

AUSTRALIAN WINEGRAPE OUTLOOK

2008 - 12

PREPARED BY McGrath-Kerr Business Consultants Pty Ltd

FOR



Australian Government

**Grape and Wine Research and
Development Corporation**

PROUDLY PRODUCED BY



WGGA

Wine Grape Growers' Australia

This publication is made available under the terms and understanding that: **1** The authors, consultants and editors are not responsible for the results of any actions taken on the basis of information in this publication nor from any error in or omission from this publication. **2** The publisher is not engaged in rendering professional or other advice or services.

The Publisher and the authors, consultants and editors expressly disclaim any liability and responsibility to any person whether a purchaser or reader of this publication or not, in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance whether wholly or partially, upon the whole or any part of this publication. Without limiting the generality of the above, no author, consultant or editor shall have any responsibility for any act or omission of any other author, consultant or editor.

INTRODUCTION

This Report on the outlook for the Australian winegrape industry has been prepared for Wine Grape Growers' Australia to provide grapegrowers and others with an overview of the winegrape supply/demand position within the Australian wine industry and, in particular, the outlook for the industry over the next four years. Similar overviews have been produced each year since 1994 as part of the process of growers and winemakers meeting to discuss industry prospects, and more recently, as the Report of the Australian Wine Grape Conference which was held in Mildura in November 2003, 2004 and 2005.

Following the 2007 vintage, Wine Grape Growers' Australia conducted a series of briefings for growers throughout 21 Australian wine regions. This Paper has been prepared as the basis for similar presentations in 2008.

Last year it was expected that the effect of the 2007 drought and attendant water restrictions would impact significantly on the 2008 vintage. Early estimates of available grape supply placed the national crop at around 1.2MT, and while current estimates for a 2008 crop of around 1.6MT are below "normal" levels, it is significantly higher than expectations leading into vintage.

The following analysis uses projections that anticipate a return to more normal yields by 2010 based on an expectation of a return to more normal rainfall patterns and greater availability of irrigation water.

This Report draws on statistics and market analysis provided by regional, State and National industry bodies, the Australian Bureau of Statistics (ABS), the Australian Wine and Brandy Corporation (AWBC), and the Australian Bureau of Agricultural and Resource Economics (ABARE).

Collection of the ABS and ABARE data was funded by the Grape and Wine Research and Development Corporation (GWRDC). Regional winegrape utilisation surveys were funded by the Murray Valley Wine Grape Industry Development Committee, the Wine Grapes Marketing Board (Riverina), the New South Wales Wine Industry Association, and the Phylloxera & Grape Industry Board of SA.

This paper is presented in three parts:

- Part 1 is a summary to date of the Australian wine market for both domestic and exports, future production and sales, and stocks.
- Part 2 is an analysis of the supply and demand position for the broad warm inland/cool regional groupings for 2008 to 2012. Warm inland regions are defined to encompass the regions of Riverina, Murray-Darling, Swan Hill and the Riverland, while the cool regions are the rest. The distinction is more about cost of production than climate with the three major inland regions being the source of cheaper fruit servicing the commercial wine market.
- Part 3 is a summary statement of the winegrape outlook for cool and inland (warm climate) regions.

This Report paper was prepared for Wine Grape Growers' Australia using funding from the GWRDC by McGrath-Kerr Business Consultants Pty Ltd. For further information contact Wine Grape Growers' Australia on telephone (08) 8331 1422, facsimile (08) 8331 1477, email info@wgga.com.au

CONTENTS

OVERVIEW	3
PART 1: THE MARKET FOR AUSTRALIAN WINE	3
2006-07 IN REVIEW	3
Domestic Wine Sales	3
Australian Wine Exports	4
FUTURE PRODUCTION AND SALES PROSPECTS	5
Grape Production	5
Wine Stocks	5
Cool/Warm imbalance	6
PART 2: SUPPLY DEMAND BALANCES FOR MAJOR VARIETIES	6
INTRODUCTION	6
KEY POINTS	6
SUMMARY OF NATIONAL POSITION – RED GRAPES	7
SUMMARY OF NATIONAL POSITION – WHITE GRAPES	7
SUMMARY OF NATIONAL POSITION – ALL GRAPES	7
Cabernet Sauvignon	7
Chardonnay	8
Colombard	8
Merlot	8
Muscat Gordo	16
Petit Verdot	9
Pinot Gris	17
Pinot Noir	9
Riesling	9
Ruby Cabernet	10
Sauvignon Blanc	10
Semillon	10
Shiraz	11
PART 3: BALANCE OF SUPPLY AND DEMAND	
INLAND REGIONS	11
COOL REGIONS	12
2007 VINTAGE INTAKE AND PRICES, INLAND AREAS	12

OVERVIEW

For the three vintages 2004-06 Australian wineries crushed in excess of 1.8MT of grapes for wine. The volume of wine produced each year greatly exceeded industry requirements with the result that stocks built up to beyond acceptable industry comfort levels. Furthermore, it was apparent that the production of grapes in higher-cost vineyards (the "cool" regions referred to in this Report) was in excess of market opportunity, with the result that considerable volumes of fruit were sold at prices that were not viable in the longer-term.

In vintage 2007 a combination of widespread frosts, drought-induced water restrictions and drought affected bunch development saw 1.4MT of grapes crushed, well down on the previous years and less than that needed to meet current sales requirements. As a result there has been a decline in overall stock levels.

Against this background a survey of winemaker demand was undertaken in mid-2007. The results of this demand have been matched against supply projections to generate supply/demand balances for key varieties and regional groupings. The results are contained in this Report.

There was an expectation during 2007 that the reduced yields of the 2007 vintage would carry through to the 2008 vintage, but that a return to more normal weather patterns and greater access to irrigation water

Abbreviations and terms used in this document:

t	= tonnes	MT	= million tonnes
MAT	= moving annual total	KT	= thousand tonnes
ML	= million litres	fob	= free on board
ha	= hectares		

Reference to bottled wine is to wine sold in containers under 2L. Data is preferably sourced from ABS collections where possible. Some detail on exports has been obtained from the Australian Wine and Brandy Corporation and there may be differences between the two sources.

would see grape availability return to the more usual levels of around 1.9MT by 2009. Recent surveys of industry and the prolonged effect of the drought on water storages in the Murray Valley suggest it could be at least 2010 before yields return to more normal levels. This has been factored into the projections provided by ABARE. The projections of grape availability used in this Report for the supply/demand analysis is 1.67MT for 2008, 1.78MT for 2009 and 2.0MT in 2010. The 2008 figure is higher than current industry expectations of 1.552MT and 1.65MT.

The supply/demand analysis is interesting in that it suggests a balanced position over the projection period. Slight shortages of red grapes in the inland regions are offset by corresponding surpluses in cool regions. White grapes are in balance in both cool and inland regions. On current figures of winery demand there is a strong chance that the worst of the industry's over-supply issues are behind it.

The supply/demand balances between warm and cool regions is discussed in detail in Part 2 of the Paper. In the following analysis, be reminded that supply forecasts are predicated upon the future availability and affordability of irrigation water in the Murray Basin. Any ongoing shortages will affect production decisions and have the affect of reducing supply.

