

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

2020 Price Projections

November 2019

RIVERLAND

Is it a fair offer

Water

Will it Reduce the Crop

- ▶ \$600/ meg in full high security allocation year
 - ▶ Is this the new normal?
 - ▶ Currently \$850-\$1000/ meg
- ▶ Costs \$7200/ hectare (8meg @ \$900/ meg/ Hectare)
 - ▶ \$300/ t at 24t/ h @ \$472/ t ((Riverland average t/ h and price: all grapes)
- ▶ Will 2020 crop size be affected
 - ▶ Majority of growers still own their water
 - ▶ Will be some reduction in 2020 crop size
 - ▶ **If 2020 prices are not high enough 2021 crop will be much lower.**

What Affects Grape Prices

A number of variables

- ▶ Grape Supply
 - ▶ Is there a shortage or oversupply
- ▶ Grape Demand
 - ▶ At what price
 - ▶ How much can winemakers pay
- ▶ Wine Sales
 - ▶ Price
 - ▶ Exchange Rates
 - ▶ Demand/ supply
 - ▶ Volume
 - ▶ Price movements
 - ▶ **Retail/export**

Grape Production/ Wine Sales 2018-19

(Source Wine Australia)

▶ 2019 Vintage

- ▶ 1.73mt (2018 1.79mt)

- ▶ Inland regions 73% of production
- ▶ 200kt decrease on 2017

▶ Consumption

- ▶ Total - 1.86mt (2017 1.8mt)

- ▶ Domestic - 715,000t
- ▶ Export - 1,163,000t

▶ Result

- ▶ Sales volume has exceeded supply volume
- ▶ Lack of wine in the commercial sector
- ▶ Have used up all old stock of commercial wine

Export Wine Sale Price & Volume 2018-19

November 2019 MAT (Source Wine Australia)

Price	Volume	Value	2018-19 Vol (mL) Change	2018-19 Tonnes Change
Total Sales	786.8mL	\$2.63bill	-67mL	-93kt
Bulk	455mL (650,000t)	\$512.8mill (\$1.20/L)	-53mL	-73kt
Bott Below \$5/L	228mL (340,000t)	\$830mill (\$2.80/bottle)	-28mL	-38.8kt
Total Below \$5/L	694.2mL (991,000t)	\$1.38billion	-33.2mL	-111.8kt
Above \$5/L	121.4mL (172,000t)	\$1.42billion (\$8.20/bottle)	+10mL	+17,000t

Sales

(Source Wine Australia)

- ▶ Exports
 - ▶ Approximately 65% of production (Approx. 1.14mt)
 - ▶ Bulk 55%
 - ▶ 455mL or **650,000t** (-73,000t)
 - ▶ Bottled 45%
 - ▶ 359mL or **515,000t** (-28,000t)
- ▶ Domestic Sales Grow by 1-2 %per year
 - ▶ Approx. **715,000t** (plus 100,000t imports)
- ▶ Total Sales Down by about 75,000t
 - ▶ Predominantly due to lack of supply

Change in Exports

- ▶ Exports Change
 - ▶ Export value/ L Increases
 - ▶ +14%bulk (\$1.04-\$1.19/ L)
 - ▶ +9%bottled (\$5.69-\$6.21/ L)
 - ▶ Export volume down
 - ▶ Decrease of Approximately **93,000t** or about 7%
 - ▶ Reduction due mainly to lack of supply NOT sales inquiries.
 - ▶ Grape production increase below wine sales increases in past 4 years for our sector
 - ▶ Used up any stock
 - ▶ Low commercial wine stock

Major Export Markets (MAT Mar 2019)

(Source Wine Australia)

▶ Three countries are 68% of volume

- ▶ **UK** > 233 mL : 319,000t : \$364m = **\$1141/t**
 - ▶ 35mL : 48,000t Bottled @\$3.21/bottle
 - ▶ 197mL : 269,000t Bulk @\$1.09/L (**\$796/t**)

- ▶ **USA** > 146 mL : 201,000t : \$436m = **\$2169/t**
 - ▶ 85mL : 117,000t Bottled @\$3.18/bottle
 - ▶ 61mL : 84,000t Bulk @\$1.20/L (**\$876/t**)

- ▶ **CHINA** > 140 mL : 192,000t : \$1,150m = **\$5989/t**
 - ▶ 115mL : 158,000t Bottled @\$7.02/bottle
 - ▶ 25mL : 35,000t Bulk @\$2.34/L (**\$1708/t**)

