Rabobank

Media Release
July 16, 2012

New Zealand wine – a glass half full

A weather-affected 2012 New Zealand wine harvest has reduced bulging stocks and driven a small but significant lift in Marlborough sauvignon blanc (MSB) grape prices. This is leading many in the industry to once again "view the proverbial glass as half full rather than half empty" when it comes to New Zealand wine, according to a new industry report.

In its ***Wine Quarterly Q2: New Zealand wine – a glass half full***, agribusiness banking specialist Rabobank says an unseasonably cool and in some parts rain-affected 2012 New Zealand wine harvest of 269,000 tonnes (down 18 per cent on 2011) has reduced the high stock levels that had fuelled a surge in bulk wine exports and private label brands in recent years.

Report co-author Rabobank senior analyst Marc Soccio says the sharp fall in New Zealand production in 2012 will constrain New Zealand export shipments for the first time in many years and create greater pricing tension in global markets, and this will likely be to the advantage of manufacturer brand owners.

"As a result of lower supply in 2012, it is expected that a significant number of brands without strong supply lines will face supply constraints and rising costs over the coming year," he said.

Turbulent times

Mr Soccio said the New Zealand wine sector had experienced turbulent times in recent years as the industry has struggled to contend with the strong supply response that followed a surge in demand for the nation's flagship product, MSB.

"Production jumped a whopping 39 per cent in the landmark 2008 vintage and producer profitability has since been eroded by a perfect storm formed by rapid supply growth, the onset of the global economic downturn and the steady appreciation of the New Zealand dollar since the beginning of 2009," he said.

"Now, four years and significant hardship later, the stage is set for a battle over future supply with more limited stocks available from the 2012 harvest.

"Traditional manufacturer/brand owners seemingly have an opportunity to shake out some of the newer, more opportunistic players that have emerged over recent years, but the extent to which conventional brands can wrest back control of the supermarket still remains to be seen."

Media Release
July 16, 2012

The rise of private label

"Surplus supplies in the past have meant that a significant proportion of annual sales of New Zealand MSB now occur through brands owned by grocery retail chains and foreign wine companies. These private label brands have been growing rapidly and competing fiercely against manufacturer brands, with approximately 60 per cent of the sales growth that has occurred in the past two years having been contributed by surplus bulk exports," Mr Soccio said.

"The best managed of these private label brands have sufficiently integrated themselves into the supply chain to provide a surer basis from which to manage industry cycles and reinforce their position in the market. However, other more opportunistic brands will be less able to compete with manufacturer brands in the future as cost pressures rise and price disparities begin to narrow."

<ends>

Rabobank New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 48 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank New Zealand is one of the country's leading rural lenders and a significant provider of business and corporate banking and financial services to the New Zealand food and agribusiness sector. The bank has 32 branches throughout New Zealand.

Media contacts:

Denise Shaw
Media Relations Manager
Rabobank Australia & New Zealand
Phone: +61 2 8115 2744 or
+61 439 603 525
Email:denise.shaw@rabobank.com

Skye Ward
Media Relations
Rabobank Australia & New Zealand
Phone: +61 419 502 859
Email: skye.ward@rabobank.com