

# 2006 WFA VINTAGE REPORT

June 2006

## Winegrape Intake falls to 1.846 million tonnes

The Australian wine industry's grape intake fell slightly in 2006, with an estimated crush of 1.846 million tonnes – just over 4%, or 79,000 tonnes, less than last year's record vintage of 1.925 million tonnes (ABS).

Red winegrape intake fell slightly in 2006, from 1.064 million tonnes to 1.005 million tonnes, and accounted for 54% of the total vintage.

White winegrape intake decreased by just under 20,000 tonnes in 2006, or by 2.3%, to 841,000 tonnes, representing 46% of the total intake.

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

## Red Intake Down to 1.005 million tonnes

**Shiraz** intake decreased by nearly 3%, or by 12,000 tonnes, to about 441,000 tonnes, yet maintained its dominance as Australia's largest winegrape variety, accounting for 24% of the total intake.

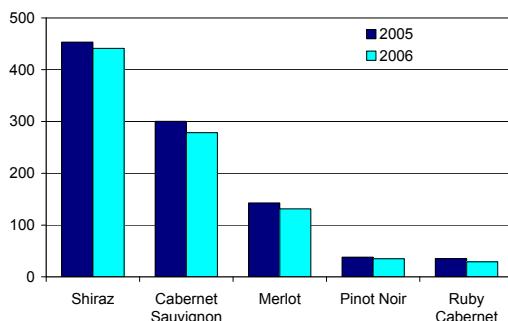
**Cabernet Sauvignon** intake dropped by more than 7%, or by nearly 22,000 tonnes, to 278,000 tonnes, making up about 15% of the total winegrape crush.

**Merlot** intake fell by 8%, or by over 11,500 tonnes, to around 131,000 tonnes, representing 7% of the total intake.

**Pinot Noir** intake fell by almost 9%, or by 3,300 tonnes, to just under 35,000 tonnes, while **Ruby Cabernet** intake fell by nearly 17%, or by 5,800 tonnes, to 29,300 tonnes.

Other red winegrape varieties with intake in excess of 20,000 tonnes include **Petit Verdot** (down by less than 1% to 25,700 tonnes) and **Grenache** (down by 13% to 21,000 tonnes).

## RED WINEGRAPE INTAKE ('000 tonnes)



## White Intake Down 2.3% to 841,000 tonnes

**Chardonnay** intake increased by 1%, or by 3,900 tonnes, to 423,000 tonnes. The share of the total winegrape crush accounted for by Chardonnay was 23% in 2006. Chardonnay continues to be the second largest grape variety behind Shiraz, well ahead of Cabernet Sauvignon.

**Semillon** intake dropped by just under 1%, to 96,600 tonnes, and now represents just over 5% of the total grape crush.

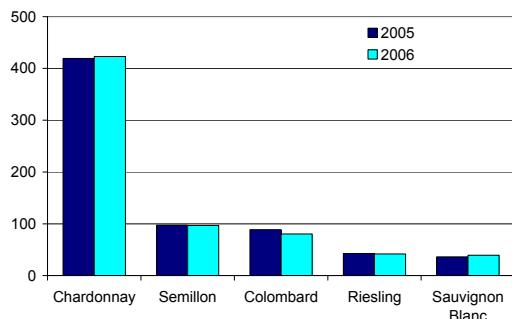
**Colombard** accounted for just over 4% of the total winegrape crush, with intake falling by over 9% in 2006, from more than 88,800 tonnes to 80,500 tonnes.

**Riesling** intake decreased by nearly 2%, or by almost 700 tonnes, to around 41,900 tonnes.

**Sauvignon Blanc** intake increased by nearly 8%, to nearly 39,200 tonnes.

**Multipurpose** grapes – mainly Sultana and Muscat Gordo Blanco – accounted for around 4% of the winegrape crush in 2006, at around 73,700 tonnes. Muscat Gordo Blanco intake rose by almost 3% to 55,900 tonnes, while Sultana intake slumped by nearly 57%, to 17,800 tonnes.

## WHITE WINEGRAPE INTAKE ('000 tonnes)



### Excess Supply and Impact on Margins

Whilst slightly lower than the 2005 record intake, the 2006 vintage is expected to continue to place upward pressure on aggregate stock or inventory levels. That said, the relative shift in the grape crush from red varieties to white varieties may help to reduce some market imbalances.

While winegrape prices have been forced lower by the excess supply affecting some grape varieties (particularly red varieties) 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 2011

Earlier this year ABARE (2006) estimated winegrape production for 2006 at 1.921 million tonnes. Compared to 2005 the anticipated static nature of production in 2006 is a direct result of limited net plantings over the last few years in response to lower grape prices. For 2011 ABARE's projection is that, assuming 'normal' seasonal conditions, production will be 1.935 million tonnes, 1.5% higher than their 2006 production estimate.

ABARE is forecasting the strongest growth in white grape variety production. This reflects the grape planting activity of recent years, which has responded to the sustained low prices of red grape varieties, and a catch up in the plantings for white varieties.

The accompanying table details the projected intake for key red and white varieties to 2011.

