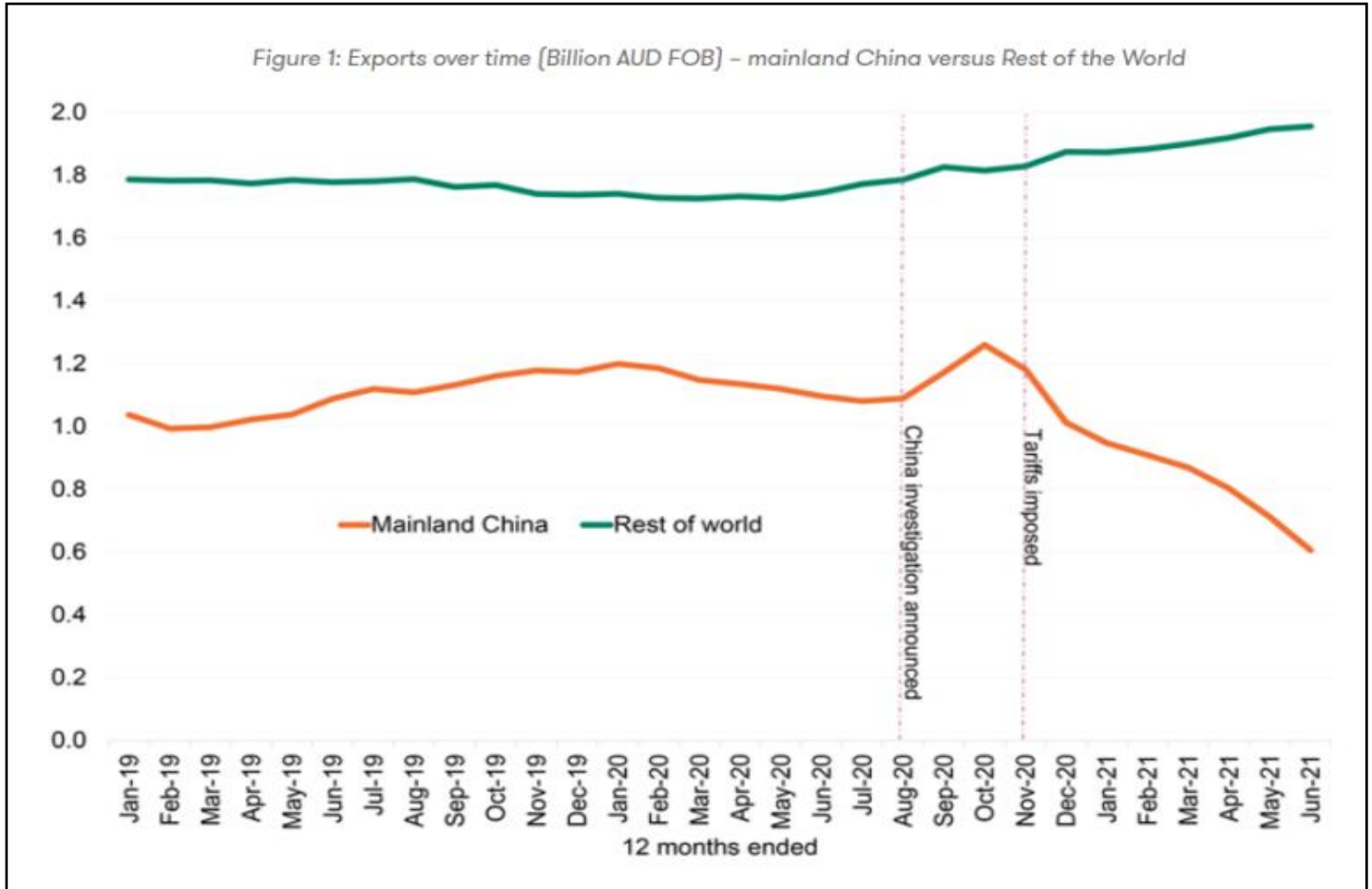


WINE INDUSTRY STATE OF PLAY

As the market for wine has had to pivot from predominately selling into the Chinese market to others following the trade sanctions placed on Australian wine, growers need to be aware how this might play out.

2021 vintage with stock levels at historically low levels. Australia did not have enough wine to get through 2021 so consequently some of the large vintage will be used to rebalance industry stock levels.



