

CLUB ENOLOGIQUE



1925
CHAMPAGNE
HENRI GIRALDIN
AY - FRANCE

Uncorking greatness

CHAMPAGNES OF THE YEAR
Cabernet beyond Bordeaux | California's new cults
Whisky goes into the stratosphere



Richard Woodard takes a look at the seemingly unstoppable price rises in the world of super-premium Scotch

Illustrations by Noma Bar

In 1993, high-street wine retailer Oddbins decided to list an unusual item: a curiously dark-coloured single malt, matured for 29 years in Sherry casks and priced at the then-jaw-dropping sum of £110 a bottle – more than any other whisky on its shelves. Many scoffed. Who in their right mind, they asked, would pay more than £100 for a bottle of whisky?

Oddbins sold out of Black Bowmore within weeks, and in the years since, the 2,000-bottle release has passed into whisky folklore, paving the way for the Islay boom and seeding the notion that whisky might be something more than just a nice drink. Further iterations of Black Bowmore followed. By the time of the fifth release in 2016, the now 50-year-old whisky was priced at £16,000. Today, you can still find first-edition bottles for sale, but instead of £110, they'll set you back £27,500.

The past 30 years have witnessed a transformation of the rare-whisky scene. What was once the province of a few passionately geeky enthusiasts is now a world where the über-rich compete to spend seven-figure sums on the most sought-after bottles. The big auction houses – for whom whisky was an afterthought until a few years ago – now employ spirits specialists and devote entire sales to individual collections or distilleries. Increasingly, brand owners are bypassing the market and going straight to their affluent target customers, selling them ultra-rare bottles and even, through private-client schemes such as Diageo's Casks of Distinction programme, whole casks of mature whisky.

Meanwhile, on the open market, the high-end releases keep on coming. In June, Diageo unveiled the third of its Prima & Ultima series of rare single malts: eight whiskies, including the dream 'ghost' distilleries of Brora and Port Ellen. The 317 sets are priced at £36,500 each, giving them a combined value of more than £11m. This year has also seen the debut of House of Hazelwood, a rolling programme of whisky releases from the private stocks of the Gordon family, owners of Glenfiddich and Balvenie distiller William Grant & Sons. So far, two tranches of eight whiskies each have been put on the market, priced at between £950 and £4,900 a bottle. The total value of the second tranche alone, the Autumn Release, is close to £4.4m (head to p.100 for a review of some of the whiskies).

Impressive numbers indeed. But not quite as eye-watering as the £16m paid by an Asian collector in July for a 1975 cask of cult Islay distillery Ardbeg. Under the terms of the deal with Ardbeg owner Moët Hennessy, the unnamed collector will receive 88 bottles each year for the next five years, giving them a vertical series of whiskies aged for 46, 47, 48, 49 and 50 years by 2026. At an average cost of just over £36,000 a bottle, some observers have suggested that the Ardbeg cask deal isn't necessarily bad value in the current market; others have voiced incredulity. After all, £16m is more than 16 times the auction record for a cask of whisky (set only three months earlier by a 1988 Macallan).

Just how high can whisky prices go?



In such a fast-moving bull market, accurate assessments of true value are elusive. The constantly expanding global audience of drinkers, collectors and investors is navigating an ever more complex marketplace, from traditional specialist retailers to auction houses and, increasingly, direct relationships with the distilleries themselves. They are buying bottles, collections and casks, and their demands are becoming more and more specific: this distillery, that age, personalised labelling, bespoke bottles.

'We're dealing in an area of lifestyle that involves yachts, private jets and big houses abroad,' says Charles Beamish, founder and CEO of Beamish International, a global private-client business that advises people on the buying, selling and verification of rare single-malt whisky, both in bottle and in cask. 'These people want to travel to Scotland to visit their favourite brands, buy product from that brand home [which guarantees provenance and authenticity] and bring it to wherever they live, to enjoy with their friends. That's the kind of people that we're dealing with.'

