



BOARD CONCERNED FOR LOCAL INDUSTRY FUTURE

The Board has recently written to all growers a direct letter that spells out the concerns that it has for the industry over the coming years. In the letter growers are asked to carefully consider their continued commitment to the industry in light of disappointing returns for growers again this season. The correspondence was prompted by a series of meetings the Board held with representatives of locally based wineries during the closing parts of this vintage.

for white wine sales. While the Australian vineyard area has declined yield has slightly trended upward. In 2015 the yield per hectare nationally averaged was slightly above 12 tonnes per hectare (4.8 tonnes per acre). In the Riverina average yields sit at around 14 tonnes per hectare (across reds and whites) which is well below the yields produced in the Murray Valley and Riverland. While the price offerings are sometimes similar across these regions the lower yields in the Riverina mean that

this region cannot be as competitive or profitable as it could be if it were able to crop vines harder.

The inland regions encompassing Murray Valley, Swan Hill, Riverina and Riverland export a greater share while the cool regions tend to sell more wines domestically.

According to Wine Australia data 79% of the three inland regions wines are exported, most commonly labelled as "South Eastern Australia". These regions

combined produced 1.1 million tonnes of winegrapes in 2015 with an overall average price per tonne of only \$289 reds and whites.

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Growers should be concerned that the future of the local industry is not bright as average returns for winegrapes do not appear to be rising despite talk of market signals suggesting that change was coming. The image above shows a steady trending price decline since 1999, (source *Wine Australia: Wine Sector State of Play November 2015*).

Market indicators such as the weaker Australian dollar and export growth by Australian wines heralded a change for the growing industry but these indicators only provided false hope of a price recovery.

In general terms growth in the alcoholic drinks market is flat, while cider has now become the faster growing category. Also a global removal of vines (270,000ha since 2008) went to tightening supply but a series of large global vintages reversed the trend (*Wine Australia presentation November 2015*).

In Australia the national crush volume has been relatively steady over the last 6 years, during the same period red wine sales have declined increasing the Stock to Sales ratio, whereas the inverse has occurred

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BOARD ACTIVITIES REPORT



Promotion activity: The Board assisted in promoting the region Sydney Cellar Door recently by offering a trip for two to the Riverina. REX donated flights and the Board agreed to contribute \$500 for spending money and local accommodation costs for the winners.

Laboratory work: The laboratory at the Board office conducted over 400 samples of winegrapes this vintage and assisted in colour pricing disputes that growers had with wineries.

Election of Board members: A ballot will be held to elect the next Board for a period of 3 years. Please don't forget to cast your vote.

Leeton Visitors Centre Guide: The Board agreed to fund a full A4 page in the Leeton Visitors Centre Guide that will have a print run of 30,000 and be in circulation until 2019. The Board late in 2015 funded the Griffith Visitors Centre guide.

Winegrape Index Closes: The Board was able to direct growers with interested winegrape purchasers this season. The index had 117 separate parcels of winegrapes listed on it this season.

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The export market recovery is being lead by premium wines and the recent Free Trade Agreements are also assisting in increasing sales volume. The past 24 months showing stronger sales performance than the last 5 years.

During the 2014-15 financial year two thirds of all Australian exports were made up of Shiraz 27%, Chardonnay 24% & Cabernet Sauvignon 14%. Greater than 50% of the production of Pinot Gris, Merlot, Cabernet Sauvignon, Chardonnay & Shiraz is exported.

