2,800-strong European chefs' organisation that aims to promote healthy eating while preserving Europe's small farms. Small farmers are being squeezed by supermarkets, he says but he believes they can be saved if they work with chefs to produce high quality ingredients. The group makes representations to the European Parliament on issues such as food safety and farming. He is the first member of the group to set up shop in Hong Kong.

> **I kill them [frogs] in the morning for lunch and in the afternoon for dinner**
>
> CHEF JACQUES BARNACHON

Barnachon grew up in his parents' hotel on a lake near the Swiss border just south of Alsace. L'Etang du Moulin is where he now does his one-Michelin-star cooking while his sister runs front of house at the hotel which also features a brasserie. He started work aged just 14 and quickly got used to the 11-hour days, which led to him working for noted pastry chef Philippe Gobet and then Joël Robuchon. He complains now that French youngsters only want to work an eight-hour day – unrealistic for a commercial kitchen.

He also owns a restaurant called Jacques Alexandre in the nearby town of Morteau that also offers his simple style cooking.

L'Etang du Moulin is most famed for its frogs legs. Barnachon will only sell them in season but when it is the season he sells 30,000 to 35,000 pairs of legs in four or five weeks. Barnachon calls his regular customers in Paris, Brussels and Geneva in early March who then come to stay at the hotel just to eat the speciality. At the height of the season, Barnachon says he cooks 800 pairs of legs an hour.

"I kill them in the morning for lunch and in the afternoon for dinner," he says. He cooks them simply with butter and salt and pepper so that the flavour of the frog comes through. Although Barnachon could sell imported legs all year round, he refuses as they are neither in season nor local. "If there are no more, there are no more," he insists.

Chefs find it quite hard to stick to such stringent guidelines because they are used to giving customers what they want but "you can't eat cherries all year."

Is it really so bad to eat cherries out of season? "It's not so bad," says Barnachon. "But they will have to be cherries from Chile that are three times more expensive with the transport and flight."

Ideally, everyone would respect the rule that if you want something, you sometimes have to wait for it.

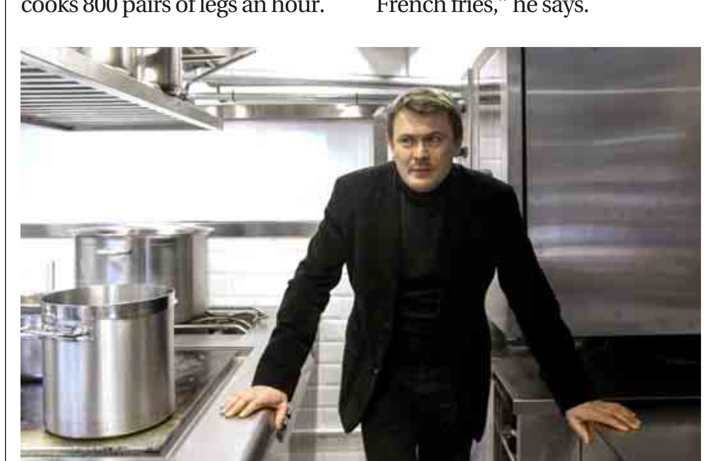
Simplicity, he claims, is everything in his cooking – the quality of the main ingredient should come through rather than be masked by cooking he describes as gimmicky.

Barnachon's cooking with one of his other favourite ingredients – foie gras – has earned him the title of *Meilleur Ouvrier de France* (leading French craftsman). While Barnachon refuses to bring frogs legs to Hong Kong, or buy them locally, he is working with foie gras from Rougie at La Saison. He may bring the product in from Frederic Masse, his supplier in France, at some point too. At the Tsim Sha Tsui restaurant the foie gras will be served pan seared with roast apples and with a sauce made from a fortified wine called macvin on the à la carte. A set dinner menu offers the delicacy in a terrine with morel mushrooms.

The French hotel sits on a 27-hectare lake (Hongkongers who have stayed there have told him they find it difficult to sleep the first night as it's too quiet) and Barnachon is a big fan of its freshwater crayfish – not only for their flavour but because they help keep the water clean. In Hong Kong he uses langoustine instead in dishes such as ravioli in shrimp broth or roasted in lobster broth.

Barnachon will visit regularly, but has appointed Florian Muller, a former apprentice at L'Etang du Moulin, as head chef in his absence. The pastry chef is Loic Poitou, formerly of the Royal Garden Hotel.

Barnachon is open about the fact that it will be difficult to stick to his principles in Hong Kong. He says he will be aiming for a balanced menu and one that encourages children to eat properly. "There will be no French fries," he says.



Jacques Barnachon at his new restaurant Le Saison at The Cameron in TST. Photo: Jonathan Wong

LYNAM UP

Coca brings cocktail world a new high

Robin Lynam
life@scmp.com

"I get no kick from cocaine," claimed Cole Porter in *I Get a Kick Out Of You*, back in 1934. In the same song he professed to "get no kick from champagne" either. So we can safely assume that he would have got "no kick" from Cocalero, too.

