SA WINEGRAPE GROWERS SUMMIT 2015

State of the Industry

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Wine Grape Council South Australia

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Shiraz

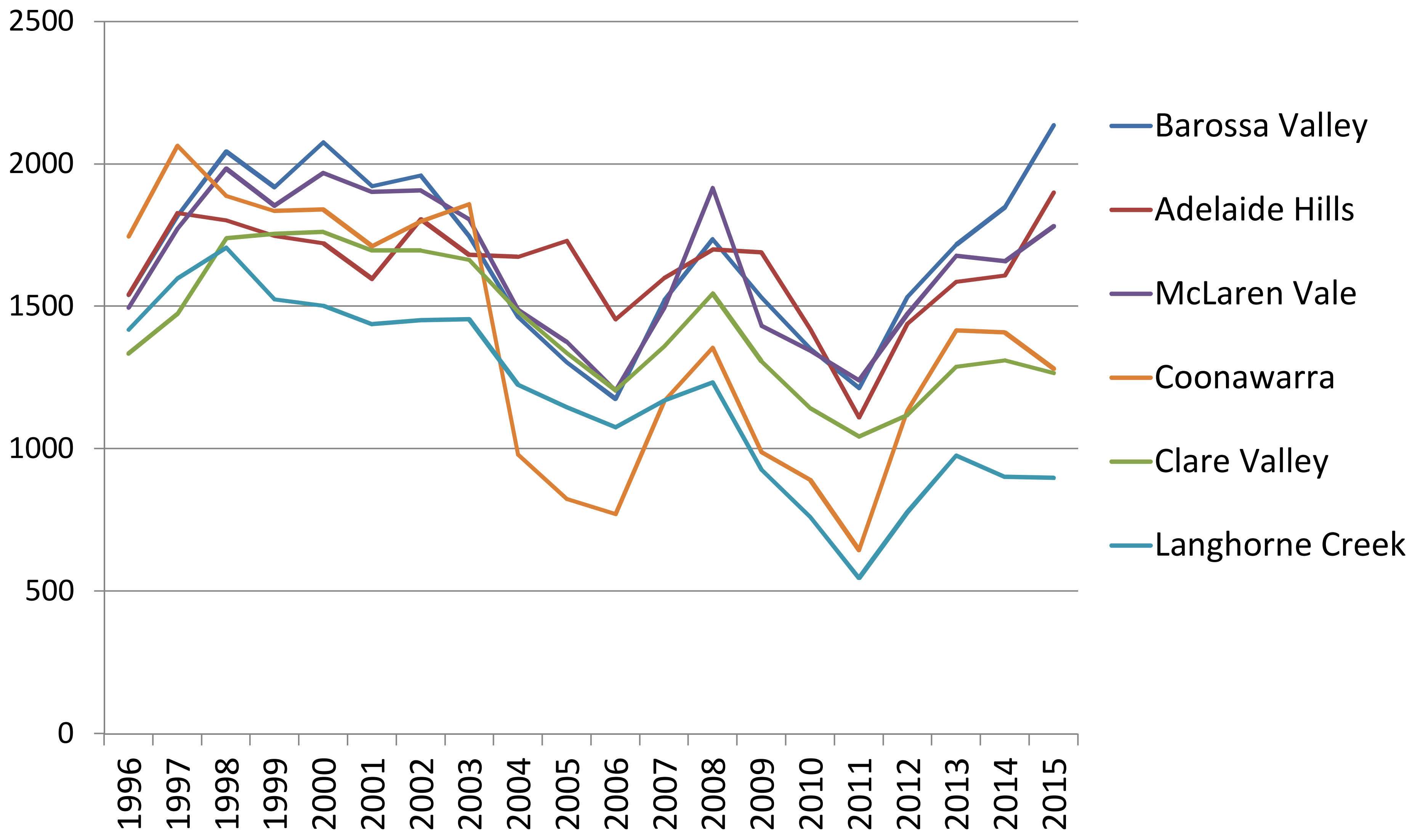
Shiraz

- Crop down by 3,000t (2%) across the state
- Average prices up in BV, A/Hills, MV, Pad
- Prices down in Riverland and L/Creek
- BV highest average price ever recorded
- Plantings in past two years
  - 935 ha of new plantings
  - 561 ha net increase in area
  - Mainly in Barossa and McLaren Vale

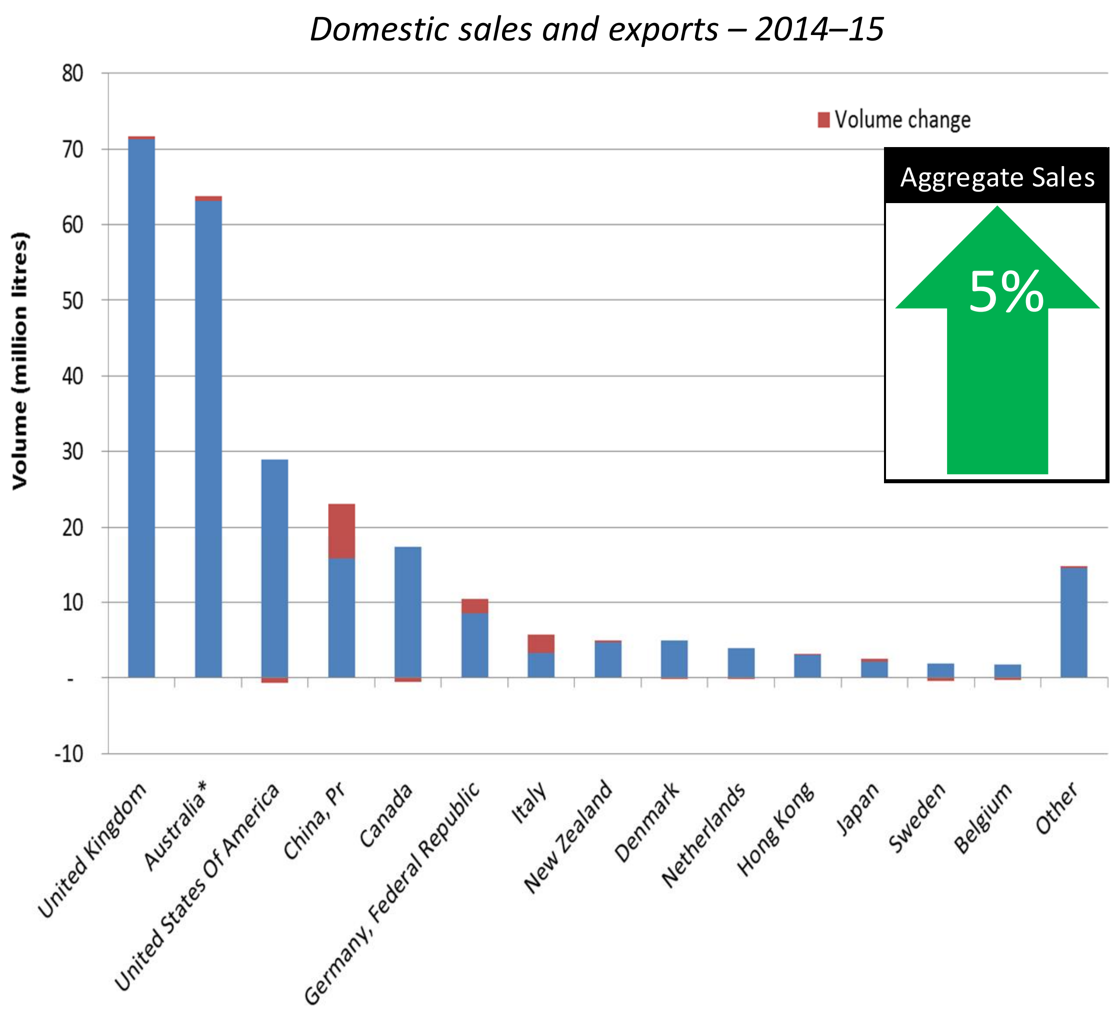
Shiraz WAP

	2013	2014	2015	Trend
Ad Hills	1586	1609	1901	↑
Barossa	1719	1849	2137	↑
Clare	1288	1310	1266	↔
Coonawarra	1416	1409	1281	↓
L Creek	976	901	898	↓
McLaren Vale	1677	1659	1782	↑
Riverland	396	341	314	↓
Padthaway	994	887	1017	↑
Wrattonbully	1105	992	1021	↔

Shiraz WAP historical



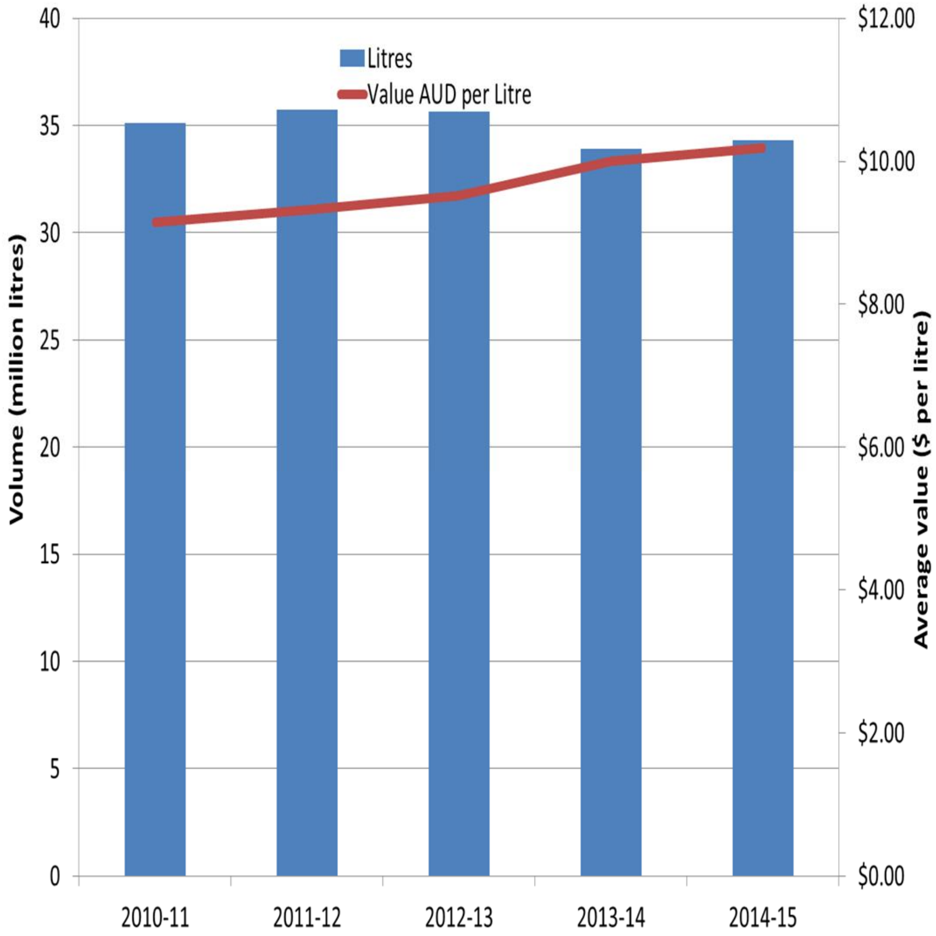
Commercial Shiraz (<$600/tonne)



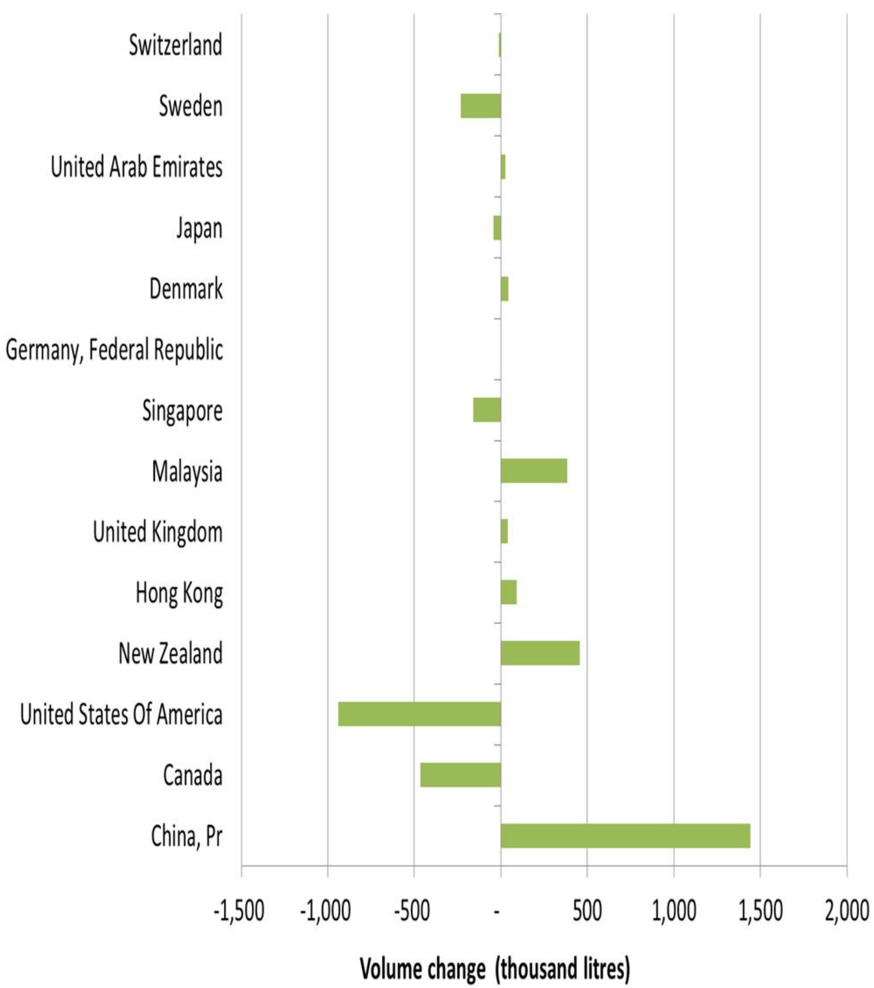
- Over the past year, Australia sold as much Shiraz as was produced. However, it is estimated that stocks remain high
- Shiraz is selling well in the UK, up 9%
- Shiraz has been declining in popularity in the USA – down 10% by value
- Austerity in China has run its course and the market has recommenced growth in 2015

Premium Shiraz (>$600/tonne)

Total exports of premium Shiraz (>$5/litre)



Change in exports by destination (2014–15)



Shiraz

SHIRAZ ï SOUTH EAST AUSTRALIA

- Big crops in 2013 and 2014 (~425,000t ea.). Possibly a slightly smaller crop in V15.
- Good bargains around for 2014 SEA Shiraz.
- A good opportunity to continue to introduce international consumers to Australian Shiraz, due to current abundant supply and soft prices.

