

Inland Wine Regions Alliance IWRA

- ▶ Murray Valley, Riverina and Riverland
 - ▶ Three states 1500 growers
 - ▶ 1.1- 1.3 million tonnes (70+% of Australian production)
 - ▶ Approx 80% export volume
 - ▶ 50% marketing funds and 70+% of research funds
- ▶ Many common interests and concerns
 - ▶ Similar growing conditions, Same market
 - ▶ Fair marketing support
 - ▶ Fair allocation of research expenditure
 - ▶ Wine Taxation

IWRA

- ▶ **Grower concerns**
 - ▶ Timely fruit delivery
 - ▶ High baume
 - ▶ Water/Power cost
- ▶ It will save time and allow for better advocacy.
 - ▶ Allow for grower based opinion
 - ▶ 70% of the industry cannot be ignored
- ▶ **Currently**
 - ▶ Timely intake for growers
 - ▶ Better pricing
 - ▶ Shared information
 - ▶ Research & Marketing funds for Inland regions

Paying the price of water torture

Will we be able to afford it????

What will it cost

- ▶ \$600/meg in full high security allocation year
 - ▶ Is this the new normal?
 - ▶ What will 2019-20 cost?
- ▶ Costs \$4200/hectare (7meg/Hectare)
 - ▶ \$175/t at average of 24t/h
 - ▶ Do you make that much?
 - ▶ What is cost of letting a patch go?
- ▶ What price are grapes going to be?
 - ▶ Less production is a help.

How much for our grapes?????????

A number of variables

- ▶ Grape Supply
 - ▶ Is there a shortage?
- ▶ Grape Demand
 - ▶ At what price
- ▶ Wine Sales
 - ▶ Price
 - ▶ Volume
- ▶ Exchange Rate

Grape Production/Wine Sales 2018-19

(Source Wine Australia)

▶ 2019 Vintage

- ▶ 1.7mt (2018- 1.79mt)
 - ▶ 200kt decrease on 2017

▶ Consumption

- ▶ Total - 1.86mt (2017 1.8mt)
 - ▶ Domestic - 715,000t
 - ▶ Export - 1,163,000t

▶ Result

- ▶ Short on production/sales
- ▶ Should see a reduction in stock to sales ratio.

Sales

(Source Wine Australia)

▶ Exports

▶ Approximately 65% of production (Approx. 1.14mt)

▶ Bulk 55%

▶ 455mL or **650,000t** (-7,000t)

▶ Bottled 45%

▶ 359mL or **515,000t** (-28,000t)

▶ Exports Increase

▶ Value/L change

▶ +14% bulk (\$1.04-\$1.19/L)

▶ +9% bottled (\$5.69-\$6.21/L)

▶ Volume down

▶ Approximately **37,000t** or 5%

▶ Domestic Sales Grow by 1-2 % per year

▶ Approx. **715,000t** (plus 100,000t imports)

Export Wine Sale Price & Volume 2018-19

March 2019 MAT

Price	Volume	Value	2018-19 Vol (mL) Change	2018-19 Tonnes Change
Total Sales	819.3mL	\$2.63bill	-24.7mL	-35kt
Bulk	454.8mL (650,000t)	\$541.2mill (\$1.19/L)	-3.7mL	-5.3kt
Bott Below \$5/L	239.4mL (340,000t)	\$830mill (\$2.60/bottle)	-29.5mL	-42.1kt
Total Below \$5/L	694.2mL (991,000t)	\$1.38billion	-33.2mL	-47,400t
Above \$5/L	121.4mL (172,000t)	\$1.42billion (\$8.20/bottle)	+10mL	+14,000t