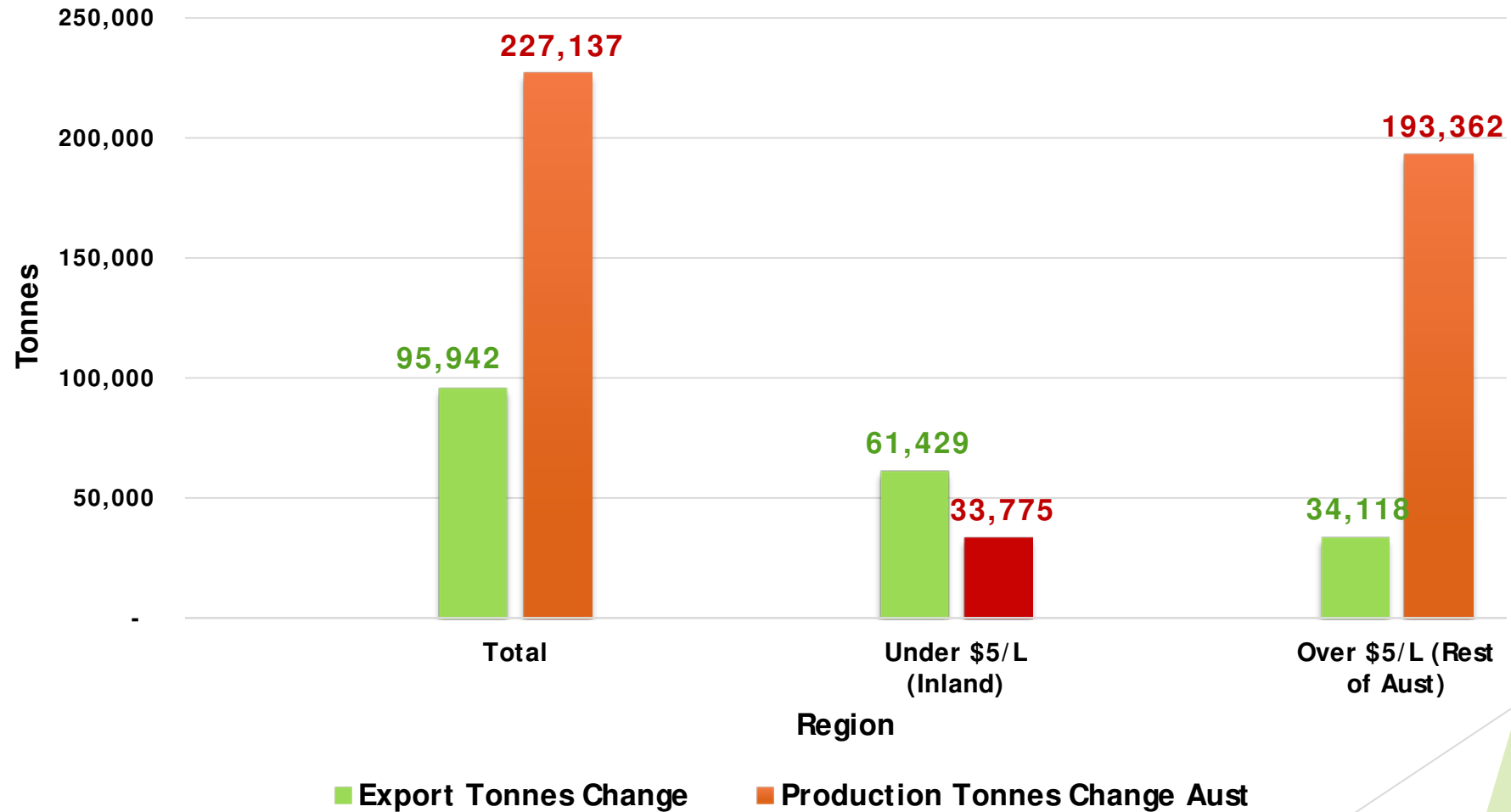
World Wine Supply (source OIV)

- ▶ Wine consumption growing
 - ▶ About 0.3% per year by volume
 - ▶ Predominantly in Asia
 - ▶ Europe down slightly
- ▶ World Wine Grape area stays quite steady
 - ▶ 2019 tonnage is a bit below average
- ▶ Australian crop needs to stay where it is.
 - ▶ Winemakers do not need to sell low priced wine to empty tanks.
 - ▶ Growth better if it is from higher prices

2015-17 Red Wine/ Grape change

(Source Wine Australia)

