

Bulk Wine Takes Share from Bottled Exports

NEW YORK (PRNewswire) — Rabobank has published a new report on the global wine industry, looking at issues of supply, demand and pricing in key markets worldwide, particularly South Africa.

In the report, Rabobank's Food & Agribusiness Research team says that both bulk and bottled wine exports from South Africa enjoyed strong growth in 2013. Rabobank analysts say the weak rand, coupled with rising bulk wine prices in other wine-producing regions, made South Africa wine more competitive and attracted new buyers who were impressed by the quality they found. Overall exports increased 26% in 2013, however, challenges remain and bulk and bottled wine suppliers will require different strategies to navigate the new market.

"Success going forward for bulk wine producers requires extreme production and logistics efficiency," explained Rabobank analyst Stephen Rannekleiv. "The recent large harvest in Spain has made the bulk market more competitive again and South Africa wine will have to seek new alternative markets to maintain growth.

"By contrast," Rannekleiv continued, "success as a bottled wine exporter is becoming more limited to those companies with the ability to build strong brands. For bottled wine exporters, a deeper understanding of the target consumer and what drives purchase beyond price will be key."

Production Update:

With data for the 2013 wine grape harvest now generally available, it appears that increasing yields for important suppliers in both the Northern and Southern Hemispheres have led to a broad increase in wine availability going in to the 2014 Southern Hemisphere harvest period. However, there continue to be pockets of mismatched supply and demand. Inventories of Spanish value wines are now quite healthy, following the large harvest in La Mancha, but Bordeaux is tight due to adverse weather. Southern Hemisphere production was quite strong in 2013, but looks set to see mild to significant declines across Chile, Argentina and South Africa. It is still early to gauge the size of the Australian harvest, but production in New Zealand will likely break its previous record.

International Trade Update:

The international wine trade reached somewhat of a watershed moment in 2013, as bulk wine now makes up half of all New World exports. Although bulk wine has clearly taken share from bottled exports, the recent data from South Africa suggests that the two segments can co-exist and find success when they follow clearly differentiated strategies.

Rabobank Group is a global financial services leader providing wholesale and retail banking, leasing, real estate services, and renewable energy project financing. Founded over a century ago, Rabobank is one of the largest banks in the world, with

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nearly \$1 trillion in assets and operations in more than 40 countries. In North America, Rabobank is a premier bank to the food, beverage and agribusiness industry. Rabobank's Food & Agribusiness Research and Advisory team is comprised of more than 80 analysts around the world who provide expert analysis, insight and counsel to Rabobank clients about trends, issues and developments in all sectors of agriculture. www.rabobank.com/f&a [1]

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