JSL Advisory

Source: Wine Aust

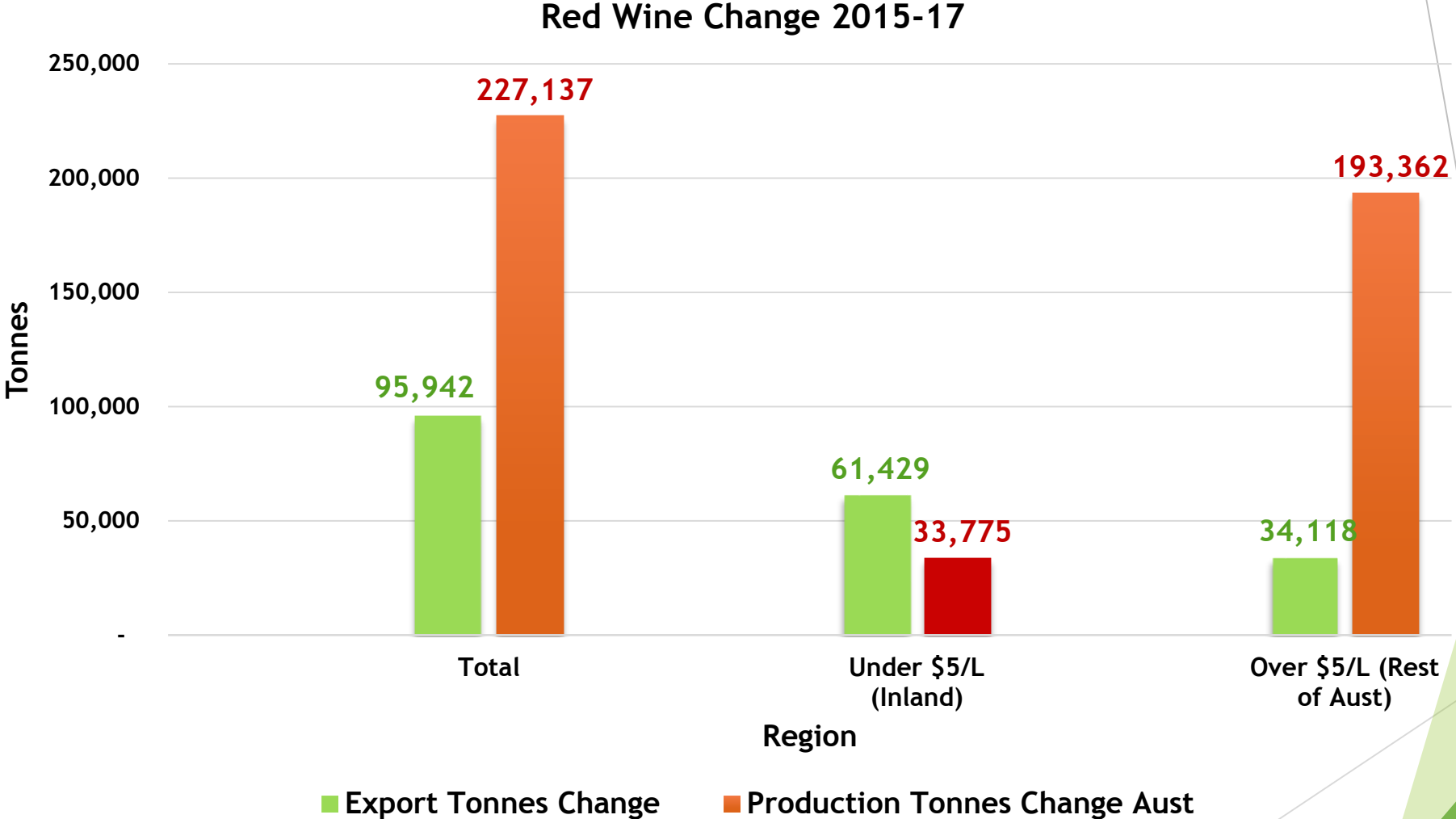
Major Export Markets (MAT Mar 2019)

(Source Wine Australia)

- ▶ Three countries are 68% of volume
 - ▶ UK > 242 mL : **345,000t** : \$388m = \$1603/t
 - ▶ 40.6mL : **58,000t** Bottled @ \$3.08/bottle
 - ▶ 199.7mL : **286,000t** Bulk @ \$1.07/L
 - ▶ USA > 153.4 mL : **232,000t** : \$424m = \$2764/t
 - ▶ 84.5mL: **121,000t** Bottled @ \$2.99/bottle
 - ▶ 70mL : **100,000t** Bulk @ \$1.18/L
 - ▶ CHINA > 145.9 mL : **237,000t** : \$997m = \$4750/t
 - ▶ 111.2mL : **159,000t** Bottled @ \$6.13/bottle
 - ▶ 32.9mL : **47,000t** Bulk @ \$2.20/L