Red Wine Change 2015-17



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

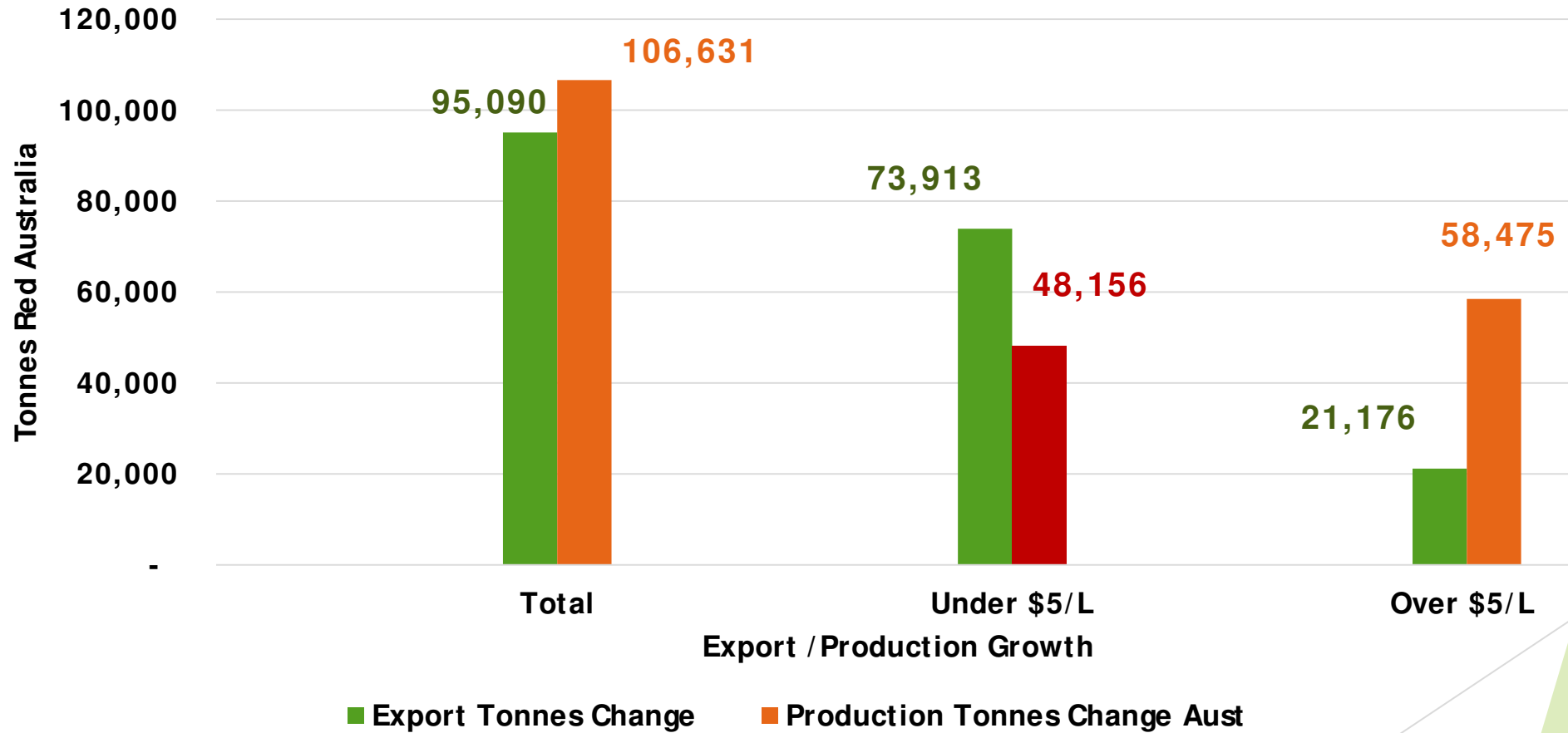
■ Export Tonnes Change

■ Production Tonnes Change Aust

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)