The figure above (Sourced from: Austwine Bulk Wine Market Update August 2021) shows the drop off of wine exports into the Chinese mainland. However on a positive note the exports to the rest of the world have continued to rise taking up some of the excess product that was previously destined for China.

2021 Vintage Report - from Inland Wine Regions Alliance (written by Jim Caddy Chairman, edited by Brian Simpson)

The 2021 vintage at 2.03 million tonnes is about 500,000 tonnes above 2020 and approximately 250,000 tonnes of winegrapes above the 10 year average.

Following two years of production at lower than average tonnages and good sales volumes the industry entered

Between exports and domestic consumption, the wine industry can expect to sell the equivalent of approximately 1.6 to 1.65 million tonnes equivalent of wine in 2021-22.

The decreases in export volumes in 2021 for whites was predominantly due to the short vintages of 2019 and

Continued on Page 4

WHAT'S INSIDE THIS EDITION	Page
Wine Industry State of Play	1,4,5,6&8
Board Activities Report	2
No Poll for Board's Regulations	2
Notice of Election	3
Media Watch	7
Casella Family Brands signs Wine Code of Conduct	8
Transport for NSW Rumours	8

BOARD ACTIVITIES REPORT



Election Report

Part of being a Statutory Body is the requirement to hold elections for members of the organisation. Growers would have recently been notified of the 5 positions that are up for reelection with the NSW Electoral Commission calling for nominations from the grower base.

The 5 positions are currently held by:

Bruno Brombal; Robert Bellato; Tony Baggio;
Frank Alampi and Bruno Altin

The term of office will be for 3 years commencing from the date of the election results announcement and/or the notification to the Board from the Minister. Should the NSW Electoral Commission not receive more than 5 nominations for the 5 available positions an election will not be held.

It is now time for growers to consider if they wish to represent their industry by putting their hand up for election. Anyone that is considering it must complete a nomination form and return it to the NSW Electoral Commission by 22nd October 2021. A copy of the notice can be found on Page 3 of this edition of Vine Chat.

If you are interested in standing and want to know more about the role of the Board and what would be expected of you please contact any of the members of the Board. Please note that Dom Schirripa and Steve Barbon are also members of the Board, they are appointed by the Board to represent growers. Their term of office is coming up for renewal at the commencement of 2023.

Brian Simpson to stand down

After 21 years in the position representing growers in the region Brian Simpson advised the Board recently that he would not be seeking a renewal of his annual contract of employment with the Board. Brian will finish up with the Board at the end of the year and a search is currently on the way to find a suitable replacement.

Yield Project with NWGIC to be developed

After some consultation and discussion with staff from the National Wine and Grape Industry Centre the Board is currently in the process of developing a project submission to take to Wine Australia to look at the yield differences between the Riverina and Riverland SA.

It is hoped that the study will determine what is occurring in the Riverland that could be adopted in the Riverina to enable new plantings and current plantings to increase their yields. As noted in prior editions of the Vine Chat the issue of yield variations across the inland regions is stark and needs to be addressed if the Riverina is to remain profitable in the future.

Yield Analysis detects many errors in database

The Board recently released a document to members titled the Regional Planting Summary 2021. This document looked at delivery information compared to what the Board holds on record of plantings in vineyards.

Many of the issues/errors that were detected have been resolved with over 60 vineyard maps being reviewed and updated. Growers please if you make farm changes let us know to ensure accurate industry info.

NO POLL FOR BOARD'S REGULATION

The Hon. Adam Marshall MP, Minister for Agriculture has decided that the need to conduct a Poll (vote) to renew the legislation of the Board is not required. The government have recommended that a full review of the legislation in consultation with growers is all that is required to make suggested and relevant changes to the services currently provided to industry. It was considered more efficient and less confusing to growers if the amendments proposed by the DPI review (which commenced in 2017) and those by the Board are made

via the legislative repeal process that occurs every 5 years under the *Subordinate Legislation Act 1989*.

The repeal process of the Board's enabling regulation is due to occur prior to 1 September 2022. This is a standard practice and to ensure that any regulation that exists is fit for purpose.

The NSW DPI will in early 2022 hold consultation sessions in the region with growers and the Board to determine what is needed with regard to changes.



Wine Grapes Marketing Board 2021 Election of five (5) Members

COPIES OF NOMINATION FORMS CAN BE OBTAINED FROM THE BOARD OFFICE.