2015-17 Red Wine/Grape change

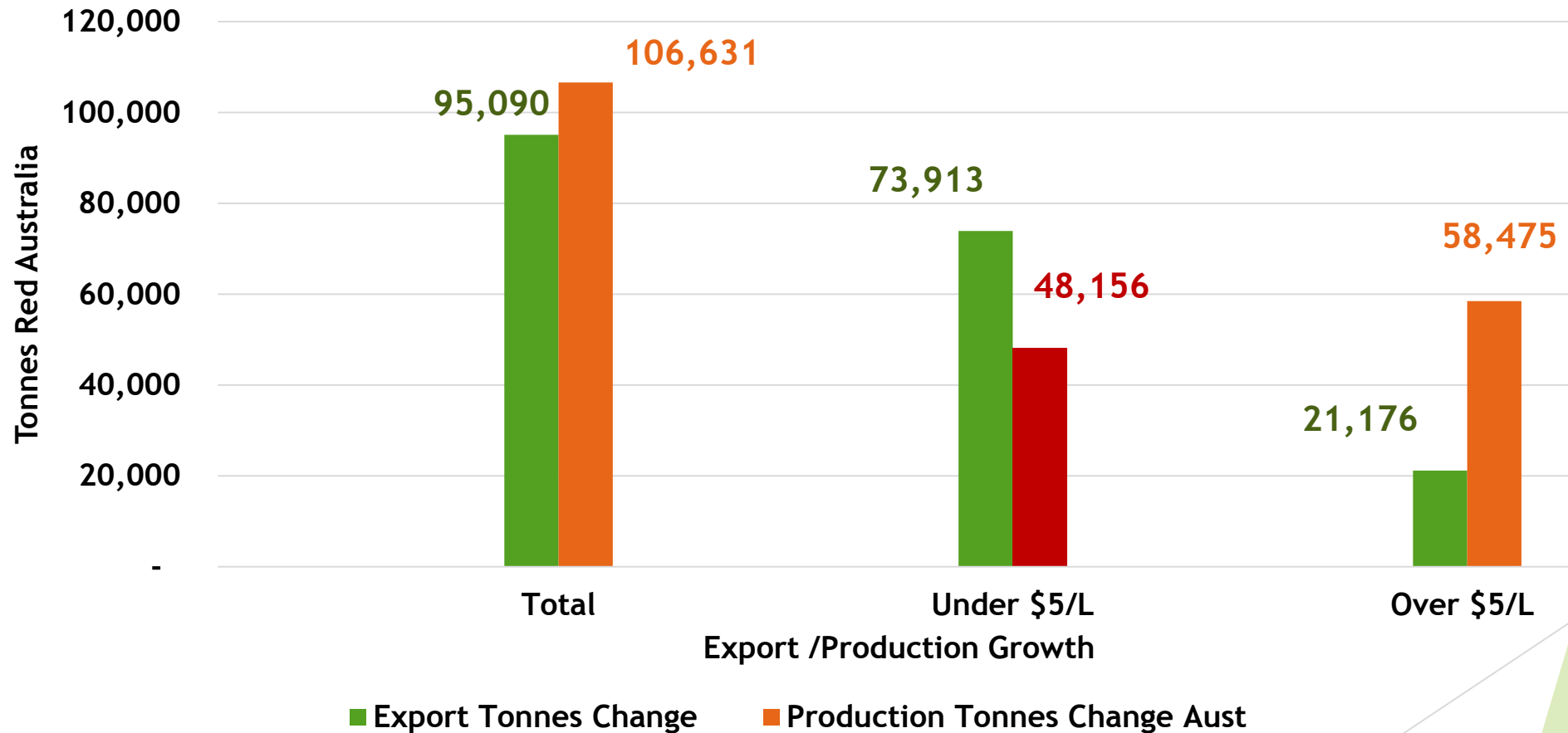
(Source Wine Australia)



Production v Sales Growth Red Wine (2017-18)

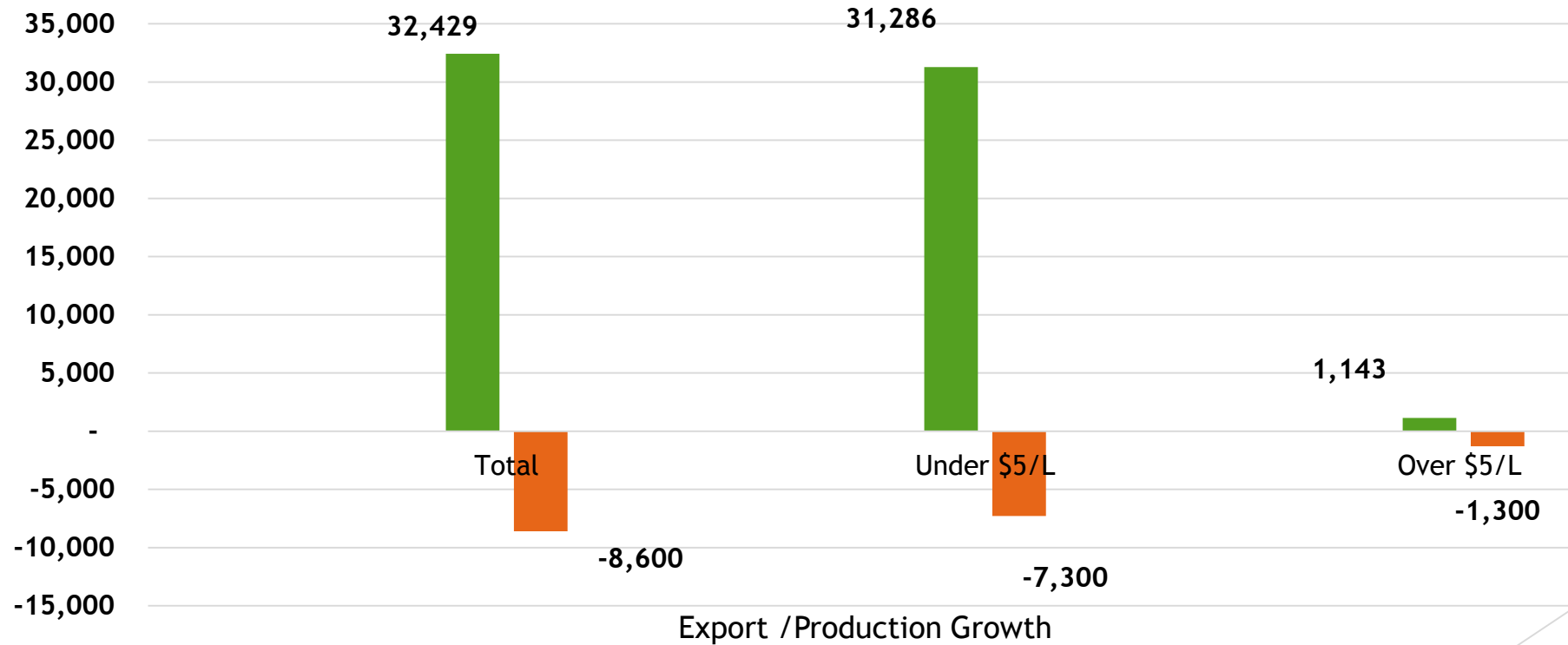
(Source Wine Australia)