Current Demand/Supply Balance	Mild Oversupply
Austwine Rating	WARM-ish

SHIRAZ ï BAROSSA

- Spring frosts again in October 2014, leading to a shorter V15 crop.
- Successive shorter than desired crops.
- Continued positive influence of artisan & corporate winemakers to grow demand.

Current Demand/Supply Balance	Medium term undersupply
Austwine Rating	HOT

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Shiraz

SHIRAZ ï McLAREN VALE

- A smaller crop in V15 compared to last year.
- Often the next place buyers go to for premium Shiraz after Barossa, underpinning current demand for McLaren Vale Shiraz.

Current Demand/Supply Balance	Medium term balance
Austwine Rating	WARM-ish

SHIRAZ ï OTHER REGIONS

- Plenty of inventory, especially C Grade.

Current Demand/Supply Balance	Oversupply
Austwine Rating	COLD-ish

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Shiraz: the verdict

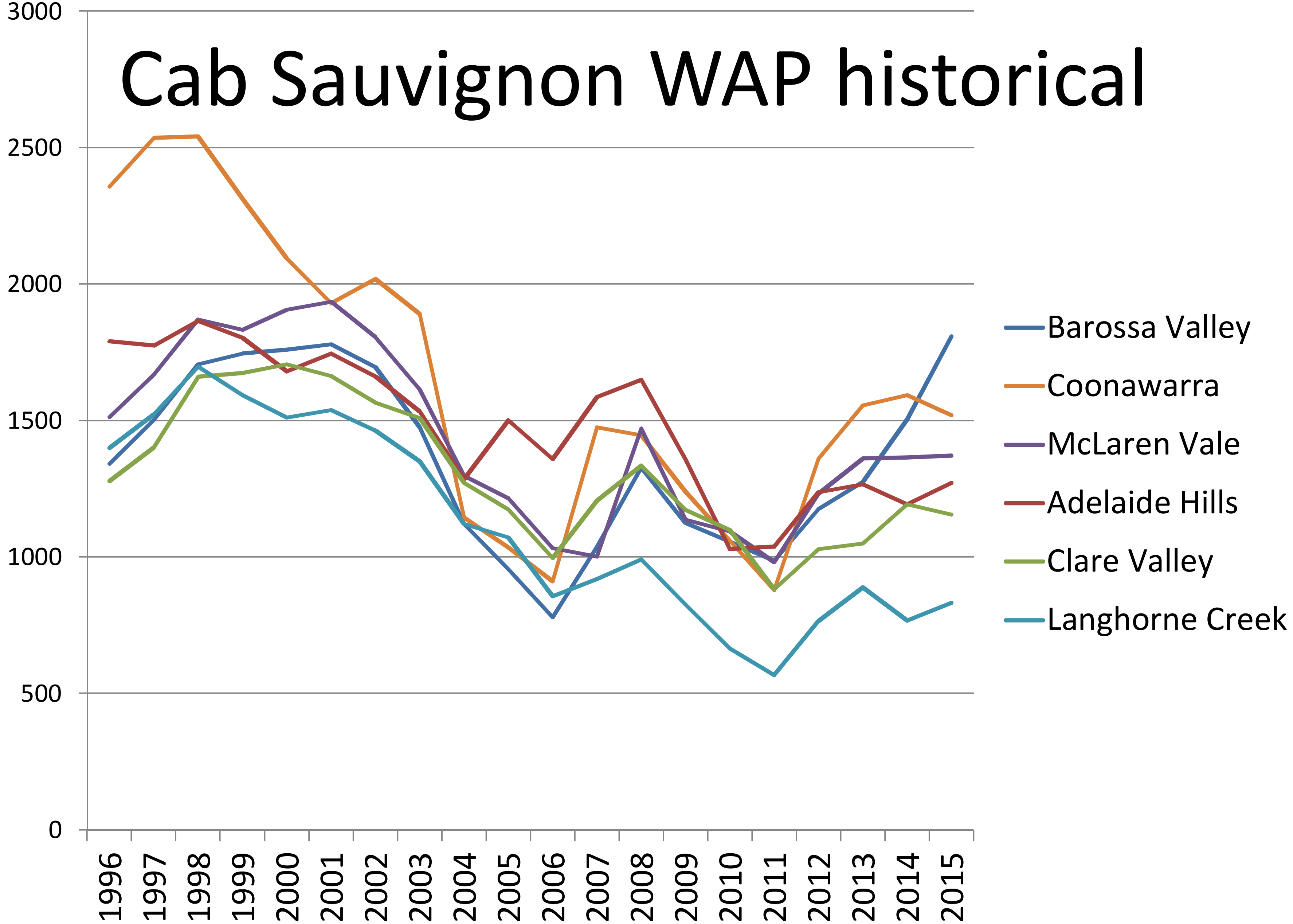
Cabernet Sauvignon

Cabernet Sauvignon

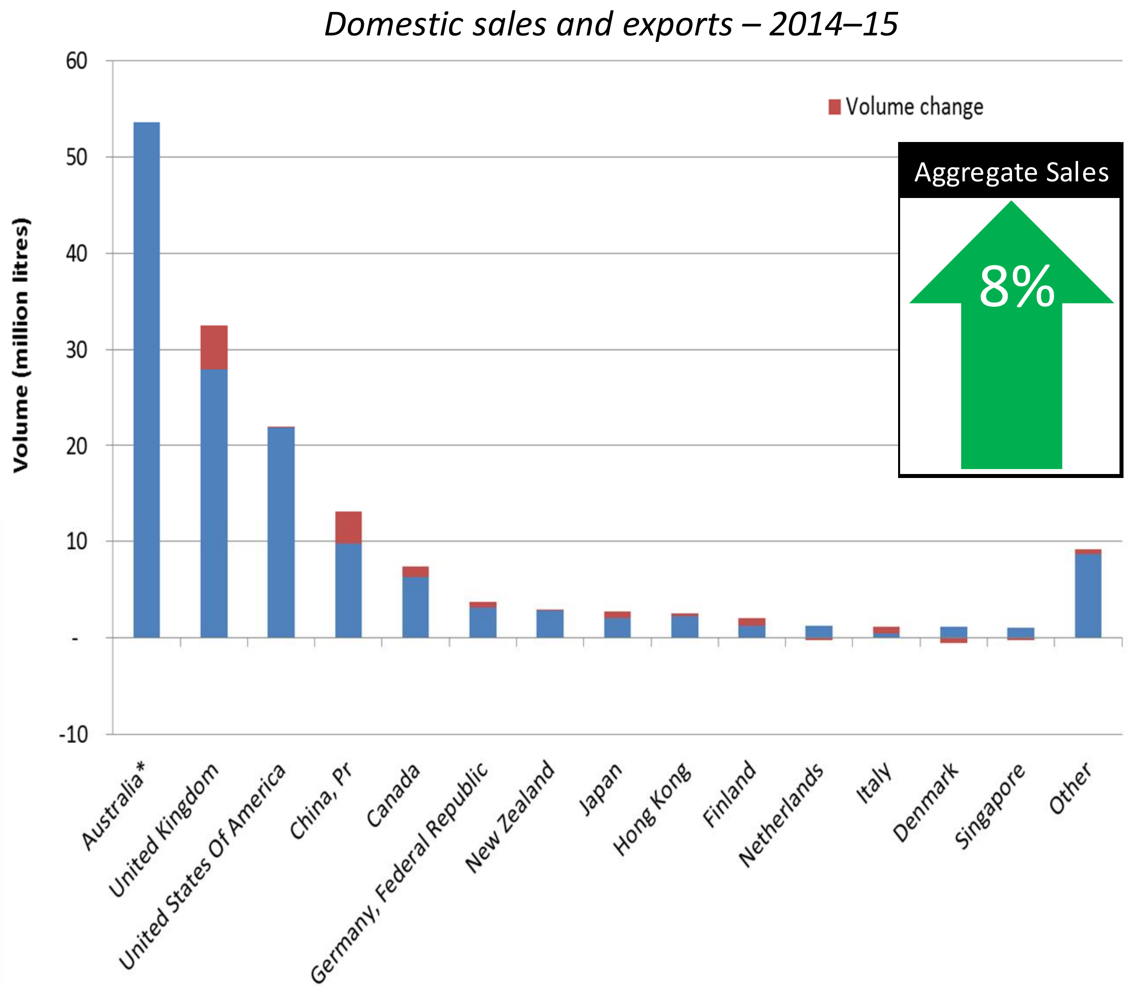
- Crop down by 10,000t (10%) across the state
- District average prices trending up or flat in most regions except L/Creek and Riverland
- Plantings in past two years
  - 700 ha of new plantings
  - 400 ha net increase in area in SA
  - 200 ha increase in area in Coonawarra

Cabernet Sauvignon WAP

	2013	2014	2015	Trend
Barossa	1277	1504	1808	↑
Clare	1050	1193	1155	↔
Coonawarra	1556	1594	1520	↓
L Creek	889	767	833	↓
McLaren Vale	1360	1364	1371	↑
Riverland	409	345	331	↓
Padthaway	949	876	987	↑
Wrattonbully	1147	1142	1177	↑


Cab Sauvignon WAP historical
3000
2500
2000
1500
1000
500
0
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Barossa Valley
Coonawarra
McLaren Vale
Adelaide Hills
Clare Valley
Langhorne Creek

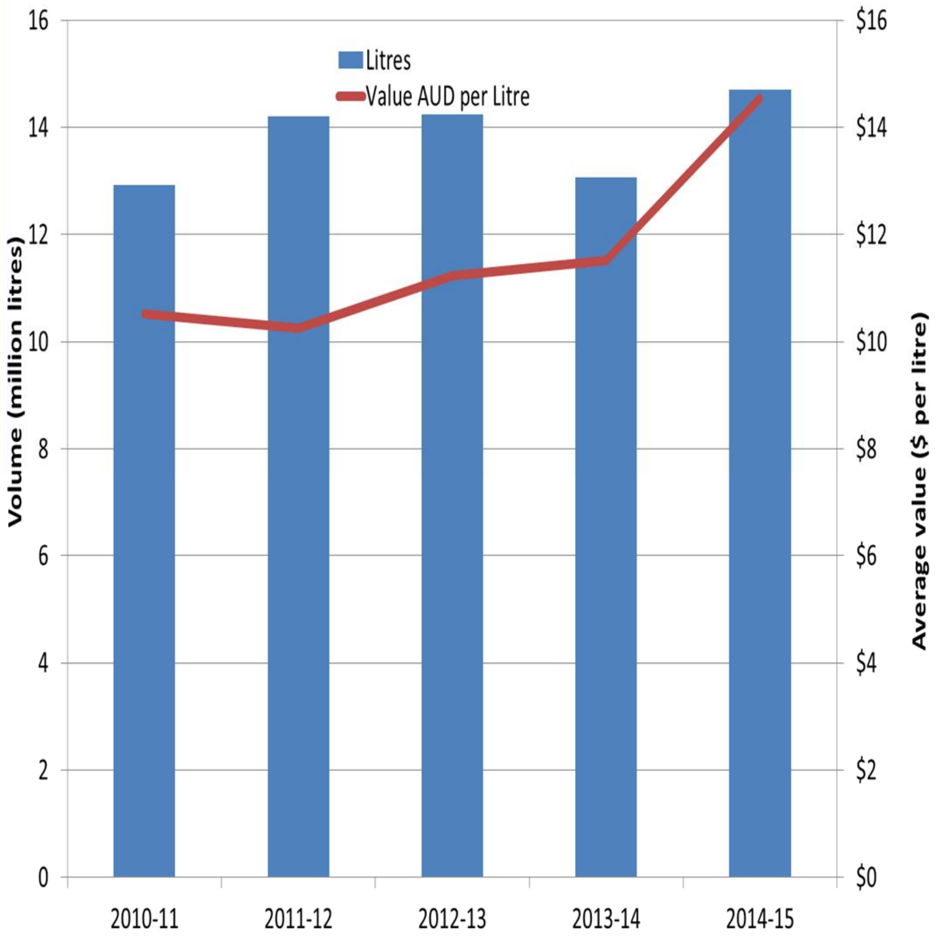
Commercial Cabernet Sauvignon (<$600/tonne)



