

Oversupply Continues Part 1-2024 Demand Projections

Red wine oversupply problems.

Despite the lower crop level, it is projected that Red grape intake in 2023 will not be low enough to reduce the red wine stock levels to a comfortable ratio (Graph 1). Unfortunately, this will mean that winemakers will probably be restricting intake of red grapes in 2024.

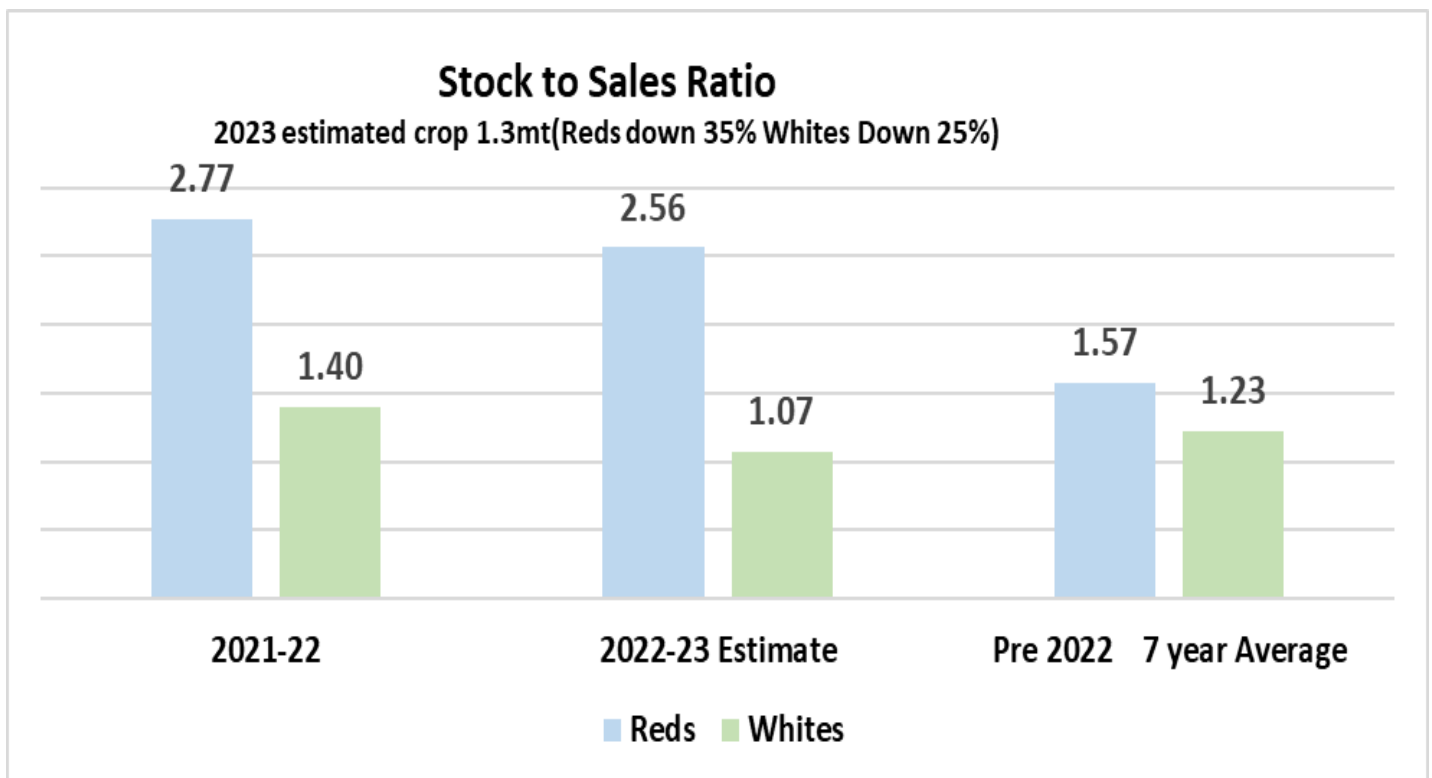
Graph 1

NOT sell them in the near future.

China the answer?

As you can see from the table below since February 2018 total imports of wine into China have steadily reduced to 348mL/year as at November 2022.