Key Messages

- Outlook in some key economies improving, particularly in the US;
- AUD has depreciated significantly but there are no guarantees of additional business;
- Growth in global alcoholic drinks market slowed in 2014;
- Global wine supply increased significantly in 2013, putting downward pressure on bulk wine and grape prices in 2013 & 2014;
- Over last five years growth in value of global wine sales outpaced volume growth reflecting some trading up by consumers; and
- Asia the fastest growing region for wine sales but there is also upside in the US and Canada.
- Australian wine inventory levels have grown as we have produced more than we have sold in the last three years;
- Australian winegrape prices have been on a long-term downward trend;
- There has been a decline in the total demand for Australian wine;

- Australia ranks highly in most key markets in the average value of bottled wine exports, with the exception of the US;
- The average value of Australian bottled wine exports is trending up reflecting growth in premium wine sales in many markets;
- Australia remains the market leader in the UK but the premium market, while growing, is relatively small.
- Australian has challenges to make ground in the US and Canada - both are significant and growing premium wine markets;
- Australia is well placed in China. The market is recovering after government austerity measures hit all wine imports;
- Imports are driving growth in the domestic market but Australian sales are growing solidly at premium price points;
- Cask sales continue a long-term downward trend in Australia while growth continues in bottled sales;
- Sauvignon Blanc remains the market leader in Australia but growth has slowed; and
- Shiraz is a stand-put performer for Australia in the domestic market but there are also positive signs at higher priced segments for Cabernet Sauvignon and Chardonnay.

Australian Wine Sector State of Play Mark Rowley - Market Insights, November 2015.
www.wineaustralia.com

Information and graphic taken from the presentation by Mark Rowley at the Board's Strategic Planning and Budget Meeting 2015. For a full copy of this report please contact the Board office (60 pages).

MEDIA WATCH

\$8 wine might be a tough sell this year: California Forecast

19-02-2016 Jeff Daniels

<http://www.cnbc.com/2016/02/18/8-wine-might-be-a-tough-sell-this-year-california-forecast.html>

California's wine industry is experiencing challenging times, with growers in the Central Valley coping with the lack of water, excess supply on the low-end segment and more competition from overseas producers.

The state's total harvest was down 7 percent last year from the prior year, and some premium vintners from Napa Valley report going into 2016 with supply constraints and feeling the impact of a strong U.S. dollar and weakness in China.

"What we see right now is the under-\$9 segment struggling and the above-\$9 segment doing pretty well," said Rob McMillan, executive vice president and founder of Silicon Valley Bank's wine division based in Saint Helena, California. "Our prediction is we'll start to see additional market share taken from domestic producers."

According to the bank's annual wine industry forecast, the fine-wine end of the market (over \$20 a bottle) will see sales growth of 9 percent to 13 percent in 2016, a slight deceleration from the roughly 14 percent pace in 2015. The forecast is for bottle prices to rise 4 percent to 8 percent for the above-\$10 category, while volume and price drops will be impacting the below-\$8 bottle market.

"While demand for premium wine will increase this year, there are clouds on the horizon that should be considered," the bank said. "We believe total and per-capita wine consumption in the U.S. will drop for the first time in more than 20 years due to emerging generational shifts in consumption patterns that we see accelerating in the near term."

SVB's forecast also looks for "tens of thousands of additional grape acres" to be permanently pulled from the California's San Joaquin Valley, an agriculture region hit by the drought and where many grape growers have looked to convert some or all of their acreage to more lucrative nut production. The pullouts also reflect old vineyards that are no longer economically feasible due to the lack of production and the lack of demand because of low prices for certain varieties.

"If we can get back into supply and demand balance, the overall price of grapes down here should rise," said Peter Vallis, executive director of the San Joaquin Valley Winegrowers, a group representing approximately 60 percent of the state's total grape crush. "It should rise because right now the pricing ... and market for grapes is relatively at production cost."

Vallis insists that the drought hasn't been the biggest factor affecting Valley grapes nearly as much as the weak price due to what some analysts have called as "a worldwide glut," particularly of cheaper wines from New Zealand, Australia, Chile and Argentina. "The strong dollar does have an effect on the low end of the market but also has an effect on every end of the market."

The California Department of Food and Agriculture's preliminary wine-grape crush report released last week said the state's total crush was valued at \$2.5 billion in 2015. By volume, the statewide grape crush was down 7 percent to 3.86 million tons but still was the fourth largest harvest on record.

