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Tax cuts could set off India wine boom

HONG KONG: Cash-rich emerging Asian markets, especially India, could see an explosion in wine consumption in the future - if their government scraps import taxes altogether, the way Hong Kong did in 2008, maintains wine expert Jeannie Cho Lee.

That move ushered an explosion in fine wine consumption and sales in all of greater China - including Hong Kong, Macau and on the mainland - accompanied by frenzied wine auctions and an insatiable demand for wine storage and logistics.

Given its status as a market with a huge population rivaling that of China, India's potential as a wine market looks just as exciting, said Lee, a Master of Wine who has written several books on the subject.

"From an economic perspective, because (of) the sheer number of people in India who are getting wealthier and who have traveled, and who are not strictly practicing a certain religion and are much more international, that proportion of the population in India is growing," Lee said

"So that means, inevitably, wine (interest) is growing." The main hindrance to a potential boom in India's wine market, given the rapid growth of a freer-spending middle class, is prohibitively high alcohol taxes in key cities such as Delhi and Mumbai, though taxes are lower in Delhi.

"Mumbai being the sort of business hub of India, even though there's close to 300% duty, people still drink. People still enjoy wine," Lee said.

"So at the fine wine end of the spectrum, a lot of the Bordeaux chateau owners are telling me they're doing quite well in India."

Wine consumption in Asia has already seen double digit growth over the past five to 10 years as economies grow and people become savvy travelers, but if the region's governments scrapped all wine taxes, Lee is confident sales and growth in the market would boom.

Fine wine - those priced above US$100 -- as a volume of per centage makes up less than 10% of the wine consumed in greater China. But in that segment alone, mainland China, Hong Kong and Macau have seen growth double year-on-year, Lee said.

Inevitably, part of that growth is due to status. "Wine is seen as a luxury, and within that luxury, people are looking for familiarity with the brand, thus the power of Lafite or Mouton, just as in the fashion world," she said.

"So it's got that brand attraction as well, that's why a lot of elite chateaus in France are benefiting so heavily from this."

The impact of the Hong Kong tax move also had a significant effect on wine auctions, which began to grow explosively. From virtually none, the number of auctions coming to Hong Kong grew about four-fold within a year -- and prices shot up as well.

"Definitely by 2009, it [Hong Kong] was the place you can sell the same wine, but if you sold it in a New York auction, you would get 20 or 30, sometimes even 50% less," said Lee.

"Now they regularly do anywhere between I would say for each auction house, 4, 8 or 10 auctions a year in Hong Kong from nothing, from zero, so that's really in the last three years."

Lee says India may be well behind Hong Kong or China when it comes to wine consumption now, but that for wine producers who see the potential, this may be the time to get in.

"It's never going to be that kind of open market as in Hong Kong or have the same kind of growth potential as in China but they do see that there is a niche market," she said.

"As soon the regulations are, if they are ever relaxed, then there really will be a boom."