



Australian Wine: the state of play for Australian grape and wine businesses post China fallout

Presentation to Australian Grape & Wine Industry Briefing

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What we were seeing – Pre COVID and China Tariffs (but still relevant now)

General observations

- The high level of competition in the industry.
- Grape prices commonly only reflective of costs.
- Low margins and sales due to a lack of established brands and poor access to distribution channels (domestic and overseas).
- Heavy reliance on high-volume/low-value bulk wine sales.
- Significant seasonal working capital requirements exacerbated by international debtors and extended payment terms.
- Long lead times between production and sales.
- High debt levels due to the costs of infrastructure and the high working capital requirements of the industry.
- Rising costs and, although now on the rise, low asset values.
- Underutilised processing and bottling facilities.
- Winemakers needing to make wine to the standard of the price point as there is a tendency to over deliver in terms of the cost of the wine.
- High cost and availability of water.
- Poor seasons leading to low quality and yields.
- Too higher focus on profitability (ie selling bottled wine at good margins) rather than cash flow focus (ie selling fresh grapes or bulk wine).
- Not embracing or being able to afford to implement AgriFood tech developments in the industry.
- Lack of or under developed e-commerce platforms.

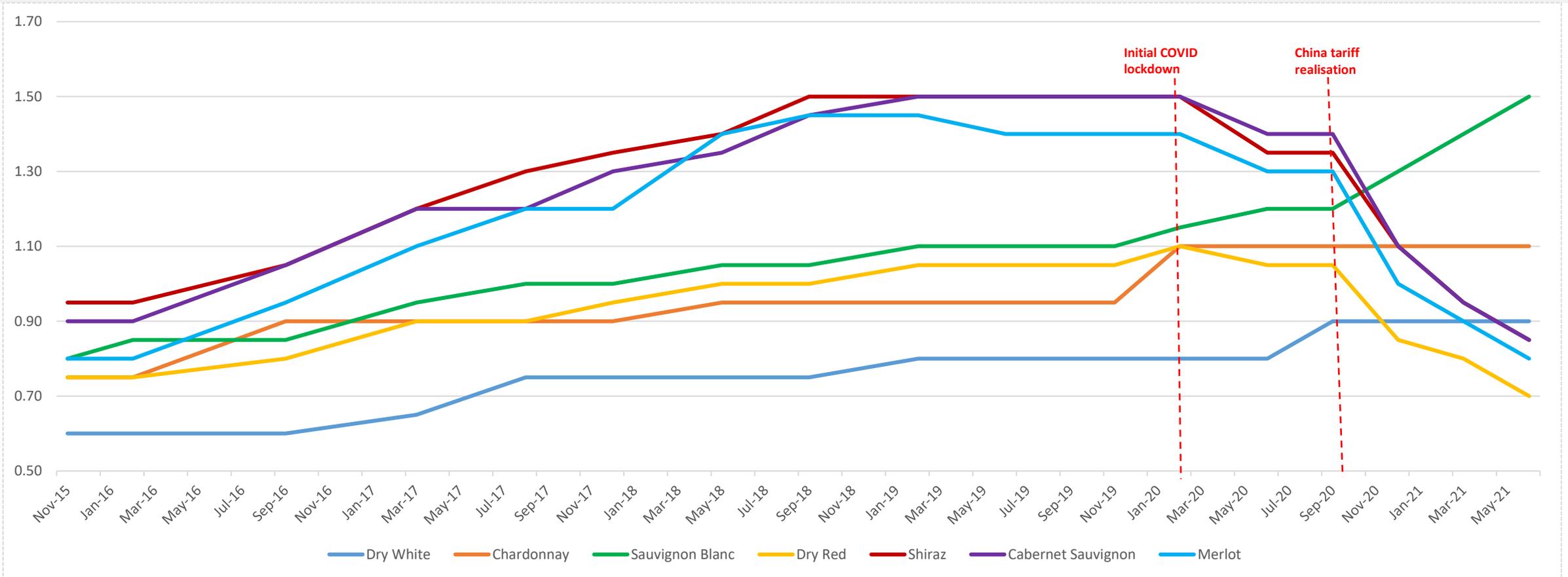
What we were seeing – Post COVID but pre China Tariffs

General observations

- Two speed economy for wine businesses:
 1. Those reliant on export markets were down; versus
 2. Those with strong domestic retail chain markets were up.
- On premise market – significant decline and represents a debtor collection risk for wine businesses.
- SME wine businesses have had to reinvent themselves via Direct to Consumer routes such as member's lists, websites, cellar door offerings.
- Vineyard values were still holding firm.
- Bulk wine market pricing:
 - Reds started falling
 - Whites generally remained unchanged or slightly increased due to a shortage of supply.

What we are seeing (post China tariffs) – bulk wine market pricing

Australian Bulk Wine Prices (\$/litre)



Source: Ciatti Australia Pty Ltd – July 2021

What we are seeing (post China tariffs) – indicative vineyard values

Estimated Vineyard Value Range (per hectare) – Major regions in Australia

South Australia	Movement	Low	High
Barossa Valley		\$60,000	\$130k (Potentially \$200k plus)
Clare Valley		\$40,000	\$80,000
McLaren Vale		\$50,000	\$120,000
Adelaide Hills		\$50,000	\$100,000
Langhorne Creek		\$45,000	\$60,000
Padthaway & Wrattenbully		\$45,000	\$60,000
Coonawarra		\$60,000	\$100,000
Riverland (excl. water)		\$35,000	\$45,000
Victoria			
Sunraysia (excl. water)		\$30,000	\$40,000
Heathcote		\$45,000	\$70,000
Great Western		\$45,000	\$70,000
Central Victoria		\$50,000	\$80,000
Yarra Valley		\$65,000	\$150,000
Bellarine		\$60,000	\$80,000
North East Victoria		\$45,000	\$70,000

South Australia	Movement	Low	High
New South Wales			
Riverina (excl. water)		\$30,000	\$45,000
Hilltops		\$25,000	\$45,000
Mudgee/Orange		\$40,000	\$80,000
Hunter Valley		\$40,000	\$80,000
Western Australia			
Margaret River/other		\$50,000	\$85,000 (Potentially up to \$120k)

Source: Colliers International – July 2021

Note: The values are estimates only and dependent on the particular location within the region, varieties planted, water availability, grape quality etc.

Note: The Movement represents a comparison to the data provided by Colliers International approximately 12 months ago in August 2020

Key issues to be considering post China tariffs

Immediate term (0 to 3 months)

Short to Medium term (3 to 6 months)

Medium term (+6 months)



Grape contracts and supply



Cost review and reduction strategies



Vineyard and winery modeling



Contract renegotiation



Inventory management and valuation



Wine market strategy



Vintage 22 planning and oversupply risk



Succession planning



Industry consolidation



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