## PROJECTED WINEGRAPE INTAKE ('000 tonnes)

|                        | WFA    | ABARE  |        |
|------------------------|--------|--------|--------|
|                        | 2006 E | 2006 F | 2011 Z |
| <b>Total</b>           | 1,846  | 1,921  | 1,935  |
| <b>Red Varieties</b>   |        |        |        |
| Shiraz                 | 441    | 438    | 449    |
| Cabernet Sauvignon     | 279    | 305    | 273    |
| Merlot                 | 131    | 133    | 127    |
| <b>White Varieties</b> |        |        |        |
| Chardonnay             | 423    | 435    | 500    |
| Semillon               | 97     | 97     | 96     |
| Riesling               | 43     | 40     | 42     |

E: WFA Estimate; F: ABARE Forecast, Z: ABARE projection  
Source: ABARE (Jan 2006)

### Survey Methodology

This survey is the first quantitative national measure of the 2006 vintage, and is used widely by industry, industry analysts and media.

In May 2006, wineries were sent a mail survey to determine the industry's winegrape crush for 2006. Wineries were asked to provide details of their intakes for both 2005 and 2006) for processing into wine, brandy, spirit or juice.

The survey response was comprehensive, reaching more than 420 wineries and covering an estimated 95% of the industry's winegrape intake. The aggregated data for the 2006 vintage was compared to the aggregated data for the 2005 vintage to obtain the relative change in the size of the intake. This was then compared to the ABS 2005 intake to estimate the size of the 2006 intake. This approach is slightly different to that used in previous years.

It should be noted that the intake estimates for each variety in both 2005 and 2006 are derived from each variety's respective share of the total crush reported by respondents to the 2006 Vintage survey.

## Australian Winegrape Intake

| Variety                     | 2005<br>tonnes   | 2006<br>tonnes   | 2006<br>% Share | 2005-2006<br>% Change |
|-----------------------------|------------------|------------------|-----------------|-----------------------|
| <b>Red Grapes</b>           |                  |                  |                 |                       |
| Barbera                     | 879              | 469              | 0%              | -47%                  |
| Cabernet Franc              | 3,318            | 2,915            | 0%              | -12%                  |
| Cabernet Sauvignon          | 300,314          | 278,489          | 15%             | -7%                   |
| Durif                       | 5,627            | 6,222            | 0%              | 11%                   |
| Grenache                    | 24,189           | 21,002           | 1%              | -13%                  |
| Malbec                      | 4,274            | 3,621            | 0%              | -15%                  |
| Mataro                      | 10,055           | 10,500           | 1%              | 4%                    |
| Merlot                      | 142,714          | 131,214          | 7%              | -8%                   |
| Muscat a Petit Grains       | 944              | 520              | 0%              | -45%                  |
| Petit Verdot                | 25,819           | 25,721           | 1%              | 0%                    |
| Pinot Noir                  | 38,169           | 34,832           | 2%              | -9%                   |
| Ruby Cabernet               | 35,096           | 29,278           | 2%              | -17%                  |
| Sangiovese                  | 6,515            | 5,782            | 0%              | -11%                  |
| Shiraz                      | 453,332          | 441,335          | 24%             | -3%                   |
| Tarrango                    | 2,784            | 124              | 0%              | -96%                  |
| Other Red                   | 10,315           | 13,168           | 1%              | 28%                   |
| <b>Total Red Grapes</b>     | <b>1,064,344</b> | <b>1,005,192</b> | <b>54.4%</b>    | <b>-5.6%</b>          |
| <b>White Grapes</b>         |                  |                  |                 |                       |
| Chardonnay                  | 419,136          | 423,028          | 23%             | 1%                    |
| Chenin Blanc                | 11,933           | 10,745           | 1%              | -10%                  |
| Colombard                   | 88,787           | 80,462           | 4%              | -9%                   |
| Doradillo                   | 1,664            | 1,921            | 0%              | 15%                   |
| Marsanne                    | 1,620            | 1,541            | 0%              | -5%                   |
| Muscadelle                  | 615              | 872              | 0%              | 42%                   |
| Muscat a Petit Grains Blanc | 1,719            | 1,807            | 0%              | 5%                    |
| Muscat Gordo Blanco         | 54,415           | 55,948           | 3%              | 3%                    |
| Palomino & Pedro Ximenes    | 1,319            | 1,154            | 0%              | -13%                  |
| Pinot Gris and Pinot Grigio | 5,112            | 9,022            | 1%              | 76%                   |
| Riesling                    | 42,618           | 41,927           | 2%              | -2%                   |
| Sauvignon Blanc             | 36,339           | 39,176           | 2%              | 8%                    |
| Semillon                    | 97,405           | 96,580           | 5%              | -1%                   |
| Sultana                     | 41,081           | 17,776           | 1%              | -57%                  |
| Traminer                    | 10,221           | 11,263           | 1%              | 10%                   |
| Trebbiano                   | 5,455            | 4,098            | 0%              | -25%                  |
| Verdelho                    | 19,129           | 19,132           | 1%              | 0%                    |
| Viognier                    | 5,150            | 7,029            | 0%              | 37%                   |
| Other White                 | 17,426           | 17,771           | 1%              | 2%                    |
| <b>Total White Grapes</b>   | <b>861,146</b>   | <b>841,251</b>   | <b>45.6%</b>    | <b>-2.3%</b>          |
| <b>Total Grapes</b>         | <b>1,925,490</b> | <b>1,846,444</b> | <b>100.0%</b>   | <b>-4.1%</b>          |

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

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