Winemakers' Federation of Australia

Vintage Report


Standout vintage eases supply pressure

Australia's 2012 vintage is expected to be 4% higher than last year, with unanimous reports of above average quality across most regions and varieties. Expectations are that it will be recognised as a standout vintage.

The Winemakers' Federation of Australia's annual Vintage Survey estimates the total national crush at 1.66 million tonnes, compared with 1.6 million in 2011. This is close to the latest five-year average of 1.63 million, but well below the peak of 1.93 million in 2005.

The warm inland regions are estimated to have accounted for nearly one million tonnes – an increase of 70,000 tonnes (7%) over last year.

Production of red and white wines was just about equal in 2012, and Chardonnay and Shiraz continued the trend of trading the crown for highest individual variety by volume. Shiraz took it back again, but not by much. Pinot Gris/Grigio continued its rapid growth – up by around 40%.

The higher crush comes despite many individual regions reporting lower yields. The explanation appears to be that high yield propensity in 2011 primed vines for a level of fruitfulness lower than in 2011, but closer to average.

There was no significant change in bearing area during the year and anecdotal evidence suggests unharvested fruit and production caps were not a factor in determining vintage size.

There was some yield loss at fruit set and localised losses due to rain events occurred in some regions in the eastern states. However, seasonal conditions were generally favourable and ripening conditions were ideal, which was greeted with unbridled delight in many regions.

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Consensus is that the quality of the wine produced in 2012 will be high, irrespective of yield size or weather impact. Regional reports collated by Wine Australia include such phrases as "truly special", "excellent to exceptional", "one of the strongest on record" and "one of the region's finest".

A summary of these regional reports has been produced as a companion to this document and can be downloaded at *www.wfa.org.au/vintage_reports.aspx*

The following pages present the detailed results of the WFA Vintage Survey (pages 2 and 3) and a summary of the 2012 Australian Winegrape Purchases Price Dispersion Report just released by Wine Australia (page 4). This reveals the first signs of grape prices firming, perhaps allowing greater recognition of quality differentiation.

While the average purchase price from the survey (covering about 80% of all purchases) of $457 per tonne was the second lowest in the last decade, it was 11% higher than the 2011 average of $413 per tonne.

WFA's Manager Economics & Policy, Paul van der Lee, said the reports showed some positive signs for growers and winemakers and great news for wine consumers, but also underlined the need to continue the restructuring process to restore profitability more broadly across the sector.

"On the positive side, the figures show the sector's inventory-to-sales ratio is down to the lowest level since 1995, which means a slight easing of the inventory overhang – the oversupply – that has caused us so many problems over recent vintages," he said.

"However, while overall grape production appears close to balance with total sales, we are vulnerable to returning to oversupply because our current bearing area could produce higher yields in future vintages."

WFA believes there are still mismatches between the cost and quality composition of grapes produced and wine demand, and analysis suggests a significant amount of current production and sales are not viable in the long term because they provide an insufficient return on capital.

Nevertheless the demand for quality wine continues to expand in markets such as the US, China and other parts of Asia, providing an avenue for committed brand owners to convert some of the surplus into sustainable sales.

Key points

- 2012 a standout vintage for quality
- Vintage estimated at 1.66 million tonnes, 4% up on 2011
- Shiraz again overtakes Chardonnay to take top spot by volume
- Grape prices show first signs of firming
- 2012 has assisted in reducing inventory overhang but industry vulnerable to reversal of this gain based on yield potential of current bearing area
- Industry restructuring still required to restore profitability across sector
- Future demand opportunity offers promise

2012 WFA Vintage Crush Report

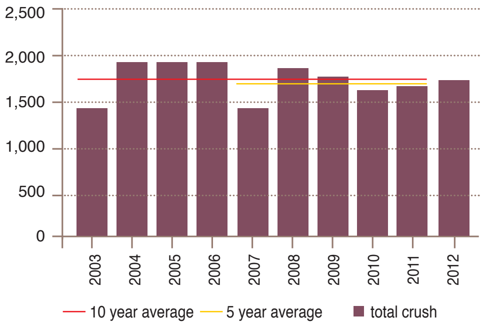
Mixed fortunes but vintage higher

Lower yields in cool climate regions and heavy rains and flooding in the eastern states put a cap on what would probably otherwise have been a substantially higher vintage than the disease-ravaged 2011 harvest.