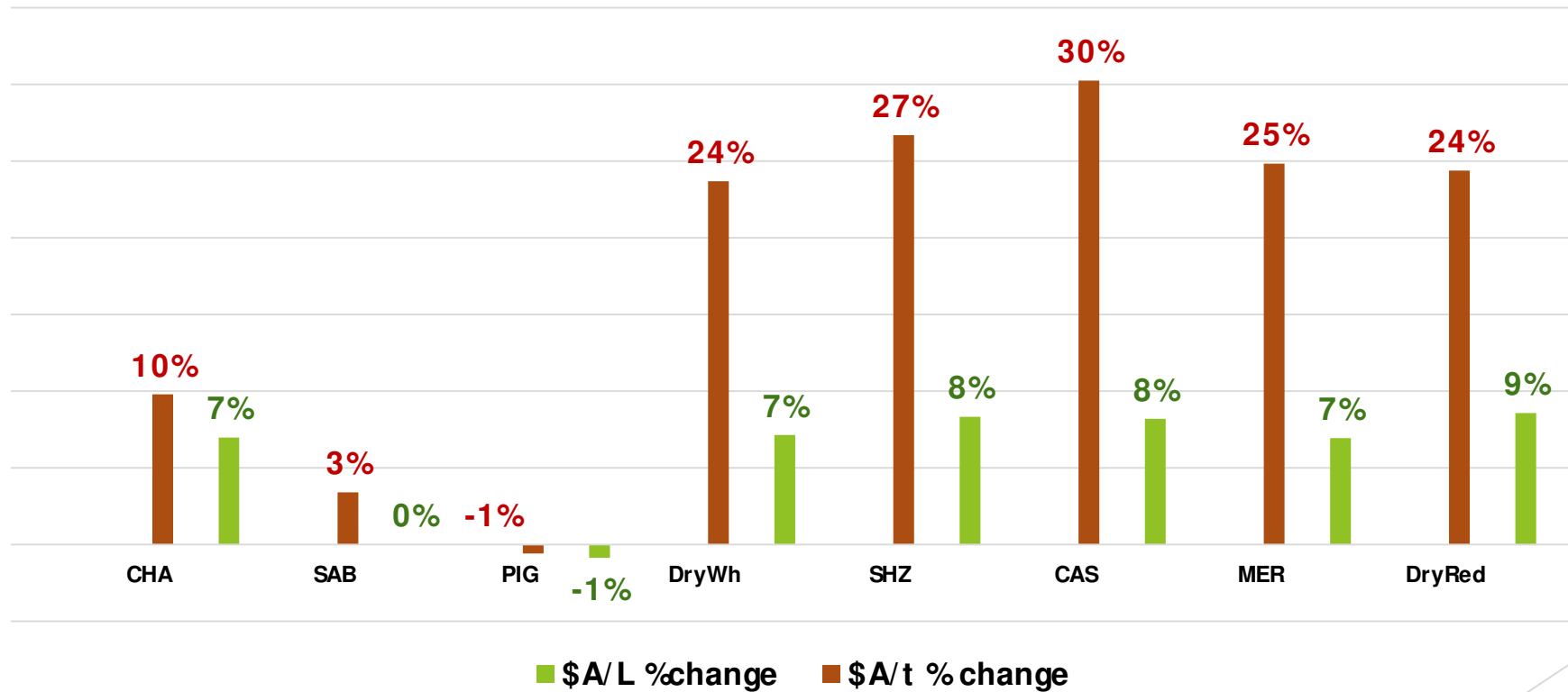


Australian Bulk Wine Price Change 2018-19

(Source Wine Australia)

% Change 2018-2019

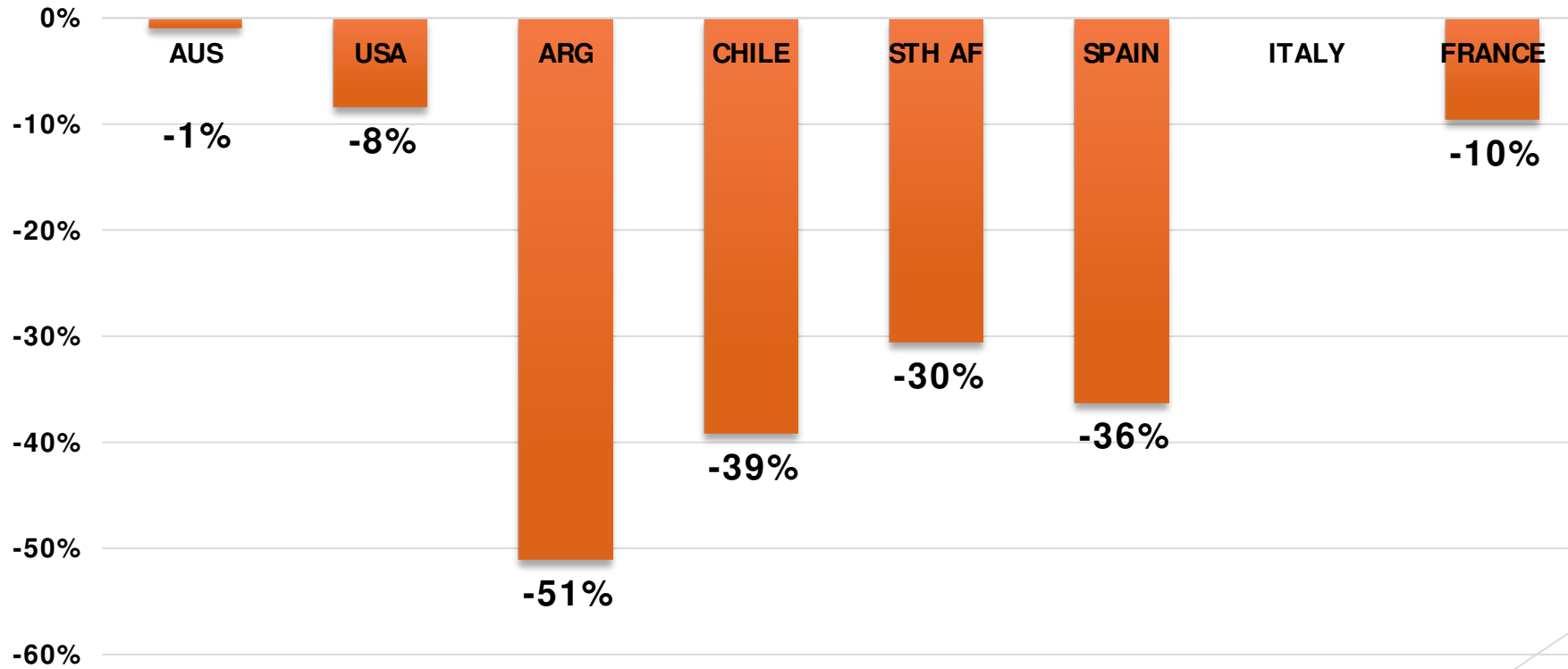
(Source Wine Aust)



