Wine Australia for Australian Wine

Wine Grape Council SA
Roadshow 2018
Strategic Plan 2015–2020

Goal:

A prosperous Australian grape and wine community.

Priorities:

Increasing demand and the premium paid for all Australian wine.
Increasing competitiveness.
Funding

Our funding comes from grape producers, wine producers, exporters and the Australian Government:

- **RD&E funding** (66% of budget)
  33% of funding from the Grape Research Levy ($2 per tonne) and R&D component of Wine Grapes Levy ($5 per tonne).
  33% of funding from Australian Government matching funding.

- **Marketing funding** (16% of budget):
  Promotion component of Wine Grapes Levy and Wine Export Charge.

- **Regulatory funding** (14% of budget):
  Funded from regulatory fees charged on cost-recovery basis.

- **User-pays activities** (4% of budget):
  Voluntary contributions for market development activities.
Does vine balance matter?
Completed collaborative R&D project at CSIRO and NWGIC

**What was done and where?**

**Regions**
- Murray Valley
- Langhorne Creek, and
- Hilltops.

**Treatments**
- early defoliation
- crop thinning
- late pruning.

**Seasons**
- 2013–14
- 2014–15
- 2015–16

**What were the results?**

**Early defoliation**
- 20% reduction in yield
- no impact on balance
- most preferred wines

**Crop thinning**
- 35% reduction in yield
- reduced vine balance
- no change in quality

**Late pruning**
- delayed maturation
- no reduction in yield
- increased vine balance
- no change in fruit quality

Bunch environment/vine structure is more likely to be the key

**Take home message:**

**Crop thinning could just be leaving potential income on the vineyard floor**

Winter drought
Soon-to-be-completed collaborative project at SARDI and CSIRO

What was done and where?
Region: Barossa Valley (SARDI Nuriootpa vineyard)
Seasons
2015–16
2016–17
2017–18 (wines still being analysed)
Field trials to simulate reduced winter rainfall using rainout shelters between May and August.

What were the results?
Reduced winter rainfall results in reduced yield (up to 40%)
Top-up irrigation during winter restored yield, but not completely.
Irrigation at budburst caused excessive growth, gave poorer quality fruit and didn’t restore yield.

Vines aren’t as dormant during winter as you might think

Take home message:
In dry winters, don’t wait until spring to irrigate

www.wineaustralia.com/research/strategy-4-improving-resource-management/climate-adaptability/sar-1304-(1)
What's on the horizon?
Measuring bud fruitfulness non-destructively

Current project at the University of Tasmania developing a spectral method for rapid, early prediction of yield in grapevines using new technology for imaging the contents of intact buds.

- laboratory based FT-NIR spectroscopy
- portable (hand-held) UV-Vis-NIR spectroscopy in situ.

- Results being compared with the traditional bud dissection method to determine bud fruitfulness.
- Will develop a predictive model to allow simple scanning of buds to provide yield forecasts prior to budburst.

Images: Dr Joanna Jones (University of Tasmania)
Smarter spraying

Current project at University of Queensland evaluating LiDAR (Light Detection and Ranging) mounted on a vineyard ground vehicle for sensing the canopy.

- allows a sprayer to be turned on/off in response to the presence/absence of the canopy
- optimised, real time spraying using appropriate dose rates, adjusted to canopy density
- creating a ‘PACE’ system (Pesticide Adjusted for Canopy Environment) – first time in vineyards.

- Significant chemical savings are achievable – 50% or higher.

Reduced chemical spray drift using electrostatics and recycle/recapture spray units.
Rapid objective assessment of bunch rot at the weighbridge

Current project at AWRI to assess hyperspectral imaging.

• Comparing Vis-NIR hyperspectral and RGB imaging to delineate and measure bunch rots.

• Comparing results to metabolites that are indicative of bunch rot.

• Assessment of material other than grapes (MOG).

Images: Dr Paul Petrie (AWRI)

Project funded by Wine Australia and the Australian Government Department of Agriculture and Water Resources, as part of its Rural R&D for Profit program.
Trunk diseases
Completed and ongoing collaborative projects at SARDI and NWGIC

- Trunk diseases are widespread in Australia and cause significant yield loss (up to 1500kg/ha).
- Uneven bunch ripening can reduce the quality of the resultant wine.
- These diseases can be managed with preventative wound treatments and curative remedial surgery to remove infected wood.

Resources available [www.wineaustralia.com/eutypa-dieback](http://www.wineaustralia.com/eutypa-dieback)
- Best Practice Management Guide (updated this February)
- factsheets, and
- videos.
Post-harvest care of vines
Completed collaborative project at SARDI and NWGIC

• Post-vintage grapevine management is crucial to a favourable start to the following season.
• There is high demand for carbohydrates and other nutrients at budburst. These need to be put into storage the season before.
• In dry years, the vines are more reliant on post-harvest irrigation and nutrition to build up reserves.

Factsheet and other resources available at www.wineaustralia.com/post-harvest-grapevine
$50m Package
What is the $50m Package?