2017-18 Change Red Wine Production v Export Sales (<\$5/L Inland: >\$5/L Cool Climate)



Production V Sales Change White Wine (2017-18)

2017-2018 Change White Wine Production(All Australia) v Export Sales
(<\$5/L Inland: >\$5/L Cool Climate)

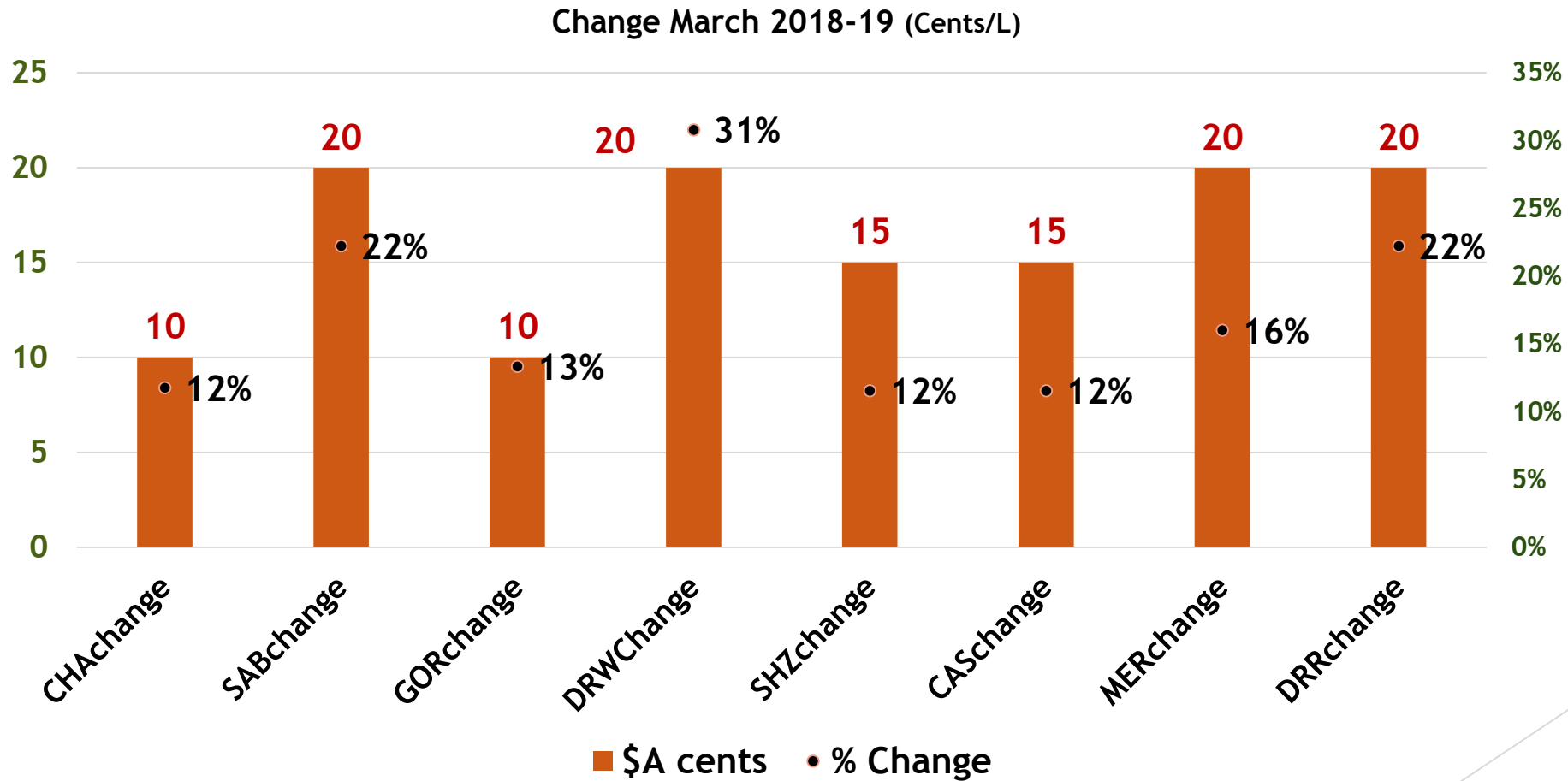


Source: Wine Aust

■ Export Tonnes Change ■ Production Tonnes Change Aust

Bulk Wine Price Change 2018-19 (\$A)

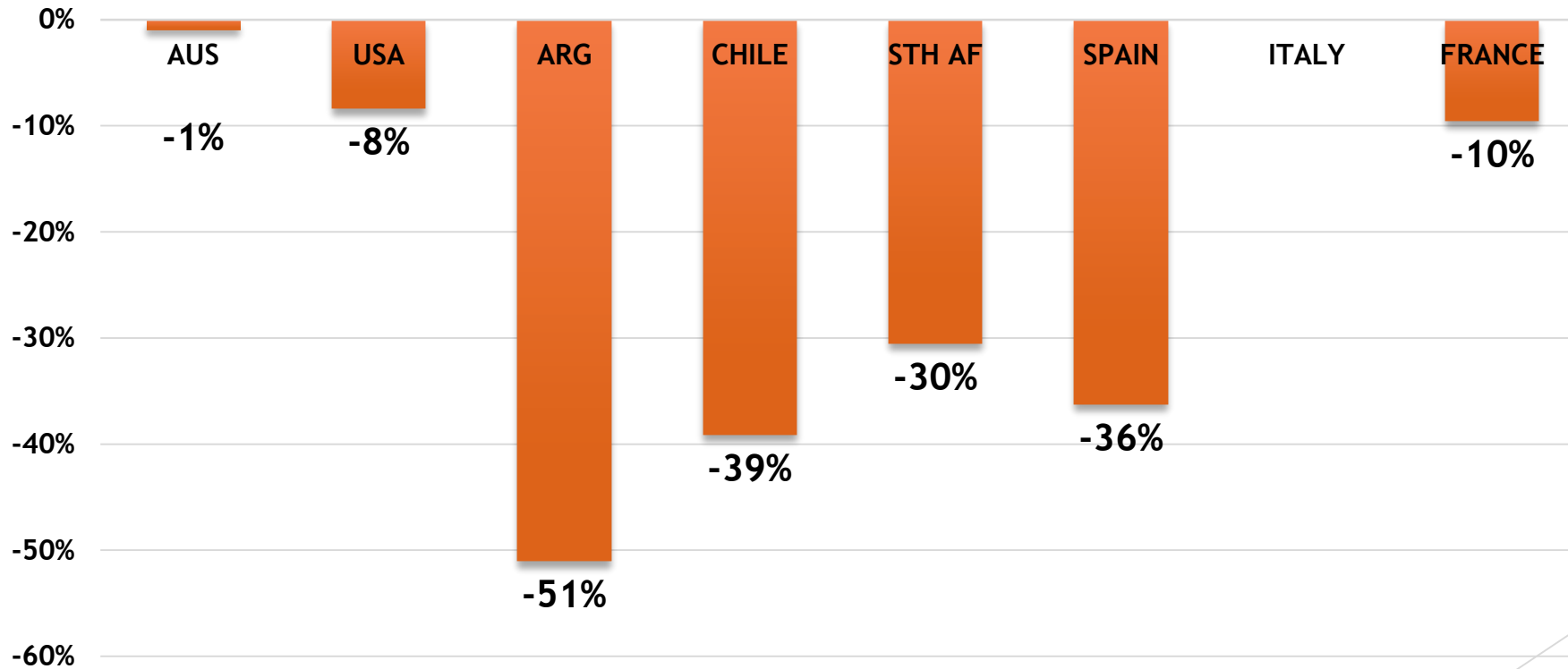
(Source Ciatti)



