

2005 WFA VINTAGE REPORT

June 2005

Wine Grape Intake Increases to 1.924 million tonnes

The Australian wine industry achieved a record vintage in 2005, with an estimated crush of 1.924 million tonnes – 6%, or 107,000 tonnes, more than the previous record vintage of 1.817 million tonnes in 2004 (ABS).

Red wine grape intake rose slightly in 2005, from 1.063 million tonnes to 1.069 million tonnes, and accounted for 56% of the total vintage.

White wine grape intake increased by almost 102,000 tonnes in 2005, or by 14%, to 855,000 tonnes, representing 44% of the total intake.

The wine grape crush would have been higher had it not been for some wine grapes being left on the vines, or harvested onto the ground, in response to declining prices and poor returns for some grape growers.

Grape Quality

The 2005 vintage was described as one of consistent good quality across all regions.

Favourable seasonal conditions – particularly mild temperatures, with few sustained hot periods, and moderate and generally well timed rainfall – resulted in good quality and steady ripening of fruit, with full varietal characters being developed.

In addition, the positive conditions resulted in minimal fruit being affected by disease and enabled higher than average yields.

The only exceptions were some heavy rainfall and hail damage in small areas of the Riverina (NSW) and limited parts of eastern Victoria.

Red Intake Marginally Higher at 1.069 million tonnes

Shiraz intake increased by 4%, or by 17,500 tonnes, to over 454,000 tonnes, to maintain its dominance as Australia's largest wine grape variety, accounting for 24% of the total intake.

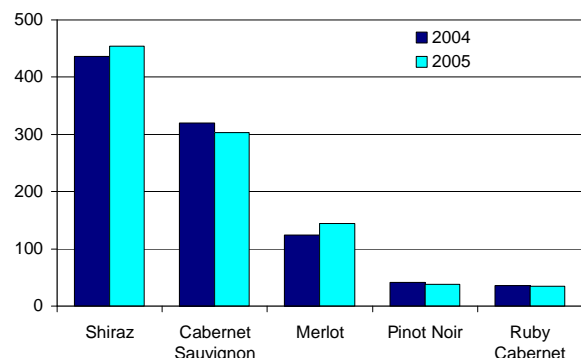
Cabernet Sauvignon intake dropped by over 5%, or by 16,000 tonnes, to less than 304,000 tonnes, making up just under 16% of the total wine grape crush.

Merlot intake jumped by 17%, or by over 20,000 tonnes, to more than 144,000 tonnes, representing 8% of the total intake.

Pinot Noir intake fell by almost 9%, or by 3,500 tonnes, to 38,000 tonnes, while **Ruby Cabernet** intake fell by 4%, or by 1,000 tonnes, to 34,500 tonnes.

Other red wine grape varieties with intake in excess of 20,000 tonnes include **Petit Verdot** (up by nearly 11% to 25,600 tonnes) and **Grenache** (down by 2% to 24,600).

RED VARIETIES WINE GRAPE INTAKE ('000 tonnes)



White Intake Up 13.5% to 855,000 tonnes

Chardonnay intake surged by almost 34%, or by 105,000 tonnes, to 416,000. As a result, the share of the total wine grape crush accounted for by Chardonnay jumped from 17% in 2004 to almost 22% in 2005, to be the second largest grape variety behind Shiraz, but well ahead of Cabernet Sauvignon.

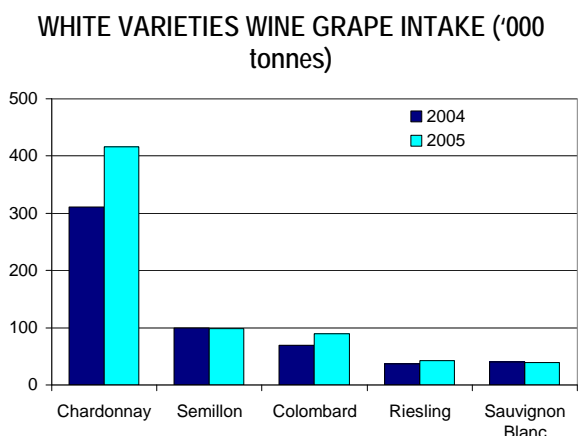
Semillon intake dropped by over 1%, to 98,000 tonnes, and now represents just over 5% of the total grape crush.

Colombard accounted for just nearly 5% of the total wine grape crush, with intake jumping by 28% in 2005, from almost 70,000 tonnes to 89,000 tonnes.

Riesling intake increased by 16%, or by almost 6,000 tonnes, to around 42,000 tonnes, going past Sauvignon Blanc as the fourth largest white wine grape variety.

Sauvignon Blanc intake dropped by 1%, to below 39,500 tonnes.

Multipurpose grapes – mainly Sultana and Muscat Gordo Blanco – accounted for 5% of the wine grape crush in 2005, at around 96,000 tonnes. Muscat Gordo Blanco intake rose by almost 7% to 56,000 tonnes, while Sultana intake slumped by 30%, to 40,000 tonnes.



Some Excess Supply and Impact on Margins

The record 2005 vintage is expected to place further upward pressure on aggregate stock or inventory levels. That said, the relative shift in the grape crush from red varieties to white varieties may actually help to reduce some market imbalances.