The 2012 crush is estimated to be nearly 4% higher than last year at 1.66 million tonnes – compared with 1.60 million tonnes in 2011[1].

This figure is just above the five-year average of 1.63 million tonnes and reflects three years in a row of very similar vintages.

Total Winegrape Crush ('000 tonnes) in Australia



Source: ABS Catalogue No. 1329.0 annual publication except 2012 figure - WFA estimate

The last 10 years have seen a shift in the underlying factors affecting vintage variations. Since 2006, most of the variation in the crush has been driven by seasonal factors, whereas prior to that the substantial increases in plantings were the principal factor contributing to annual increases. New plantings peaked generally in around 2000-2001 and from then on declined rapidly.

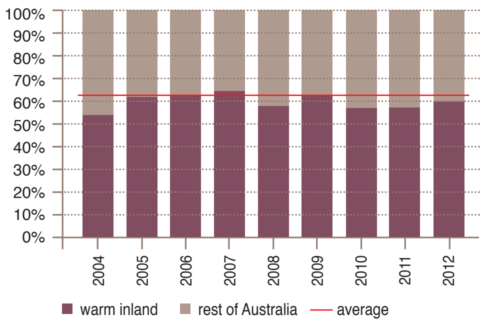
The contribution of caps on production and unharvested fruit to the lower vintages in the past five years is not known; however the Phylloxera and Grape Industry Board conducted a survey in 2006 which found that approximately 80,000 tonnes of grapes (9%) were unharvested in that year in South Australia[2]. Anecdotal reports are that very little fruit was left unsold or unharvested in 2011 and 2012 as a result of the lower crops and/or crop damage. However, seasonal factors have kept the crop below its potential capacity. In a "normal" season, the capacity of Australian vineyards is still estimated to be around 1.8 – 1.9 million tonnes (although this potential may not be realised in actual crush numbers).

Distribution of vintage between warm inland and other regions

The warm inland regions are estimated to account for nearly 1 million tonnes – an increase of 70,000 tonnes (7%) over last year – despite the major losses in the Riverina due to heavy rains and flooding. The crush from cool regions is estimated to be down approximately 2% on last year and to account for around 40% of the national crush.[3]

The share of the crush between warm inland and cool/temperate regions has fluctuated over the past nine years, without showing a consistent adjustment in either direction. This is considered to be primarily due to seasonal factors which have often differentially affected warm vs cooler regions. The average share of warm inland fruit over this period is 60%.[4]

Share of crush by region type 2004-2012

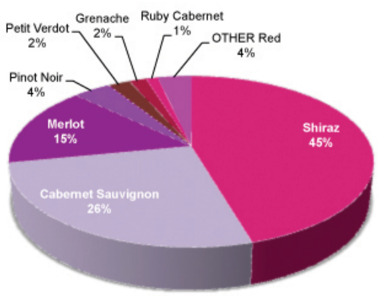


Crush by variety

In 2012 the contribution of red and white varieties to the total crush was almost identical – with reds accounting for 836,000 tonnes and whites for 825,000 tonnes.

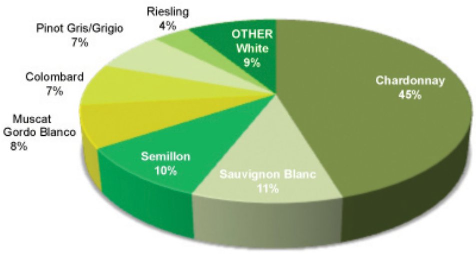
The top four red varieties were Shiraz, Cabernet Sauvignon, Merlot and Pinot Noir – together accounting for 91% of the red crush.

Red Varieties



In the whites, Chardonnay dominated with 45% of the white crush – the next highest contributor being Sauvignon Blanc with 11%, holding onto a narrow lead over Semillon that was achieved in 2011.