Like champagne, this new South American "herbal spirit" does contain alcohol, but a significant part of its flavour is awarded by the coca plant from which cocaine is made.

Don't get too excited – it has about as much narcotic effect as Coca-Cola.

Exactly as much in fact.

"There is only one [internationally legal] source in the world for the coca leaf flavour," says John Ralph, founder and chief executive of the CL Trading Company, which makes the drink. "It's a company in New Jersey which produces it for a very well-known soft drinks brand. They agreed to supply us, so we've taken that base flavour and married it with 16 other botanicals."

Ralph came to Cocalero by a circuitous route. He grew up in Ireland and, aged 16, set up a company in Dublin operating rickshaws, which did a lively trade in helping nightclub patrons get safely around town.

Getting to know the nightclub operators, he says, gave him connections in the booze business, and he decided to set up an importing company.

"We had Campari, Aperol and really premium brands, " he says, but when Ireland's economic bubble burst, Dublin's drinkers traded down.

"People stopped buying bottles of spirits for 65 euros (HK$681) and moved towards buying pints of beer for four euros," he says.

It was time to try pastures new. In 2008, he moved to Shanghai, working as managing director for Babco Asia, which sells alcoholic drinks flavoured with coca. Ralph became fascinated by the coca plant and its role in South American lifestyles. In Peru and Bolivia the leaves are chewed and made into teas. Coca, in these countries, is believed to have health giving properties.

Ralph saw potential for another coca-based drink, but decided the ingredient was "more suited to the complex world of mixology". Having secured a supply of legally-processed coca, he enlisted a "flavour technologist" to develop a new formula.

"The two of us worked on just tasting, tasting, tasting until we got it right. We worked on about 200 different samples," he says. "I'd never got into production before and it was a fairly steep learning curve."

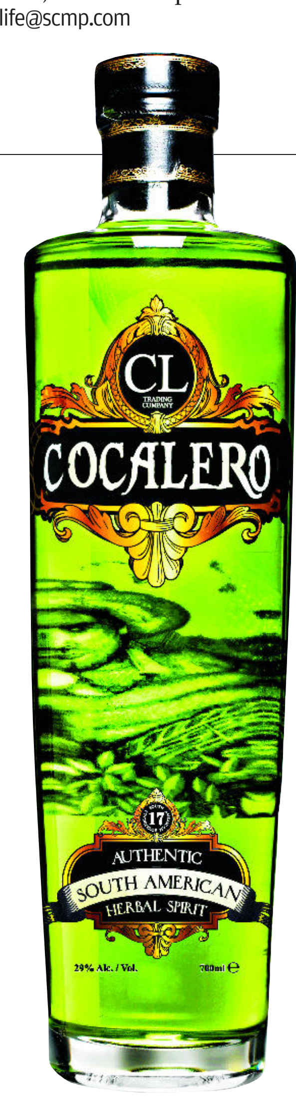
The twin inspirations for what he and the consultant came up with were coca and gin.

Ralph had paid attention to the gin revival, and although Cocalero, at only 29 per cent alcohol by volume, packs less of a punch, it shares some of gin's botanical characteristics.

The coca leaf flavouring is blended with 16 others, including Amazonian guarana, ginseng, ginger and green tea.

The last two were perhaps chosen with an eye on the Asian market, which is where Cocalero is being launched.

"Asia's the test market," Ralph says. "We've kicked off in Hong Kong and we're going into South Korea, Taiwan and China. Australia and New Zealand will be the next wave. I picked Asia because I'm living in Shanghai, I've got local knowledge, and this is the most dynamic market right now."



It is no coincidence that the drink is being launched in the year that Brazil hosts the football World Cup, focusing the world's attention on Latin America.

"What's the first thing you think of when you think of South America? It's partying. It's a fun place, it's relaxed, it's chilled. It's not hustle and bustle. It's a party at night, and we've tried to capture that in the spirit of the brand," Ralph says.

The spirit is intended to be served ice cold, either neat with a wedge of fresh lime or in cocktails. It can substitute in classic cocktail recipes for gin, vodka, tequila and white rum.

So what does it taste like? Citrus notes are fairly prominent. I suppose somebody who likes Coca-Cola might be able to recognise the coca. Personally, I didn't much care for it as a child and haven't touched the stuff since, so I'm unable to judge.

With just the lime it is a refreshing and less potent alternative to a tequila shot, although Ralph says he hopes people won't be throwing Cocalero down in one too often. He is encouraging mixologists to develop cocktails in which Cocalero is highlighted.

"We feel we've got a formula that works. The flavour profile adjusts as you go through the drink. The nose is different to the first flavour, which is different to the flavour at the back of your palate.

"It's a sensory experience. It has a bit more depth than your typical herbal liqueur," he says.

Coincidentally, Cole Porter was born in Peru. Peru, Indiana, admittedly, but perhaps he would have got a kick from Cocalero, after all.