Shiraz price Change % 2018-19

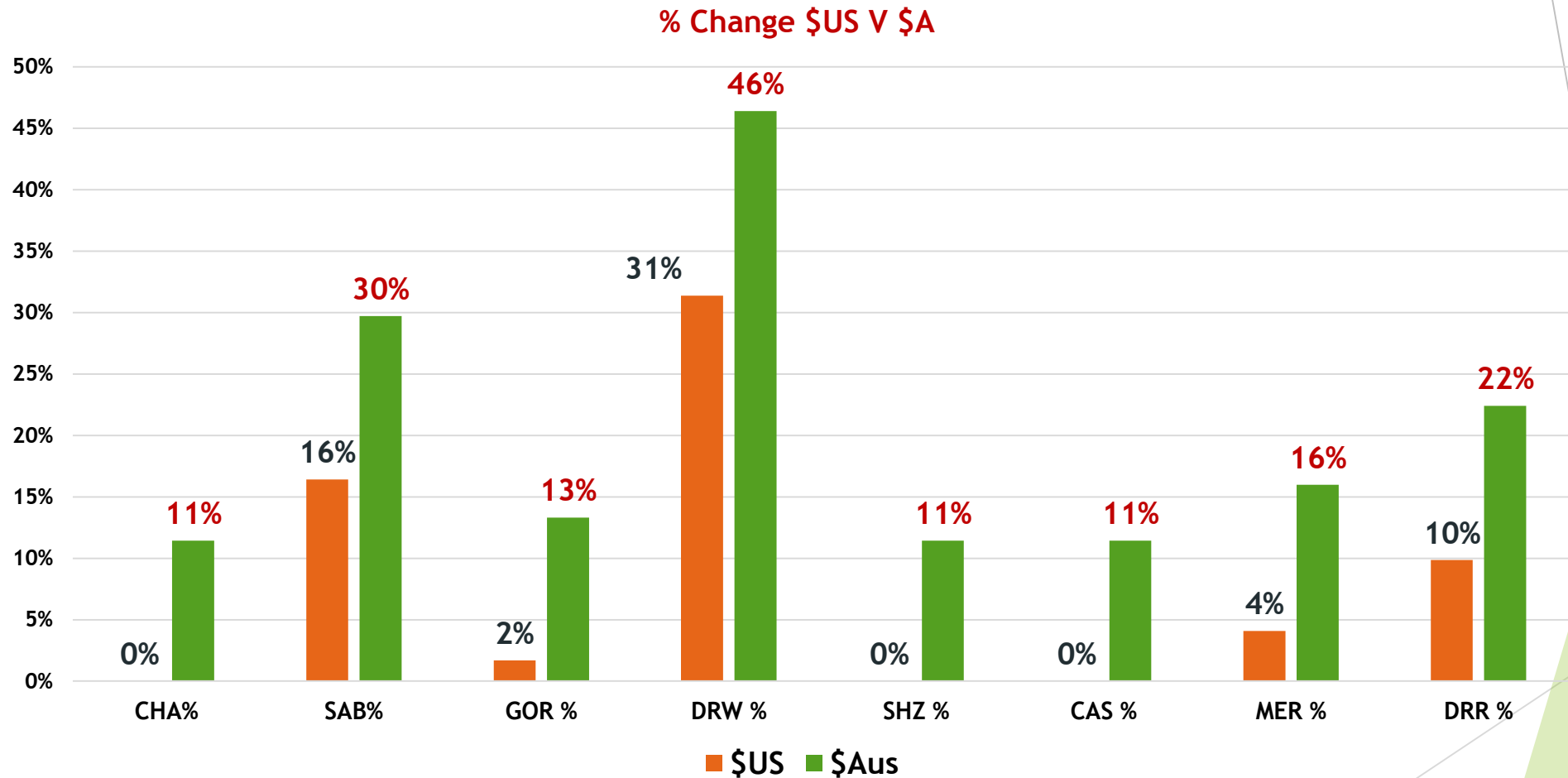
(Ciatti \$US)