Australian Government commitment of $50 million over four years (2017–20) that aims to:

• grow wine exports, and
• attract more international visitors to our wine regions.
The four programs within the $50m Package

<table>
<thead>
<tr>
<th>China and USA marketing ($32.5m)</th>
<th>Capability development ($2m)</th>
<th>Grants ($11m)</th>
<th>Transforming cider businesses ($0.5m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted multi-year marketing campaigns that improve the perception and awareness of Australian wine in China and USA markets, as well as the premium paid.</td>
<td>Development and delivery of education programs and toolkits to improve the capability of wine businesses to capture export opportunities and develop wine tourism products and services.</td>
<td><strong>Wine Export Grants</strong> that build the capacity of small and medium wine businesses to capture export opportunities in China and the USA. <strong>State-based and competitive grants</strong> for initiatives that increase international wine tourist numbers and expenditure across the states and regions.</td>
<td>Development of a brand proposition and go-to-market strategy for the Australian cider industry based on detailed market analysis.</td>
</tr>
</tbody>
</table>
Working with the wine sector to:

- drive growth in key markets
- improve the quality perception of Australian wine
- create a platform for the commercial success of our brand owners, and
- facilitate in-market support and engagement for brand owners.

Why the focus on premium wine?

- In most markets, Australian wine already has a strong position in the commercial segments.
- Growth opportunities at both ends, but value growth is stronger at the premium end.
- Need to promote Australia’s entire wine offering by sharpening the focus on, and understanding of, our more premium or fine wines.

Wine Australia
$50m Package headlines

**International wine tourism**

- Major co-investment of $1.5m with Tourism Australia
- More than 100 million video views on social (across trailers and Super Bowl)
- Generated more than 12,000 media articles
- A social media reach of approx. 890 million across multiple platforms (80% in the USA).

**Key messaging campaign**

- $10 million targeted marketing campaign over three years in China and the USA
- Working with creative agency to reset and refocus Australian premium wine message through traditional and digital media channels.

**Major upcoming events**

- Vinexpo Hong Kong (29–31 May 2018)
- China Roadshow (4–12 June 2018)
- Australia Decanted (22–26 July 2018).
$50m Package headlines

Grants
• Announcement of successful *International Wine Tourism Competitive Grant* applications – May 2018
• Strong interest in Wine Export Grants – closing on expiration of funds or 1 May 2020

Capability development
• Development of two separate but comparable programs underway:
  o (1) Wine export capability building program, and
  o (2) Wine tourism capability building program.
State of play
Key takeaways

Australian wine is in a strong position going into 2018. Global supply is down while Australia has had three years of consistent harvests.

Over the next few years, there are significant opportunities for growth across a number of markets, varieties, channels and price points, which will be facilitated by new trade agreements and the $50 million Package.
Global wine sales have been growing slowly but steadily

Global sales by volume and value over time

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Volume Growth Rate</th>
<th>Value Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2010</td>
<td>1.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2011-2016</td>
<td>0.5%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
While demand is increasing, supply is falling

Global wine supply and demand over time

- Billion litres

Supply: Vineyard area in the EU has fallen by 270,000ha since 2008 due to financial incentives.

Demand: Historically low vintages in France, Italy, and Spain.

Global demand is growing after a flat period post-GFC.
Global wine production was historically low in 2017

change in global wine production 2016-2017

Source: OIV
Bulk wine prices are also improving

Australian bulk wine prices by variety

Bulk price (USD)
Australian exports are growing strongly – driven by China

- Growth in year ended March 2018 in:
  - value and volume
  - bottled and bulk wine
  - all major price points, and
  - most markets.

- Growth strongest:
  - at $10 plus – reflects global premiumisation trend
  - in China and NE Asia, and
  - for red wines.
Rising export prices historically flow through to grape prices

Average export price and average winegrape purchase price over time

Average export price ($ per litre FOB)

Average grape price ($ per tonne)

Source: Wine Australia
Grape prices are firming across the grapegrowing spectrum

*Australian winegrape purchase prices over time, warm vs. cool*

Cool climate – AUD per tonne

- $1,400
- $1,200
- $1,000
- $800
- $600
- $400
- $200

Warm climate – AUD per tonne

- $600
- $500
- $400
- $300
- $200
- $100
- $0

Source: Wine Australia
Most South Australian regional label claims are increasing in export value

Year on year % change in export value by SA region (March 2018)

<table>
<thead>
<tr>
<th>Region</th>
<th>Year on Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barossa Valley</td>
<td>28%</td>
</tr>
<tr>
<td>McLaren Vale</td>
<td>0.1%</td>
</tr>
<tr>
<td>Coonawarra</td>
<td>77%</td>
</tr>
<tr>
<td>Clare Valley</td>
<td>6%</td>
</tr>
<tr>
<td>Langhorne Creek</td>
<td>-2%</td>
</tr>
<tr>
<td>Adelaide Hills</td>
<td>11%</td>
</tr>
</tbody>
</table>

Total value: 
- Barossa Valley: $87M
- McLaren Vale: $85M
- Coonawarra: $47M
- Clare Valley: $27M
- Langhorne Creek: $21M
- Adelaide Hills: $20M

Source: Wine Australia
Outlook for 2018

- global supply likely to remain constrained
- exchange rates likely to remain stable
  - USD/AUD tipped to remain below 85c in 2018
- trade agreements expected to have some benefits
  - ChAFTA, JAEPA, TPP–11
- political/economic environment uncertain
  - the impact of Brexit and USA policies
- consumer trends: ‘quality not quantity’
- environmental threats in the longer term
  - climate change
  - biosecurity risks, especially phylloxera.

Source: Wine Australia