If we can manage to get back to the 21% of total current wine imports into China it will mean that



The reductions will be predominantly in three major varieties of Shiraz, Cabernet and Merlot. While in the previous year there has been an increase in exports of about 2% in volume for these varieties there has been a 554% increase in the volume sold below \$0.75/L. This price indicates that prices for grapes that are required for 2024 will be at or below those offered in 2023.

Indications are that the above three red varieties will need to reduce by about 250,000t to bring them back into balance where they will receive a viable price.

If you didn't have a market for some of your red grapes in 2023 there is a high probability you will

we may be able to sell about 70mL of wine (90,000t). This is well below the 2018 volume of 168mL (250,000t) that we exported to China in 2018

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BOARD ACTIVITIES REPORT



**Riverina
WINEGRAPE
GROWERS**

HACCP Reaccreditation Underway for Vintage 2024

Brian Bortolin is once again out and about doing HACCP audits for growers, please feel free to contact Brian to book your Audit on 0401 567449 or 69 623944 or Brian will be in contact in the near future. Please don't forget that if you have to have a third party Audit, we will provide a

\$150 rebate when you present a receipt for payment or a \$100 rebate for completion of Chemical accreditation course when payment receipt sighted.

Do we have your Correct Contact Details

If any of your details have changed please let us know so that we may update our system to keep you in the loop for future opportunities as they arise. Likewise if you are no longer growing grapes and are receiving emails from us please let us know and we will take you off the system.

Profitability Project

Phase 1 of the profitability project has been completed with the release of the CSU report to Wine Australia, while this report doesn't tell us anything that we don't already know, it does commit it to paper by an accredited third party, being Charles Sturt University—Gulbali Institute. This report clearly paints the picture of an Industry in crisis, as well as highlighting things like the power imbalance between growers and wineries, and the ever increasing risk to growers mental health due to the present situation. This gives us a tool that can be used to lobby government and other bodies that has to be taken seriously, if you would like a copy please contact Jeremy.

Lobbying State and Federal Government

We have been busy lobbying government on the issues facing the industry, looking for what ever assistance is available. On the Federal level Murray Watts office has responded that he has received our letter, and that his diary manager will be in contact soon regarding our invitation for him to visit and see for himself how desperate the industry is. He has put us in contact with the Farm Household Allowance team that may be of assistance to those that are really struggling, and a copy of the fact sheet of their services is enclosed with this edition of Vine Chat. He also acknowledged our concerns over mental health of growers, and has directed us to "Taking Stock" a suicide prevention tool for Australian Farmers, this can be found at the takingstock.community Website. We are hoping to meet with Mathew Stephenson Murray Watts senior advisor in Canberra on the 10 August.

As for the state government they have acknowledged that they have received our letter, but we are still waiting on Tara Moriarty to get back to us with anything further. We will be lobbying for any help for the industry that we can get as well as for legislation that will stop wineries from taking fruit if they haven't paid for fruit receive during the previous vintage, as well as a mandatory code of conduct for the industry.