"There's plenty of wine," said Gladys Horiuchi, a spokesperson for the Wine Institute in San Francisco. "And it's extremely high quality."

In 2015, the Napa region accounted for just 4 percent of the statewide wine production, but due to its premium prices it represented about 21 percent of California's total crush value (revenue to growers). The state's figures show the Napa Valley region's 2015 tonnage fell by 29 percent from 2014. Unfavorable weather hurt the Napa harvest last year. Vintners say they are hopeful for a better crop this year but it's too early to tell.

A lighter harvest in 2015 and strong demand for luxury segment wines is encouraging some Napa region vintners to raise prices this year.

"We held our pricing the last few years," said Michael Honig, president of Honig Vineyard & Winery in Rutherford. "People seem to be somewhat receptive as long as you don't become egregious and take huge markups."

Emma Swain, CEO of St. Supery Estate Vineyards & Winery in Rutherford, said her winery is feeling the effects of decreased harvest in 2014-2015. "We had two short years and we've really been trying to not increase pricing, but essentially what we've had to do is

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MEDIA WATCH

remove some of the ways we do business for by-the-glass (with restaurants) and things like that because we just don't have enough wine to do it."

Swain is optimistic about 2016. "Our business is very solid. It's been continually growing, especially in the high-end segment."

Honig said overall wine consumption has generally been going up but "kind of peaked a little now. People are going up-market so we're seeing some interest in the higher-end wines."

The bank's forecast agrees, predicting a decline in U.S. per capita wine consumption after more than two decades of growth. "The decline is really the lower-priced segments," said SVB's McMillan, explaining that this reflects a generational shift from the mature and baby boomer consumers to "younger consumers (particularly drinking-age millennials) with a desire for better stuff."

California vintners also see opportunity in the foreign market despite the challenges of the strong U.S. dollar that make the product more expensive in many key markets such as Canada.

"India is the one market I'm actually most excited about because there's not as many people as China but over a billion people," said Honig. "They are really drinking it as a beverage in India to enjoy and not just for toasting purposes."

Swain said Japan remains a strong market for Napa wines and Canada remains significant, too, but is showing the impact from the exchange rate. As for China, she said it's become tougher due to "these austerity measures in place where the government spending on items like wine has decreased a lot. I don't know anybody who has seen dramatic growth there when they are going through traditional channels."

GRAPE PRICES PLAY CATCH UP

24-02-2016 Daily Wine <http://winetitles.com.au/dwn/details.asp?ID=19393>

RECOVERY could be on the distant horizon for the Australian wine industry. The dollar has once again been competitive, free trade agreements have brought down the price of Australian wine in Asian markets and the value of wine exports has topped \$2 billion for the first time in almost 10 years.

However, grape prices show only minor increases.

Average market prices suggest that Chardonnay could be on the road to recovery, but has a way to go before it's again regarded as profitable. The major reds, which averaged just under \$300/tonne last year, could come in above that this year but, as with Chardonnay, they were a way off being profitable. Pinot Gris has once again been the best performer while Gordo was expected to be the worst.

Senator Anne Ruston said while exports are exceeding, there has yet to be an accurate reflection on grape prices.

"Hopefully we soon see these great figures for wine exporters reflected at the farm gate with high grape prices."

WGGA Executive Director Andrew Weeks said it was imperative that industry and government worked together to capitalise on the sector's potential.

"Grapegrowers have been doing it tough for long enough, with the national average prices of 2001 of around \$933/tonne a distant memory," Weeks said.

"The prices in 2014 were down to \$441/tonne, rising slightly last year to an average \$463/tonne – a step in the right direction but indicative of just how much more work needs

Average market prices as at February 15

	2016 \$/tonne	2015 average	% difference
Cabernet Sauvignon	330	295	+ 8.5
Chardonnay	277	223	+ 24
Colombard	200	Same	
Gordo	200	271	- 26
Merlot	320	293	+ 6
Pinot Gris	530	Same	
Sauvignon Blanc	330	319	+ 3.5
Semillon	208	214	- 3
Shiraz	323	289	+ 12

to be done to give family businesses a fighting chance."