SHZ % change 2018-19



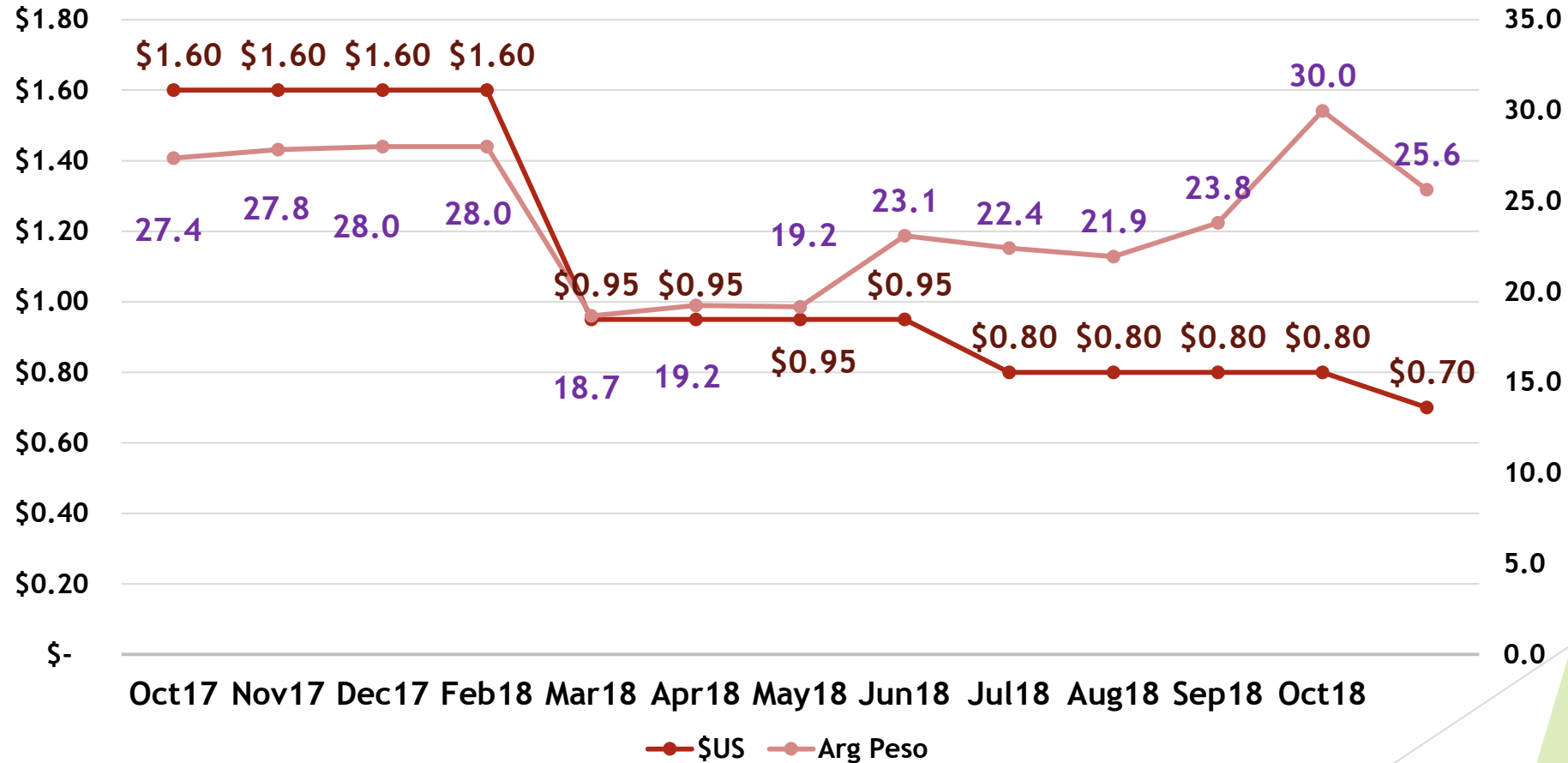
Change % \$US v \$AUS (Source Ciatti)

(Fx Rate \$0.78 to \$0.71)



Argentina Shiraz \$US v \$Arg peso (Source Ciatti)

ARGENTINA SHIRAZ (CIATTI)



World Wine Supply

- ▶ Wine consumption growing
 - ▶ About 0.3% per year by volume
 - ▶ Predominantly in Asia
 - ▶ Europe down slightly
- ▶ World Wine Grape area stays quite steady
 - ▶ 2018 tonnage was Largest for 10 years
 - ▶ Driving down grape/wine prices
 - ▶ 2017 was smallest for 10 years
 - ▶ 2018 Back to normal levels.
 - ▶ Aust will produce about 11.9mhl (1.7 billion bottles) in 2019
 - ▶ World production increased by about 30mhl in 2018 (about 4 billion bottles.)
- ▶ Many competitor countries prices have reduced
 - ▶ How will that affect Aust prices??????????????