Sustainable Winegrowing Australia—SWA

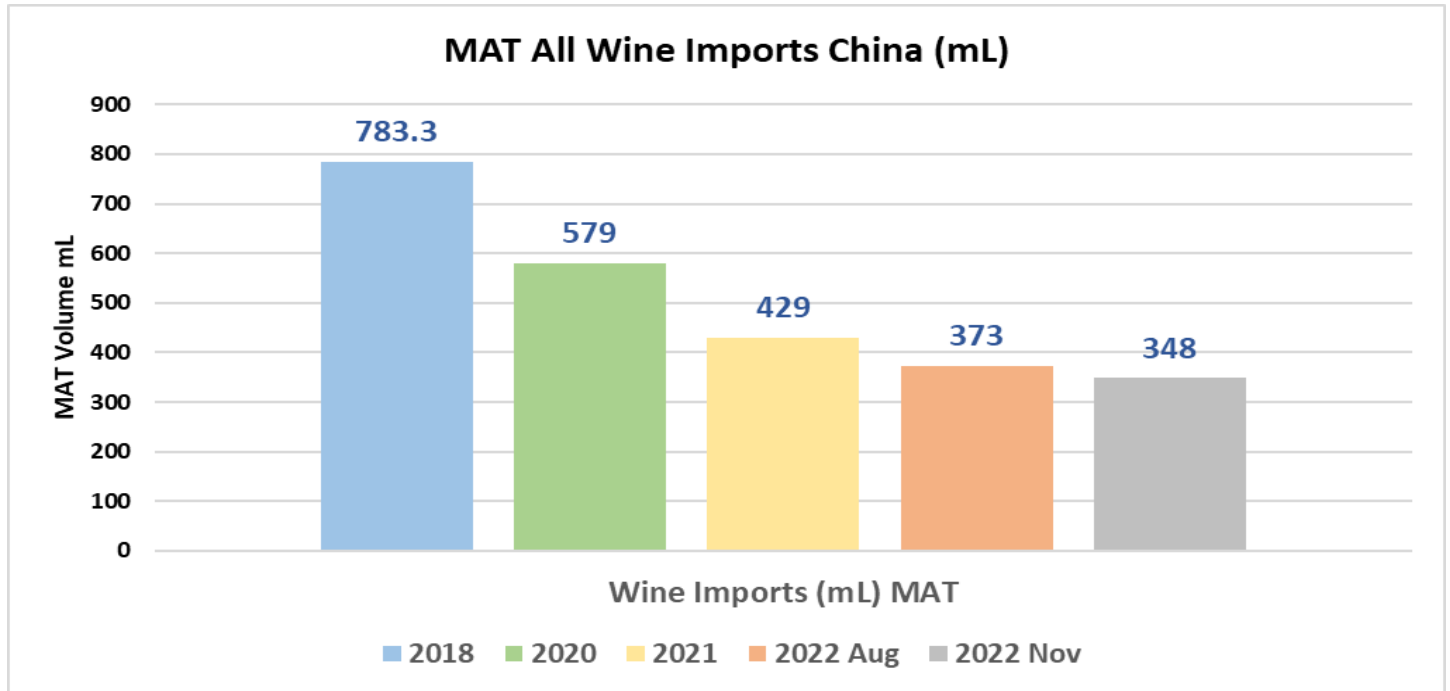
This is not going to go away and is rapidly becoming a market access issue for wineries, by not having this or some form of sustainability certification in place, we are putting ourselves behind growers that are certified, or making it harder for local wineries to get market access. We are lobbying for SWA to be run in our region as we currently run the HACCP system, or looking at the possibility developing our own system.

Calendar of Upcoming Events

Event	Date	Time	Venue
Grower BBQ	3/08/2023	11:30am - 2:30pm	Riverina Winegrape Growers Car Park
31st Finlaysons Wine Road Show	22/08/2023	2:30pm - 7:00pm	Quest Griffith
Viticulture Field Day	28/08/2023	Afternoon	NSW DPI
Budget & Strategic Plan Meeting and Dinner	12/10/2023	7:00pm - 10:00pm	Yoogali Club
Advanced Viticulture Course	16/10/23-19/10/23	All Day	South Australia
Grapevine Integrated pest and Disease Management	27/10/23-28/10/23	All Day	To Be Confirmed
Grower BBQ	6/12/2023	11:30am - 2:30pm	Riverina Winegrape Growers Car Park

Oversupply Continues Part 1-2024 Demand Projections

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Change to White Varieties

While it appears that whites are a bit short a return to average tonnes will bring it back into balance quickly. Any increases in volume may well push it into an oversupply and reduce opportunities for wine companies to push for higher wine prices thus higher grape prices. There is a suggestion that some red varieties in oversupply be changed to white varieties, however there is a risk that this will create an oversupply situation for the whites. Currently white plantings are in balance and it will not take a large increase in volume to put them in oversupply and consequently lower prices.

Growers need to be wary of wine companies requesting change from red to white as they have a history of getting it wrong.

World Wine Consumption

Unfortunately, world wine consumption is also declining due to a number of factors. Total world wine consumption is down by about 1000mL (1.4mt since 2018)

Wine Sourcing

Due to oversupply and wine discounting in previous years “Brand Australia” does not have the power to demand a premium in the commercial sector. This lack of brand power is allowing customers to source wine

from the cheapest source country. This has meant that Australian commercial wine has gone from something which commands a small premium to having to compete with the rest of the world as a commodity where the lowest price gets the contract.