World Shiraz price Change % 2018-19

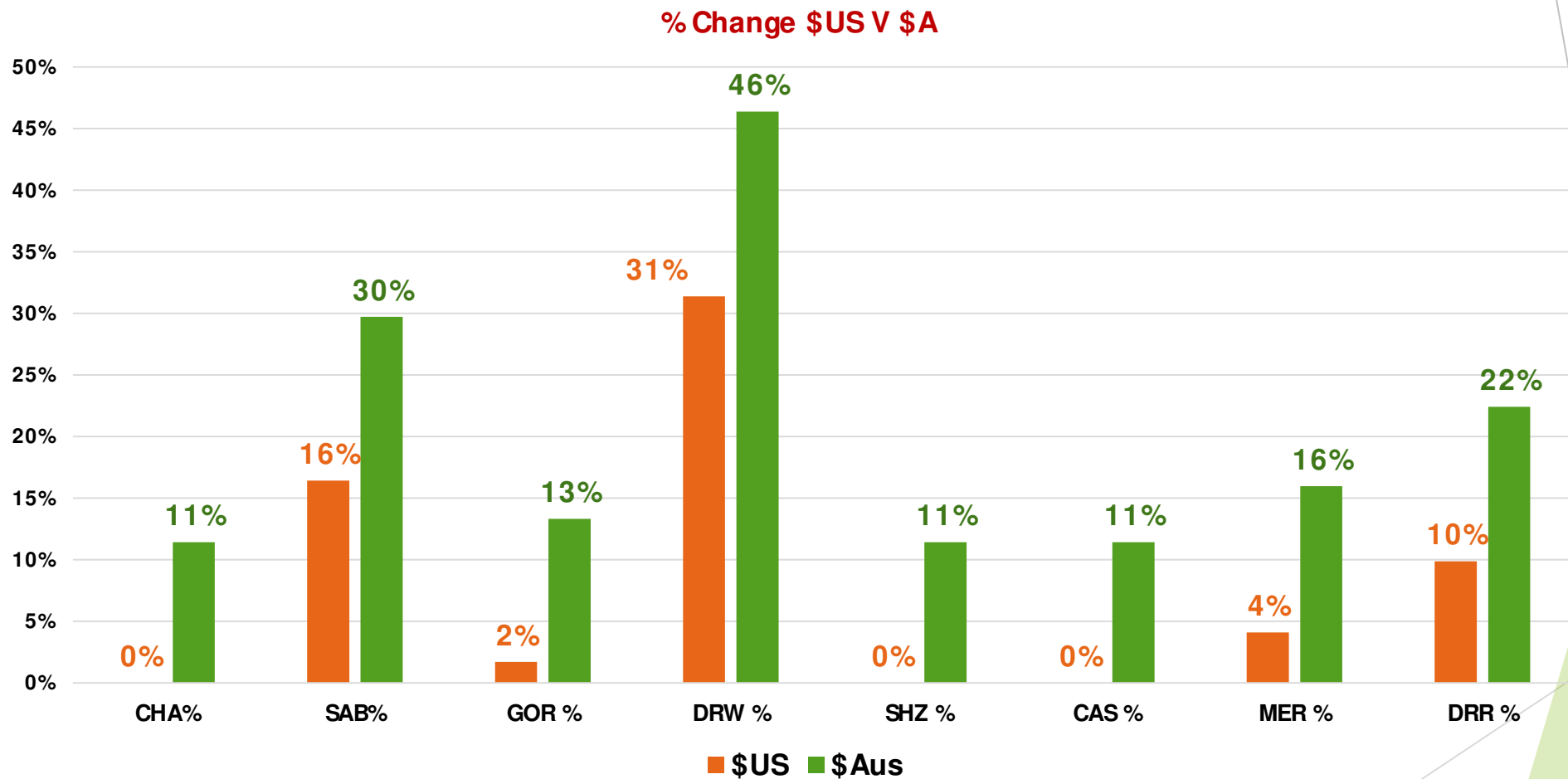
(Ciatti \$US)

SHZ % change 2018-19 (\$US)