Concerns

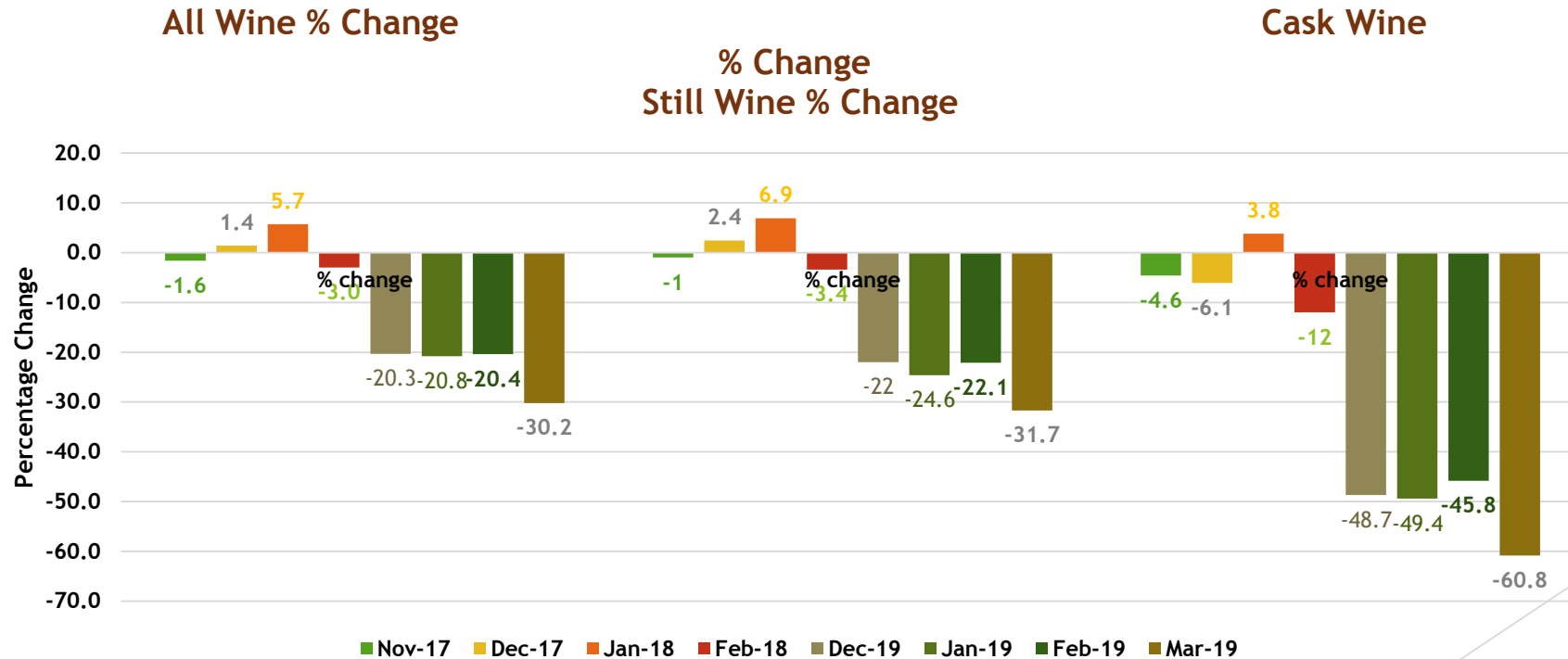
- ▶ Stocks
 - ▶ World wine stock blown out in 2018
 - ▶ Predominantly cool climate red
 - ▶ Have reduced this year
 - ▶ Some volume and price rises were driven by low crops in other countries
 - ▶ This will now stop
 - ▶ Lower \$A helping
- ▶ China
 - ▶ 80% of growth
 - ▶ Slowing of their economy
 - ▶ Starting to see that
 - ▶ Sovereign risk
 - ▶ E.g. We upset them (E.g. unfair trade/barley/coal)

Concerns

(Source Wine Australia and IRI Market Edge)

▶ Wine Tax

- ▶ It has started with NT minimum price of \$1.30/drink on Oct 1
 - ▶ \$10/bottle and \$50/cask
 - ▶ 100-150,000t decrease in consumption estimate if Australia wide.



Summary

- ▶ Grape price increases likely
 - ▶ Most volume sale are in the below \$5/L sector
 - ▶ Demand outstripped grape supply for this sector
 - ▶ Very low stock levels
 - ▶ Little opportunity for growth in supply

- ▶ Room To Move
 - ▶ Wine prices have not come down despite competitor countries
 - ▶ There is some resistance from wine buyers to higher prices
 - ▶ Capacity to pay more for winegrapes
 - ▶ Sales volume is reducing due to supply shortage

2020 Alternatives

- ▶ Alternatives
 - ▶ Make your own
 - ▶ Read contract carefully
 - ▶ If you are not sure ask someone who is
 - ▶ Bulk or bottled?
 - ▶ Different risks
 - ▶ Different cashflow implications
 - ▶ Sell yourself
 - ▶ Hard work
 - ▶ Expensive
 - ▶ Contract the selling
 - ▶ Easier but lose a bit of control
 - ▶ Extra cost

Sounds simple but is full of traps and/or risk
Be aware of cashflow implications

Conclusion

Shortage of Inland Region Wine

Expected Low 2019 Australian Crop

Wine pricing indicates Wineries have capacity to pay some increases.

*****Prices should increase in 2020*****

5-15% ????????????????