Where to

It is clear that there needs to be a readjustment to the whole industry. As in 2009/2010 there is an oversupply of fruit in what can be described as “commercial”. A viable sustainable industry tonnage for growers is in the 1.4-1.5 million tonne range with the fruit being split evenly between red and white. This will mean a reduction of about 250,000t of reds and whites remaining stable.

There also is a need for the industry to adopt a more adaptable approach to wine products and alcohol trends. While this may not suit winemakers as they are focused on traditional products it will be necessary for growers to survive. This may include NOLO products, cans, fruit infused wine or any other product which is wine based. We must be more consumer orientated and produce what they require not what we think is a good product.

We cannot continue to do the same thing as we always have or we will not have a sustainable business for growers.

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WINE GRAPES MARKETING BOARD

Oversupply Continues Part 2—Another Way Of Looking At It

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2024 Price Potential

The majority of inland fruit is priced with reference to the the export market prices as this is where the majority of the wine produced from these areas is sold. The following compares 2021 to 2023.

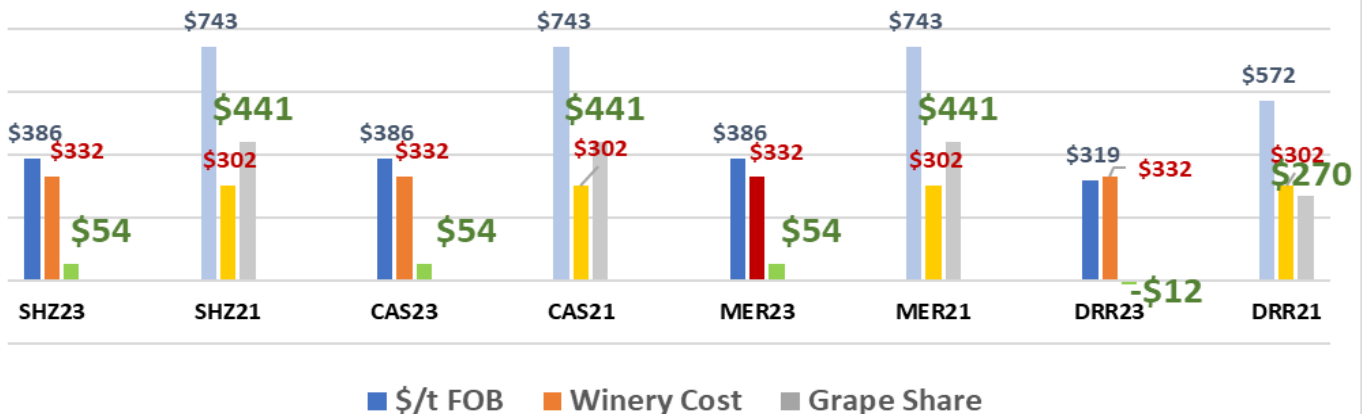
In the following graphs I have converted the latest Ciatti FOB price to \$/tonne (blue). I have then taken the

change in the red price for 2024 of the major varieties is non existant. It may very well result in even more fruit being unsold in 2024 than this year. While there is some potential for exports to China beginning this will not occur in substantial volumes prior to next vintage and if it does it will not be enough to soak up the surplus.

Although not quoted by Ciatti here is some good news if you grow Pinot Noir as it is exported at a similar price to Sauvignon Blanc and Pinot Gris.(W.A. export