Weeks said the inland regions in particular were still to see any real improvement in value.

"Wine Australia reported that wine exports went up 14 per cent in 2015 which is a good early sign of opportunity but it's just that," he said. "What we need to see is better returns to the vineyard and cellar door and to help that process we need structural reform."

Editors Note: *The average prices referred to are for the entire Australian market, cool and warm regions*

TOP 10 FASTEST GROWING "ALTERNATIVE" GRAPES IN AUSTRALIA

The rise of 'alternative' varieties in Australia is becoming an increasingly important topic for the country's winemakers – even if it is a trend that has been on-going for several years now.

It is largely been driven by an increased awareness that the 'traditional' varieties planted in Australia – Cabernet Sauvignon, Shiraz and Chardonnay – don't always suit the sites or regions they currently occupy. The Mediterranean climate of much of south-east Australia is however ideally suited for Spanish and especially Italian varieties and, coupled with domestic demand for different experiences, there is a groundswell of interest and activity in these grapes.

The definition 'alternative' is not fixed in stone. Fiano, Vermentino, Nero d'Avola, Tempranillo, Nebbiolo and even Grenache are hardly long-lost, unknown varieties.

Rather the term encapsulates varieties that stand outside the mainstream and are not widely planted.

Nor should one expect they will ever supersede Cabernet, Shiraz et al. Australia produces a large amount of these wines (202,672 tonnes of Cabernet in 2015 for example) and it does them very well. The point of these varieties is not that they are the absolute future for Australian winemaking, indeed they represent just 2% of total plantings.

10. Montepulciano: The Italian red variety is still grown in extremely small quantities, which of course has led to impressive-looking statistics. The number of hectares planted grew 50% between 2012 and 2015 from 49 hectares to 74ha. This brought about a corresponding increase in production of 152% over the same period from 178 tonnes to 449 tonnes.

9. Nero d'Avola: Speaking of a small base, the results for this Sicilian red grape have been similarly impressive. Registering a 130% increase in planted hectares and 763% in tonnes produced between 2012 and 2015. To temper that excitement though, hectares still only stand at 77ha and 602 tonnes produced.

8. Barbera: Yet another Italian red, this time from the north of the country. Six hundred and eighty-three tonnes were produced in 2015, a 40% increase in production. Vineyard plantings also rose 6% to 110ha.

7. Fiano: An Italian white grape for a change likewise growing strongly from a small base. Production volumes have risen 101% in three years to 685 tonnes and vineyard plantings are up 4% to 111ha.

The grape appears to be finding something of a home in McLaren Vale, where producers such as Corinna Wright at Oliver's Taranga think it should supplant Chardonnay as the regional white grape thanks to its ability to tolerate higher heat and near-drought conditions thanks to its Mediterranean origins.

6. Vermentino: Another (Franco-)Italian white very much in the same category as Fiano in that it offers a good alternative to Chardonnay in certain areas. Plantings only rose 30% between 2012 and 2015 to 121ha but production rocketed 119% to 1,842 tonnes.

5. Marsanne: Rhône varieties, much like on California or South Africa, are increasingly viewed as highly suitable in the more Med-like climates of Australia; capable of withstanding the high heat and lack of rain these regions are often subject to. Although plantings actually decreased over the course of 2012 and 2015 by 15% to 163ha, production rose 17% to 1,994 tonnes.

4. Sangiovese: Back to the Italian reds. This benchmark Italian variety is making something of a stronghold for itself in Victoria's King Valley, where producers are currently exploring the best clones to use – Sangiovese famously being extremely prone to proliferation in this regard. Again, plantings declined 24% to 438ha between 2012-2015 but production rose 3% to 5,210 tonnes.

3. Tempranillo: Finally a Spanish variety, like the Sangiovese a flagship grape for its home country. In fact its production is somewhat similar to Sangiovese, 5,570 tonnes as of 2015, after a 63% increase since 2012. Unlike Sangiovese plantings have actually increased, 3% to 736ha in 2015.

