

Bulk Wine Broking

The drum on bulk wine brokerage

By Jim Moularadellis

What does a bulk wine broker do?

The domestic bulk wine market in Australia is primarily a market of surpluses and shortfalls. Most bulk wine transactions occur between wineries and such trade dominates this market. Accordingly, a bulk wine broker in Australia is mainly concerned with balancing bulk wine inventories between Australian wine producers.

The export bulk wine market, by way of contrast, is dominated by bulk wine importers domiciled in key overseas markets for Australian wine. A bulk wine broker operating in this market segment is primarily concerned with finding the best value for money wines that meet their clients' specifications.

Selecting your bulk wine broker

Anyone can set up business as a bulk wine broker. There is no formal training required in Australia and, apart from having a few contacts in the wine business, little practical experience is required. Furthermore, the capital requirements are modest. So, how do you go about choosing a bulk wine broker and what makes a good one?

A reputable bulk wine broker should exhibit a few rudimentary skills, such as:

- A good understanding of commerce - particularly useful is a good understanding of the wine business. Accordingly, winery experience at a senior level is critical, especially in the key areas of grapegrowing, wine production and wine marketing. Such experience allows brokers to better understand the commercial pressures that their clients face every day. Reputable brokers will work hard to come up with practical and innovative solutions to their clients' bulk wine problems.
- A good understanding of contract law – a broker must be able to avoid legal disputes occurring between buyer and seller. He or she also needs to have the skills to settle disputes quickly and fairly when problems do arise.
- A good understanding of wine styles and wine quality at various stages of production. This usually means tasting bulk wines and lots of them – anywhere from 20-100 wines per week, every week. Also, a good understanding of winemaking processes enables brokers to know their products well.
- Competence and integrity – a broker is the person to whom a producer turns to value a wine in a professional and unbiased way.

Finally, a broker must be friendly and approachable and have a good eye for opportunities that add significant value to their clients' businesses.



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What should you expect from your broker?

A good broker is in the market every day. This often includes regular weekend, evening or early morning work in order to conclude export transactions. A good broker is a busy broker – brokers need to be in constant touch with both buyers and sellers, and be able to distil key markets trends from the mass of data that flows from their activities.

So, a broker should be able to provide you with good market information that is both timely and accurate and which enables you to make better decisions about your wine business. In addition, a broker should be able to provide constructive feedback on your bulk wines or your bulk wine requirements.

Furthermore, a good broker should be able to provide sound strategic advice for your wine business, including a realistic assessment of the strengths and weaknesses of various prospective buyers or sellers.

All of these things should translate to avoiding, or at least minimising, the wasted effort and associated inconvenience of trying to match inappropriate bulk wines to inappropriate packaged wine opportunities.

Should I list my bulk wine with every broker in order to maximise the likelihood of a sale?

In short, no. Pick a broker whom you trust and like and with whom you think you can develop an ongoing relationship. Work closely with that broker.

If you want to have more than one broker I would recommend a maximum of two - be up front and honest with your broker about this early in the relationship and he or she should respect your decision. Ideally, your second broker should have a different type of clientele from the first. If you feel that your broker is not doing enough for you, then let him or her know at the earliest opportunity.

Why use a broker?

A good broker will add value to your business. They usually do this by organising a sale or purchase of bulk wine where you couldn't, or doing it in a way that is quicker, simpler, convenient and more financially rewarding than you could if you worked alone.

Although bulk wine has some commodity-like characteristics, particularly at lower price points, it is infinitely variable. Accordingly, bulk wine presents a myriad of combinations and permutations that need to be sorted, analysed and matched to the appropriate sales prospects so that a successful transaction can be concluded. ▶

Brokers can also bring you significant market opportunities that would otherwise go unheeded in your business. Brokerage is about developing and maintaining excellent relationships and a good broker will naturally try to discover or construct as many opportunities as possible and then channel these opportunities to those clients that are most likely able to fill them.

What does a broker cost?

In Australia, a broker's fee is often in the vicinity of 2-3% of transaction value and is usually paid by the seller. By way of comparison, in some overseas regions, bulk wine brokerage is split equally between buyer and seller. Also, if there is no sale there is usually no fee, so a broker is vitally interested in ensuring a transaction is successfully concluded.

How to market your bulk wines

There are two questions that you should ask yourself if you have bulk wine for sale: Does my wine taste good and does it represent value for money in the market? Wines with faults are not saleable at anything near reasonable commercial values, so do not submit them for sale in the vain hope that a purchaser will be interested. They probably won't (and shouldn't) get past the broker's office. Fix them up first then offer them for sale or, if this is not possible, make sure you can avoid making bad wine again next year.

In short, make sure your wines are of a quality that you can be proud of and offer them at reasonable prices. This will enhance the prospect of a profitable sale whatever the market conditions. By consistently offering good quality, value-for-money wine you may be able to develop a reputation as a reliable and quality participant in the bulk wine market. This is important for your business even if you are only a casual participant in the bulk market and your main business focus is elsewhere.

Some practical tips

- Get your wines finished and ready for sale as soon as possible after vintage. Don't wait until, say, November after vintage to get around to offering your wines. By this time, everyone else is scrambling to empty tanks in readiness for the next vintage and cutting their prices.
 - Do not submit multiple small parcels of similar wine. Batch them up into a number of distinct quality tiers and offer larger batches.
 - Do not sample red wines prior to completion of malo-lactic fermentation.
 - Do not sample any wines with high solids content – they nearly always look worse than they really are.
- In other words, you must present your wines in the best possible light in order to maximise your chances of success.

Some export specific considerations

- Exports will generally be shipped in minimum 24,000-litre lots. Smaller volumes generally can't be offered for sale effectively in export markets. We prefer to deal in minimum 48,000-litre lots since these have broader appeal to a larger number of potential buyers.
- You should be able to offer year-round continuity of supply. Australia is a long way from key export markets and buyers want to work with reliable suppliers.
- Wines and samples should be supplied in pre-bottling condition to maximise the likelihood of sale.
- Never submit unfinished or low quality wines for export.

Jim Moularadellis is a major shareholder of Austwine, a leading Australian bulk wine broker that transacts 30-40 million litres of bulk wine per annum. He is a certified practicing accountant and holds an honours degree in law. ■

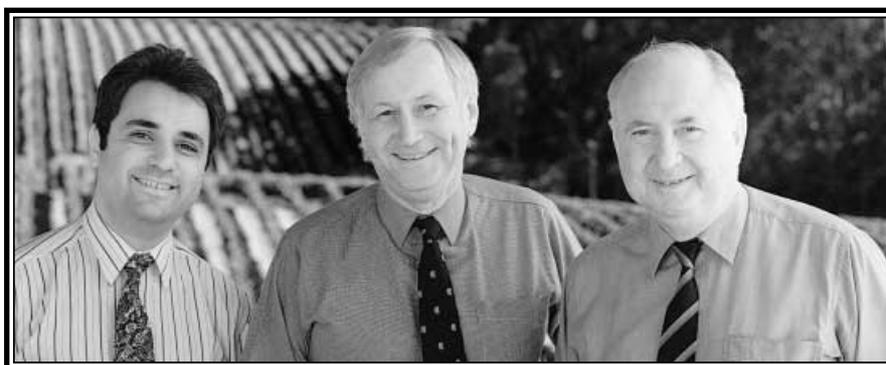
AUSTWINE

"Brokers & Exporters of fine Australian wines"

Our company offers:

A full range of wine brokerage services for bulk wine.

Wine export & distribution in all key overseas markets for branded wine.



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