



Wine Grape Growers' Australia

Media Release

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The apparent 2011 crush indicates enduring oversupply

After a meeting of the national representatives of Wine Grape Growers Australia (WGGA) last week, the WGGA Executive Committee today predicted that the national crush in 2011 is likely to be between 1.3 and 1.4 million tonnes. That would represent a crush of between 19% and 12% down on the previous year's crush and represents the third annual decline in a row following the 1.83 million tonne crush four years ago.

Drivers of an anticipated lower 2011 crush were (i) lost or rejected tonnages due to disease, (ii) as yet unquantified removed or abandoned vines, and (iii) un-economic or diseased fruit left on the vine or dropped at harvest.

WGGA Executive Director, Mr Lawrie Stanford, issued a warning that despite another apparently lower crush in 2011, the evidence was that the industry was still capable of producing more wine than could be profitably utilised by all members in the value chain. While the crush is believed to be 1.3 to 1.4 million tonnes, it is understood that a lesser amount (in the vicinity of 1.1 to 1.2 million tonnes) went into wine production that had real prospects of returning a long-term profit in the marketplace.

In what was a relatively cool season that hindered full sugar development, the balance of the fruit above the 1.1 to 1.2 million tonnes going directly into wine production represented otherwise unwanted fruit, purchased well below the cost of production, for the purposes of making concentrate to boost the sugar content of grapes taken in for winemaking.

Alternatively, in a dynamic not fully understood or quantified at this time, the 'balance' may have been used for low grade wine in order to compete with low-cost world producers and bulk wine traders. Such practices concerns WGGA because it is only possible by purchasing fruit at well below its cost of production. In the process, this trade is impoverishing growers who in recent years have assumed by far the larger part of the agricultural risk. Moreover, it damages the reputation of Brand Australia in the eyes of wine customers and consumers worldwide and undermines Australia's aspirations to be, and to be seen as, a premium wine-producing nation. It further devalued the efforts of the nation's wine marketers to build Australian wine's reputation at a time when demand was suffering.

“Adding to the preceding assessment, the common expectation that even more fruit was left on the vine , meaning actual production will inevitably be more than 1.4 million tonnes and could conceivably rival last year’s crush of 1.6 million tonnes” said Mr Stanford.

“In effect,” said Mr Vic Patrick, WGGGA Chair, “sustainable demand for fruit was evidently much less than that grown in 2011 and oversupply will continue to dog the industry’s fortunes. It seems evident that some wineries are hooked on maintaining volume throughput for viability. This can, however, only be a temporary fix to the current pressures in the industry given the fundamentally unsustainable prices paid for the grapes feeding this practice.”

Mr Stanford noted that the first survey-based estimate of the crush was imminent through release of the annual winemaker crush survey, the ‘Vintage Report’. He cautioned that if the Vintage Report estimate indicated a higher crush than that anticipated by WGGGA, it would confirm that the opportunistic intake of fruit for concentrate but more particularly, for utilisation in the low-cost bulk wine trade, was greater than thought.

Based on the assessment that Australia’s oversupply endures, WGGGA again called for all major winemakers to enter into meaningful partnerships with growers, to increase prices to a sustainable level throughout the supply chain, to focus on making wine with a profitable future and to share the load of adjustment by removing their excess vines, rather than selling them into the production pool that maintains the oversupply and feeds the unsustainable bulk wine trade.

For further information and media interview, please contact WGGGA Executive Director Lawrie Stanford on 0417 859 282 or Chair Vic Patrick on 0408 849 533