Wine Grape Growers' Australia May 2008

PART 1: THE MARKET FOR AUSTRALIAN WINE

2006-07 in Review

The 2007 vintage was a mixed blessing for grapegrowers. There were 1.4MT¹ of grapes harvested, which is below sales replacement, but higher than some earlier predictions of around 1.2MT. Grape prices, particularly in the inland irrigated regions, did not move to any great extent, with average returns increasing by 4% while for cool regions the increase was 12%. There is a significant differential between average purchase values for warm and cool regions, as the following chart indicates.

For cool regions average purchase values peaked in 2001, held for two years as a consequence of a poor 2002 vintage, then declined steadily for the next three years before the 2007 increase. For warm inland regions prices peaked in 2002 partly driven by shortages in the cool regions, but declined steadily over the next four years before once more increasing in 2007 as a result of the shortage.

Information on warm regions shows the different pattern of red and white grape prices in the past 13 years (there is no data for cool regions earlier than 2000 when the national crush survey was established). In the inland regions, white grape prices (dominated by Chardonnay) peaked in 1996, declined steadily until 2000, then increased until 2004 before once again declining. Figure 2 for Chardonnay illustrates this. Despite an overall shortage of grapes in 2007, the price of Chardonnay still fell.

For red grapes the boom in plantings was two years behind Chardonnay. Prices of red grapes peaked in 1998, fell sharply over the next two years, then a steady decline until 2007 (the poor 2002 vintage

¹ ABS figure for wineries crushing more than 50t.

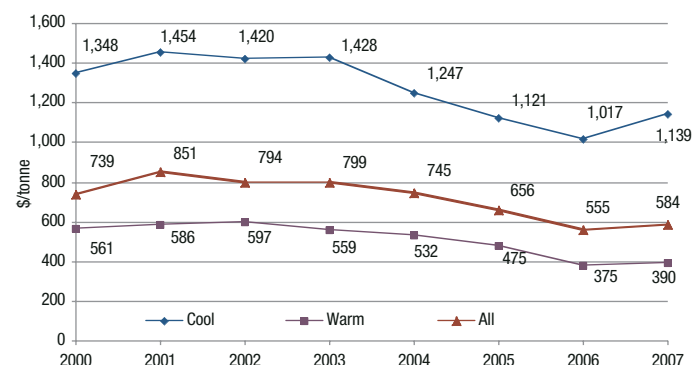


Figure 1. Average purchase values.
SOURCE: AWBC.

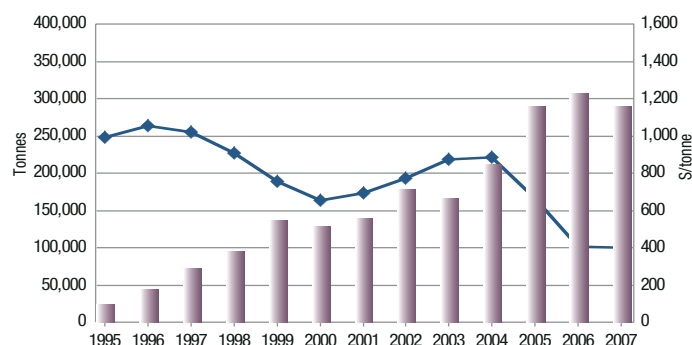


Figure 2. Average purchase value Chardonnay, Inland regions.

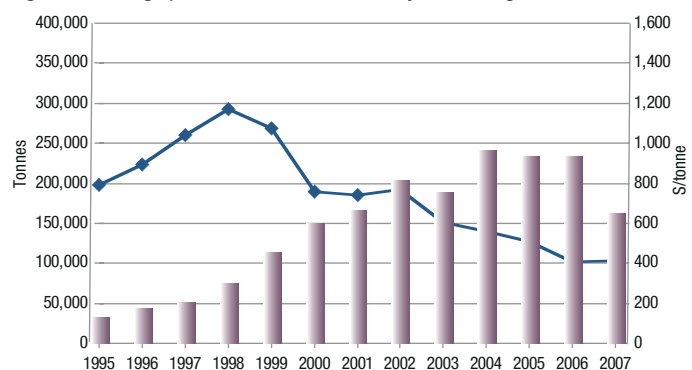


Figure 3. Average purchase value Shiraz, Inland regions.

in cool regions drove a slight resurgence in that year). Figure 3 for Shiraz shows this:

Despite the low crop in 2007, wine sales continued to grow during the year, although there are now signs this growth is easing. The rapid growth of bulk wine exports in recent years is also showing signs of easing, while imports continue to grow from a small base. Table 1 summarises the result for the last financial year:

Table 1. Wine Sales Summary (June 12 month MAT).

	12 mths to		12 mths to		12 mths to	
	Jun '05	Jun '06	Incr	Jun '07	Incr	
	ML	ML	%	ML	%	
White <2L	89	93	4%	101	8%	
White Soft Pack and Other	120	120	0%	118	-1%	
Total White Table	209	213	2%	219	3%	
Red <2L	91	92	1%	103	12%	
Red Soft Pack & Other	64	62	-3%	60	-4%	
Total Red Table	155	154	-1%	163	6%	
Total Table Wine	365	367	1%	382	4%	
Sparkling and Carbonated	43	44	3%	47	7%	
Other	23	22	-5%	21	-5%	
Total Aust Domestic (A)	430	432	1%	449	4%	
Imports	22	24	10%	34	41%	
Total Domestic Sales	452	457	1%	483	6%	
Exports - White (ML)	234	259	11%	280	8%	
Exports - Red (ML)	421	445	6%	493	11%	
Exports - Other (ML)	15	18	16%	16	-11%	
Exports - Total (ML) (B)	670	722	8%	789	9%	
Total Australian Sales A+B)	1,100	1,154	5%	1,238	7%	
Exports-Total (\$B)	2.715	2.755	1%	2.887	5%	
	\$4.05	\$3.82	-6%	\$3.66	-4%	

* Sparkling, fortified etc. Source: ABS no 8504.0.

DOMESTIC WINE SALES

Domestic wine sales of 483ML (Australian produced wine plus imports) was 27ML (or 6%) higher than the year before. Bottled white and red sales increased 19ML while cask wine volumes fell by 4ML.

Export volumes grew 9% in the last financial year (8% a year earlier), while domestic sales of Australian wine grew 4% compared with just 0.5% in the previous 12 months. Imports of wine increased 41%, or from 24ML to 34ML (up from a 10% increase a year earlier) with two-thirds of that growth originating from New Zealand.

In terms of composition, the volume of Australian bottled table wine sold now well exceeds cask sales which have shown a slight decline in

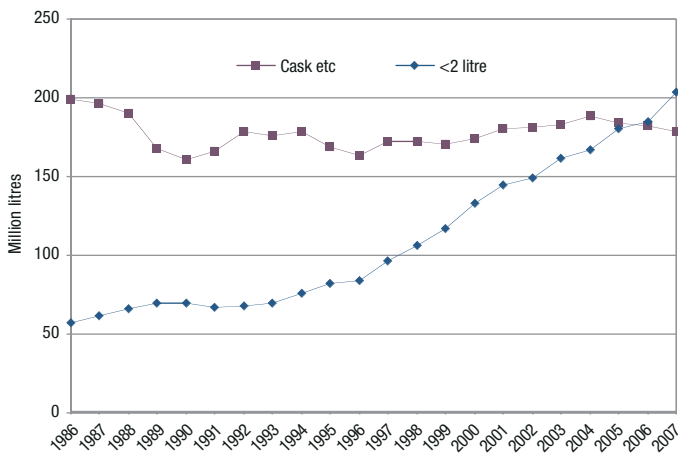


Figure 4. Domestic sales of Australian table wine.