Beamish works directly with brand owners, overseeing the buying process from origin to execution – in other words, delivering the whisky to the client. The company offers a range of services, but perhaps its most important function is one of fulfilment: helping buyer and brand owner to complete what can be a fiendishly complicated journey. The entire procedure to source rare bottles or casks can take as long as six months, simply because the specifications from customers can be so precise, and the supply side is so finite.

'Some people love peaty whisky, sweet whisky, certain brands, first-fill barrels, cask strength or non-chill filtered,' says Beamish. 'I deal with a lot of wealthy Chinese clients who enjoy higher-strength whisky because they like Moutai [baijiu]. But a US

consumer might like a 42% abv sweet Highland whisky that they can drink on a Thursday night.'

The very existence of a specialist business such as Beamish International is an illustration of how far the high-end whisky market has come – and how fast. For an industry with its roots in making whisky as a by-product of arable farming, it hasn't always been easy for distillers to adjust.

The Macallan has been at the forefront of luxury whisky for decades, but even this pioneer is still getting to grips with the new reality. For 13 years, the distillery offered an en primeur service, allowing about 10 clients a year to acquire their own, newly filled cask of The Macallan single malt, to be bottled after a contractually stipulated minimum maturation period of 12 years. But in 2020, the programme ended. Why?

'It's highly complex,' says Geoff Kirk, The Macallan channel manager for the secondary market, who has also recently set up its private-client management team. 'The bigger challenge that maybe wasn't foreseen from the start of the programme was the fulfilment. It was easy to fill the casks and engage the clients, but bottling and getting the product to the end destination, wherever that happens to be – that is proving to be very challenging.'

There was also a feeling that dealing in full casks – each containing hundreds of litres of whisky – rather detracted from the scarcity message that lies at the heart of the appeal of rare single malt. It is this scarcity – a 'positive' or 'natural' scarcity, as Kirk describes it – that he believes will continue to drive the rare-whisky market to new heights. He explains: 'There are inherent limitations on the supply side, but on the demand side I strongly believe the category has only scratched the surface. The affluent middle class in China continues to

grow, despite the economic challenges, and it will develop in Vietnam. The underlying wealth is pretty phenomenal.' There's also the Middle East, Eastern Europe, Africa and the Americas. All it takes is for a tiny percentage of wealthy consumers to be turned on to whisky, Kirk argues, and the demand for rare bottlings will continue to expand.

'I just don't see there being any kind of bubble, because the bubble's tiny,' he adds. 'It will have a lot of space to grow from a demand perspective, but it won't have a lot of space to grow from a supply perspective. That's just the basic economics of it.'

Scarcity is partly driven by diminishing availability: as time passes, there's less of a particular whisky around, simply because some of it is consumed. As more and more people buy rare whiskies to collect or invest, rather than to drink, the question is whether this will remain the case. For now, Kirk believes there is a 'nice dynamic' between consumers and collectors: the former are happy to open high-end whisky to drink, and the more this happens, the more inflated the price tag of the remaining bottles. And collectors – even if they have no intention of selling – feel the emotional satisfaction of seeing the value of their purchases grow.

Could anything upset this 'nice dynamic'? Possibly. As in fine wine, fakes are an ongoing issue, and the perception of whisky trading as some kind of 'get rich quick' scheme in some quarters risks bringing less scrupulous elements into play. In particular, the proliferation of companies and brokers selling casks for investment purposes has the industry worried – so worried that a working group of experts including (among others) Beamish, Kirk and collector and The Whisky Exchange and Elixir Distillers founder Sukhinder Singh is demanding action. Following a round-table discussion in October, the group drew up a range

of proposals, which will form the basis for a Rare Whisky White Paper in 2023. Many of the points relate to the sale of casks to consumers, calling for increased regulation, perhaps through some kind of licensing scheme drawn up under the auspices of the Scotch Whisky Association.