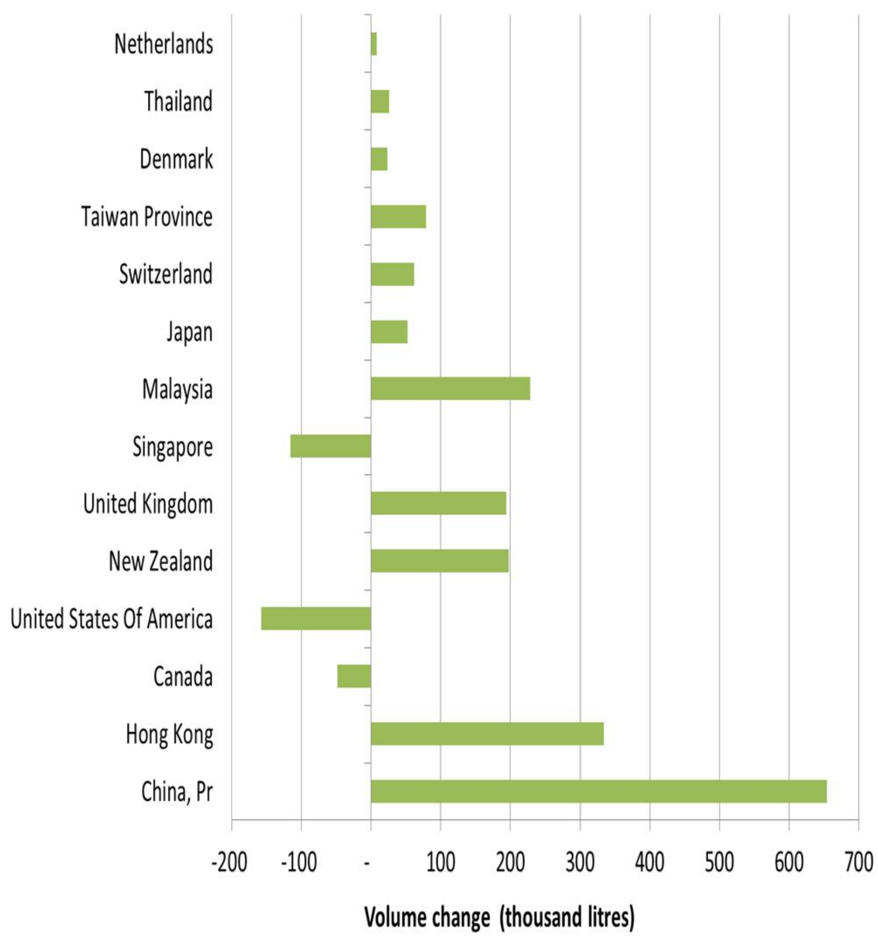
- An additional 20,000 tonnes of Cabernet was sold in 2014 –15, while 15,000 tonnes less was produced in 2014, implying stocks will have declined in the past year
- Cabernet sales flat in the last year, blends offsetting growth in straight varietals
- Retail sales of Australian Cabernet Sauvignon in the US declined by 2% (relatively low decline)

Premium Cabernet Sauvignon (>$600/tonne)

Total exports of premium Cabernet Sauvignon (>$5/litre)



Change in exports by destination (2014–15)



Cabernet Sauvignon

CABERNET SAUVIGNON - SOUTH EAST AUSTRALIA

- Struggles to compete with Cabernet Sauvignon from Chile, which is often better value for money and one of Chile's mainstay varieties.
- Advantage that it can be used in SHZCAB blends. Sometimes these blends can be switched to CABSHZ, depending on market balance.
- A big crop in 2013 (247,000t), followed by an equally big crop in 2014 (231,000t), means that supply likely exceeds demand coming into 2015.
- Slightly tighter supply than Shiraz currently.
- Current Demand/Supply Balance Mild Oversupply Austwine Rating COLD-ish

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Cabernet Sauvignon

CABERNET SAUVIGNON ï COONAWARRA

- Despite is history and pedigree it does not enjoy the same international recognition as say, Barossa Shiraz.
- Reasonably abundant inventory levels.

Current Demand/Supply Balance	Mild Oversupply
Austwine Rating	COLD-ish

CABERNET SAUVIGNON ï OTHER REGIONS

- Plenty of inventory, especially C Grade.

Current Demand/Supply Balance	Oversupply
Austwine Rating	COLD-ish

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Cabernet Sauvignon: the verdict

Merlot

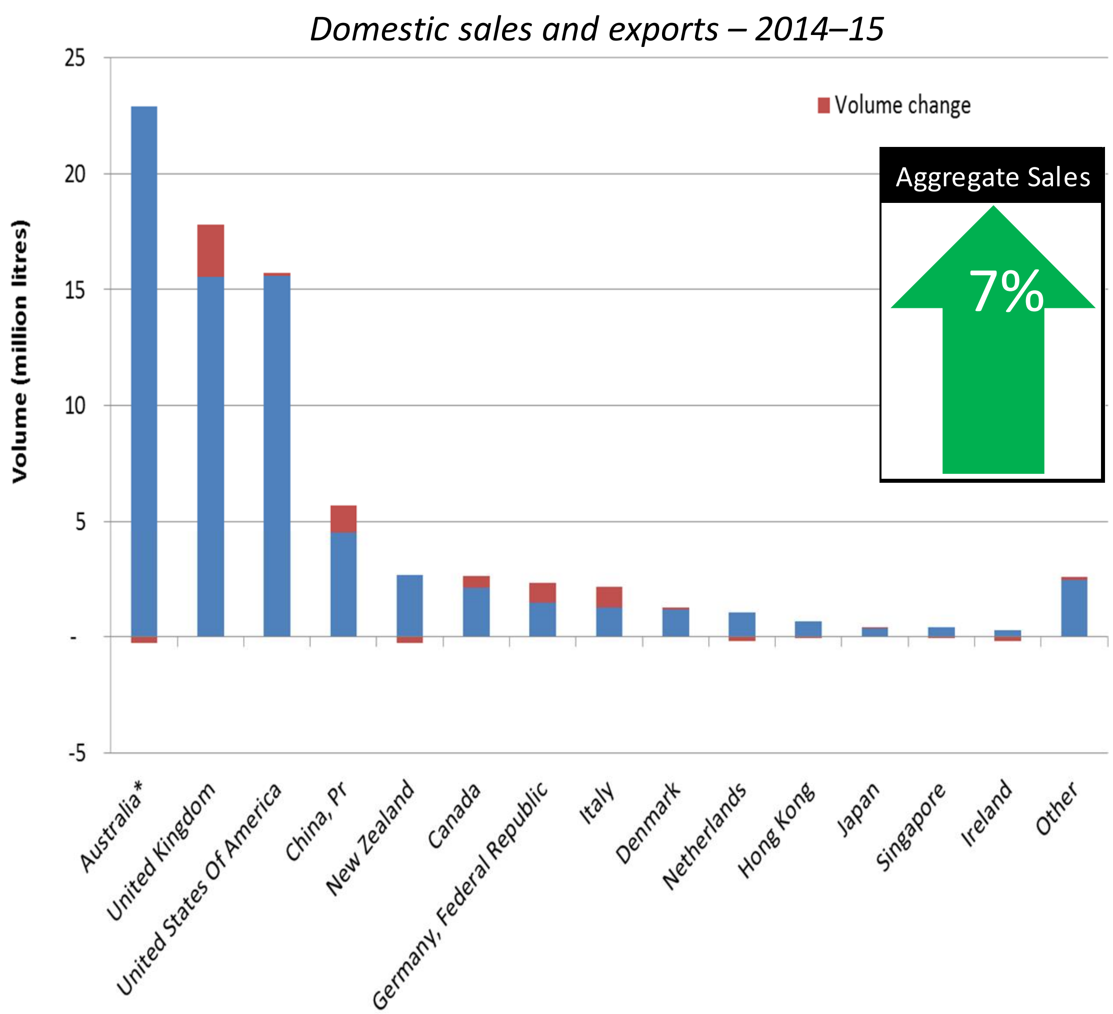
Merlot

- Crop down by 3,500t (6%) across the state
- District average prices up in BV and Clare; down in other regions except Riverland (flat)
- No significant new plantings in past two years
  - Net area decreased by 100 ha

Merlot WAP

	2013	2014	2015	Trend
Barossa	871	917	1088	↑
Clare	788	770	813	↑
Coonawarra	930	1165	824	↓
L Creek	782	665	616	↓
McLaren Vale	979	842	830	↓
Riverland	399	336	359	↔
Padthaway	641	553	557	↓

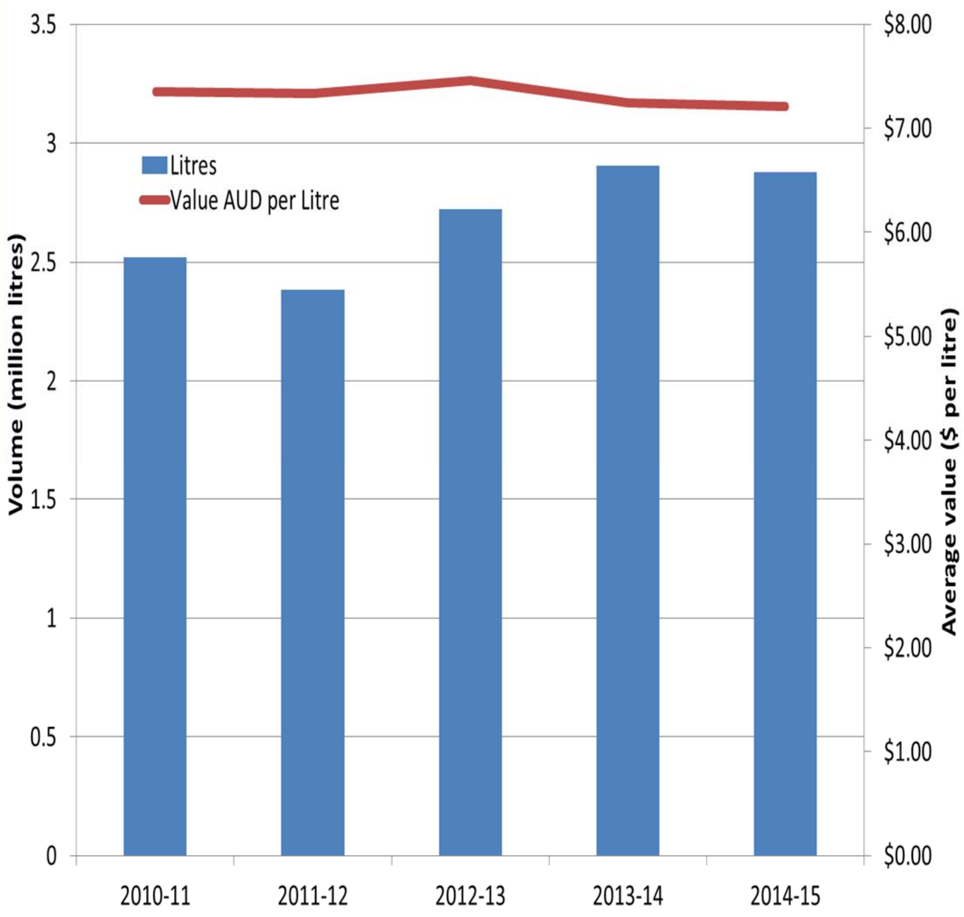
Commercial Merlot (<$600/tonne)