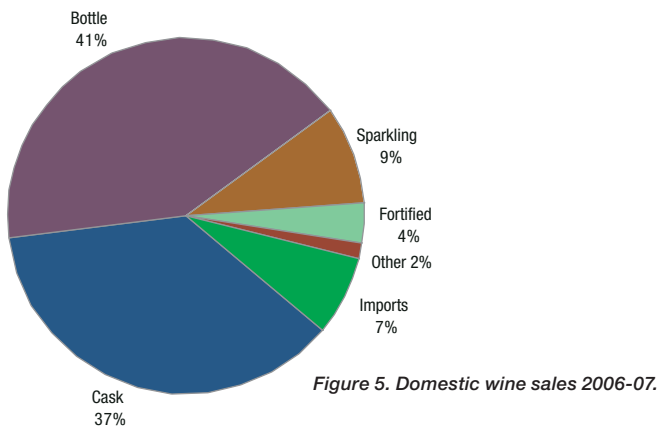


Figure 5. Domestic wine sales 2006-07.

recent years. To a large extent sales of cheap bottled wine has displaced cask sales. With the 2007 vintage being well below requirement it has been reported that the larger companies may import wine for the cask market, which should see a further decline in sales of Australian cask wine in the coming year as Australian product is redirected to higher-value uses.

Australian table wine accounts for 78% of domestic wine sales, a fall of 3% over the last year. Australian cask wine is 37% of sales and bottled wine 41% of sales, while imports are now 7% of the domestic market.

Australian white wine sales in 2006-07 were 219ML, a 3% increase over the previous year. Within that sector, soft pack sales declined 1% while bottled sales increased 8%. Some 54% of white wine sales were in cask/flagon.

Domestic sales of Australian red wine were 163ML, a 6% increase overall. Growth in Rosé styles have been a major contributor to this. A 4% decline in cask sales was more than offset by a 12% (11ML) increase in bottled red sales. Bottled red sales now make up 63% of all red wine sales. Nationally, bottled red wine sales are broadly split 50/50 between white and red wine.

Australian sparkling and carbonated wine sales grew 7% to 47ML in 2006-07. Sparkling sales have shown steady growth over the past few years. Sparkling wine comprises 9% of all sales.

Sales of fortified wine in 2006-07 fell 6% in the last year and now stand at 17ML.

Imports

Imports generally represent only a small proportion of domestic wine sales, historically around 5% (currently 7%). In two periods, in 1996 and again in 1998 following the relatively short vintages of 1995 and 1997, the level of imports surged due to relatively large imports of bulk wine used mainly in the cask market. More recently, there has been strong growth in imports driven by increased interest in wines from New Zealand. In 2006-07, 34ML of wine was imported, of which New Zealand contributed just over half (53%). Four years earlier New Zealand's share was 29%.

With grape production in 2007 being less than generally required, there are reports some larger companies may import bulk wine to meet low end wine demand (casks). Import figures to end of February 2008 suggest the volume of such imports is relatively small.

AUSTRALIAN WINE EXPORTS

Australian table wine exports have been the mainstay of industry growth over the past decade and a half. The rapid expansion in grape supply, particularly red grapes in the late 1990s has placed enormous strain on the industry's capacity to maintain balanced growth.

Figure 6 shows the pattern of domestic and export sales growth as well as stocks. Exports account for 64% of Australian wine sales, and up until now have been increasing as a proportion. Within exports, red table wine contributes 63% of all exports, with white table and other wine products comprising the balance.

Table Wine

For a period in the early years of this decade, the Australian dollar weakened relative to the US\$ and Pound, delaying the market signals regarding potential supply imbalance. The strengthening of the Australian dollar in the last three years forced wineries to lower domestic prices or increase the movement of bulk wine off-shore in order to generate volume growth.

Figure 7 shows the relative buying power of the Australian dollar compared with the Pound and US\$. It illustrates quite clearly the link between a strengthening exchange rate and the decline in export returns. In mid-2001, US\$1 yielded A\$2 – now it is close to parity.

In the period 2003-04 to 2005-06, total sales (of which exports have become the dominant component) sales were insufficient to prevent a rapid build up of stocks which reached record levels by the end of vintage 2006. The increase in stocks in turn placed downward pressure on grape prices and in some instances, grapes not even being sold.

The rapid increase in bulk wine exports leading into 2007 has ceased, as expected, as a result of the reduced 2007 vintage and decline in stocks. By February 2008 exports had declined by 48ML overall, with bulk and soft pack wine exports falling 62ML.

Around three-quarters of wine exported is sold for less than \$5/L. This proportion grew steadily from 2002 to 2006 but has shown some signs of easing in the last 12 months.

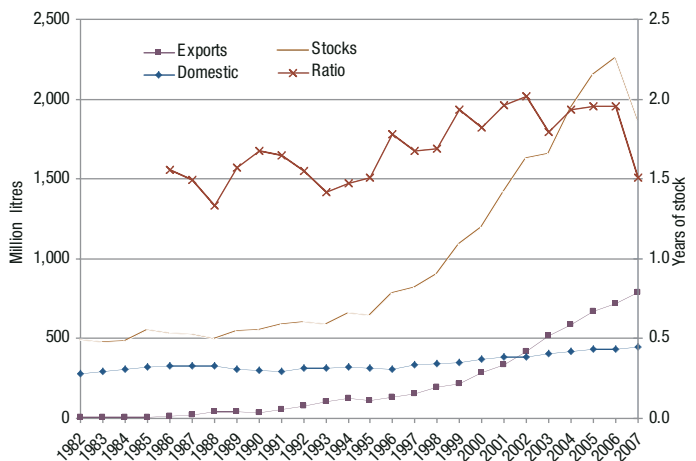


Figure 6. Stocks and sales of Australian table wine.

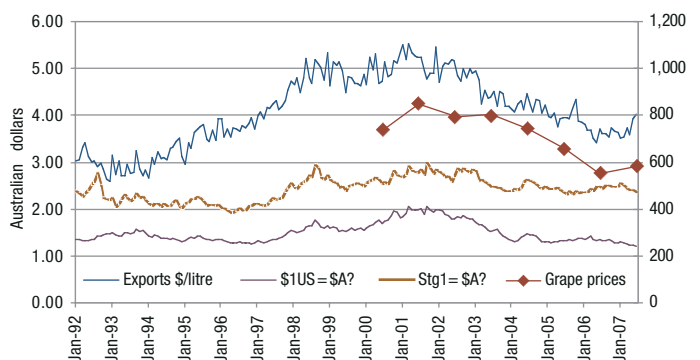


Figure 7. The effect of exchange rates.

Table 2. Exports by price point (ML).