Pursuant to the Agricultural Industry Services Regulation 2015, the NSW Electoral Commission will conduct an election of five (5) members to the Wine Grapes Marketing Board for the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee, to hold office for a period of three (3) years.

Nominations

Nominations on the prescribed form are invited from Thursday, 30 September 2021. Nomination forms (Form 5) and Statutory Declaration in Support of Candidature (Form 6) may be obtained from the following locations:

- NSW Electoral Commission's website at www.elections.nsw.gov.au;
- The Wine Grapes Marketing Board, 182 Yambil Street, Griffith, telephone (02) 6962 3944

Eligibility for Nomination

Any person who belongs to the class of primary producers for which the committee concerned is constituted, as set out in the committee's foundation regulation, is eligible for nomination as a candidate for election to the committee.

Candidates must give written consent to their nomination.

Qualifications for Nominating Candidates

Each candidate for election must be nominated by not less than six (6) persons (other than candidates) each of whom must be entitled to vote in the election.

A person is entitled to vote and nominate a candidate if he/she is a producer who, during the previous calendar year harvested more than 20 tonnes of MIA wine grapes, but does not include:

- a) in the case of a corporation:
 - i. a grower that is also a winery, or
 - ii. a grower in which a winery has a controlling interest, or
- b) in the case of an individual:
 - i. a grower who is also a winery, or
 - ii. a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvests.

A primary producer that is a corporation, partnership, trustee, or legal personal representative (whether agent, administrator, executor or otherwise) for a person or an estate must nominate, by notice in writing, an individual to be enrolled and vote on behalf of the primary producer at any election.)

That person, who must not already be enrolled on the final roll in some other capacity is deemed in these cases to be the producer for the purposes of the election and entitled to vote and nominate a candidate.

Lodgement of Nominations and Statutory Declarations in Support of Candidature

Completed Nominations and Statutory Declarations in Support of Candidature must be received by the Returning Officer, NSW Electoral Commission no later than **12.00 noon, Friday 22 October 2021**.

Forms can only be lodged with the Returning Officer at the NSW Electoral Commission:

- By post: PO Box 693 Grosvenor Place NSW 1220; or
- By email: ballots@elections.nsw.gov.au or
- By hand: NSW Electoral Commission, Level 3, 231 Elizabeth Street Sydney

Any defects in a nomination or alterations or additions to the Statutory Declaration in Support of Candidature must be rectified by the candidate prior to the close of nominations. Any candidate wishing to withdraw his/her nomination must do so in writing so as to be received by the Returning Officer prior to the close of nominations.

Note: The NSW Electoral Commission's office is currently closed to the public due to COVID-19 related public health requirements and NSWEC staff may be working from home. In the circumstances completed nomination forms can only be emailed to: ballots@elections.nsw.gov.au

Voting

If an election is necessary, a postal ballot will be conducted to close at **12.00 noon, Tuesday 21 December 2021**. Voting material will be posted on **Tuesday 23 November 2021**. The method of voting to be observed for the election will be proportional representation.

Any enquiries concerning this election should be directed to Paul Chesher at the NSW Electoral Commission, telephone 1300 135 736 or email at ballots@elections.nsw.gov.au

