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Loss of Heritage has the market seeing red

Wine auctioneer Mark Wickman believes that the Australian wine auction market is in for a shaky year as hundreds of thousands of bottles of wine, from defunct wine investment scheme Heritage, gets dumped onto the secondary market.

Adelaide, Australia - December 7th 2005 -- The collapse of Heritage Fine Wines isn't just bad news for its former investors. Mark Wickman of Wickman's Fine Wine Auctions, believes that as Heritage's stock gets released from storage, investors looking to quickly recoup losses will dump their wine onto the secondary wine market and create a slump in Australian fine wine prices.

"Imagine seeing 16,000 bottles of a single wine coming onto the market at once," he said.

"Even if the wine is a good drinking wine with cellaring potential, the demand for it will not be enough to absorb the stock and the price will plummet, which will in turn affect other wines as the demand for these will slow as buyers put their money into the cheaper option.

Reviewing the estimated value of the wine, Wickman questions if the liquidators have applied a "blockage discount" to the valuation.

"Normally a concept applicable to works of art and quantities of stock, blockage discount can be defined as the measurable effect of the release of a large quantity of the same or similar assets into a precisely defined marketplace," he said.

"When dealing with a product like fine wine where scarcity constitutes part of certain wines' appeal and market value, it's easy to understand how a market surge can depress prices."

All this leaves vendors with only two real options to uphold the auction value of their wine – wait until the market has recovered from the influx of surplus premium wine or get in early while supply is on equal footing with demand.

With the release of seized Heritage wines expected to begin hitting the auction markets early in the New Year, Wickman suggests that the next few months would be the most opportune for those contemplating selling wine, with buyers expected to be the winners during 2006.

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