Year ending June	2000	2001	2002	2003	2004	2005	2006	2007
<\$2.50 \$/L	46	61	80	99	120	151	223	272
A\$2.50-A\$4.99 \$/L	141	149	174	231	305	348	360	335
A\$5.00-\$7.49 \$/L	73	92	119	120	100	118	111	140
A\$7.50-A\$9.99 \$/L	18	24	23	39	36	27	25	28
>A\$10.00 \$/L	10	13	22	20	19	18	19	22
Total	288	339	417	508	581	661	738	798
Sub-\$5/L category %	65%	62%	61%	65%	73%	75%	79%	76%

SOURCE: AWBC.

Table 3. Exports of Australian wine, by principal market, by value.

	2002-03		2003-04		2004-05		2005-06		2006-07	
	\$M	% share	\$M	% share	\$M	% share	\$M	% share	\$M	% share
UK	860	36%	860	34%	967	35%	960	34%	974	33%
US	828	35%	906	35%	897	33%	902	32%	960	32%
New Zealand	99	4%	98	4%	94	3%	92	3%	101	3%
Canada	174	7%	205	8%	247	9%	249	9%	266	9%
Germany	58	2%	77	3%	72	3%	76	3%	66	2%
Others	368	15%	406	16%	472	17%	523	19%	625	21%
Total	2,386	100%	2,552	100%	2,748	100%	2,801	100%	2,992	100%

SOURCE: AWBC.

Table 4. Exports of Australian Wine, by principal market, by volume².

	2002-03		2003-04		2004-05		2005-06		2006-07	
	ML	\$/L	ML	\$/L	ML	\$/L	ML	\$/L	ML	\$/L
UK	209	\$4.12	225	\$3.82	263	\$3.68	269	\$3.57	281	\$3.47
US	142	\$5.83	172	\$5.27	187	\$4.81	214	\$4.21	220	\$4.36
New Zealand	33	\$3.02	27	\$3.63	25	\$3.77	27	\$3.36	36	\$2.82
Canada	25	\$7.09	33	\$6.22	44	\$5.61	51	\$4.88	49	\$5.39
Others	100	\$3.67	124	\$3.28	143	\$3.30	176	\$2.97	211	\$2.96
Total	508	\$4.70	581	\$4.39	661	\$4.16	738	\$3.80	798	\$3.75

SOURCE: AWBC.

² ABS figures – for wineries crushing more than 50t.

In volume terms wine exports increased 60ML in the last financial year (AWBC figures). Of that, the sub-\$2.50/L segment increased 49ML while volumes in the \$2.50-4.99/L segment fell 25ML. In 2006-07 there was strong growth (37ML) in the \$5.00/L and above sector, sparking some good news for growers in premium areas against the gloom of high exchange rates and surplus cool region fruit.

Table 2 shows the proportion of wine sold at various price points. For a number of years up to 2001 the share of premium wine exports (broadly speaking above \$5/L) increased, before sharply declining with the appreciation of the exchange rate and the growth in the popular premium wine sector. The share of the popular premium market has eased back in 2006-07.

February 2008 figures show that of the 48ML overall decline in exports sales, 40ML was from the sub-\$2.50/L category.

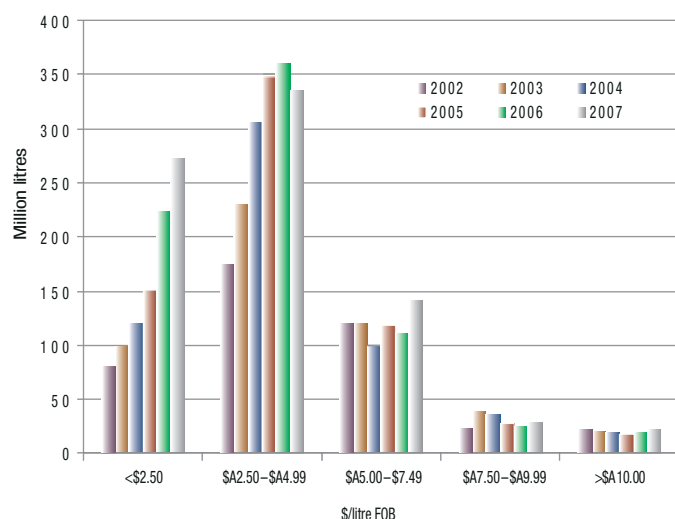


Figure 8. Exports by price points.

The UK is still the largest market for Australian wine in terms of value. The US and UK combined make up 65% of export earnings.

The UK is the largest market by volume (35% of total) and value. The US and Canada combined take more than 40% of Australia's wine exports. Table 4 shows the regional distribution of Australian wine exports by value over the past five years.

Average returns are highest per litre in the North American markets (US and Canada), and the decline evident in 2005-06 has shown a slight rebound.

A development of concern to grapegrowers is the growth in the sub-\$2.50/L sector where the volume of exports grew 72ML. This was very largely driven by bulk wine sales which increased by 65ML. Bulk wine now makes up 28% of all exports but yields on average \$1.12/L.

Table 5 shows the volume of exports by principal wine category. The impact of the growth in bulk/cask wine sales in 2006-07 can be clearly seen with that proportion increasing to 31%. As expected as a result of the 2007 vintage, the volume of bulk wine exports is now starting to decline and at October 2007 stood at 28% of total exports.

Table 5. Exports of wine by container type (ML).

Year ending June	2003	2004	2005	2006	2007
Bottled red	250	289	330	331	352
Bulk/soft pack red	57	75	88	125	145
Total red	307	364	418	456	497
Bottled White	151	165	181	186	187
Bulk/soft pack white	40	39	48	80	95
Total white	191	205	229	266	283
Total table wine	498	569	647	722	780
Total wine	508	581	661	738	798
Inc %	22%	14%	14%	12%	8%
Inc ML	91	73	80	77	60
Inc bulk ML	26	17	22	69	36
% Bulk/cask etc.	20%	20%	21%	28%	31%

SOURCE: AWBC.

FUTURE PRODUCTION AND SALES PROSPECTS

Grape production

Rapid investment in grape plantings in the 1990s has seen the area of grapes (wine, table and drying) increase from 67,000ha in 1993-94 to more than 173,000ha at harvest 2007, a 3% increase on the previous year. Preliminary ABS figures show the bearing area was 163,951ha with a further 9825ha non-bearing.

There were 100,623ha of red grapes planted as at harvest 2007 – virtually no change from the year before.

Just 4% of all red grape plantings were non-bearing at harvest 2007 while for white grapes the figure was 8%. Chardonnay now has just 8% of plantings not yet bearing (last year the figure was 9% and a year earlier 16%) indicating that potential production growth is easing. Sauvignon Blanc had 18% of its planted area non-bearing in 2006 (similar to the previous year), while Pinot Gris had more than 45% of its planted area non-bearing (albeit from a small base). In the red grapes just 4% of Shiraz plantings were non-bearing which broadly represents replacement value.

Based on the ABS data it is expected there could be only minor increases in bearing area over the next three years, and depending on the rate of removals, overall bearing area could decrease. Based on normal conditions around 1.9-2.0MT of grapes could be available for wine production.