Greg Copson, Returning Officer, NSW Electoral Commission

WINE INDUSTRY STATE OF PLAY - continued

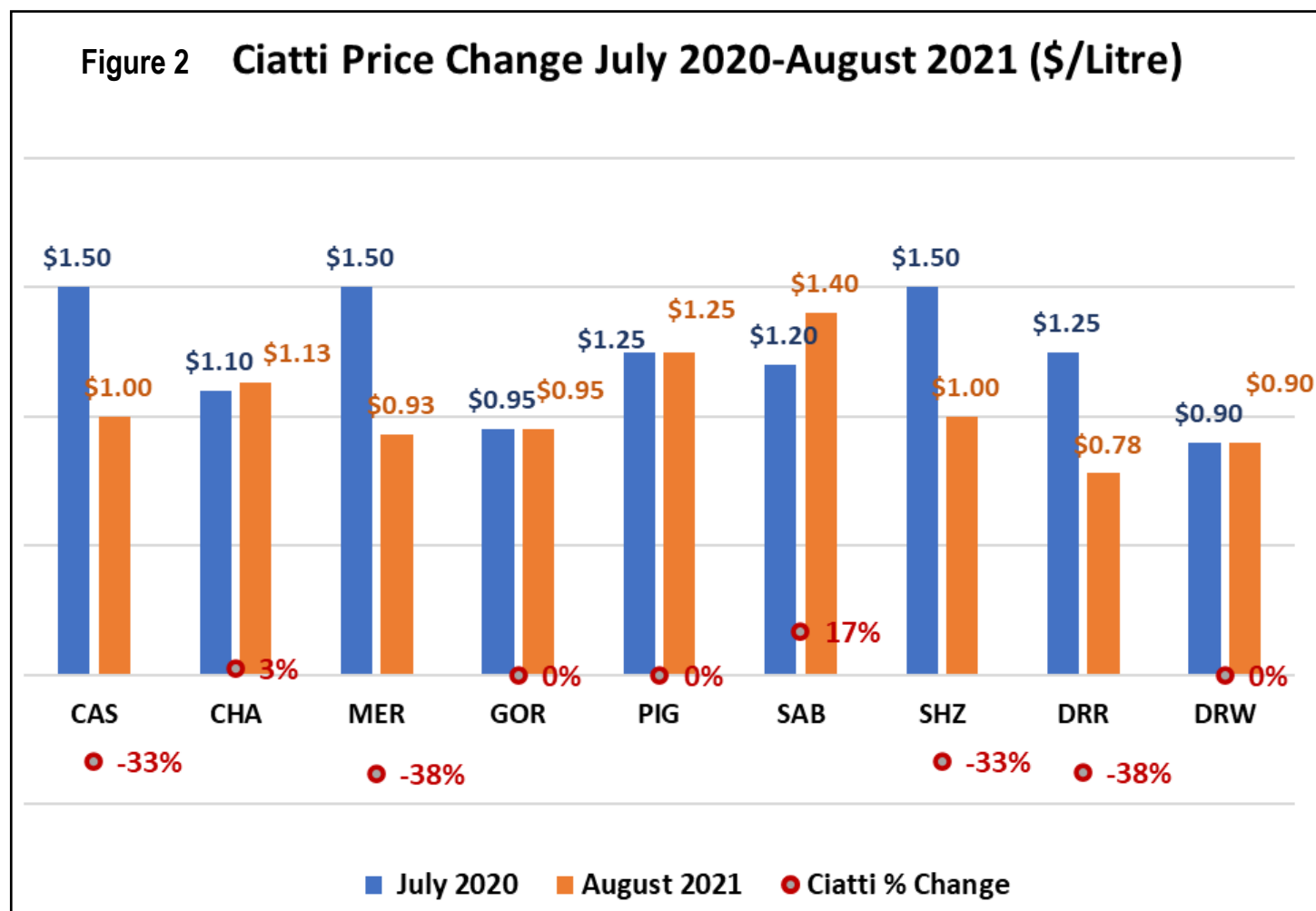
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2020 however the red wine reductions are due to the losses in China as a market for our wines.

While grape prices are largely determined by supply and demand for wine, we now need to consider other factors which have not been a concern in previous years which will influence wine makers decisions on their demand for grapes and the price they can pay.

was evident in the commercial wine sector/category of Wine sales Below \$5 per litre where the volume of sales to August MAT 2021 (Moving Annual Total) has dropped when compared to August MAT 2020. While there are some increases in red bulk exports they were not enough to compensate for the reduction in bottled reds. The decrease in bottled sales as seen in Figure: 3 (page 5) is almost totally due to China.

Figure 2 Ciatti Price Change July 2020-August 2021 (\$/Litre)



Wine Sales 2020-21

Reds

Domestic sales of reds are maintaining their volumes and appear to be also holding prices however the major retailers are starting to take advantage of a perceived oversupply and have been working on forcing red wine prices down.

Despite exports to China dropping right off to almost ceasing in the latter half of the 2020, sales to other export destinations remained buoyant and compensated for some of the decrease in Chinese sales volume. This

Although some of the large 2021 vintage will be used to replenish depleted stock there will be volumes of red wine sitting in wine makers tanks. The need to reduce the amount in storage to make way for 2022 is resulting in some winemakers offering commercial red wine below \$1/Litre compared to wine being sold at \$1.40 - \$1.50/Litre at the same time last year. If the excess wine stock is not sold it may also affect the wine makers ability to have enough storage for the 2022 red vintage.

