It's grim Down Under

8 Apr 2010 by Jancis Robinson

The merger talks between Constellation, the world's biggest wine company, and Australian Vintage have finally stalled after months of negotiation. I for one assumed that some agreement would be reached whereby Constellation's brands such as Hardys, Leasingham and Banrock Station would find a more congenial home under the all-Australian auspices of Australian Vintage, formerlly known as McGuigan Simeon.

The Australian company's best-known brands include Miranda, Nepenthe, Yaldara, McGuigan, Tempus Two and, yes. Passion Pop. The company, whose precursor was founded by Brian McGuigan AM (pictured), has been operating outside the conventional generic umbrella of the Australian Wine and Brandy Corporation and has been relatively innovative, albeit determinedly in the mass market. See this video.

For many months it has been known that Constellation have been unhappy with the low level of return they have been able to squeeze from their relatively recent investments in Australia and the UK (where they took over the biggest wine distribution company Matthew Clark, for example). Coming to some agreement with Australian Vintage seemed one possible solution, handing increased critical mass, even if presumably also a whole load of debt, to the Australian company. But the two sides announced today that they have definitively failed to reach agreement on terms.

This article in tomorrow's *Australian* reports that shares in both companies have fallen as a result of today's news. Grape gluts and price wars have wrought carnage in Australia's mass market for wine, even if the country's smaller producers continue to produce some admirable wine in difficult circumstances.