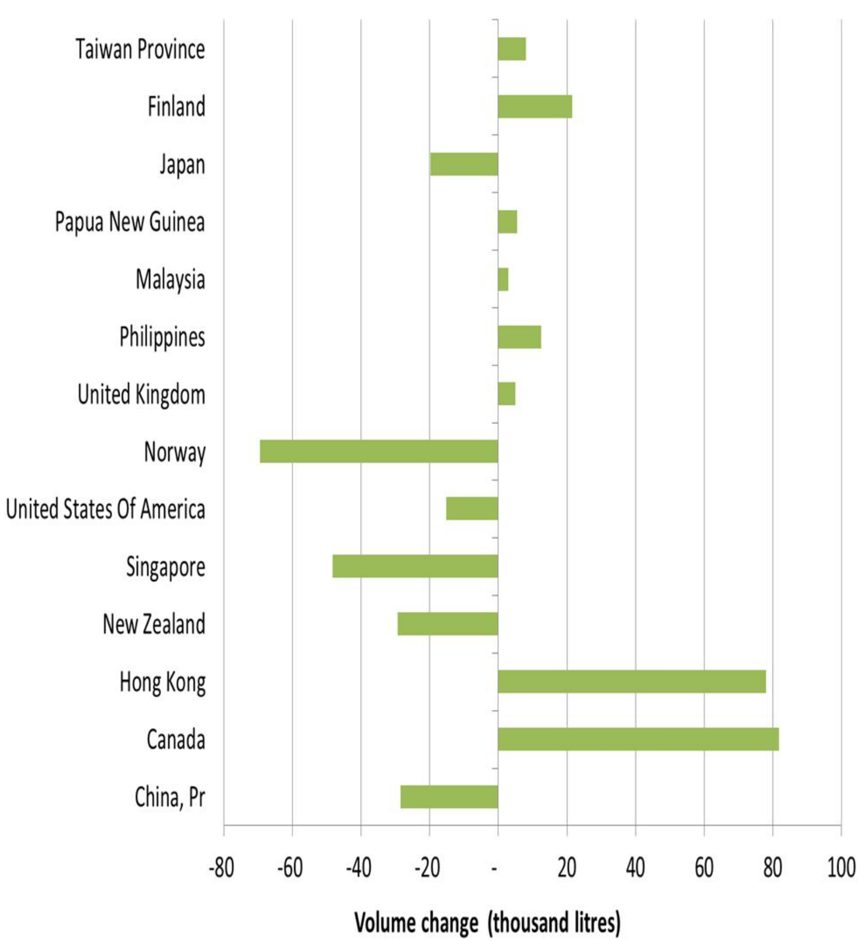
- Total sales have increased by 7% (equivalent to 6,500 tonnes) in 2014–15, while the Merlot crush is down over the past 2 years
- Merlot sales have declined by 2–6% in the past year in Australia
- Australian Merlot in the UK increased by 16% to 1.4 million cases
- Retail sales of Australian Merlot in the US declined by 9%

Premium Merlot (>$600/tonne)

Total exports of premium Merlot (>$5/litre)



Change in exports by destination (2014–15)



Merlot

MERLOT - SOUTH EAST AUSTRALIA

- Struggles to compete with Chilean Merlot, which is often better value for money, and is one of Chile's mainstay varieties.
- It has been difficult to get traction with Australian Merlot in international markets.
- CABMER blends are not as popular from Australia, compared to say, Chile.
- A lot of Merlot will end up as blending wine.
- A good opportunity with this varietal since it is in quite abundant supply and prices are very soft.

Current Demand/Supply Balance	Oversupply
Austwine Rating	COLD

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Merlot

MERLOT - OTHER REGIONS

- Struggles.
- Has the worst fundamental outlook of the 3 main red varieties, based on planting resource Vs market acceptance.
- A lot will end up as blending wine.
- Plenty of inventory, especially C Grade.

Current Demand/Supply Balance	Clear Oversupply
Austwine Rating	Ice-COLD

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Merlot: the verdict

Chardonnay

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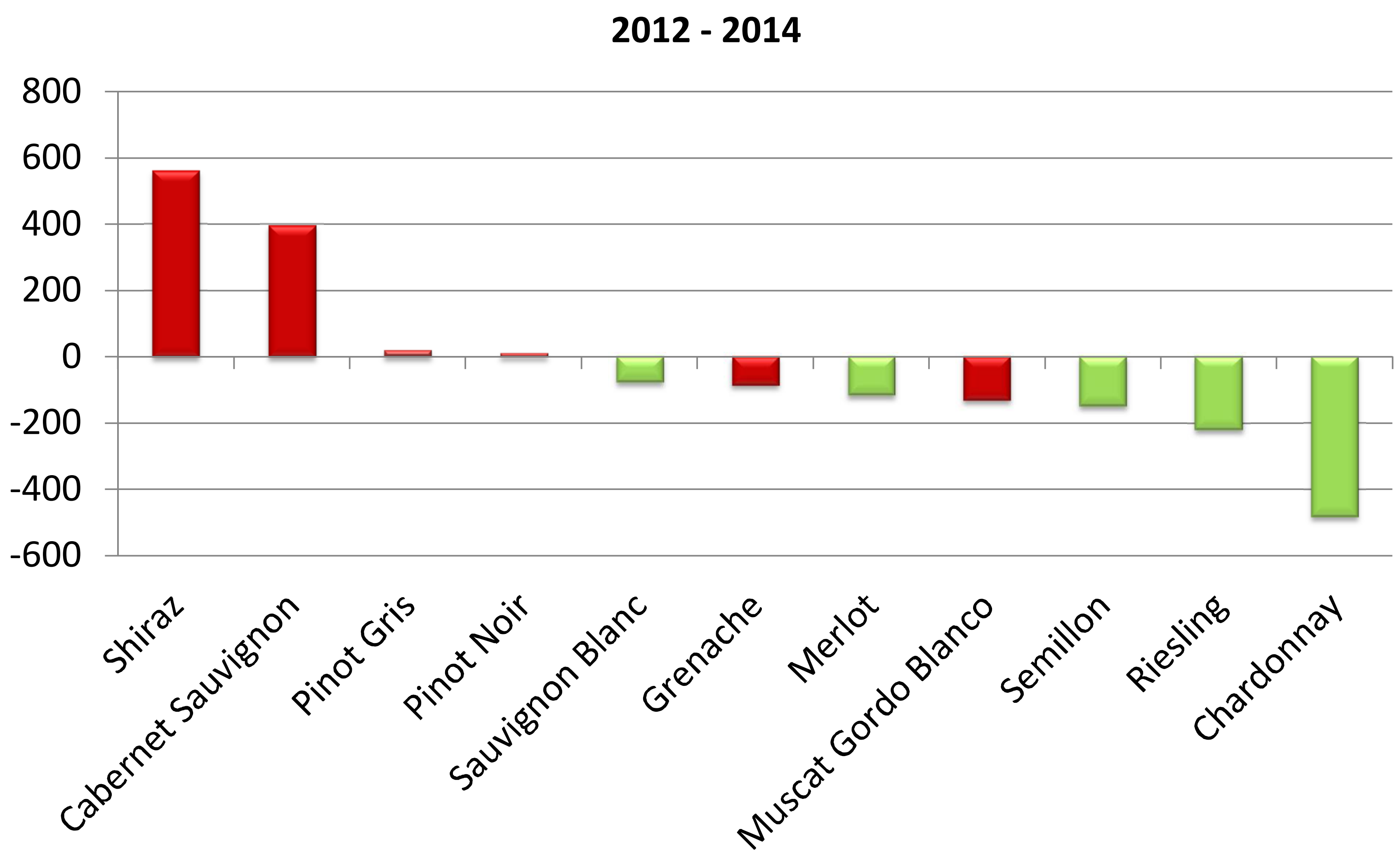
Chardonnay

- Crop up by 14,000t (10%) across the state
- District average prices up A/Hills, McLaren Vale and Wrattonbully
- Plantings in past two years
  - 80 ha of new plantings (<1% of total)
  - 500 ha net decrease in area

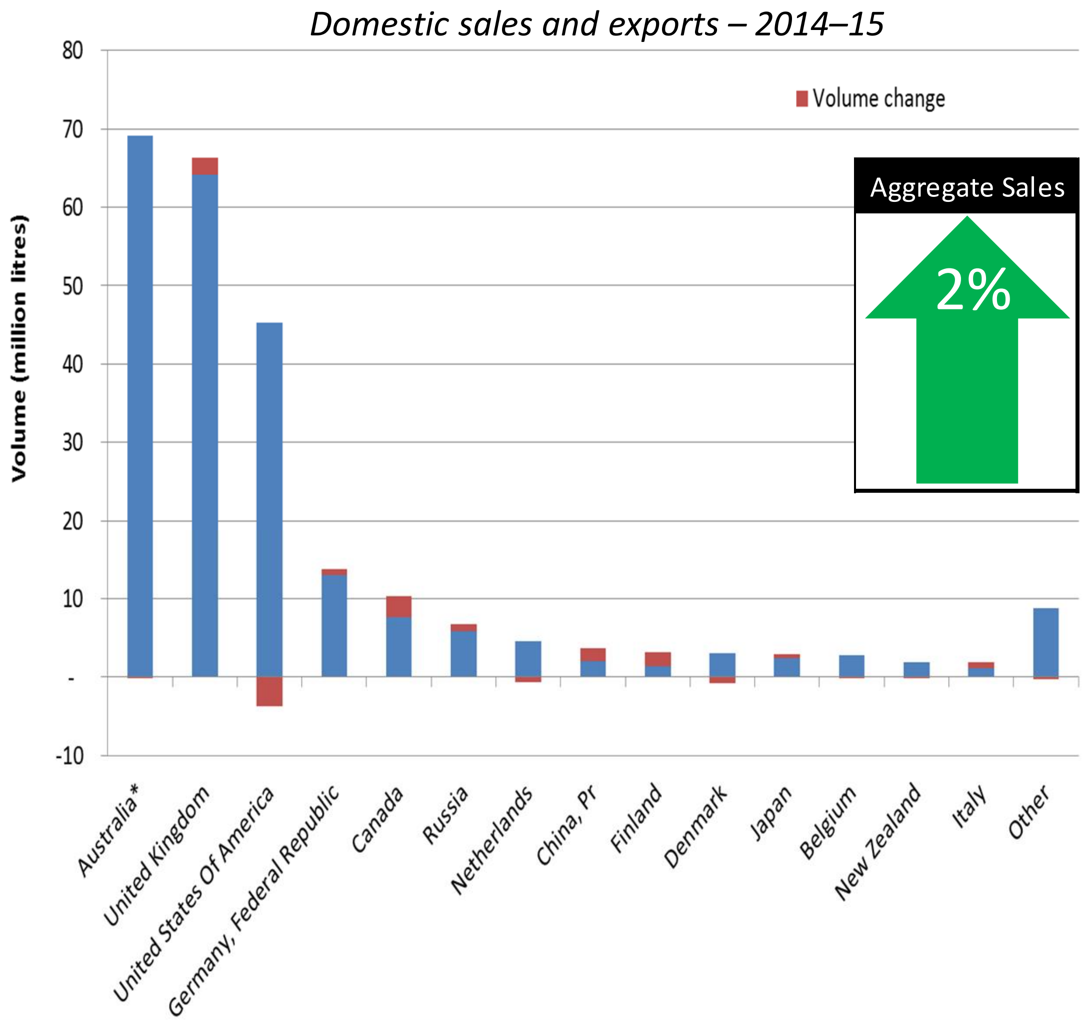
Chardonnay WAP

	2013	2014	2015	Trend
Ad Hills	1219	1245	1269	↑
Barossa	573	535	580	↔
Clare	627	650	740	↑
Coonawarra	659	719	636	↔
L Creek	516	490	462	↓
McLaren Vale	592	559	685	↑
Riverland	291	218	236	↓
Padthaway	674	546	615	↓
Wrattonbully	681	757	753	↑