Partly the issue here is related to some companies promising unrealistic returns: quoting growth figures from the historical auction market for rare bottles, and suggesting that these can somehow indicate the future value of a cask.

'I think many of the rogue traders and brokers are dealing with people who have this perception that the whisky market is going to return huge amounts of money to them in the next 10 years,' says Beamish. 'And maybe it will. But what I am particularly professionally upset about is that they're guaranteeing it, which is absolutely ludicrous.'

That's just part of the problem. A whisky cask is essentially an open container (with a bung in it) – easily refilled, topped up or otherwise tampered with. That's assuming the cask exists in the first place – in the past, people have handed over their cash only to find the cask in question was never bought. Even when rogue operators are shut down, it may well be too late to get your money back. But let's suppose that you buy a genuine cask of The Macallan. What can you do with it? Not as much as you might think. 'A lot of the premium paid on mature casks is linked to the original distillery,' says Kirk. 'But what a lot of people do not fundamentally understand is that the cask they have bought cannot be bottled as part of the original brand.'

The spirit may have run off The Macallan stills, but the cask was not chosen by the distillery, nor has it undergone any of the quality checks to which The Macallan's own casks are subject. Bottle it with a Macallan label, and you're infringing the brand's

There are inherent limitations on the supply side, but on the demand side the category has only scratched the surface

– Geoff Kirk, The Macallan

MARC MILLAR, SCHNAPPS, JOHN PAUL



Recent releases such as Glenturret 50-year-old (left, £40,000) and Loch Lomond 46-year-old (above, £4,500) reflect the clamour for limited-edition bottlings



Among recent additions to the premium whisky scene are library releases from House of Hazelwood (left) and 'ghost' distillery Ladyburn, both sourced from the stocks of William Grant & Sons



copyright. 'It absolutely will not and cannot be bottled as The Macallan,' says Kirk. 'We are categorical about that fact. It's not our product once our new-make spirit goes into someone else's cask.'

Safer, perhaps, either to go direct to the brand owner via a scheme like Diageo's Casks of Distinction programme (The Macallan has no plans to operate a similar scheme), or to stick to the primary bottled market, buying a distillery's own prestige releases, or those offered by a high-quality independent bottler such as Gordon & MacPhail.

As the years pass for the high-end whisky market, what began life as the tiniest niche within a niche is becoming ever more diverse. In August this year, The Macallan unveiled The Macallan Horizon – a 'prototype' single malt produced in association with Bentley Motors. The eye-catching horizontal design resembles a concept car as much as a bottle of whisky and – borrowing from the marketing playbook of the luxury motor industry – only a few details about it have yet been revealed. If you want to know more about the whisky inside The Macallan Horizon's futuristic packaging – or how much it will cost – you'll have to wait until at least early 2023. But you can be certain of two things: it won't be available on the high street, and it'll cost a good bit more than £110 a bottle.

Collecting and investing in whisky: Dos and don'ts

- Don't forget that whisky as an investment asset is in its infancy: while short-term gains have been dramatic, longer-term trends are much harder to assess.
- Do your homework: knowledge and experience are vital when prices plateau or decline. Never stop learning, and lean on trusted merchants and auction houses.
- Buy carefully: seek out retailers and auction houses with a proven track record – their expertise is invaluable, and they're a safer bet when it comes to provenance.
- Scarcity is your friend, so closed distilleries, discontinued bottlings and limited editions are a good bet. And buy what you love – after all, you may have to drink it.
- Exercise caution with whisky investment funds and ask lots of questions. Who's behind it? What accreditation and experience do they have?
- What extra charges are involved? For casks, these might relate to storage, insurance, gauging (checking strength and volume) and transportation.
- With casks, factor in bottling costs, including excise duty and VAT – likely to run to several thousand pounds for one cask. Check every detail about your cask: what it is, where it's stored, contractual limitations related to trademarks and bottling, as well as the fine print in the paperwork.
- For cask purchases, read the detailed guide from the Scotch Whisky Association by scanning the QR code below (or check its website). ○