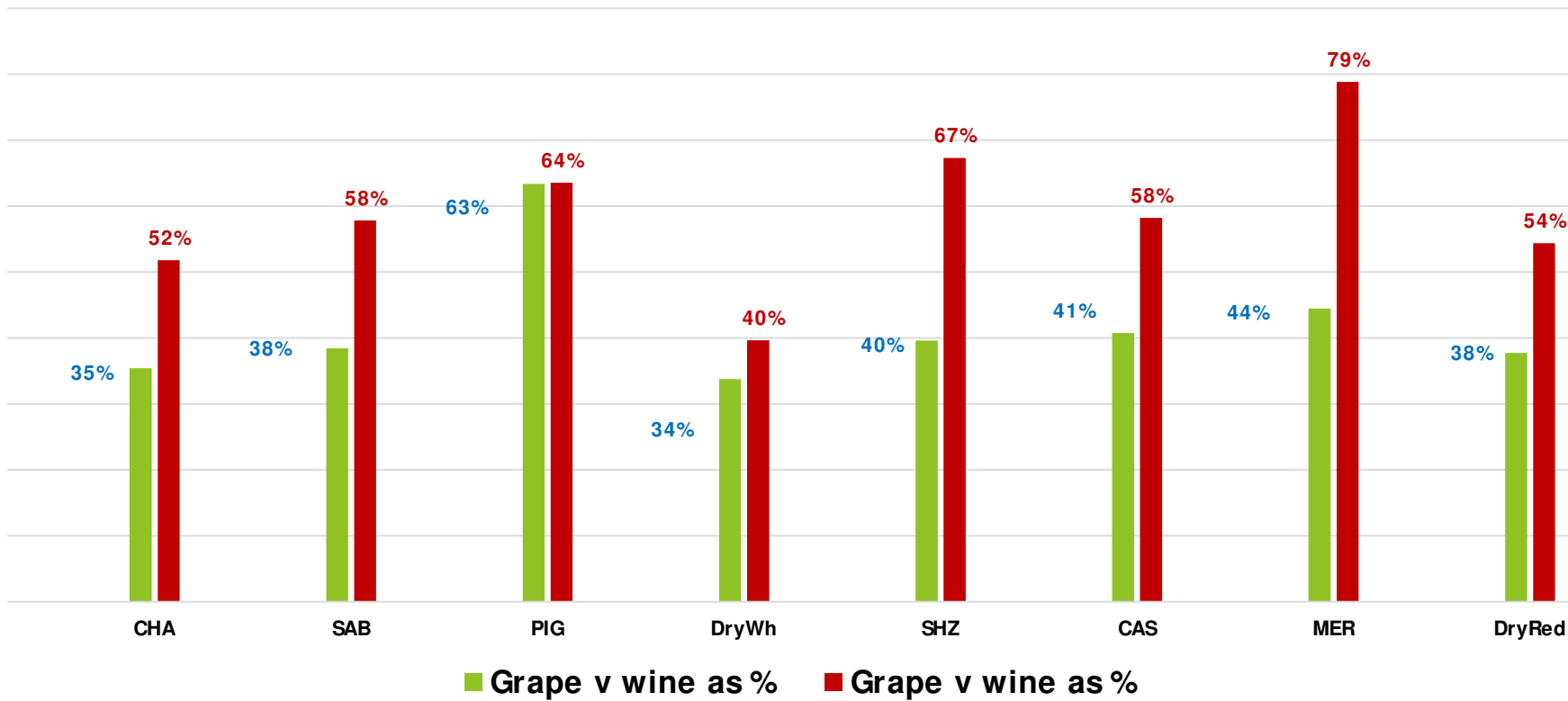
Change %\$US v \$AUS (Source Ciatti)

(Fx Rate 2018 \$0.78 to 2019 \$0.71)



Bulk Wine Price/ Grape Price % 2014-2019 (source W.A.)

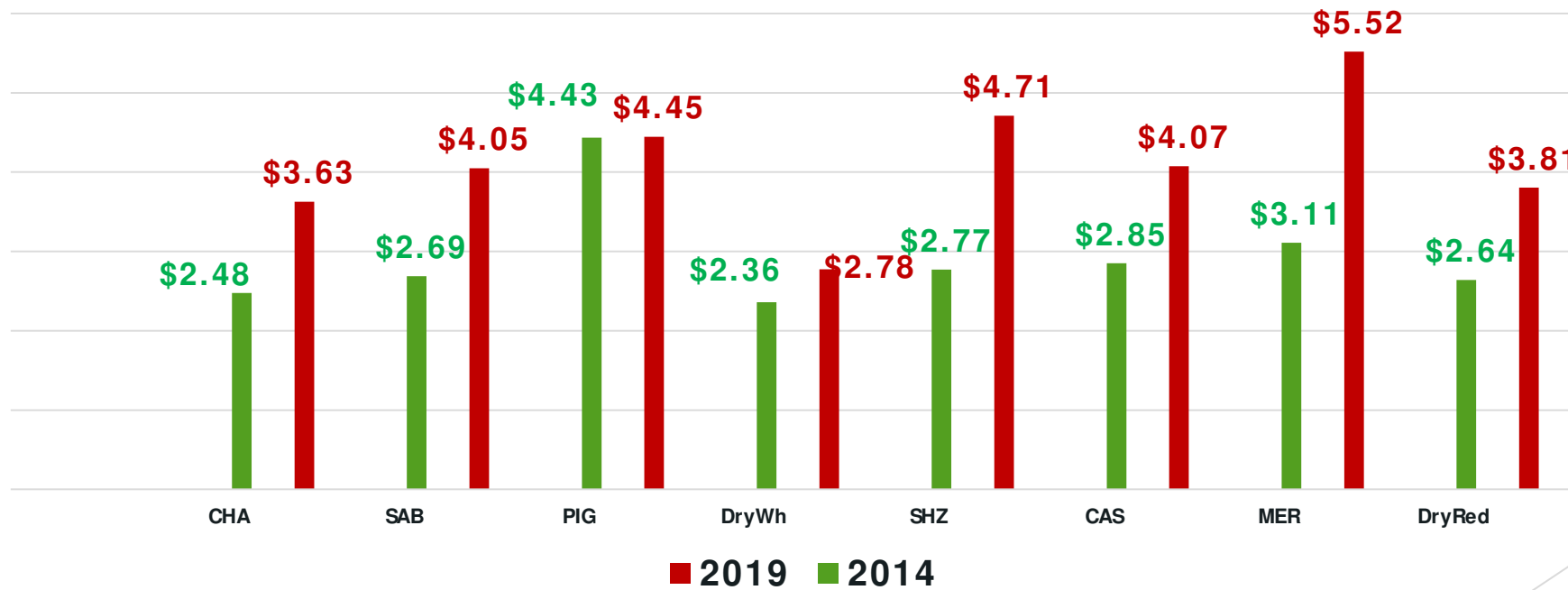
Grape price as % of bulk wine price
(FOB price source W.A)