However, the effect of the drought and frosts leading into 2007 and current restrictions on water are expected to limit the available crop and ABARE is projecting a grape availability of around 1.67MT for 2008, increasing to 1.78MT in 2009 and 2.0MT in 2010. These production projections have been used to calculate red and white wine production for those years which has then been applied to the stocks model. The outlook for the industry under certain sales assumptions can then be assessed.

Wine Stocks

Winemakers seek to maintain levels of stock appropriate to meet the needs for future growth but at the same time reflecting the need to contain costs. The stock level also will reflect winery risk strategy – what would be the impact on my business of an X% reduction in available grapes in the following vintage? Historically, wineries have aimed to hold around 1.5–1.7 years of white wine stock (relative to current sales), while for red wine the figure was around 2.0-2.2 years. The historic ‘comfort’ level for all wine stocks has been a 1.8 year stock-to-sales ratio.

Previous industry concerns that the level of inventories as measured by the ABS may have been understated have been addressed. Table 6 shows the relationship between production, sales and stocks and the stocks-to-sales ratio.

Table 6 shows that up until 2006 the stocks-to-sales ratio has been within the band 1.7-2.0. Its highest levels were in 2001 and 2002 and again in 2005 and 2006 when it was generally accepted that the industry was oversupplied with grapes. Its lowest point of 1.7 occurred in 1997 and 1998 which were at the peak of red grape prices.

The impact of the reduced 2007 and 2008 vintages can be clearly seen with the ratio falling to 1.5 as at June 2007, and holding at that level for the following two years (based on a no-change-in-sales scenario). A return to normal production in 2010 sees the ratio start to move upward and back to balance by 2010.

Cool/ warm imbalance

Looking forward, there are signs that the cool (higher cost)/warm inland (lower cost) imbalance is easing, based on winemaker projections of demand and available supply. The shortages in 2007 have had the effect of reducing inventories to more manageable levels, while supply is expected to be constrained in the short-term.

While the demand surveys show virtually zero growth in demand for cool region fruit over the next five years, there is an on-going (and offsetting) shortage of warm region fruit. This suggests most fruit will sell in the coming years, but returns in cool regions will be moderated because of the effect of over-supply.

This is discussed in greater detail in Part 2.

Table 6. Production, sales and stocks reconciliation.

Year ending June	Sales			Grapes crushed	Wine produced	Stocks	S/S Ratio*	Overall sales growth	Export sales growth
	Domestic	Export	Total Australian						
	ML	ML	ML	KT	ML	ML			
1996	309	130	439	863	606	782	1.8	3%	14.1%
1997	334	154	488	779	567	818	1.7	11%	19.1%
1998	339	193	532	954	680	900	1.7	9%	25.3%
1999	348	216	564	1,100	793	1,090	1.9	6%	11.7%
2000	369	285	654	1,119	806	1,191	1.8	16%	31.8%
2001	384	338	722	1,398	1,037	(40) 1,417	2.0	10%	18.7%
2002	386	418	805	1,574	1,174	(55) 1,625	2.0	11%	23.7%
2003	402	519	921	1,368	1,014	(70) 1,652	1.8	14%	24.0%
2004	417	584	1,002	1,883	1,401	(85) 1,940	1.9	9%	12.7%
2005	430	670	1,100	1,894	1,421	(90) 2,153	2.0	10%	14.6%
2006	432	722	1,154	1,867	1,410	2,256	2.0	5%	7.8%
2007	449	789	1,238	1,444	954	1,867	1.5	7%	9.3%
2008	449	789	1,238	1,635	1,202	1,833	1.5	0%	0.0%
2009	449	789	1,238	1,746	1,284	1,883	1.5	0%	0.0%
2010	449	789	1,238	1,964	1,444	2,089	1.7	0%	0.0%

* Ratio of stocks to current sales. SOURCE: ABARE, ABS and McGrath-Kerr Business Consultants.

The figures bracketed beside the Stocks volume column represent the upward adjustment of historical stocks using the new ABS collection methodology.

PART 2: SUPPLY DEMAND BALANCES FOR MAJOR VARIETIES

IMPORTANT INFORMATION

The demand figures for 2008-12 were compiled from winemaker surveys conducted in mid-2007. The supply forecasts were compiled by ABARE during vintage 2008 and reflect to the extent possible the variations in grape yield experienced in 2008 and expected through to 2010, with an assumption of a return to average yields after that. This results in a slight decline in fruit availability after 2010 which is reflected in the figures. The important issue for the analysis of supply and demand is the state of supply/demand balances once the immediate effects of the drought have passed and we return to more normal yields.

Again, it is important to note that the projections of supply returning to potential levels will depend on the future availability and affordability of water in the Murray Basin which accounts for more than half of the national production.

INTRODUCTION

The following tables on pages 7-12 of this paper compare physical forecasts of grape supply provided to industry by an independent source (ABARE) with winemakers' estimates of grape production from their own vineyards, their committed grape intake through contracts, and their overall grape requirements (demand) and preferences.

The “total inland” grouping comprises the three regions of Riverina (NSW), Murray-Darling and Swan Hill (New South Wales and Victoria) and the Riverland (South Australia).

The ABARE supply forecasts are based on vineyard area and production data collected by the Australian Bureau of Statistics from information provided by grapegrowers. Demand for grapes continues to be collected through the survey of wineries conducted under the Australian Regional Wine Grape Crush Survey (ARWCS).

The following tables show the difference between available supply and winery demand, with the “gap” (or supply/demand balance) expressed as a percentage of that demand. A positive percentage indicates that supply exceeds demand (there are surplus grapes), while a negative percentage means demand exceeds supply (there are shortages). Generally speaking, percentages of less than ±5% are regarded as insignificant, between ±(5-10)% bordering on significant, while percentages greater than 10% are considered significant, especially for major varieties.

Other information collected from wineries under the ARWCS includes how much of their expected intake is “committed”, i.e. sourced from their own vineyards or under contract. This information is also shown in the following tables. In cases where committed intake exceeds demand it is suggesting a lack of preference for that variety. The potential for substitution between varieties and, to a lesser extent, regions should be borne in mind when considering supply/demand balances.

KEY POINTS

Two things stand out in the following analysis of supply/demand balances:

- 1 The impact of reduced water availability has been greater in the inland warm regions than the cool regions. Overall, grape demand however exceeds available supply in 2008.
- 2 In the medium to longer-term (2010 and beyond) overall supply demand position for both red and white grapes is broadly in balance. However, there is a strong preference for inland red fruit over cool region fruit, while for both inland and cool regions white grape supply and demand appear to be in balance.

