



Embargo 10.20am (CST) Friday, July 17, 2015

Some positive signs provide window of opportunity to restore profitability

The Winemakers' Federation of Australia today announced a 2015 Vintage crush of 1.67 million tonne with some modest and patchy strengthening in average winegrape prices and exports.

Federation Chief Executive Paul Evans said the 2015 Vintage Report reveals a winegrape crush marginally lower than the seven-year average and slightly down on last year's 1.70 million tonne estimate and 2013's high of 1.83 million tonnes.

"We see a 5% increase in average wine grape prices over the past year, albeit off a low base. We must also remember that this is an industry average and many producers in the warm inland regions in particular continue to experience enormous challenges. Our analysis shows that 92% of production in warm inland areas is unprofitable," Mr Evans said.

"The macro-economic climate has shifted in our favour in regards to more favorable exchange rates, the signing of important Free Trade Agreements in the Asian marketplace and improved consumer sentiment in our traditional markets," he said.

"But we must remain pro-active. While these developments will help, they will not be enough to restore lost margin and share across the industry over the longer term unless we work with government to make the most of the opportunity.

"We must urgently seize the potential to grow demand for Australian wine and help address the on-going structural mismatch between supply and demand at profitable price points. Until this happens we are likely to see poor levels of average profitability continue for both grape growers and winemakers.

"Specifically, we need the resources and promotional activities to restore sustained global consumer interest in Australian wine and to capitalize on the macro-economic shifts that have moved recently in our favour. Adequate funding for the global marketing of our wines is critical if we are to compete with heavily subsidized Old World producers and lower cost New World producers."

Vic Patrick, Chair of the peak national growers association, Wine Grape Growers Australia said: "Our commitment to quality and value and consistency remains. What we need now is the ability to remind the global consumer of our offering in a very crowded and highly competitive marketplace.

“The WFA and WGGGA have asked government for \$25 million over four years in supplementary government investment for Wine Australia’s marketing activities. This will enable the industry to work together to boost our profile, build demand, maximize the potential of the FTAs and to restore levels of profitability throughout the supply chain,” Mr Patrick said.

“If these activities are not undertaken, our competitors will quickly fill the vacuum and the modest gains made in some regions over the last 12 months will be fleeting and the recovery of inland grape prices further delayed,” he said.

Snapshot of 2015 Vintage Report figures:

- Red crush – 835, 523 tonnes
- White crush – 834,041 tonnes
- Top 3 red varieties: Shiraz (391,649; Cabernet Sauvignon 209,588; Merlot 107,280)
- Top 3 white varieties: Chardonnay 376,339; Sauvignon Blanc 89,125; Semillon 66,572

Crush by state/region:

- South Australia: 716,592 (47%)
- Murray Darling-Swan Hill: 381,732 (25%)
- NSW (excl Murray Darling-Swan Hill): 332,092 (22%)
Victoria (excl Murray Darling-Swan Hill): 60,258 (4%)
- WA: 30069 (2%)
- Tasmania: 7,197
- Queensland: 610
- ACT: 21

MEDIA CONTACTS: *Alexia Deegan (WFA) 0400 677 490*
Lawrie Stanford (WGGGA) 0417 859 282