Return to Grower 2014-19

\$/t for each 1cent/L FOB (Source WA)

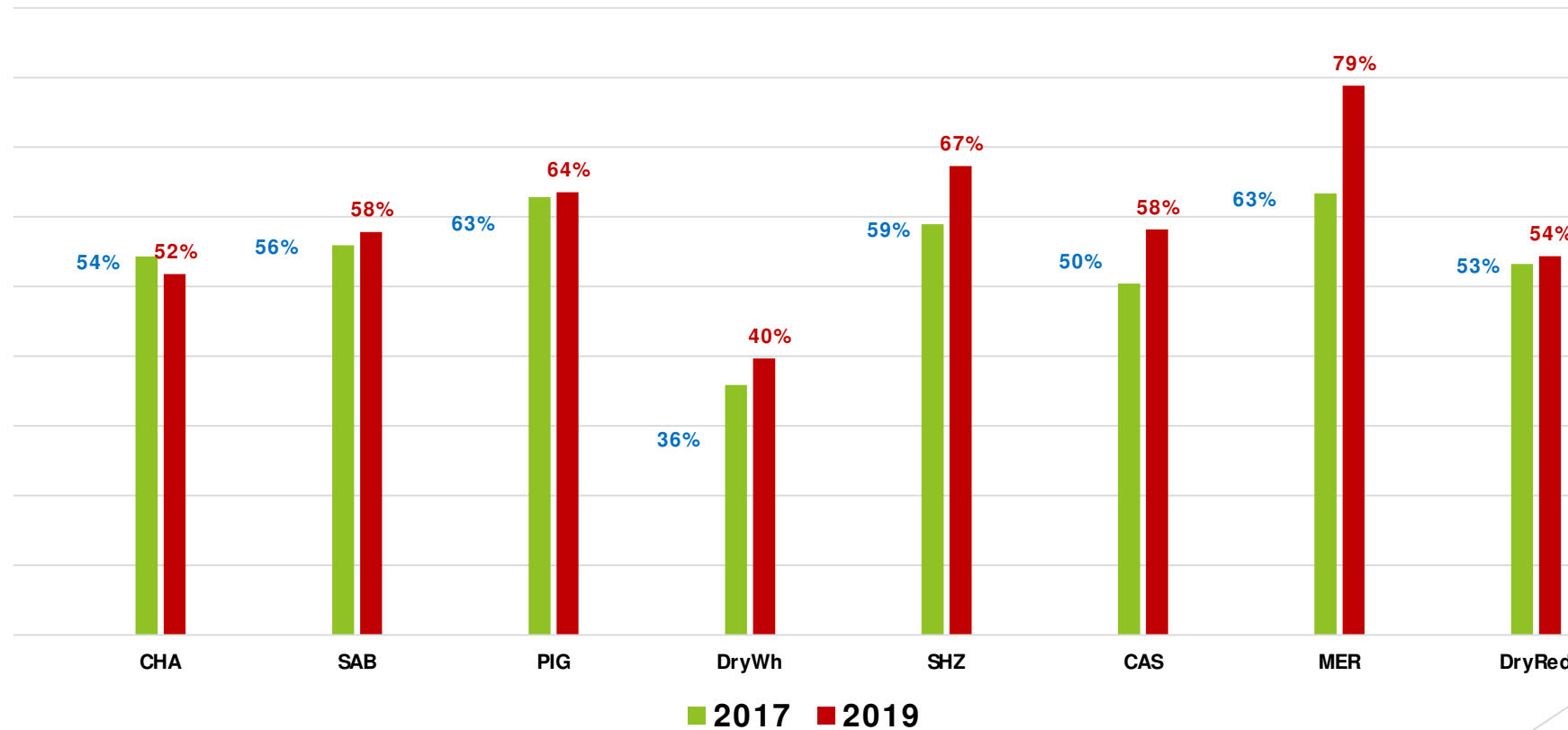
\$/t for each 1cent/Litre
(FOB price source W.A)