Change in plantings in SA



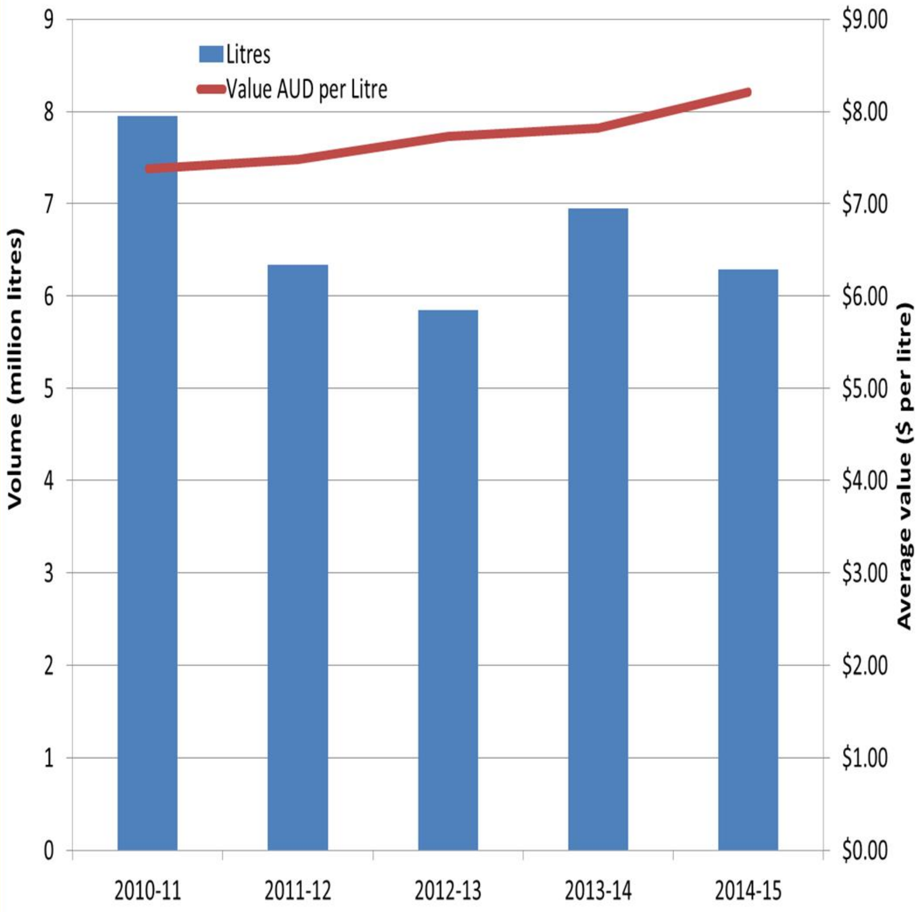
Commercial Chardonnay (<$600/tonne)



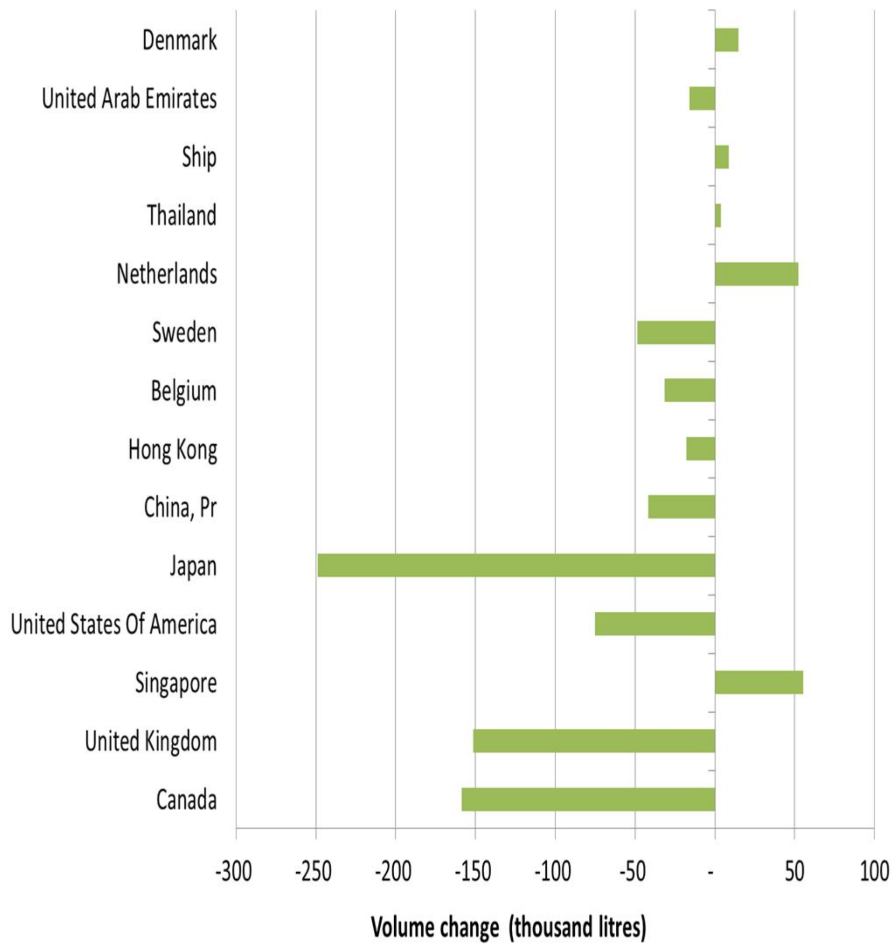
- Total sales increased by 2% (or 7,000 tonnes equivalent) while the crush was down 45,000 tonnes in 2014
- Australian off-trade: Sales were flat after years of declining sales
- USA off-trade: Retail sales of Australian Chardonnay declined by 8%
- UK off-trade: sales increased by 3% to 35 million litres

Premium Chardonnay (>$600/tonne)

Total exports of premium Chardonnay (>$5/litre)



Change in exports by destination (2014–15)



Chardonnay

CHARDONNAY - SOUTH EAST AUSTRALIA

- A very big crop in V13 (401,000t), followed by a shorter crop in V14 (354,000t).
- Average V15 crop in Mildura (+1)% and Riverland (+13%), significantly larger crop in Griffith (+30%).
- CHA stocks are fairly low (except Griffith), as low prices stimulated demand and opened up new markets.
- A lot of vineyard removal over the last several years:
  - Down from 30,000 to 23,000 Ha in the 5 years to 2013.
- CHA Is Australia's most famous white varietal.

Current Demand/Supply Balance	Emerging balance
Austwine Rating	WARM-ish

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Chardonnay

CHARDONNAY ï OTHER REGIONS

- Chardonnay which faithfully reflects its origin is a leading contributor to Australiaôs international wine Renaissance. Opinion leaders are talking about it.
- Chardonnay is very forgiving in the winery and allows a myriad of winemaking expressions.
- Australia has a lot of suitable sites for this variety.

Current Demand/Supply Balance	Emerging balance
Austwine Rating	WARM-ish

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Chardonnay: the verdict

Sauvignon Blanc

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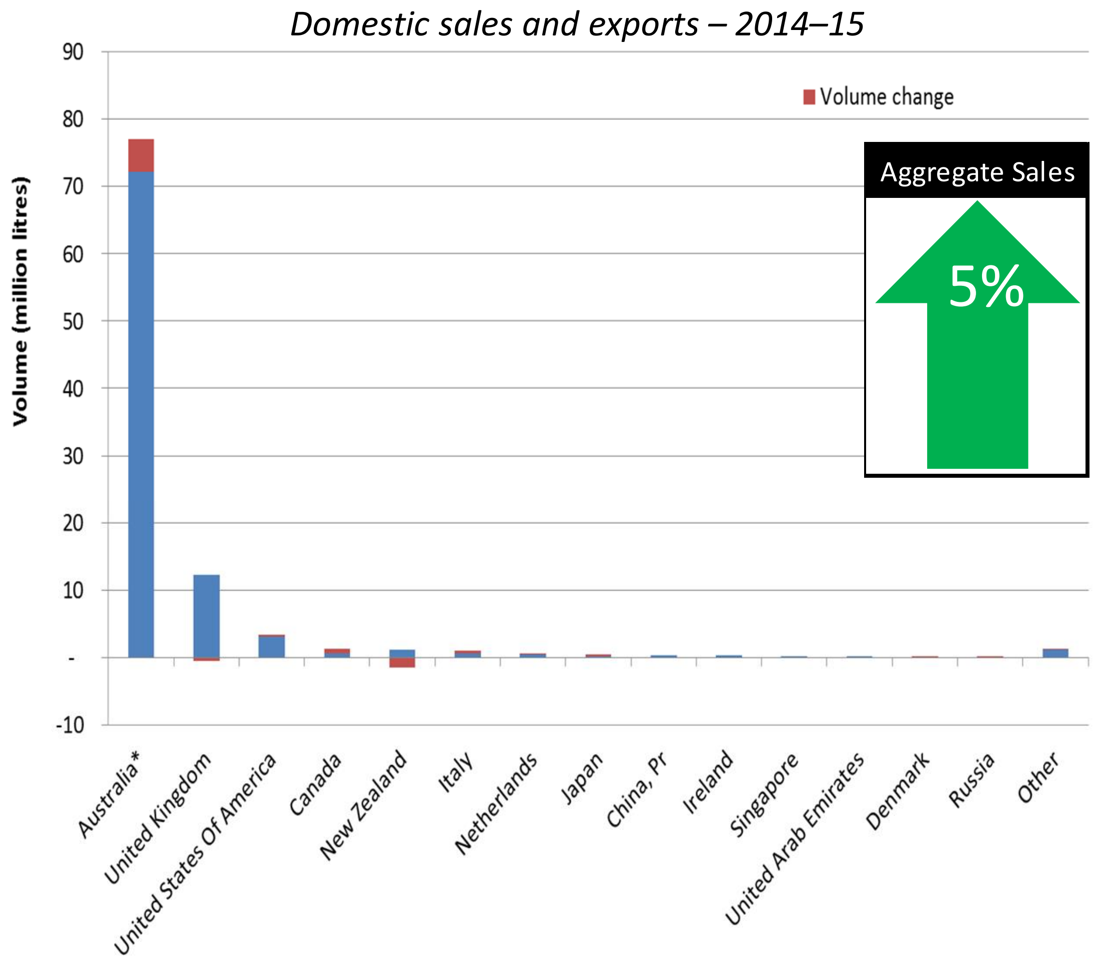
Sauvignon Blanc

- Crush very similar overall but up slightly in Riverland
- WAP up in Adelaide Hills but otherwise flat
- Yields in Adelaide Hills affected by smoke taint
- Area down by 80 ha in past two years
    - Area gone from A/Hills (-35ha), BV (-34ha) and McLaren Vale (-10ha)

Sauvignon Blanc WAP

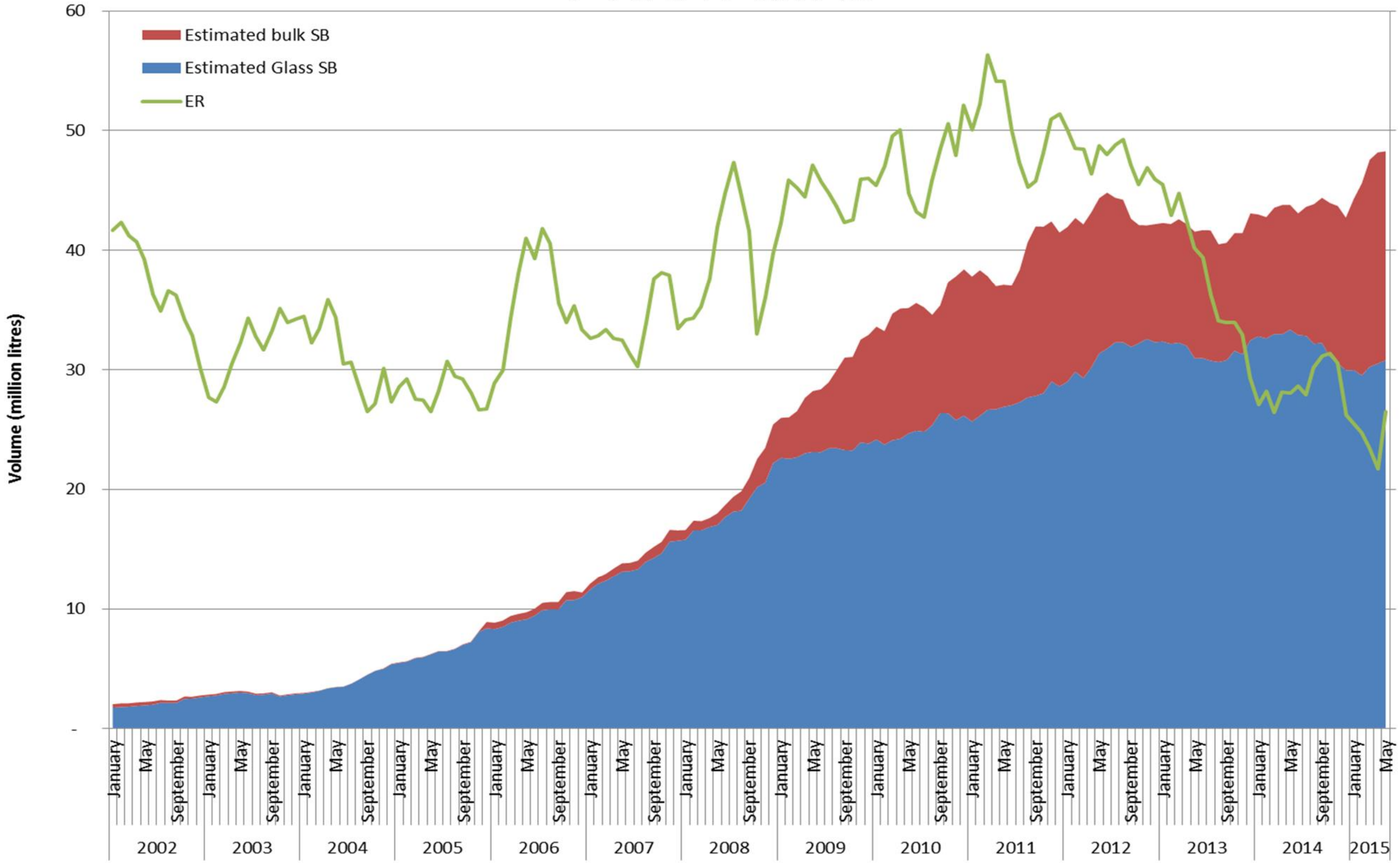
	2013	2014	2015	Trend
Ad Hills	1180	1246	1276	↑
Coonawarra	845	824	850	↔
Langhorne Ck	741	726	729	↔
Riverland	323	293	330	↔
Padthaway	836	835	825	↔