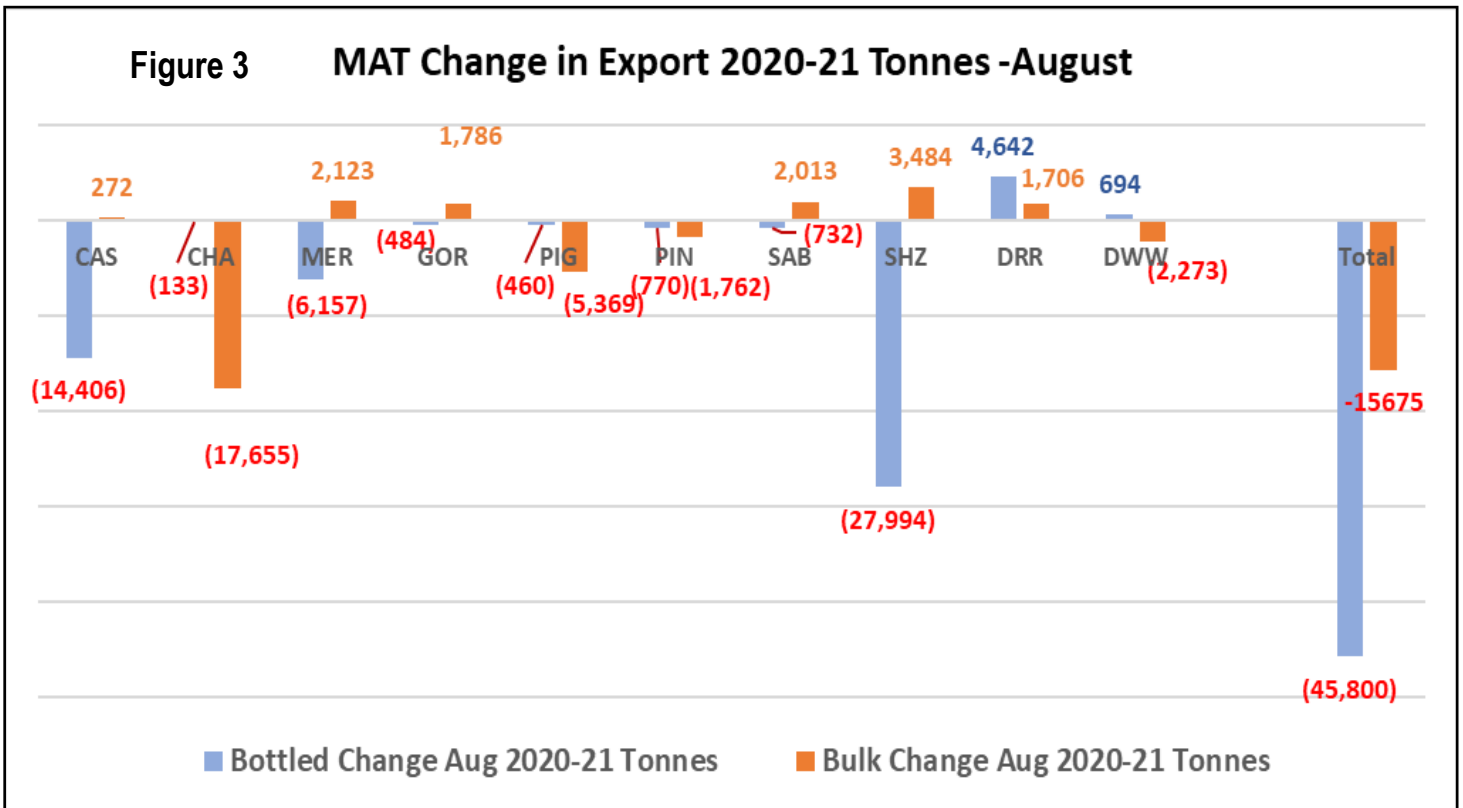
While indications are that there will be a reduced demand for the major reds there appears to be good demand for Pinot Noir and some of the other minor red

WINE INDUSTRY STATE OF PLAY - continued

(Continued from page 4)

varieties such as Grenache and Mataro and the prices for these smaller varieties should remain steady or even increase in 2022.