Bulk Wine Price/ Grape Price %

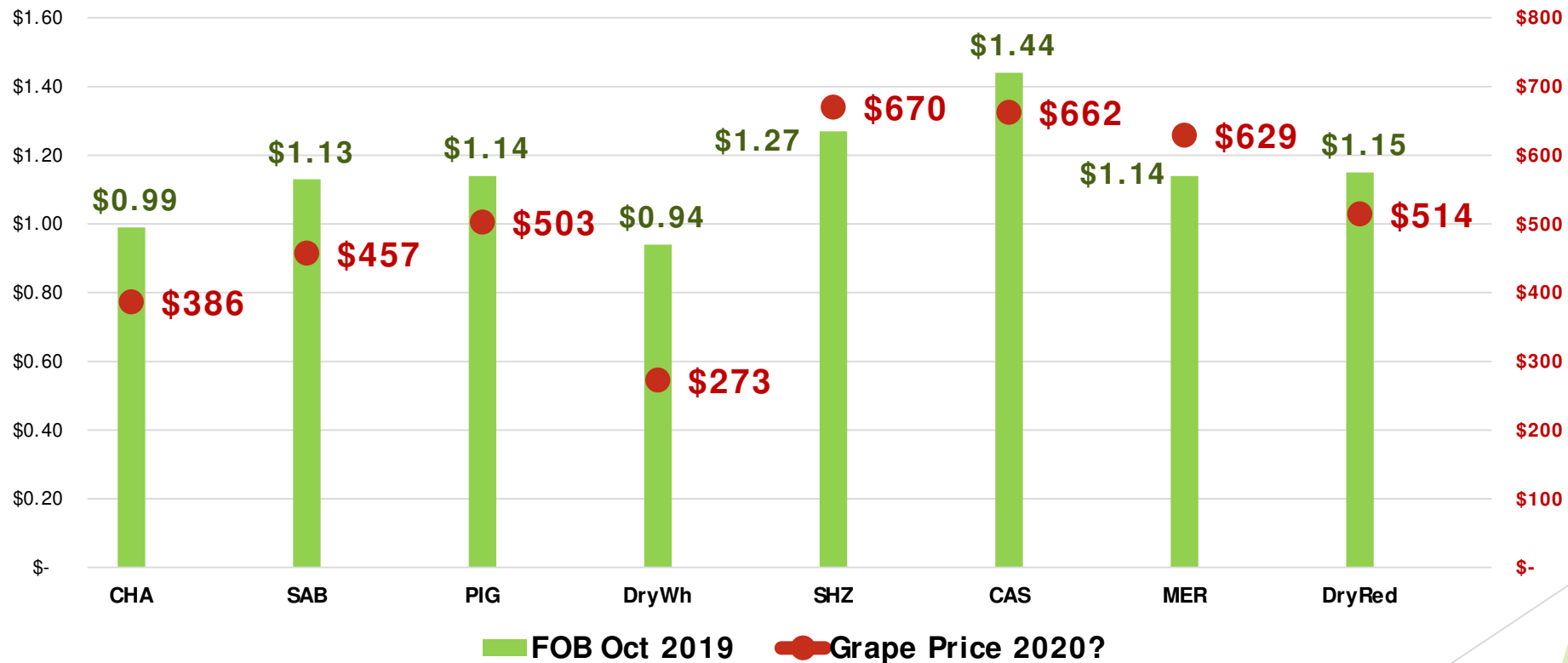
2018 v 2019 (Source: W.A)

Grape price as % of bulk wine price
2018-19 (FOB price source W.A)



Riverland 2020 Projected Grape Prices

Riverland Projected Grape Prices 2020
At 2019 FOB price (source WA)



Concerns

- ▶ Stocks
 - ▶ World wine stock blew out in 2018
 - ▶ 2019 expected to reduce
 - ▶ USA have high stocks
- ▶ Some volume and price rises were driven by low crops in other countries
 - ▶ Lower \$A helping
 - ▶ 2019 world crops look to be down on 2018
- ▶ 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)

Summary

- ▶ Some grape price increases likely
 - ▶ Most volume sale are still in the below \$5/ L sector (commercial)
 - ▶ Demand/ sales has exceeded 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 reducing
 - ▶ **There is some resistance from wine buyers to higher prices**
 - ▶ Some capacity to pay more for wine grapes
 - ▶ Commercial wine bulk prices have continued to rise
 - ▶ Sales volume has reduced due to supply shortage
 - ▶ There is a slowing of enquiries
 - ▶ Buyers are looking for alternative suppliers

2020 Price Range Estimation (Riverland)

Variety	2019 Prices Riv Average	Demand	Current Availability	2020 Price Expectation
Chardonnay	\$359	Stable	Balanced	\$365-400
Shiraz	\$617	Good	Under	\$650-700
Cab Sav	\$607	Stable/Good	Under	\$650-690
Merlot	\$596	Stable	Stable	\$630-650
Gordo	\$258	Stable	Decreasing/Under	\$270-300
Sav Blanc	\$425	Good	Stable	\$440-475
Pinot Gris	\$507	Good	Stable	\$480-510
Dry White	\$240	Stable	Decreasing	\$270-350
Dry Red	\$425	Increasing/Good	Limited	\$500-600

Conclusion

Shortage of Inland Region Wine stock

Expect Below Average 2020 Australian Inland Crop

Wine pricing indicates Wineries have capacity to pay increases.

Wine Grape Price Projections are based on the best information available.

Actual prices will depend on market changes currently unseen.