White Varieties



Comparison with 2011 vintage

Compared with 2011, red yields were reported to be up in 2012 and this combined with the relative lack of disease meant that total tonnes of red grapes were up by 7% (56,000 tonnes) – despite significant losses in the Riverina and other NSW wine regions

Looking at individual varieties:

- Shiraz was the biggest mover – up by 54,000 tonnes (16%), compared with the substantially botrytis-affected 2011 harvest. The total was still 60,000 tonnes below the 2008 crush of 440,000 tonnes.
- Cabernet Sauvignon was down by 10,000 tonnes (4%) despite reported increases in yield, as a result of the late season weather-related losses and less impact of disease in 2011 compared with Shiraz.
- Merlot was up by 17,000 tonnes (15%) which is also attributed to the reduced crop in 2011. Its total crush was the highest since 2008.

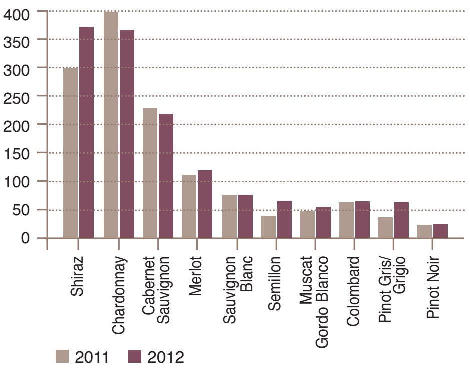
In the whites:

- Chardonnay was down by 24,000 tonnes, largely attributable to reductions in yield.
- Pinot Gris/Grigio was up by around 40% (15,000 tonnes).
- Muscat Gordo Blanco was up by 31% and overtook Colombard for fourth place in the whites.

1. ABS published crush figure for 2011. 2.PGIBSA HOPI survey report 2006. 3. Based on estimates of the 2012 crush obtained from the Riverina Winemakers' Association, Riverland Winegrape Growers' Association and Murray Valley Winegrowers. Note that final figures for Riverland and Murray Valley were not available at time of publication. 4. Historical figures obtained from regional utilisation reports. Figure for 2012 is an estimate (see note 3).

Chardonnay and Shiraz have traded places almost annually since 2006 as the highest individual variety by volume; this year Shiraz once again took the crown it lost in 2011 – although not by much.

Comparison of 2011 and 2012 vintages - top 10 varieties



Survey accuracy

Historically, the WFA early crush estimate has been very close to the final figure released by the Australian Bureau of Statistics (ABS) at the end of the year. The table below shows a comparison between the two figures for the past 10 years.

Year	*WFA estimate*	*ABS crush number*	*Variation*
2002	1,649,574	1,605,846	-2.7%
2003	1,360,601	1,398,528	2.8%
2004	1,860,352	1,917,238	3.1%
2005	1,923,861	1,925,490	0.1%
2006	1,846,444	1,901,560	3.0%
2007	1,418,775	1,397,350	-1.5%
2008	1,827,647	1,831,523	0.2%
2009	1,706,052	1,732,506	1.6%
2010	1,532,902	1,603,012	4.6%
2011	1,618,735	1,602,394	-1.0%
2012	1,660,127		

Note: The new survey methodology adopted in 2012 (see below) represents a break in the data series and may impact on the historically close correlation between WFA and ABS survey results.