As can be seen from **Fig: 2 Ciatti Price Change July 2020 - August 2021 (\$ per litre)** (on page 4), which have in the past indicated future pricing points, are showing quite substantial decreases in prices for reds



There is a possibility of reduced demand for major red wine grape varieties which could result in pressure by wineries to lower the offer prices for reds in 2022.

Whites

Once again, the domestic sales of white wine are holding up and there may be some increase in volume of Australian wine sold as a replacement for imports.

The decrease in whites exported in 2020-21 was not due to decreased demand like the reds but predominantly due to lack of supply.

The China problem has not affected the white wine industry as they were not a significant buyer of white wine with only 3% of Australian exports to China being white wines.

World demand for white wine is firm with Sauvignon Blanc having strong demand with export prices increasing.

There should be good demand for all whites with prices steady for most varieties with an increase for Sauvignon Blanc.

wine and the whites stable to increasing for some varieties since last year. These price changes may be reflected in grape prices for 2022 for the commercial regions.

As can be seen from Figure 3 (see above) export volumes of wine in the commercial sector are down compared to the previous year.

Note: Commercial Wine Exports Below \$5/L FOB (Red numbers are negative)

Other Factors

World Wine Supply and Consumption

As can be seen from Figure 3 there has been an excess of wine produced over the last 5 years compared to consumption culminating in a cumulative excess which is equivalent to about 8 times Australia's total production. The projection for 2021 world production is that it will be below average with Europe and the USA below average due to weather conditions.

(Continued on Page 6)

WINE INDUSTRY STATE OF PLAY - continued

Consumption of wine is under pressure and is one of the few alcohol products where consumption is not growing and, in some cases, decreasing. The wine industry will need to be innovative and come up with products which will stop the trend for decreased wine consumption.