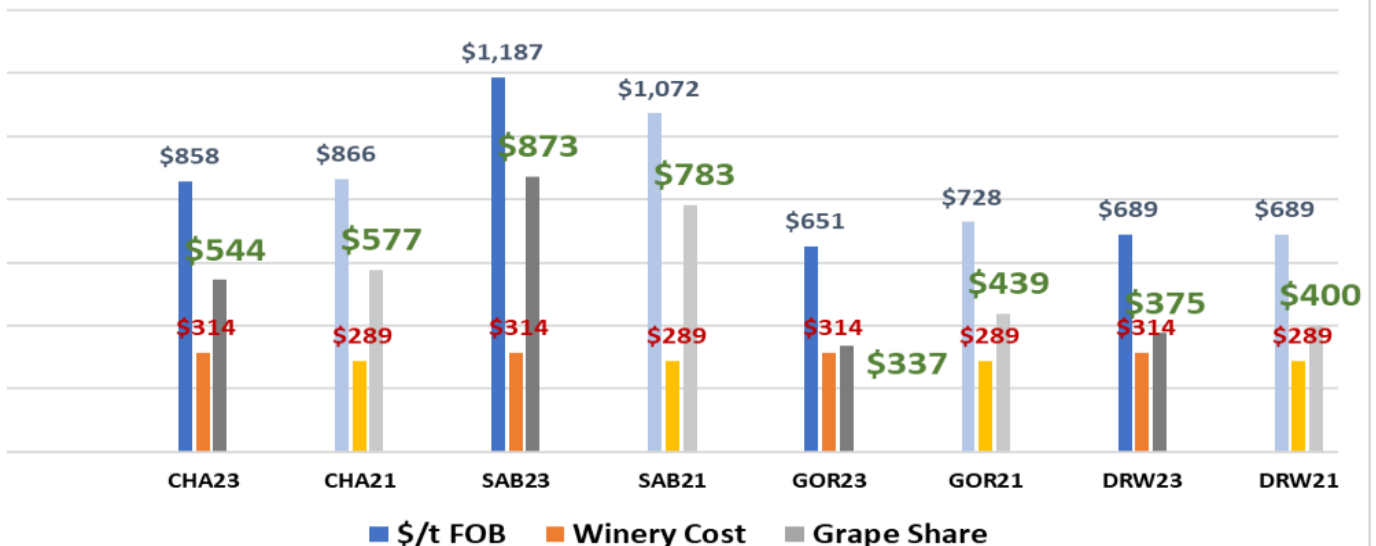
Red Wine: Gross Income v Winery Cost v Gross Margin

(Ciatti Price/L FOB: Conversion @ 743L/t)



White Wine: Gross Income v Winery Cost v Gross Margin

Ciatti Price/L FOB: Conversion @766L/t



processing cost + FOB costs from that. Some of the major wine companies over 50,000t will have a lower production cost in the vicinity of 10-15% depending on size. Out of the green number the wine companies have to pay us and cover some of their fixed costs.

REDS

As these graphs clearly show the potential for any

report)

WHITES

As can be seen from the graph below whites are in a relatively stable position. Despite there being a good demand for Chardonnay there is some reluctance for importers to soak up the increased cost of freight from Australia. Pinot Gris unpackaged price is similar to Sauvignon Blanc so prices should

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Oversupply Continues Part 2—Another Way Of Looking At It

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remain where they were for 2023. However the covid induced freight cost are coming down so we should see this reflected in prices which will enable whites to maintain at least 2023 prices for 2024.

While there is encouragement from the wine companies to change reds to whites there is a large risk that this will result in an oversupply and the whites will be in a similar situation to the reds which it is all in production. We must be wary of wine company projections as they do not appear to be based on genuine market/consumer

preference.

Growers must be wary of the wine companies projection as history shows us that more often than not, they get it wrong. The vast majority of wine grapes in the ground are a result of growers accepting wine company advise. A good test would be if the company would offer a fixed price contract for a period of time which would allow the grower to pay for the investment they make. That would then at least share the risk instead of it being all on the grower.

Oversupply Continues Part 3—Local Perspective

The current oversupply is affecting all areas of the wine industry, however it is the large inland regions that are hurting the most as can be seen in parts 1 and 2 of Oversupply Continues. A big thank you must go out to Jim Caddy Chairman of the Inland Wine Region Alliance, for putting these facts and figures together for us. We will now dive deeper into the issues that drive the wine market at this time

Riverina

Our share of the oversupply is estimated to be around 80,000 tonnes, however the removal of this quantity of grapes locally will not change anything unless the other inland regions follow suit.

Inflation has a large impact on the input costs for all businesses, which is usually recouped through an increase in the price for the end product, wine is an exception. This is caused by the oversupply as it puts downward pressure on the bulk market, at 30 cents a liter, wine can be purchased at less than what it costs to make.