While wine grape prices have been forced lower by the excess supply affecting some red grape varieties in some regions, particularly cool climate areas, margins all along the supply chain have been greatly affected by other factors, including:

- a strong Australian dollar;
- continuing expansion in the number of small wineries;
- retail consolidation and discounting, both in Australia and key export markets; and,
- more intense global competition.

Forecast Intake to 2007

The projected wine grape crush for 2006 and 2007 are 1.879 million tonnes and 1.933 million tonnes respectively (ABARE). These projections indicate that, assuming 'normal' seasonal conditions, there will be a 2% drop in intake in 2006 (relative to the WFA estimate for the 2005 vintage), followed by a 3% recovery in the crush in 2007.

ABARE is forecasting the strongest growth in white grape variety intake. This reflects the grape planting activity of recent years, which has responded to the sustained low prices of red grape varieties.

The accompanying table details the projected intake for key red and white varieties to 2007.

PROJECTED WINE GRAPE INTAKE ('000 tonnes)

	WFA		ABARE	
	2005 E	2005 F	2006 F	2007 F
Total	1,924	1,834	1,879	1,933
Red Varieties				
Shiraz	454	439	449	461
Cabernet Sauvignon	304	310	308	309
Merlot	144	110	111	112
White Varieties				
Chardonnay	416	367	394	423
Semillon	98	103	101	102
Riesling	42	35	36	37

E: WFA Estimate; F: ABARE Forecast
Source: ABARE (Jan 2005)

Survey Methodology

This survey is the first quantitative national measure of the 2005 vintage, and is used widely by industry, industry analysts and media.

In May 2005, wineries were sent a mail survey to determine the industry's wine grape crush for 2005. Wineries were asked to provide details of their 2005 intake (from any source) for processing into wine, brandy, spirit or juice (excluding contract processing on behalf of other wineries).

The survey response was comprehensive, reaching 492 wineries (up from 427 wineries in 2004) and covering an estimated 95% of the industry's wine grape intake. The aggregated data was then extrapolated to estimate 100% of the intake, based on the survey participants' share of the 2004 intake.

It should be noted that the extrapolation process utilises the ABS wine grape production figures (by variety) for the 2004 vintage, and historically the ABS total winegrape production figure represents approximately 96% of the ABS total winemaker crush figure, the official record of annual intake released in November each year.

Australian Wine Grape Intake

Variety	2003 tonnes	2004 tonnes	2005 tonnes	2005 % Share	2004-2005 % Change
Red Grapes					
Barbera	829	1,057	948	0%	-10%
Cabernet Franc	5,274	6,106	4,594	0%	-25%
Cabernet Sauvignon	225,723	319,955	303,630	16%	-5%
Durif	3,232	4,111	5,999	0%	46%
Grenache	19,866	24,987	24,618	1%	-2%
Malbec	3,756	3,827	4,310	0%	13%
Mataro	11,822	13,992	9,675	1%	-31%
Merlot	92,865	123,944	144,420	8%	17%
Muscat a Petit Grains	1,285	1,285	850	0%	-34%
Petit Verdot	14,956	23,117	25,606	1%	11%
Pinot Noir	27,949	41,690	38,038	2%	-9%
Ruby Cabernet	37,858	35,687	34,448	2%	-4%
Sangiovese	6,057	5,234	5,565	0%	6%
Shiraz	309,000	436,691	454,183	24%	4%
Tarrango	2,486	3,775	2,945	0%	-22%
Other Red	9,563	17,616	8,890	1%	-50%
Total Red Grapes	772,521	1,063,075	1,068,719	55.6%	0.5%
White Grapes					
Chardonnay	233,747	311,273	416,194	22%	34%
Chenin Blanc	11,466	13,727	12,579	1%	-8%
Colombard	53,396	69,750	89,037	5%	28%
Doradillo	2,963	4,391	1,503	0%	-66%
Marsanne	1,997	3,255	2,227	0%	-32%
Muscadelle	1,084	1,277	626	0%	-51%
Muscat a Petit Grains Blanc	2,460	1,968	762	0%	-61%
Muscat Gordo Blanco	44,553	52,462	55,968	3%	7%
Palomino & Pedro Ximenes	1,911	1,717	1,290	0%	-25%
Pinot Gris and Pinot Grigio	NA	2,094	5,492	0%	162%
Riesling	28,994	36,404	42,239	2%	16%
Sauvignon Blanc	21,028	39,774	39,410	2%	-1%
Semillon	77,096	99,237	98,161	5%	-1%
Sultana	36,032	57,327	40,070	2%	-30%
Traminer	5,276	7,491	9,504	1%	27%
Trebbiano	6,451	6,469	5,608	0%	-13%
Verdelho	15,359	18,979	18,551	1%	-2%
Viognier	1,657	3,903	5,324	0%	36%
Other White	11,604	21,986	10,598	1%	-60%
Total White Grapes	557,074	753,482	855,143	44.4%	13.5%
Total Grapes	1,329,595	1,816,556	1,923,861	100.0%	5.9%

Note: For wine grape varieties, shares and percentage changes rounded to the nearest whole number.
Source: ABS (2003 and 2004), WFA (2005)
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