Summary of national position – red grapes

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	79	397	477	545	416	-130	-24%	Strong short-term preference for inland red grapes carries through to the longer-term.
	2009	84	397	481	578	460	-118	-20%	
	2010	85	373	457	601	533	-67	-11%	
	2011	88	321	409	606	528	-78	-13%	
	2012	88	311	399	618	539	-79	-13%	
Cool	2008	191	250	441	413	469	56	14%	Wineries indicating a lack of preference for cool region red grapes throughout the period.
	2009	196	214	410	421	508	87	21%	
	2010	198	190	388	429	507	79	18%	
	2011	200	164	364	429	468	39	9%	
	2012	201	148	349	434	473	39	9%	
Total	2008	270	647	917	958	884	-74	-8%	Inland shortages outweigh surpluses in cool regions and all fruit demanded.
	2009	279	611	891	999	968	-31	-3%	
	2010	283	563	846	1,029	1,040	11	1%	
	2011	288	485	772	1,035	996	-39	-4%	
	2012	289	459	748	1,052	1,012	-40	-4%	

There is a strong preference for more inland red and less cool region red grapes. However, overall demand for red grapes is strong throughout the period. Unmet demand for red grapes in the inland regions can be satisfied by surplus fruit in the cool regions at returns that reflect the market opportunity. This has the affect of depressing returns for growers in inland regions while giving unsustainable returns for this fruit.

Summary of national position – white grapes

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	90	507	597	612	526	-86	-14%	Early shortages revert to balance from 2010.
	2009	95	526	620	661	552	-108	-16%	
	2010	96	502	598	679	687	8	1%	
	2011	98	407	506	692	687	-5	-1%	
	2012	98	389	487	699	710	12	2%	
Cool	2008	125	131	257	242	258	16	7%	Broadly balanced position throughout the period.
	2009	131	122	253	252	259	7	3%	
	2010	134	112	247	260	270	10	4%	
	2011	138	104	241	264	263	-1	0%	
	2012	138	95	233	268	271	3	1%	
Total	2008	215	639	854	854	784	-70	-8%	Supply/demand balance in the medium to longer-term.
	2009	226	647	873	913	812	-101	-11%	
	2010	230	615	845	940	958	18	2%	
	2011	236	511	747	956	950	-6	-1%	
	2012	237	483	720	967	982	14	1%	

As with red grapes, shortages due to drought impacts disappear with a return to normal yields by 2010. Supply and demand are in medium to long-term balance for both inland and cool regions. As with red grapes, supply shortages in the inland areas can be met from cool regions.

Summary of national position – all grapes

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	169	904	1,073	1,157	942	-215	-19%	Bordering on slight shortages in the medium-term.
	2009	178	923	1,101	1,239	1,012	-226	-18%	
	2010	181	875	1,055	1,280	1,221	-59	-5%	
	2011	186	728	914	1,299	1,216	-83	-6%	
	2012	187	700	886	1,317	1,249	-68	-5%	
Cool	2008	316	381	697	654	726	72	11%	Surpluses in the short to medium-term are offset by unmet demand from inland regions.
	2009	327	336	663	673	767	94	14%	
	2010	333	303	635	689	778	89	13%	
	2011	338	267	605	693	731	39	6%	
	2012	339	243	582	702	744	42	6%	
Total	2008	485	1,286	1,771	1,812	1,668	-143	-8%	Nationally in balance medium-term.
	2009	505	1,259	1,764	1,912	1,780	-133	-7%	
	2010	513	1,177	1,690	1,969	1,998	29	1%	
	2011	524	995	1,519	1,991	1,947	-45	-2%	
	2012	526	943	1,469	2,019	1,994	-25	-1%	

The situation with major varieties is discussed below.

CABERNET SAUVIGNON

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	18	104	122	155	111	-44	-29%	Strong preference for inland throughout the period.
	2009	19	101	120	163	120	-43	-27%	
	2010	20	93	113	174	132	-42	-24%	
	2011	22	76	99	174	124	-50	-29%	
	2012	22	73	96	177	125	-52	-29%	
Cool	2008	61	72	133	121	144	23	19%	Significant surplus of cool region Cabernet throughout.
	2009	62	60	121	124	154	31	25%	
	2010	61	50	112	125	154	30	24%	
	2011	62	40	102	124	137	14	11%	
	2012	62	36	97	125	138	13	11%	
Total	2008	79	176	255	276	255	-21	-8%	However overall position tending to shortage in the longer-term.
	2009	81	160	241	287	274	-13	-4%	
	2010	81	143	224	299	286	-13	-4%	
	2011	84	116	200	298	262	-36	-12%	
	2012	84	109	193	301	263	-38	-13%	

There is strong demand for Cabernet from the inland regions relative to supply. While supply exceeds demand in the cool regions, it is likely that this will be used to satisfy unmet demand for inland fruit.

CHARDONNAY

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	47	256	303	289	284	-6	-2%	Slight surplus of supply relative to demand with a return to normal production.
	2009	49	254	303	306	291	-15	-5%	
	2010	49	230	279	318	344	26	8%	
	2011	50	181	230	323	336	13	4%	
	2012	50	171	221	327	340	14	4%	
Cool	2008	62	64	126	102	129	27	27%	The structural surplus of cool region Chardonnay remains with a return to normal production.
	2009	64	55	119	104	127	24	23%	
	2010	64	47	111	106	133	27	26%	
	2011	66	42	108	107	123	16	15%	
	2012	66	37	103	108	124	15	14%	
Total	2008	109	320	429	391	413	22	6%	Chardonnay is in surplus across all regions.
	2009	113	309	422	410	419	9	2%	
	2010	113	277	390	424	477	53	13%	
	2011	116	222	338	430	459	29	7%	
	2012	116	208	324	435	464	29	7%	

With more than 50% of all white grape production, Chardonnay is Australia's most widely-planted white grape. Structural surpluses of Chardonnay for both cool and warm inland regions have been evident in recent years. While the shortages in 2007 and 2008 have masked those signals, a return to normal yields sees those surpluses once more emerge. The situation is more pronounced in the cool regions.

COLOMBARD

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	4	68	72	73	50	-23	-32%	Indicated to remain in shortage in the medium to longer-term.
	2009	5	65	70	82	51	-31	-38%	
	2010	4	63	68	84	72	-12	-15%	
	2011	5	46	51	85	72	-13	-16%	
	2012	5	45	49	85	72	-13	-15%	

Colombard is almost exclusively grown in the inland regions. Colombard is indicated to remain in shortage in the medium-term.

MERLOT

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	16	52	69	82	58	-24	-29%	Shortages throughout although heading towards balance.
	2009	17	53	69	85	65	-20	-23%	
	2010	17	47	64	84	77	-8	-9%	
	2011	17	41	58	86	80	-6	-7%	
	2012	17	39	56	89	84	-5	-6%	
Cool	2008	22	29	51	44	56	12	27%	Significant surpluses of cool region Merlot.
	2009	23	25	48	44	60	16	37%	
	2010	23	23	46	44	62	18	40%	
	2011	23	19	42	44	59	15	33%	
	2012	23	17	40	45	59	14	32%	
Total	2008	38	82	120	126	114	-12	-9%	Overall supply exceeds demand in the longer-term.
	2009	39	78	117	129	125	-3	-3%	
	2010	39	70	109	128	138	10	8%	
	2011	40	61	101	131	139	8	6%	
	2012	40	56	96	134	143	9	7%	

In aggregate Merlot is expected to be in slight surplus in the medium to longer-term. There has been a slight easing of the position a year ago. In volume terms, shortages in the inland regions are more than offset by surpluses in the cool regions, which in percentage terms remain significant.

MUSCAT GORDO

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Total	2008	1	54	55	60	40	-19	-32%	Tending to surplus in the medium to longer-term.
	2009	2	57	59	63	42	-21	-33%	
	2010	3	58	61	63	62	-1	-1%	
	2011	3	45	48	66	67	1	2%	
	2012	3	41	44	67	73	6	9%	

Gordo is tending to surplus in the longer-term.