Commercial Sauvignon Blanc (<$600/tonne)

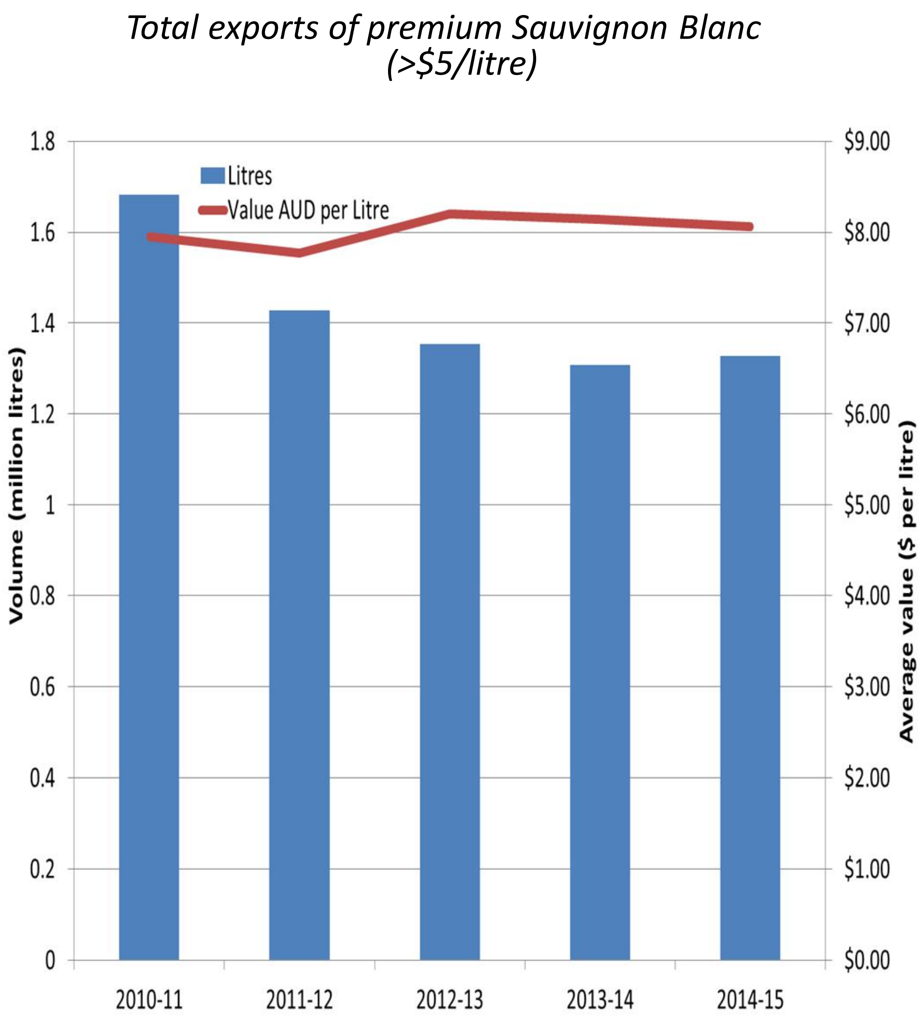


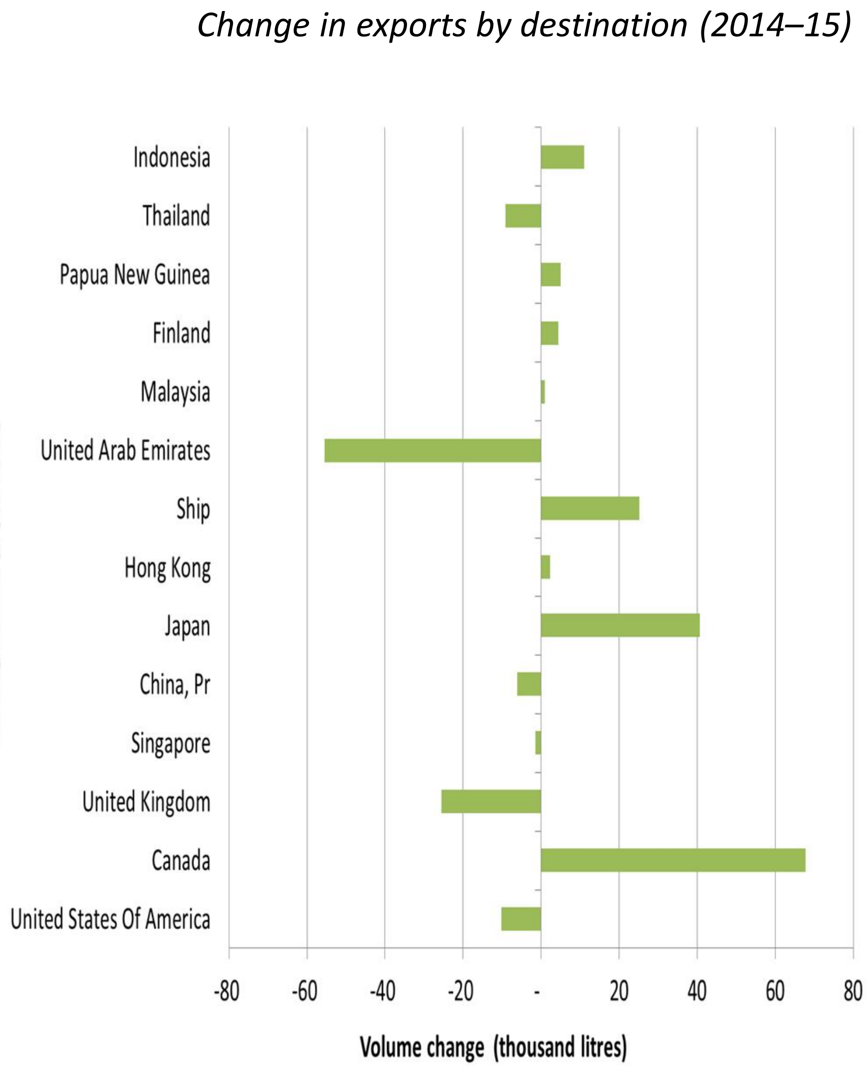
- The Sauvignon Blanc category continues to grow in Australia and Australian brands are capturing some market share
- New Zealand bulk exports have increased in 2015, despite their crush declining by 27% in 2015
- Despite exports of Sauvignon Blanc to UK increasing in 2014–15, Australian sales in the off-trade increased by 15% to 850,000 cases

New Zealand Sauvignon Blanc in Australia



Premium Sauvignon Blanc (>$600/tonne)





Sauvignon Blanc

SAUVIGNON BLANC ï SOUTH EAST AUSTRLIA

- A lot of recent buying activity for V15 grapes, and V14 wine, especially in Inland Irrigated regions.
- Demand is driven by growth in increased Domestic & UK sales of Sauvignon Blanc by major wine companies.
- Major competition is from Chile.
- Supply/Demand balance can be quite dependent on the size of the NZ harvest, which influences exports of SEA SAB to NZ.

Current Demand/Supply Balance	S/T Undersupply
Austwine Rating	WARM, but HOT today.

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Sauvignon Blanc

Â SAUVIGNON BLANC ï ADELAIDE HILLS
Â A more abundant V15 crop following a short V14.
Â Suffering from strong growth in NZ SAB imports during last decade.
Â Plenty of inventory currently.

Â Current Demand/Supply Balance Emerging balance
Â Austwine Rating WARM-ish

SAUVIGNON BLANC ï WESTERN AUSTRALIA

- Quite abundant supply over last few years.
- Also suffering from the growth in NZ SAB imports.

Â Current Demand/Supply Balance Short term Oversupply
Â Austwine Rating WARM-ish

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Sauvignon Blanc: the verdict

Multi-use whites

Semillon/Gordo/Colombard

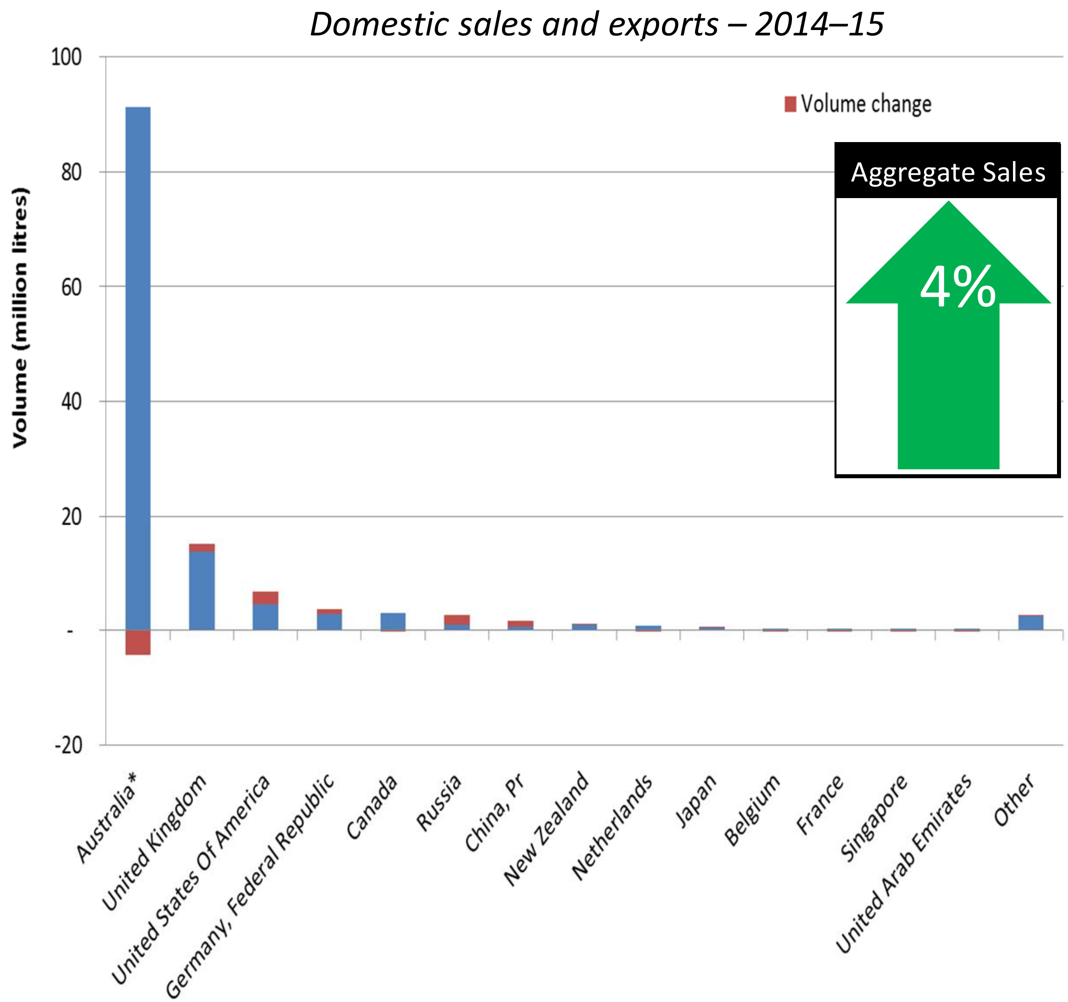
- No change in total crush
  - Gordo down 4,000 tonnes
  - Colombard up 4,000 tonnes
- Small price rises for Semillon in R/Land and BV
- Price for Gordo down 20% in Riverland ($281 to $219)
- Have lost close to 300 ha of these varieties (combined) in past two years

Multi-purpose white WAP

Riverland	2013	2014	2015	Trend
Colombard	230	196	198	↓
M Gordo	381	281	219	↓↓
Semillon	274	221	244	↓