2. Durif: The grape also known as Petite Sirah, is grown across Australia with a strong concentration in Riverina, where producers are hoping to build a stronger, quality-focused image. Plantings hit 625ha in 2015 (up 25%) and production shot up 50% to 6,226 tonnes.

1. Mataro: AKA Mourvèdre or Monastrell, this Franco-Spanish variety – again with a strong Rhône connection – is doing well in Australia, in no small measure because of the success of the 'GSM' blends of which it is a part. Plantings as of 2015 stand at 751ha and production at 7,399 tonnes – rises of 3% and 21% respectively.

<http://www.thedrinksbusiness.com/2016/03/fastest-growing-alternative-varieties-in-australia/>

WINE GRAPES MARKETING BOARD

WINE TAKES A HIT IN THE 2016 UNITED KINGDOM BUDGET

The wine duty tax on wine is set to increase with inflation according to reports from the UK this month. The UK Chancellor George Osborne has targeted wine only with other alcoholic beverages excise levies being frozen.

While this act has disappointed the small but growing British winegrape industry the impacts on exports from suppliers like Australia could be immense. It is estimated that 30 million people enjoy wines and the duty rise could easily impact on their consumption levels and therefore be felt all the way down the supply chain.

Wine may be targeted because the majority of wine products sold on the UK are imported and therefore a good source of income for the government. Interestingly wine duty in the UK is the second highest in the European Union.

Consumers are currently required to pay an excise of £2.05 for every bottle with a proposed rise to £2.08 as indicated in the graphic below.

Note how the excise is the same regardless of the sale value of the wine. Please also note that the "money for wine" includes the purchase of grapes and the

processing of the grapes into wine as should be regarded as indicative.

Yellow Tail Shiraz is currently (as at 17-03-16) listed on Tesco's (a major UK retailer) online site as selling for £6.75 per 750ml bottle. Tesco's own labelled "Tesco Australian Red" sells for £3.75 per 750ml (this is the equivalent to approximately \$7 Australian).

The message in the article is for consumers to trade up in price away from the entry level wine and they will receive a "lot more for your money".

<http://www.decanter.com/wine-news/uk-budget-2016-wine-trade-disappointed-to-be-singled-out-296040/#PJM7IFvRWjgTHIUD.99> (the article was edited)

Editors Note: VAT is similar but not identical to Australia's GST, VAT stands for "Value Added Tax" and the current standard VAT rate is 20% currently.

Taxation pressure on wine sales in the UK could impact on the ongoing levels of consumption as consumers may respond to the pricing increase and move to other alcoholic beverages, beer and spirits. The other risk to sales of Australian wines is that retailers don't pass on the price rise via the tax to consumers but require the seller to cover the cost in their margin.

Vinonomics 2016

UK wine pricing uncovered

Over half the price of a £5 bottle of wine is tax and just 45p pays for the wine itself. The good news is that if you spend just a few pounds more, you get a lot more for your money.



All figures are indicative, based on a "typical" bottle of wine and do not include CCT. In reality margins, packaging and logistics differ depending on the businesses and products involved, but the overall picture will still be the same.
*Average price for a bottle of wine in the UK.



Support for Riverina Wine Grape Growers and Agribusiness



Succession Planning

Thursday 7 April
7.30am-9.30am

Gain practical tips and assistance to plan for your future and protect your assets. Bill Thompson is the founding author of "Succession Planning" with over 20 years of experience.

Importance of Contracts

Wednesday 4 May
7.30am-9.30am

This workshop will give an overview of the importance of contracts in any business relationship.

Financial Aspects of your Business

Wednesday 25 May
7.30am-9.30am

A better understanding of your financial documents, cash flow and financial statements will give you more control of your business.