PETIT VERDOT

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	6	11	17	15	12	0	-3%	Remains in significant surplus in the medium to longer-term, from a small base.
	2009	6	10	17	14	13	1	10%	
	2010	6	9	16	14	15	4	33%	
	2011	6	9	15	14	15	4	32%	
	2012	6	8	15	15	16	3	29%	

Again, a variety predominantly sourced from the warm inland areas, Petit Verdot remains a non-preferred variety in both the short and medium-terms (but from a small base).

PINOT GRIS

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	1	17	19	20	14	-5	-27%	Considerable ongoing shortage of warm inland Pinot Gris.
	2009	2	25	27	29	19	-10	-34%	
	2010	2	28	30	32	26	-6	-20%	
	2011	3	28	31	34	20	-14	-41%	
	2012	3	27	30	34	22	-12	-35%	
Cool	2008	5	5	10	14	6	-7	-54%	Considerable shortage of this variety from cool regions over the period.
	2009	6	8	14	17	7	-10	-57%	
	2010	7	9	16	18	8	-10	-55%	
	2011	8	9	17	19	10	-10	-51%	
	2012	8	9	17	20	12	-8	-42%	
Total	2008	7	22	29	33	21	-13	-38%	Short in both warm and cool regions.
	2009	8	33	41	46	27	-20	-42%	
	2010	9	36	46	50	34	-16	-32%	
	2011	10	37	48	53	29	-24	-45%	
	2012	11	36	47	53	34	-20	-37%	

Demand from all regions is growing steadily. Production also growing but from a small base, resulting an unsatisfied shortage over the next five years.

PINOT NOIR

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	1	11	12	18	9	-9	-48%	On-going shortage in the medium to longer-term.
	2009	1	11	13	19	10	-9	-49%	
	2010	1	12	13	20	11	-9	-44%	
	2011	1	11	12	20	12	-8	-41%	
	2012	1	11	12	20	12	-8	-39%	
Cool	2008	14	14	28	33	26	-7	-21%	On-going shortage.
	2009	15	12	27	35	27	-7	-22%	
	2010	15	11	26	36	28	-8	-22%	
	2011	16	10	26	36	28	-8	-21%	
	2012	16	9	25	36	29	-7	-20%	
Total	2008	15	25	40	51	36	-16	-30%	Shortages of Pinot in both cool and warm regions.
	2009	16	24	40	54	37	-17	-31%	
	2010	16	23	39	56	39	-17	-30%	
	2011	17	21	38	56	40	-16	-28%	
	2012	17	20	37	56	41	-15	-27%	

The survey is indicating a strong preference for Pinot in both the cool and warm regions. For cool regions this is a turn-around from the position a year ago which suggested a surplus. An increase in demand for cool region Pinot, mainly from greater Victoria and to a lesser extent South Australia, is driving this.

RIESLING

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	2	8	10	12	10	-2	-18%	Early shortages yield-driven. In balance in the longer-term.
	2009	2	8	10	12	10	-2	-20%	
	2010	2	8	10	12	12	-1	-6%	
	2011	2	8	10	12	12	-1	-7%	
	2012	2	8	10	12	12	-1	-5%	
Cool	2008	17	14	31	25	29	4	17%	Indicating significant surpluses throughout the period.
	2009	18	14	31	25	29	4	17%	
	2010	18	13	31	25	31	5	21%	
	2011	18	11	29	25	30	5	22%	
	2012	18	11	29	25	30	5	22%	
Total	2008	19	22	41	36	39	2	6%	Considerable surpluses indicated overall driven by cool region surpluses.
	2009	20	22	41	37	39	2	5%	
	2010	20	21	41	38	42	4	12%	
	2011	20	19	39	37	41	5	12%	
	2012	20	19	39	37	42	5	13%	

A relatively minor variety, Riesling is just 2% of inland white grape production, but 12% of cool region production. Indications last year that cool regions were in surplus once there is a return to normal production has been compounded this year by higher than expected production and slightly reduced demand.

RUBY CABERNET

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) - (D)	(S)><(D)%	
Inland	2008	4	11	15	14	16	2	18%	Long-term over-supply.
	2009	4	11	14	15	17	2	15%	
	2010	4	10	14	15	18	4	24%	
	2011	4	10	13	14	18	3	24%	
	2012	4	10	13	14	18	3	23%	

A warm climate variety, Ruby Cabernet has been in significant surplus for a number of years. Nevertheless, production remains relatively constant. Committed intake broadly matches supply suggesting that the only factor keeping this variety in the ground is the existence of contracts. Committed intake declining over the period.

SAUVIGNON BLANC

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	7	15	23	31	16	-15	-48%	Considerable on-going shortage of warm region Sauvignon Blanc.
	2009	8	21	29	36	17	-19	-52%	
	2010	8	23	30	38	28	-10	-27%	
	2011	8	21	29	40	31	-9	-23%	
	2012	8	21	29	41	36	-5	-13%	
Cool	2008	15	21	36	43	34	-10	-22%	Considerable on-going shortage of cool region Sauvignon Blanc.
	2009	16	20	36	46	34	-12	-26%	
	2010	17	19	36	48	35	-13	-26%	
	2011	18	18	36	49	38	-11	-23%	
	2012	18	16	34	50	40	-9	-19%	
Total	2008	23	36	58	74	49	-25	-33%	On-going shortages.
	2009	24	41	65	82	51	-31	-38%	
	2010	25	42	67	86	63	-23	-27%	
	2011	26	39	65	89	69	-20	-23%	
	2012	26	37	63	91	76	-15	-16%	

The position with Sauvignon Blanc is dynamic. Last year the longer-term position in cool regions was a tendency to surplus. However, this has now changed and there is a strong and consistent under-supply in both cool and warm regions throughout the period. Cool region supply has been revised upward, but this has been more than offset by a 50% increase in demand. A similar situation exists for warm regions.

SEMILLON

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	16	41	57	58	55	-3	-5%	Balanced position early heading to surplus.
	2009	17	45	62	63	61	-3	-4%	
	2010	17	43	60	65	68	3	5%	
	2011	17	40	56	66	71	4	7%	
	2012	17	39	56	67	73	7	10%	
Cool	2008	13	18	31	35	33	-2	-6%	Demand has increased since last year and medium to longer-term is bordering on shortage.
	2009	14	17	30	36	34	-2	-7%	
	2010	14	16	30	37	34	-3	-7%	
	2011	14	16	29	38	35	-3	-7%	
	2012	14	15	29	39	37	-2	-5%	
Total	2008	29	59	88	94	88	-5	-5%	Overall in balance.
	2009	30	62	92	99	94	-5	-5%	
	2010	30	59	90	102	103	1	1%	
	2011	31	55	86	104	106	2	2%	
	2012	31	53	84	105	110	5	5%	

An apparent longer-term surplus last year is now one of balance with an increase in demand from cool regions and supply being relatively static.