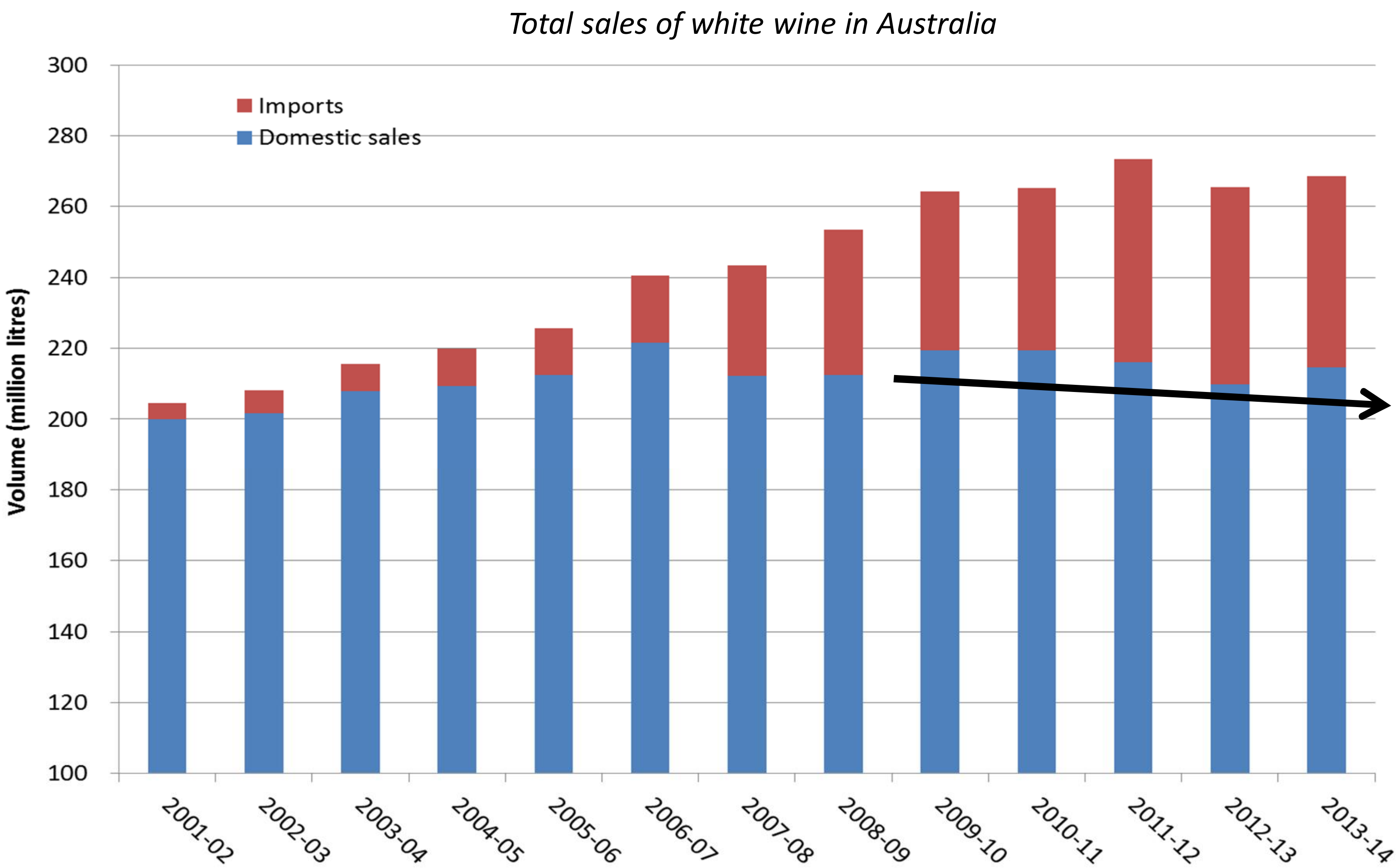
Barossa	2013	2014	2015	Trend
Semillon	507	514	603	↑

Multi-use whites (Colombard, MGB & Semillon)



- Increase in export markets has offset weakness in Australia
- Total stocks estimated to have declined in the last year
- Domestic sales down 5%. Dry white cask declining while cask Chardonnay is up
- Semillon (and blends of) selling well in UK
- Growth in US reflecting popularity of Moscato
- Russian sales at low prices

White wine in Australia (Colombard, MGB & Semillon)



Semillon/Gordo/Colombard

COLOMBARD & SEMILLON ï SOUTH EAST AUSTRALIA

- All experiencing upward pressure on price and increased demand as a result of increased demand for Chardonnay.
- Were a lot of older vintage whites around a couple years ago.
- Today very little older vintage whites at bargain prices available.

Current Demand/Supply Balance	Emerging balance
Austwine Rating	Luke-WARM

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Gordo/Moscato

GORDO/MOSCATO ï SOUTH EAST AUSTRALIA

- Higher prices for several years stimulated additional plantings.
- Now in abundant supply.
- All muscat varieties suffers from the challenge of being very difficult to blend away!

Current Demand/Supply Balance	Clear oversupply
Austwine Rating	COLD

Multi-use whites: the verdict

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Other varieties

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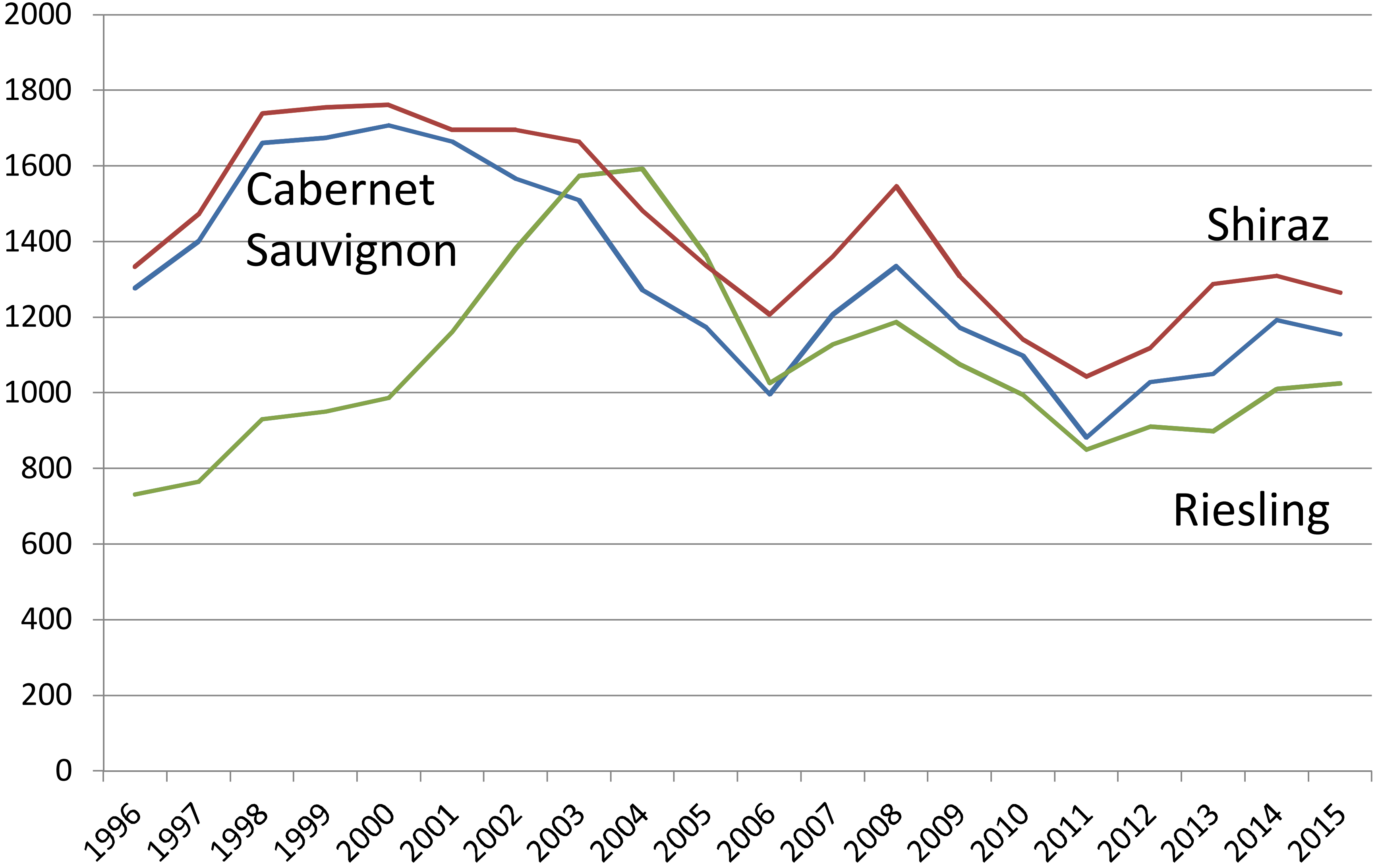
Riesling

- SA has top three regions in Australia for Riesling and five of the top six (by volume)
- District average prices up in most regions.
- 13 Ha of new plantings in past 3 years.
- 200 Ha net removals since 2013

Riesling WAP

	2013	2014	2015	Trend
Clare Valley	899	1010	1024	↑
Eden Valley	1144	1233	1416	↑↑
L Creek	536	550	550	↔
Padthaway	888	896	952	↑
Riverland	352	307	344	↔

Riesling in Clare – is it recovering?



Pinot Noir and Pinot Gris

Pinot Noir

- State crush up 3,000 tonnes (24%)
- Riverland is largest region in Aus for Pinot Noir by vol
- Adelaide Hills is number three
- Comparatively good returns for this variety

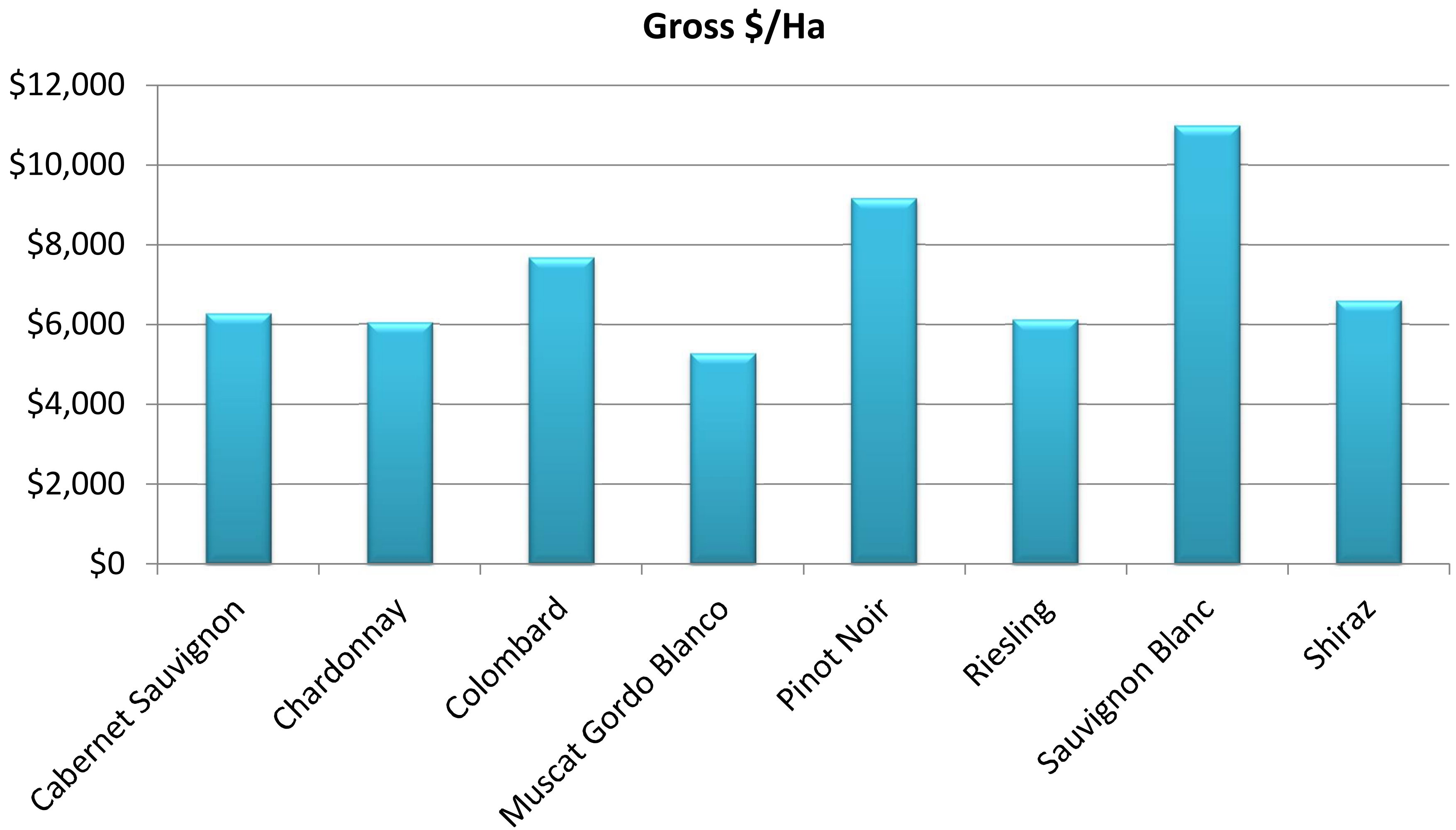
Pinot Gris

- Crush increased by 40% (3,000 tonnes)
- WAPs up in R/Land, Padthaway, Wrattonbully
- Best performing variety for WB, Pad and A/Hills (but small volumes)