On a domestic level the quantity on wine that is produced in the inland regions needs to be channeled into the major retailers, who rightly or wrongly have their own brands that they service through the bulk market, and use this as a lever to get wineries to match their prices or face losing shelf space.

The export market is where we have traditionally sold wine that is excess to the requirements of the domestic market, this market is a tough playing field as we have to compete against every other country that exports wine. As well as compete with other drink sectors that are on the rise like craft beer and boutique distilleries, many countries have a competitive advantage of being closer to the markets or cheaper labor resources.

Australia's clean green image that once elevated us to

being sort after by the rest of the world with slogans like "Sunshine in a Glass", has come to an end with recent reports from global wine brokers CIATTI showing how Australia has fallen down the rankings as a preferred supplier to the rest of the world.

China is being closely watched as hopes for a resumption of the wine trade from Australia continue, however things have changed since we last traded. China's wine consumption has halved since 2017 and continues to fall on an annual basis, in our absence from this market we have lost market share to South Africa and South American countries.

World wine consumption is also dropping and the wine industry globally has increased competition from other drink sectors and wine based products. The major worry when looking at the above scenario is that growers who have debt to service may have to sell permanent water, once this water is gone you cannot justify buying it back to grow grapes @ \$8500 to \$9000 per Megaliter. While all the dams are full and water prices are low growers may get away with purchasing water off the temporary market, but as we all know only too well Australia is a land where drought is common and as the dams dry out the price of water will go up, pricing growers out of the market.

The Riverina will continue to grow grapes and make wine into the future, however until the oversupply comes back into balance growers will bear the brunt of a market well and truly out of balance. This could be a lengthy and drawn out process of which China coming back to the table will help, but not fix on its own, and the government will not be helping with anything like a vine pull scheme. Each grower has to look at their own enterprise and take into consideration, how they will weather this storm that wont pass quickly.

WINE GRAPES MARKETING BOARD

Statement from the Australian wine sector CEO and Managing Director summit

May 31st, 2023

Image courtesy of Treasury Wine Estates.

Earlier this month, we the CEOs and Managing Directors of some of Australia's largest wine companies came together to focus on how we can collectively address the challenges faced by our sector.

Building on a number of calls together over the past year and hosted by Wine Australia, this is the first time we have come together in person.

With years of accumulating challenges including inflationary pressures, significant tariffs, shipping delays, an imbalance in supply and demand and COVID-19, we are concerned by the current state of the sector and know that we have a collective responsibility to lead the changes required. Equally, we are very optimistic about the opportunities available to our diverse and talented sector.

We had transparent and candid conversations around four themes:

1. Future proofing our supply base
 2. Enhancing the quality, value and image of our wines
 3. Meeting the requirements of our markets for environmental, social and corporate governance (ESG) standards
- Meeting the needs of our consumers through product innovation.

Andrew Calabria, Calabria Family Wines

Dean Carroll, Brown Family Wine Group

Darren De Bortoli, De Bortoli

Tim Ford, Treasury Wine Estates

Craig Garvin, Australian Vintage Limited

Bill Moularadellis, Kingston Estate Wines

Ed Peter, Duxton Vineyards

Lee McLean, Australian Grape & Wine

As the first meeting of its kind, there is still much work to be done. However, as a first step we have committed focus, effort and resources to supporting the following initiatives:



1. Adopting a sector-wide approach to our ESG standards and highlighting the role Australian vineyards and landscapes can play in emissions management
2. Taking a united, collective approach to building brand Australia with respect to wine and creating a mid-strength category, aligned to market and consumer trends

Building a shared data platform that will improve transparency and aid timely decision making for stakeholders across the sector.

We all agreed that, as an initial step, each of the three initiatives will have a small group of custodians from among the summit attendees to ensure the right focus, effort and resourcing is applied to bring the action to life.

Most importantly, we are all aligned on the importance of taking shared responsibility for driving the health of our sector, so we will continue to come together to ensure these conversations turn into tangible actions.