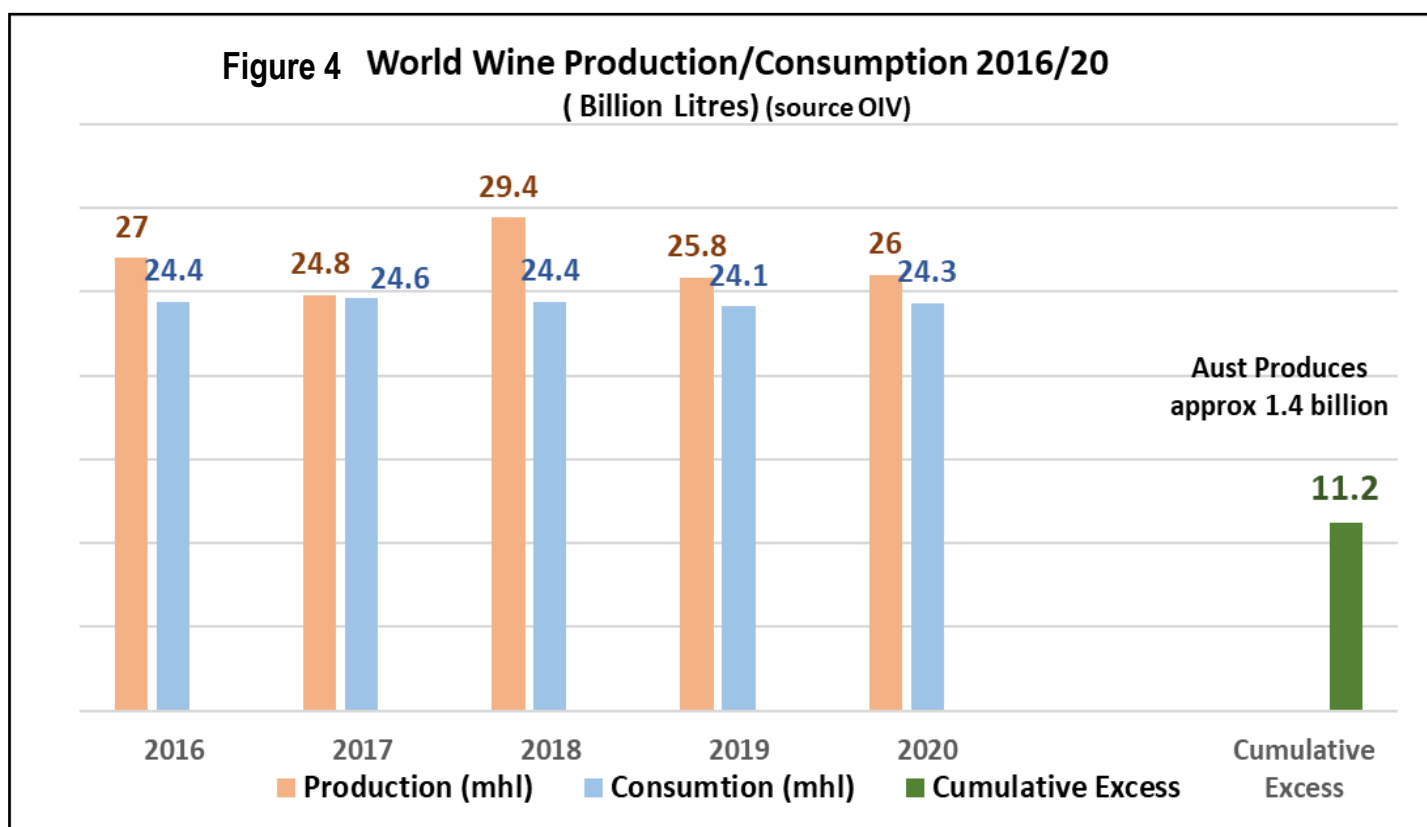
Covid

Despite some early panic buying by consumers, which saw wine sales increase, that trend appears to have disappeared. The uncertainty that covid is producing is also having an affect on the retailers buying patterns which is concerning. They are tending to buy wine as

Shipping

Currently there is a shortage of containers available in Australia as well as ships to transport them on. This is mainly due to the affects of port shutdowns due to Covid and a better return for the shipping companies from other exporting and importing countries who are trading in higher value products and can afford the price increases.

Apart from increased shipping prices if a ship is available, the shortage is creating major problems for the wine industry in being able to fulfill any orders that they have. There is a concern that the exporters will not



they need it and are not putting in place longer term purchase orders as was customary previously. This buying change is creating uncertainty for wine makers as where they once would have an order for 12 months, they are now selling wine as the retailer requires it.

Due to the inability to travel, smaller winemakers are having difficulty finding new markets. They are finding that buyers are finding it easier to purchase wine from their own regions where the sellers can meet in person. This is not a problem for the major wineries who maintain a presence in the main destination countries.

be able to secure enough shipping slots to supply the lucrative Christmas period in our largest markets of the UK and USA and Canada which account for about 65% of our exports by volume.

Conclusion

With the large vintage and difficulty in exporting wine we might see a decrease in demand for the major red varieties of Cabernet, Shiraz and Merlot. While the major winemakers sales are being maintained those who were selling wine to China are having difficulty in finding alternative markets for their reds. This could

(Continued on page 8)

MEDIA WATCH

Family wine companies and growers to bear the brunt of the loss of China

By Sonya Logan, Editor Winetitles, 5th October 2021

The fallout from China's decision to impose duties on imports of bottled still wines from Australia will be largely shared by the nation's family wine businesses and the grapegrowers who supplied fruit to the more than 1,000 trading companies that took advantage of Australia's export success in the country, said Nick Waterman, the president and chair of the South Australian Wine Industry Association (SAWIA).

Waterman, who is also managing director of family-owned wine company Yalumba Family Winemakers, was speaking at SAWIA's annual luncheon at the National Wine Centre in Adelaide last Thursday (30 September). He said the anti-dumping duties — which will apply to still wine in containers of 2 litres or less until March 2026 and range from 116.2% to 218.4% — would have minimal effect on Australia's top wine exporters to China.

"If one is to look at the pain points from the China fallout, I believe that it will not be felt by the top six exporters. Those six exporters account for 42% of the value of all the business of exports to China. And those companies, in the main, have other routes to market and can absorb and adjust their business accordingly," Waterman said.

Waterman said the bulk of "the pain" from the loss of China would be felt by the 372 mostly family-owned wine businesses that faced "a combined loss of sales of \$120 million" and the growers who provided grapes to "some 1,500 traders" which were then made into wine and sold into China "off the back of the strength of Brand Australia".

