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HD Pernod **buy** good for local labels
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Liquor giant Pernod Ricard has acquired its first US winery in a move the **company** says will accelerate sales of labels including Australian-made Jacob's Creek in the world's largest and most profitable **wine** market.

Jean-Christophe Coutures, chief of Pernod Ricard Winemakers, said the purchase of Kenwood Vineyards of California from US **wine company** F Korbel & Bros would rapidly expand Pernod's reach in the US via Kenwood's distribution network across 50 states.

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"We are only No 16 in the US **wine** market, whereas in every other large **wine** market in the world we're in the top three **wine** companies," Mr Coutures said.

"The big issue we have is access to distribution, and Kenwood gives us larger and stronger distribution access which will benefit the rest of our brands." In a system dating back to the repeal of alcohol prohibition in the US in 1933, liquor producers can sell to retailers only via state-based distribution companies.

But rather than preventing liquor manufacturers from gaining excessive market power as planned, the system has more recently acted as a barrier to entry for competitors seeking to crack the US.

Kenwood produces more than 500,000 cases a year, with an average retail price of \$US10 (\$10.77) a bottle, although its "super premium" range sells for up to \$US45 a bottle.

The acquisition, which includes about 100ha of vineyards, a winery and the rights to the Kenwood brands, is believed to have cost about \$100 **million** but the final price will not be revealed until settlement next month.

In addition to being a conduit for Pernod's Australian, New Zealand, Spanish and Argentinian wines, Mr Coutures said Kenwood would also be targeted for growth with an increase in marketing spend and a push into the unexplored export market.

"It has a lot of growth potential. The **brand** has heritage, it's always had consistent quality, and we think it can double its case sales in three to five years," he said.

"We have big ambitions in **China** and the US — but we didn't have any brands in the US, and US-made **wine** represents 80 per cent of consumption there, so in order to be credible and reach our goal of doubling our **business** in the US, we needed to make an acquisition." Mr Coutures said Pernod would be interested in buying the US assets of Australian **wine** major Treasury **Wine** Estates, which owns several wineries including Beringer, Stag's Leap and Chateau St Jean. TWE boss Mike Clarke last month said the **company's** US **business** was too important to give up, despite suffering a series of writedowns including a \$160m hit on excess inventory that last year cost his predecessor David Dearie his job.

CO prnod : Pernod-Ricard SA

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