Location Riverina Wine Grapes Marketing Board
182 Yambil Street, Griffith

Register Contact the Riverina Business Enterprise Centre
on 02 6024 0400 or joy@mhbec.com.au



WINE GRAPES MARKETING BOARD

STATE OF AUSTRALIAN WINE - SURVEY KEY INSIGHTS

- Total wine production increased 0.4 per cent to 1190ML
- White wine production increased 2.7 per cent to 550ML
- Red wine production was stable @ 580ML
- Domestic sales value increased 3.8 per cent to \$2.78 billion despite volume declining 0.6 per cent to 456ML
- Winery direct to consumer sales are on the rise, up 1.5 per cent to 42.1 million litres; in contrast to retail sales, slightly down 0.8 per cent to 414 million litres
- Full report available: <http://wineaustralia.com/en/Winefacts%20Landing.aspx>

INVITATION TO ATTEND A PHYLLOXERA AWARENESS WORKSHOP

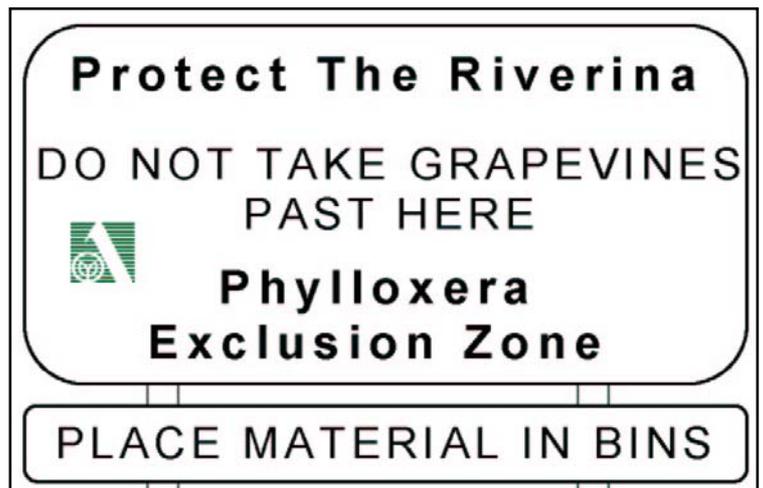
Why: Since the first detections of Phylloxera in the late 1800s, infested wine growing areas have suffered production losses, high testing costs, market access issues and replanting costs. The introduction of this pest into the NSW Phylloxera exclusion zone would have a similar effect. NSW DPI intends to raise awareness of the implications of an outbreak in the NSW PEZ through an interactive workshop covering the following areas:

- A potted history of outbreaks of Phylloxera in Victoria and NSW
- The pest defined
- How it is introduced
- What effect does it has on production
- What to do if you suspect you have the pest
- How an outbreak is managed
- what happens to the infested areas
- Who pays for the response
- What effects does the outbreak have on the individual growers, the district & the industry in NSW
- Costs and market access
- How production is managed after an outbreak

Where: Griffith Exies Club – Refreshments provided.
6/12 Jondaryan Ave, Griffith

When: 2pm to 4 pm Monday the 4th of April 2016

RSVP: Thursday March 31 to Bev Zurbo on 0269381976 or 0427401656 or email bev.zurbo@dpi.nsw.gov.au



DON'T FORGET TO CAST YOUR VOTE IN BOARD ELECTIONS

Growers are reminded that voting in the Board election will close at 12 noon Friday 1st April 2016.

Counting of the votes is scheduled to occur at 1:30pm the same day. Growers that are voters would have received a ballot paper in



the mail recently. It is your opportunity to have your say on whom you want to represent you at the Board for the next 3 years. Please ensure that you get your vote in the mail early enough so that it gets to Sydney in time to be counted.

Phone: (02) 6962 3944 Fax: (02) 6962 6103

Email: board@wgmb.net.au Web: www.wgmb.net.au Office Hours: 8:30am - 5:00pm Mon - Fri

DISCLAIMER The content in this Newsletter "Vine Chat" has been prepared by the Wine Grapes Marketing Board (the Board).

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