SHIRAZ

		Winery grapes (KT)	Contract purchases (KT)	Total committed intake (KT)	Total required intake (demand) (KT)	Supply (KT)	Supply/demand balance surplus (+) or shortfall (-)	Supply/demand balance as a % of demand	Comment
		(A)	(B)	(C)=(A)+(B)	(D)	(S)	(S) – (D)	(S)><(D)%	
Inland	2008	28	189	216	236	183	-53	-22%	Shortages early moderating but remains short in the longer-term.
	2009	30	192	222	255	207	-48	-19%	
	2010	30	181	211	266	244	-22	-8%	
	2011	30	155	186	270	241	-30	-11%	
	2012	30	153	183	277	245	-32	-12%	
Cool	2008	77	121	197	183	205	22	12%	Cool region Shiraz remains in surplus through the period.
	2009	79	103	182	186	227	41	22%	
	2010	81	93	174	191	223	33	17%	
	2011	81	82	163	191	205	15	8%	
	2012	82	75	157	194	208	14	7%	
Total	2008	104	310	414	419	388	-31	-7%	Overall position is supply/demand balance throughout the period.
	2009	109	295	404	441	434	-7	-2%	
	2010	111	275	385	457	467	11	2%	
	2011	112	237	349	461	446	-15	-3%	
	2012	112	227	340	470	453	-18	-4%	

The most significant Australian red grape variety contributing approximately 45% of red grape production nationally. While the overall longer-term demand position is relatively unchanged from last year, there has been a shift in preference with more cool region fruit being demanded and less inland fruit.

PART 3: BALANCE OF SUPPLY AND DEMAND

Inland Regions

VINTAGE 2009 AND LONGER-TERM POSITION

Variety	% of category in 2007	Supply position for vintage 2009	Expected supply position for vintage 2010	Expected supply position for vintage 2011	Comment
White grapes					
		%	%	%	
Chardonnay	55%	5% under	8% over	4% over	Medium to long-term surplus.
Colombard	11%	38% under	15% under	16% under	Ongoing shortage over the period.
Muscat Gordo	8%	33% under	1% under	2% over	Tending to surplus in the longer-term.
Pinot Gris	1%	34% under	20% under	41% under	Significant ongoing shortage of warm climate Pinot Gris.
Riesling	2%	20% under	6% under	7% under	A minor variety tending to shortage in the longer-term.
Sauvignon Blanc	3%	52% under	27% under	23% under	Significant ongoing shortage of warm climate fruit.
Semillon	10%	4% under	5% over	7% over	Tending to surplus.
Red grapes					
Cabernet Sauvignon	26%	27% under	24% under	29% under	Strong preference for warm climate Cabernet in the medium to longer-term.
Merlot	15%	23% under	9% under	7% under	Balance heading to shortage in the longer-term.
Petit Verdot	3%	10% over	33% over	32% over	Remains in chronic over-supply.
Pinot Noir	2%	49% under	44% under	41% under	Significant on-going shortages throughout the period.
Ruby Cabernet	4%	15% over	24% over	24% over	Remains in chronic over-supply.
Shiraz	43%	19% under	8% under	11% under	In longer-term shortage.

SOURCE: Data compiled from the results of the Australian Regional Wine Grape Crush Survey 2007 and supply forecasts from ABARE. Preference signals for warm regions need to be considered in light of availability of fruit from all regions. Planting decisions should be backed with a long-term contract. Before grubbing, planting or altering varieties contact your winemaker.

Cool Regions

VINTAGE 2009 AND LONGER-TERM POSITION

Variety	% of category in 2007	Supply position for vintage 2009	Expected supply position for vintage 2010	Expected supply position for vintage 2011	Comment
White grapes					
		%	%	%	
Chardonnay	48%	23% over	26% over	15% over	Structural surplus evident throughout the period.
Pinot Gris	2%	57% under	55% under	51% under	Significant on-going shortages throughout the period.
Riesling	12%	17% over	21% over	22% over	Indicating significant surpluses in the longer-term.
Sauvignon Blanc	14%	26% under	26% under	23% under	Significant on-going shortages throughout the period.
Semillon	14%	7% under	7% under	7% under	Balance in medium to longer-term.
Red grapes					
Cabernet Sauvignon	30%	25% over	24% over	11% over	On-going surplus throughout the period.
Merlot	13%	37% over	40% over	33% over	On-going surplus with a return to normal production.
Pinot Noir	6%	22% under	22% under	21% under	Significant on-going shortages throughout the period.
Shiraz	43%	22% over	17% over	8% over	On-going surplus with a return to normal production.

SOURCE: Data compiled from the results of the Australian Regional Wine Grape Crush Survey 2007 and ABARE supply forecasts. Preference signals for cool regions need to be considered in light of availability of fruit from all regions. Planting decisions should be backed with a long-term contract. Before grubbing, planting or altering varieties contact your winemaker.

2007 VINTAGE INTAKE & PRICES, INLAND AREAS

Variety	Riverland		Riverina		Murray Darling & Swan Hill		Total
	Total crush (t)	Calculated average purchase value (\$/t)	Total crush (t)	Calculated average purchase value (\$/t)	Total crush (t)	Calculated average purchase value (\$/t)	
Red grapes							
Cabernet Sauvignon	43,443	399	15,550	449	39,211	399	98,204
Durif	-	-	2,868	458	-	-	2,868
Grenache	6,386	300	201	255	1,154	376	7,741
Mataro	2,636	337	856	328	150	338	3,642
Merlot	15,957	397	11,774	394	28,518	400	56,249
Other red	1,492	346	2,776	364	4,675	333	8,943
Petit Verdot	7,255	322	1,799	364	2,551	321	11,605
Pinot Noir	5,161	552	2,114	494	1,962	508	9,237
Ruby Cabernet	3,398	283	8,010	360	2,636	302	14,044
Sangiovese	295	222	521	362	761	383	1,577
Shiraz	67,918	391	43,099	424	51,760	424	162,777
Total red	153,941	388	89,568	416	133,378	405	376,887
White grapes							
Chardonnay	96,239	395	59,558	416	133,243	396	289,040
Chenin Blanc	2,860	291	753	310	858	352	4,471
Colombard	23,506	302	9,948	280	22,625	297	56,079
Muscat Gordo Blanco	18,722	372	3,588	355	21,498	374	43,808
Other white	4,704	351	2,515	379	3,543	417	6,058
Pinot Gris	90	552	4,678	649	4,066	701	8,834
Riesling	4,027	381	3,881	348	2,267	367	10,175
Sauvignon Blanc	4,817	595	3,481	554	6,937	524	15,235
Semillon	7,847	366	31,438	338	11,731	365	51,016
Sultana	908	245	-	-	11,827	241	12,735
Traminer	2,128	434	4,171	375	310	500	6,609
Trebbiano	-	-	2,386	263	-	-	2,386
Verdelho	1,954	345	4,510	328	1,024	341	7,488
Viognier	1,427	720	1,701	285	2,082	529	5,210
Total White	169,229	382	132,608	385	222,011	385	523,848
Total	323,171	385	222,177	397	355,389	392	900,737

Riverland figures provided by the Phylloxera and Grape Industry Board of SA. Riverina figures from the Wine Grapes Marketing Board. Murray Valley figures provided by the Murray Valley Wine Grape Industry Development Committee.