Signed by:

Bob Berton, Berton Vineyards

John Casella, Casella Family Brands

Andrew Forbes, Zilzie Wines

Bryan Fry, Pernod Ricard Winemakers

Karl Martin, Hill-Smith Family Estates

Brigid Nolan, The Wine Group

Martin Cole, Wine Australia

John Hart, Australian Grape & Wine

Exercise Sour Grapes 2023

Local vignerons, biosecurity specialists and industry representatives met yesterday in Orange to measure the edge technology can deliver via real-time data to increase planning efficiency and effectiveness in a biosecurity emergency response.



Photo: NSW Department of Primary Industries, Plant Biosecurity Enhancement director, Dr Shane Hetherington; Southern NSW Drought Resilience Adoption and Innovation Hub director, Cindy Cassidy; and NSW Wine president, Mark Bourne at the NSW DPI Head Office in Orange.

NSW Department of Primary Industries (DPI), Director Plant Biosecurity Enhancement, Dr Shane Hetherington, said Exercise Sour Grapes 2023 simulated a plant biosecurity outbreak to test data from the Track & Trace pilot project.

“Track & Trace used the Onside check-in app to gather real-life data from local vineyards from spring 2022 until the 2023 vintage,” Dr Hetherington said.

“Exercise Sour Grapes 2023 is testing the technology’s surveillance and early detection algorithm in delivering rapid response to biosecurity outbreaks and informing resource allocation for the NSW wine sector.

“This exercise will compare results with Exercise Sour Grapes 2019, which ran the same emergency response simulation, without the advantage of real-time data from an app.”

Track & Trace is supported by NSW DPI, NSW Wine and Southern NSW Drought Resilience Adoption and Innovation Hub (the Hub).

The project has worked with Canberra, Tumbarumba, Orange and Mudgee vignerons who collected real-time data in their vineyards.

NSW Wine president Mark Bourne said building and maintaining accurate movement data helps to protect the long-term resilience of the NSW wine industry.

“Prevention is always better than a cure. If and when a new threat emerges, we need to be able to trace back to determine where it came from and trace forward to lessen the impacts on industry and the communities in which we live and work,” Bourne said.

“This project is a real-life demonstration of how biosecurity can work as a shared responsibility. Industry, federal and state government agencies and a technology partner are all working together to pilot a biosecurity solution to help make us fit for future challenges.”

Hub Director Cindy Cassidy said developing a world-class biosecurity system is one of the four National Agricultural Innovation Agenda priorities supported by the Hub.

“Track & Trace is part of the Hub’s Managing Biosecurity Risks investment project, which is testing strategies to better engage the community and supply chain in biosecurity preparedness,” Cassidy said.

“This project gives us the opportunity to apply existing technologies and test systems designed to help better prepare a region to respond to biosecurity threats

“Track & Trace is just the beginning. We are keen to engage the community and the supply chain to support our biosecurity efforts and if this technology does prove to be effective, it could revolutionise biosecurity in NSW and across horticulture Australia wide.”

The project is supported by funding from the Department of Agriculture, Fisheries and Forestry as part of the Federal Government’s Agricultural Innovation Hubs Program.



Thankyou Ladies For Your Help Accessing The Grants

It is all too often that we get caught up with the negative aspects of the industry, and this is particularly evident in the current oversupply situation, so it is nice to be able to report on some good news. While grants for storms, flood, or hail are welcome news to those that have been impacted by these events, they still present a mine field of red tape to navigate in order to access them. So I would thank Bonny Hayes, Bonnie is our local Rural



Financial Councilor, Bonnie has been a life saver for many growers by helping them work through the grant application process. This is a free service that has been well and truly under the pump, the demand for Bonnies services could have easily supported at least one more Rural Financial Councilor for the Griffith region. Bonnie has finally been able to secure an office in Griffith, prior to this she was utilizing our board room for up to 2 days a week to help growers with their grants.

Sarah Groat is another young lady that I would also like to thank, Sarah works for the DPI as part of the Farms



of the Future program. This program is aimed at increasing farm efficiencies through the adoption of technology, Farms of the future offers growers a chance to purchase up to \$50,000 worth of technology to be used on the farm for an investment of \$15,000, the balance is made up of a \$35,000 government grant. These grants can be used to purchase and install anything from weather stations to moisture monitors, in fact any form of technology that will make your enterprise more efficient, Sarah has also helping participating growers meet the needs of the grant.

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