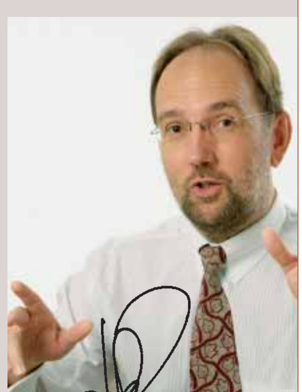
Brands' share of the total wine market will continue to increase.

EDITORIAL BY JOEL B. PAYNE

Much of Old Europe balks at the idea of wine becomng a fast moving consumer good. Although most shoppers in the developed world buy unbranded butter from a supermarket, loaves of bread with no provenance and branded cheese that is produced in industrial quantities, even those who purchase a buyers-own-brand Chianti cling to the hope that the world of wine is something different, that last year's vacation can be savoured in every drop. The reality, however, is very different. The recent success of hard Australian brands like Yellow Tail and soft varietal brands like Pinot Grigio, whose Hungarian origins are rarely noticed by its purchasers, reveals just how much the wine world has changed.

The big question is, what happens next? The largest player on the planet, Constellation Brands, controls only 4.3% of the total wine market. Although this represents a lot of liquid, Constellation's share of market is far smaller than those of its counterparts in other consumer goods sectors, where only a handful of brands control the lion's share of the business. In some New World countries, that new era has already arrived. According to Rabobank, the top three companies in New Zealand control 70% of production in that market. In Australia, they have 63% and, in the United States, 61%. In Europe, where rules against regional blends have largely prevented the creation of volume brands, that same reference is only 13% for France, 12% for Spain and a mere 6.3% for Italy.

However, this picture will change. In Europe, the arrival of large new appellations like Viognobles de France and Vinedos de Espana will finally open the door for the creation of a Gallic or Hispanic Jacobs Creek. Just as crucially, the share of the wine market represented by North America, Eastern Europe and Asia will continue to grow and, in all of these countries, brands are proving to have consumer appeal. The inexorable growth of major retail chains across the globe will also inevitably favour large suppliers. Wal-Mart and Metro are more likely to be offering branded wines to customers in their Chinese stores than the produce of individual estates. Much the same could be said of Tesco in Eastern Europe.



Modern consumers do not yet show the same brand loyalty to wine that they bring to automobiles, clothing or even beer, much less spirits, but they are looking for transparency. A look to the past with a tear in the eye is very human, but will hardly change the course of events to come. Only one thing is certain, producers trying to sell wine that nobody wants will have difficult justifying their existence as global warming and drought raises costs and subsidies begin to disappear.