Variety	*2011*	*2012*	*Change 2011-2012 (tonnes)*	*% change 2011-2012*	*% of grape crush*
Red Grapes					
Barbera	296	388	92	31%	0%
Cabernet Frac	1,406	1,316	-90	-6%	0%
Cabernet Sauvignon	231,321	220,954	-10,368	-4%	26%
Dolcetto	1,119	1,534	415	37%	0%
Durif	3,796	3,567	-229	-6%	0%
Grenache	16,449	14,930	-1,519	-9%	2%
Malbec	1,980	2,498	519	26%	0%
Mataro	5,632	5,041	-590	-10%	1%
Merlot	110,225	127,201	16,976	15%	15%
Muscat a Petit Grains	1,486	1,289	-197	-13%	0%
Petit Verdot	17,389	19,632	2,243	13%	2%
Pinot Noir	35,081	32,847	-2,234	-6%	4%
Ruby Cabernet	11,864	10,538	-1,325	-11%	1%
Sangiovese	4,208	3,703	-505	-12%	0%
Shiraz	326,279	379,925	53,645	16%	45%
Tarrango	666	598	-68	-10%	0%
Tempranillo	3,204	2,818	-386	-12%	0%
Other red	7,152	6,729	-423	-6%	1%
Total Red Grapes	**779,554**	**835,510**	**55,955**	**7%**	**100%**
White Grapes					
Chardonnay	398,410	374,249	-24,162	-6%	45%
Chenin Blanc	6,606	7,017	410	6%	1%
Colombard	56,745	60,924	4,179	7%	7%
Crouchen	1,830	1,834	4	0%	0%
Doradillo	493	1,058	565	115%	0%
Marsanne	1,332	1,501	169	13%	0%
Muscadelle	439	440	1	0%	0%
Muscat a Petit Grains Blanc	8,796	8,830	34	0%	1%
Muscat Gordo Blanco	47,560	62,148	14,588	31%	8%
Palomino & Pedro Ximenes	178	194	16	9%	0%
Pinot Gris & Pinot Grigio	41,039	57,078	16,038	39%	7%
Riesling	31,212	30,349	-862	-3%	4%
Sauvignon Blanc	86,694	86,711	17	0%	11%
Semillon	81,913	80,224	-1,689	-2%	10%
Traminer	11,248	9,717	-1,530	-14%	1%
Trebbiano	419	425	6	1%	0%
Verdelho	13,660	10,381	-3,279	-24%	1%
Viognier	10,931	8,710	-2,221	-20%	1%
Other white	23,336	22,829	-506	-2%	3%
Total White Grapes	**822,840**	**824,618**	**1,778**	**0%**	**100%**
Total All Varieties	**1,602,394**	**1,660,127**	**57,733**	**4%**	

Actual tonnages reported in the survey have been multiplied up by 7.5% to obtain an estimate of the total crush (see section on methodology).

Survey methodology

This survey is the first quantitative national measure of the 2012 vintage, and is used widely by winemakers and grapegrowers, industry analysts and media.

In April 2012, all known wineries in Australia were sent a request to provide details of their grape crush for both 2011 and 2012 for processing into wine, brandy, spirit or juice. A change in methodology this year meant that wineries only needed to record fruit physically crushed at their processing facilities – rather than fruit owned by them and crushed elsewhere on their behalf.

Responses were received from 470 wineries, covering an estimated 93% of the industry's winegrape intake. The aggregated data for the 2012 vintage was compared to the aggregated data for the 2011 vintage to obtain the relative change in the size of the intake. The percentage change was then applied to the ABS published 2011 fresh winegrape crush figure to estimate the size of the 2012 intake.

All results are estimates. The final intake figures are expected to be available from the Australian Bureau of Statistics in October 2012. WFA would like to thank all the wineries that contributed to the survey; without them, this publication would not be possible.

For more information about the vintage survey report, please contact Paul van der Lee at WFA on 8133 4300 or paul@wfa.org.au

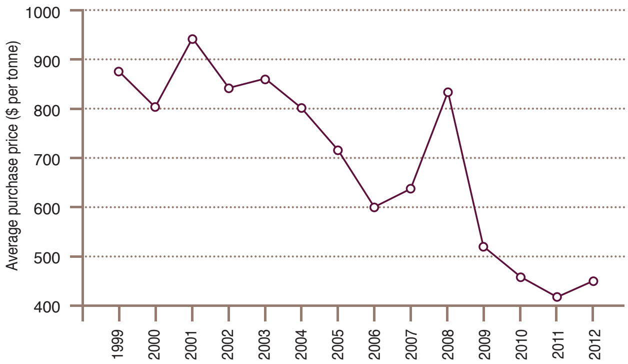
2012 Winegrape Purchases Price Dispersion Report Summary

Wine Australia recently released the 2012 Australian Winegrape Purchases Price Dispersion Report. The report presents tonnages purchased in 2012, as they are distributed across the price spectrum. The data has been collected from a relatively small sample of major winegrape purchasers and others that are significant in key regions but covers an estimated 80% of winegrape purchases. Over 34,000 separate transactions were collected and form the basis of the report. The reporting provides price dispersion read-outs and average purchase prices for varieties by region.

