

Changes in Business Models Disrupt Wine Market

A recent report predicts the consolidation of wineries and more in the global wine business.

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Rabobank's third-quarter report released this week forecasts consolidation in the wholesale tier, wineries and the retail sector, as change becomes the only certainty in the wine business.

“Changes in technology, business models and market structure are disrupting the global wine market and creating new sets of winners and losers among wholesalers, retailers and suppliers,” said Stephen Rannekleiv, global beverage strategist for the Netherlands bank.

Rabobank made note not just of direct-to consumer (DtC) wineries reaching out to customers, but also of Liberation Distribution or LibDib. The company is a three-tier online licensed distributor that connects wineries or importers with retailers and on-premise accounts. Right now, it's only available in California and New York, but LibDib founder and CEO, Cheryl Durzy, said she has applications pending in several states in the West and the Midwest.

Mergers

Rabobank also pointed to the many private-equity players investing in wineries, such as **Carlyle** buying **Accolade** and **Codorníu**, as well as Italy's **21 Investimenti** and **Aberdeen Standard Investments** taking a minority stake in **Casa Vinicola Zonin** ahead of a possible initial public offering. **Treasury Wine Estates** has also established its own distribution system and switched wholesalers. **Concha y Toro** has taken full control of **Excelsior Wine Co.**, the import and marketing agency it had formed with **Banfi**,

Another important purchase not included in the report is North Fork's **Paumanok Vineyards** purchase of **Palmer Vineyards**, including its 60 acres, winery, inventory and brands. The price was not disclosed.

Small harvests

The small 2017 harvest has meant higher prices and a shift in the flow of trade. In the first quarter of 2018, volumes of bulk wine exports soared more than 51% for Australia and more than 60% for the United States over the year-ago period. Rabobank described bulk wine pricing as “high, but stable” in the first half of 2018. So, retailers and on-premise accounts that have their own labels should have ample supply.

Trends in the Industry

As for trends, Rabobank found that while U.S. imports rose 14% in value, they declined 1% in volume during the first two months of 2018 when compared with the year-earlier period. Sparkling wines saw growth in both volume by 12% and in value by 8%, although the rate of growth is slowing.

Vermouth, admittedly a tiny segment, is maintaining its momentum, up 22% by volume and 224% (cq) in value, no doubt benefiting from the return of cocktails.

Imports from Italy, France and New Zealand continue to see double-digit growth in value terms, more than offsetting lower purchases from Germany, Argentina, Australia and Chile.