Pinot Noir WAP

	2013	2014	2015	Trend
Riverland	437	373	365	↓
Adelaide Hills	1466	1505	1377	↓
L Creek	691	720	700	↔
Padthaway	745	727	777	↑

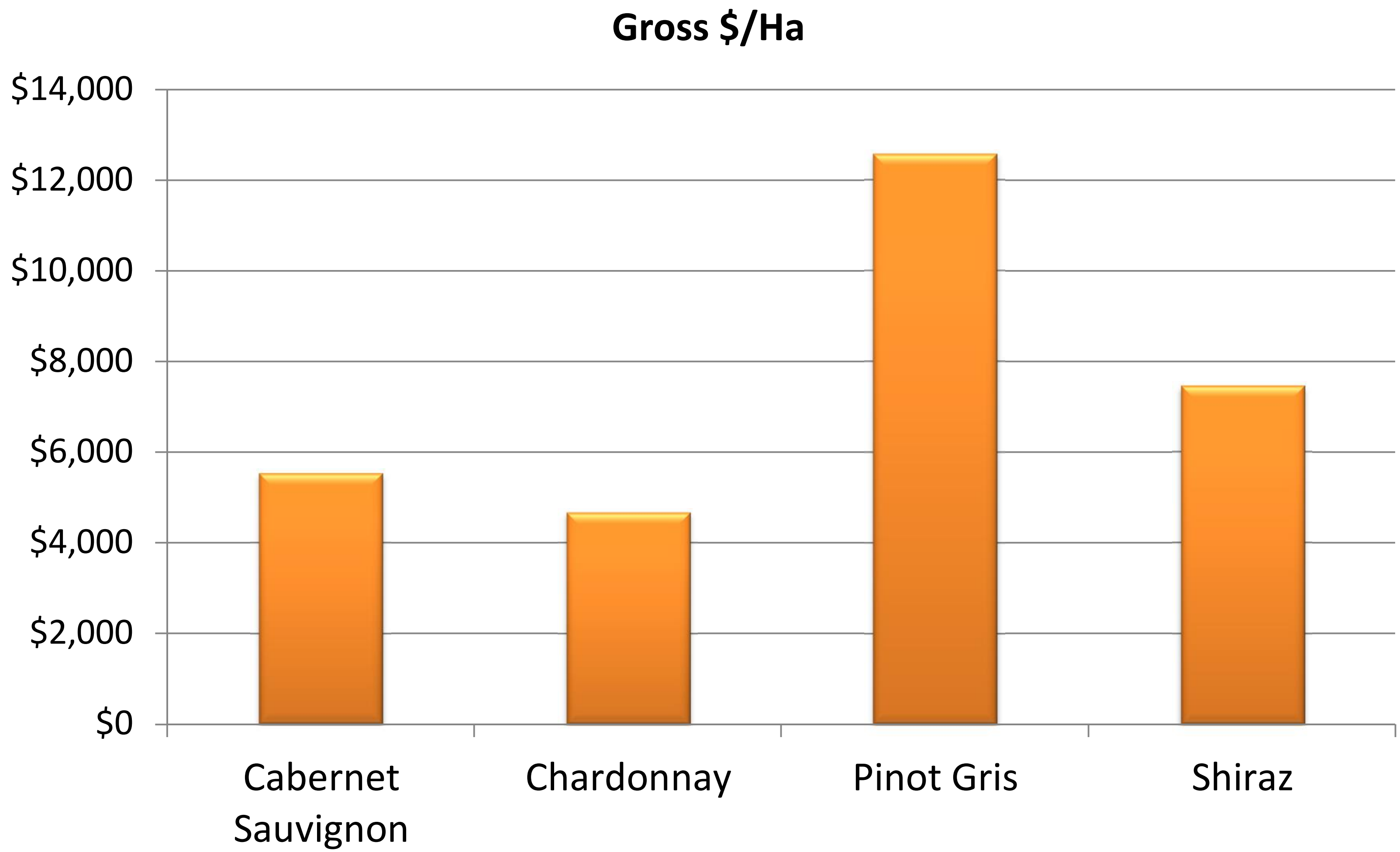
Variety performance in Riverland



Pinot Gris WAP

	2013	2014	2015	Trend
Riverland	432	446	463	↑
Padthaway	996	982	993	↔
Wrattonbully	775	927	1031	↑↑
Adelaide Hills	1304	1349	1433	↑

Variety performance in Wrattonbully



Riesling & Pinot Noir

RIESLING & PINOT NOIR

- Niche varieties.
- Difficult to sell internationally in any volume.
- But ! They actually both could have a leading role to play in Australia's international wine Renaissance.
- A long haul, but both varieties have great pedigree.

Current Demand/Supply Balance	In Surplus
Austwine Rating	COLD-ish

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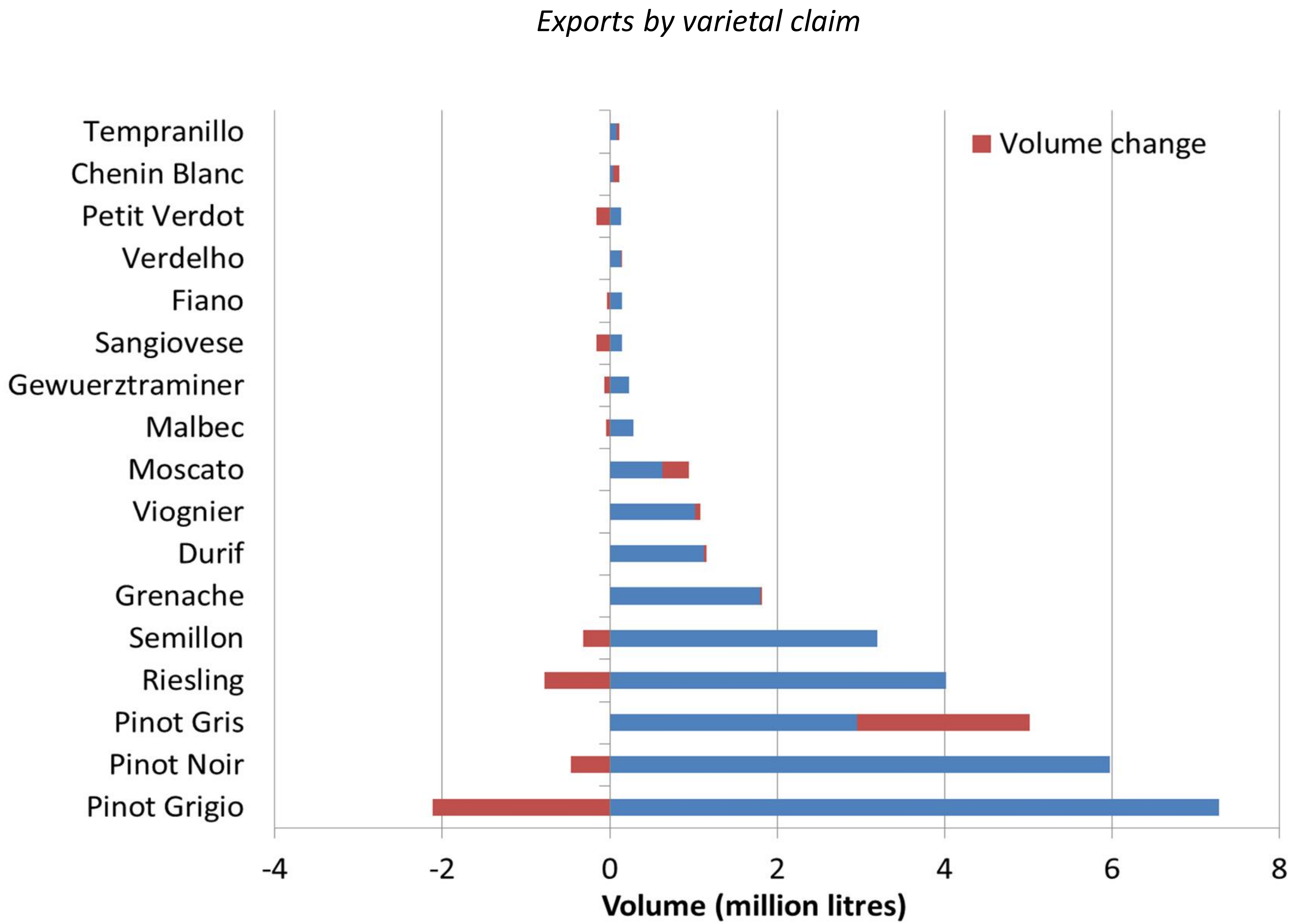
Pinot Gris

PINOT GRIS ï SOUTH EAST AUSTRALIA

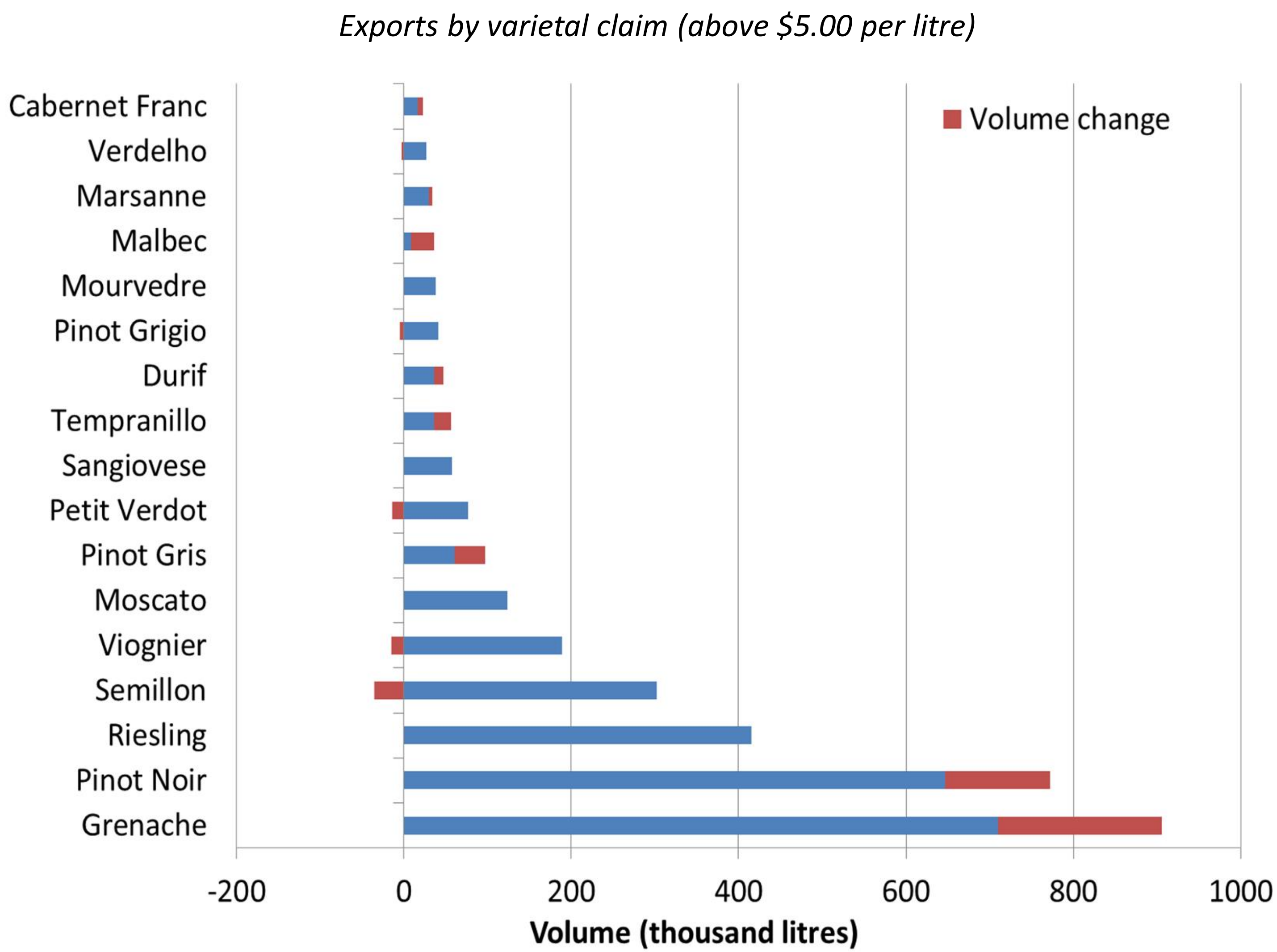
- Hard to find and very little available on spot market.
- őTiedô deals emerging in the domestic market place, reflecting the tight market.

Current Demand/Supply Balance	In demand
Austwine Rating	HOT

Other varietals (commercial)



Other varieties (premium)



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Other varieties – the verdict