"Those 1,500 traders represented 48% of the value of exports, or a total of \$570 million," continued Waterman, "It's not the traders that we're, from an industry point of view, concerned about, although we feel for them, because they'll turn their focus to other business pursuits. But for the growers who supplied the grapes to those trading companies, they will feel the pain as many will have to significantly reduce the price of their grapes or end up pursuing the bulk market.

"And I know that there's a lot of wine sitting in tanks around the country that shouldn't be there at the moment and leading into the 2022 vintage is when the pain will be felt, and that's going to be most felt by the grower community in regional South Australia. The immediate impact is already being seen in downward pressure on grape prices."

Waterman said a recent report by the Australian Bureau of Agricultural and Resource Economics and Sciences estimated that by 2025, only 60% of Australia's wine exports originally destined for China that year would be redirected to other markets.

"Prior to the China tariffs, China represented 40% of the value of Australian exports, but only 10% of the total volume of the national crush. But when you consider that the 2021 crush was 16% higher than the long term average, we have a national short term surplus of around 25%. And to put that into perspective, that's a surplus of around 425,000 tonnes."

Waterman said that on a positive note, consumers all over the world continued to enjoy wine.

"And whilst there's been a significant skew towards retail and online sales, total global consumption levels have remained relatively stable.

"Our thoughts are with those on-premise businesses who have faced numerous shutdowns at ever-increasing short notice. These restaurants, cafes, pubs and clubs, play a pivotal role in building brands and provide a vital route to consumers for the many wineries, particularly the small to medium sized family businesses.

"Having talked to many on-premise accounts, both large and small, over the last six or seven months, I know there is a serious issue in terms of lack of hospitality for staff to meet the demand of the venues. And when the country opens up I think it's going to be a significant challenge for the hospitality sector," Waterman said.

He added that SAWIA was in the process of finalizing a paper that will be delivered to the South Australian Government and opposition to identify the key immediate and medium term issues facing the state's wine industry.

WINE INDUSTRY STATE OF PLAY - continued

(Continued from page 6)

result in lower demand and prices for most reds in 2022.

Despite good demand for whites the increases in shipping freight costs may inhibit any price rises which we would normally expect with the exception of Sauvignon Blanc.

As growers we need to plan and be aware that it could become difficult in the years ahead due to the above factors.

World Wine Production v Consumption

Export Costs rise

In a direct response to COVID19 across the world the costs of freight have increased not only for wine exports but all exports.

This is due to less shipping lines carrying containers around the world and less workers on the docks to unload them. During the early phases of the COVID19 pandemic shipping lines were delayed as ports closed and the impact of these holdups are still rippling through the world.

Any increase in the cost of shipping are likely to be passed onto consumers where possible. However in the wine industry with wine being a price sensitive product the costs increase are likely to be pushed down the supply chain. Yes growers of winegrapes may be impacted by the higher freight costs.

Editors Note: As you can read the market is not as it seems. Please have a conversation with your winery. If you are not happy with their market positioning shop around for a winery that might fit your varieties better.

CASELLA FAMILY BRANDS SIGNS INDUSTRY CODE OF CONDUCT

The news that Casella Family Brands have signed onto the Australian Wine Industry Code of Conduct is excellent news for the region and its growers.

Casella is now the second Riverina based winery to participate in the Code which is currently voluntary. What this means from growers that deliver winegrapes to the company?

Simply it means that growers will be able to enter into disputes more easily over the price to be paid and address any concerns that they may have with the quality assessment.

In reality the region currently does not have any assessors and Australian Grape and Wine (whom manage the Code) are working to address this concern.

TRANSPORT FOR NSW RUMOURS

There have been a number of rumours circulating in the region regarding the possible requirement that winegrape transport needs to be done with a cover and that this change will strictly be enforced.

The Board can report that it has not heard of any changes to the way transport is currently undertaken. There is a move via the National Heavy Vehicle Regulator (NHVR) to develop systems and standards for the entire Australian wine industry but the consultation phases of this review has been delayed by COVID19 restrictions.

With regard to transport it is well known that loads are required to be secured. This as you know applies to Utes and trailers. In the strict sense of the law this also applies to winegrapes but the practicality of this occurring is what prevents it from happening.

It has not helped that the industry each vintage continues to allow winegrapes to spill onto local roads and intersections thus drawing attention to the issue.

It is highly likely that minimum standards to truck bodies will be brought in that prevent low sided trucks from being used in the future. Watch this space.

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

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