The winegrape purchases collected in the 2012 survey totalled 1,033,561 tonnes valued at $472 million. This equates to an average purchase price of $457 per tonne, up 11% on the average of $413 per tonne in 2011. However, the average purchase price was the second lowest recorded in more than a decade *(see figure 1)*.

Source: Australian Regional Winegrape Crush Survey, Australian Winegrape Purchases Price Dispersion Report

Figure 1: Winegrape average purchase prices over timeç



A summary of the price outcomes for 2012 by key variety is illustrated in Figure 2. Of the varieties shown in the table, price increases were recorded by Chardonnay, Shiraz, Cabernet Sauvignon, Merlot, Colombard, Muscat Gordo Blanco and Grenache. Riesling maintained its price while Sauvignon Blanc, Semillon, Pinot Noir and Pinot Gris all recorded price declines.

Figure 2: National Winegrape Average Purchase Prices by Variety ($ per tonne)

	2012	2011	Change
Chardonnay	351	313	12%
Shiraz	556	487	14%
Cabernet Sauvignon	571	498	15%
Merlot	460	402	14%
Sauvignon Blanc	481	527	-9%
Riesling	596	596	0%
Colombard	222	196	13%
Muscat Gordo Blanco	407	351	16%
Grenache	566	482	18%
Semillon	347	359	-3%
Pinot Noir	740	773	-4%
Pinot Gris	499	557	-10%

Figure 3: National Winegrape Purchases Price Dispersion – 2011, 2010 and 2009

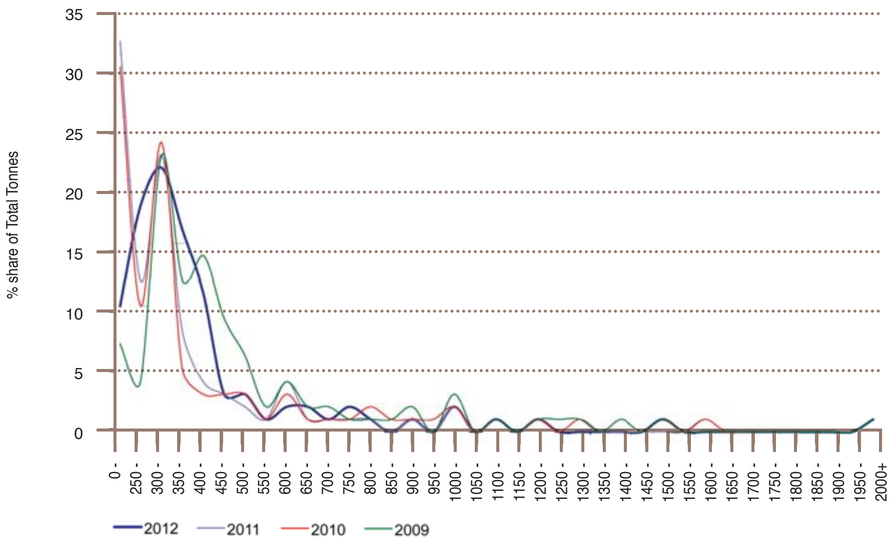


Figure 3 shows the dispersion of the tonnages across the price spectrum for the total collection in 2012, compared to the 2011, 2010 and 2009 collections. A downward shift in prices paid, particularly at the low end of the price spectrum is observed, particularly in comparison to 2009.

There was only a marginal improvement in 2012, with 79% of wine grapes sold below $500 per tonne, compared with 80% in 2011, 73% in 2010 and 68% in 2009.

The full Winegrape Purchases Price Dispersion Report can be viewed at *www.wineaustralia.com/winefacts*

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