

Perspectives offers a platform for professionals in diverse places to express their views. In this issue we asked key international players how currency fluctuations and weak economies will affect their business in 2008 and how they plan to address the problem. What are the threats? Where do the opportunities lie? What are their goals?



Dr Andrea Sartori is the owner of the eponymous producing family in Veneto and president of the Italian producers trade body (UIV)

with a staff of 70 in Milan that does political lobbying, provides technical services for its members and publishes the Corriere Vinicola.

How do currency fluctuations affect your business?

As company policy, we always invoice in euros, so fluctuations must theoretically be dealt with by the importers. Naturally, we often share the pain with our partners either by negotiating shelf pricing and working backwards or by sponsoring larger marketing budgets. The real impact, and this is now the problem in North America, is when you have to move your retail prices above critical thresholds. This year, we also had to pass on some larger

than normal price increases on wines affected by the dramatic rise in grape prices due to the short harvest. To minimise the increases, we must often divert part of our marketing budget into cost reductions, but this is not a good strategy for the long term.

What impact will the increases have on your exports this year?

While we do not expect any significant variations in the euro zone, we are expecting a slowdown in dollar currency countries. Our retail prices there are likely to go up by at least 20%. Not all consumers will accept the change.

Where will weak economies have a negative impact on your business?

There are indications of 'tiredness' in almost all established markets. My major concern is for Great Britain and the United States, especially since the on-trade business is very important for us. While I am a bit pessimistic for the US, I hope that our sales in the UK will at least remain stable, but it is unlikely that we will enjoy the growth we have seen in the recent past.



Danie de Wet from De Wetshof was one of the first producers in South Africa to estate bottle his wines and quickly garnered attention for his fresh, crisp

Chardonnay at attractive prices. He is now also the chairman of the board at KWW.

How do currency fluctuations affect your business?

As the rand fluctuates wildly, the exchange rate has had profound implications. The rand fell to 22 per pound in 2002 and has bounced back to 11. That is a roller coaster ride.

With a weak currency, you import inflation and your costs rise. Alone in the past month the rand has fluctuated between 10.7 and 12.3 to the euro. It is virtually impossible to plan your business in times like these.

What do you expect this year?

As long as the exchange rate is moving in one direction, you can plan for the future. It is the wild gyrations that are a nightmare. We currently buy forward currency for our exports in order to minimise our exposure.

Will weak economies have a negative impact?

Interest rates tend to rise with inflation, so goods become more expensive. Now we're seeing the dollar slide and there's no end in sight.



Bernard Georges has been the export director for Georges Duboeuf for so long, and travelled so widely, that for many in the trade he has

become an ever present ambassador for Beaujolais.

How do currency fluctuations affect your business?

The currencies in almost all of our major markets have lost value over

the past year. As we export three quarters of our production, we monitor currency fluctuations closely. Even in Switzerland, which is just next door, and traditionally a major market for Duboeuf, the once mighty Swiss franc has taken a beating. Our prices will rise by 15% there.

What impact will this have on your exports this year?

We have scaled back our budgets in almost all non-euro countries by at least 10%. In addition to the currency, we are also particularly worried about the price of fuel. Japan is an

enormous market for Beaujolais Nouveau. In order to have it there on the third Thursday in November, we fly it in by plane. Surcharges have increased transport costs by €0.50 per bottle in only one year.

Will the economic slowdown have a negative impact on your business?

As our business is value for money at a mid-level price point, we are caught between two extremes. I compare our situation with that of the restaurant trade. The three star establishments are as overbooked as McDonalds, but everyone in between is suffering.

How do currency fluctuations affect your business?

The weakness of the dollar is having a very negative effect on our margins. Although we have increased our prices to the American market three times during the past 14 months, we have not been able to come anywhere near compensating for the drop in value. Considering the importance of that market, it is essential not to increase prices so much so as to stagnate or, indeed, even reverse the very positive growth we have enjoyed there over the last 20 years. We will hopefully be able to weather this short term and invest our margin for the next few months or year. As we look to the United States for the long term, we don't see any other solution. Again, we are not able to transfer our production costs increases through to the consumer without adversely affecting the retail prices. Regrettably, so as to try to maintain some sort of balance and smooth progression in retail prices, the main respon-



As the face of Graham's in many markets, Dominic Symington is the one member of the extended Symington family that many consumers know best. While vintage continues to pull the train, he has invested his energy in demystifying Port.

sibility falls back on to us, the producers, who essentially have to absorb these fluctuations in our margins.

Can other markets make up the slack?

Although we are actively looking to develop new markets in some of the emerging free economies, it is still very early days for any real results. We believe that it is essential for the Port trade to broaden its base and have a large brand franchise around the world. It is essential that we have a broad enough base for a weak market to be compensated by a stronger one rather than having to rely on a relatively small market base. Indeed, we are sending one of our younger oenologists to the Far East on an educational and promotional tour for eight weeks! His job will be to teach the local sommelier, restaurateur and wine salesmen all about my family's brands in the hope that as the markets develop they will do so with a true understanding of fine Port.



Wilhelm Weil is the part owner and general manager of the Robert Weil estate in Germany's Rheingau. While most of that country's finest producers are miniscule, he has holdings of over 70 hectares, which provides him with the volumes he needs to make an international impact.

How do currency fluctuations affect your business?

As we still sell 85% of our wine domestically, and 90% in the Eurozone, we are less affected than many of our colleagues. That said, those 10% still amount to 60,000 bottles and are sold in markets that are important for our image. Acceptance in the American

market, for example, has a positive influence on our sales in Asia.

What impact will the strong euro have on your exports this year?

Riesling's reputation is in the first phase of a renaissance abroad. Part of our success, though, is that we have long over-delivered on price. The weak dollar will take some of the wind out of our sails in America, but as we have never been able to meet demand there anyway, I hope that our shipments will continue to grow in spite of the higher price point. We have another advantage at different level this year - 2007 is a great vintage!

Are you worried about the apparent economic slowdown?

Riesling has a long tradition that is only just being rediscovered. In comparison to other well-known regions, our finest wines still offer excellent value.



NEW WINES FROM THE OLD WORLD

Good food deserves Austrian wine.
www.winesfromaustria.com