

2009-10 Vineyard Statistics

Key Observations and a perspective on adjustment

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1. Summary

- a. *In 2009-10, there was a solid start to the process of adjustment in the national vineyard with a net removal of roughly 6 750 hectares. There was a seven-fold increase in the area removed in 2009-10 compared to the year before.*
- b. *While not yet representing the final 2009-10 tonnage, the Vineyard Survey production estimate shows that the off-take was around 9% smaller than last year at 1.53 million tonnes. It should be noted that the Vineyard Survey traditionally under-numerates the final ABS crush number by 2% to 5%. The latter is taken to be the final tonnage and which is usually available in November-December each year,*
- c. *The major contributor to a smaller off-take in 2009-10 was the lower yields per hectare rather than the net removal of vines. Lower yields are thought to have resulted from constrained fruit set after heat in November 2009 and caps on yields per hectare set by the major off-takers.*
- d. *Not only were there more vines removed in 2009-10 but a greater number of hectares were also left uncropped. While uncropped hectares were greater in 2009-10, uncropped tonnages in 2009-10 are estimated to be less. With a greater proportion of relatively lower-yielding Coastal-Temperate vine in the mix of hectares left uncropped this year compared to last, the tonnages uncropped this year, are estimated to be less than the year before.*
- e. *The warm inland held a 70% share of the estimated tonnages removed from the system in 2009-10. This share is 10 percentage points ahead of warm inland's traditional share of total production and therefore represents an over-indexing in the warm inland for removals.*
- f. *While accounting for the higher share of tonnages estimated to have been removed compared to the Coastal-Temperate districts, the warm inland districts accounted for a lower share of estimated tonnages left on the vine or dropped at harvest. By definition, the converse is also true: the Coastal-Temperate districts held the higher share of tonnages left or dropped but a lower share of tonnages removed from the system.*
- g. *It is concluded from the preceding point that a larger share of warm inland surplus in 2009-10 was dealt with by removal than in the Coastal-Temperate districts. Moreover, it is thought that the higher proportion of Coastal-Temperate tonnage thereby left in the system, is suppressing warm inland prices and accelerating its exit.*
- h. *Unless demand dramatically improves for the 2011 season, the 2009-10 Vineyard Survey data suggests that the adjustment needed in 2010-11 is a minimum of twice that which occurred in 2009-10. The data does not however provide insight into the fruit that was traded at unsustainable prices and additional adjustment for this fruit should also be considered.*

2. 2009-10 Profile

- a. Production off-take of 1.53 million tonnes in 2009-10 represented a decline of 8.9% on the preceding year's off-take¹.

| 2009-10 Vineyard Survey | | | | |
|--------------------------------|-------------------|-------------------------------------------------------|------------|------------------|
| | | Warm inland | RoA | Australia |
| Total area | <i>ha</i> | 62 991 | 93 641 | 156 632 |
| Bearing area | <i>ha</i> | 60 894 | 90 895 | 151 789 |
| Left | <i>ha</i> | 3 694 | 9 452 | 13 147 |
| NYBd | <i>ha</i> | 567 | 839 | 1 406 |
| NYBp | <i>ha</i> | 1 530 | 1 908 | 3 438 |
| Removed | <i>ha</i> | 4 125 | 4 039 | 8 164 |
| Off-take | <i>tonnes</i> | 928 454 | 604 792 | 1 533 246 |
| Yield | <i>t/ha</i> | 15.2 | 6.7 | 10.1 |
| Notes | | | | |
| Warm inland | | Big Rivers, NW Victoria, Lower Murray | | |
| RoA | | Rest of Australia | | |
| Left | | Grapes left on the vine or dropped at harvest | | |
| NYBd | | Not yet bearing during harvest year ('new plantings') | | |
| NYBp | | Not yet bearing prior to harvest year | | |
| Off-take | | For winemaking | | |
| Yield | | Tonnes per hectare | | |
| Derived measures - | | | | |
| | | Warm inland | RoA | Australia |
| Bearing area | <i>ha share</i> | 40% | 60% | 100% |
| Off-take | <i>t share</i> | 61% | 39% | 100% |
| New plantings | <i>ha share</i> | 40% | 60% | 100% |
| Removals | <i>ha share</i> | 51% | 49% | 100% |
| | <i>est tonnes</i> | 62 889 | 26 873 | 82 461 |
| | <i>t share</i> | 76% | 33% | 100% |
| Net new planting | <i>ha</i> | - 3 558 | - 3 200 | - 6 758 |
| | <i>shares</i> | 53% | 47% | 100% |
| Left | <i>ha share</i> | 28% | 72% | 100% |
| | <i>est tonnes</i> | 62 741 | 70 054 | 132 795 |
| | <i>t share</i> | 47% | 53% | 100% |
| Net removal | <i>ha share</i> | 53% | 47% | 100% |
| | <i>est tonnes</i> | 49 020 | 19 240 | 68 260 |
| | <i>t share</i> | 72% | 28% | 100% |
| Surplus - 2010 | <i>ha</i> | 7 252 | 12 652 | 19 904 |
| | <i>ha share</i> | 36% | 64% | 100% |
| | <i>est tonnes</i> | 111 761 | 89 294 | 201 055 |
| | <i>t share</i> | 56% | 44% | 100% |
| Surplus removed | <i>ha share</i> | 57% | 32% | 41% |
| | <i>t share</i> | 44% | 22% | 34% |
| Production | <i>tonnes</i> | 991 195 | 674 846 | 1 666 041 |
| | <i>share</i> | 59% | 41% | 100% |
| Actual yield | <i>t/ha</i> | 16.3 | 7.4 | 11.0 |

¹ Note that the Vineyard Survey number is typically 2-5% less than the ABS crush number which is taken to be the final tonnage.

- b. Net planting was negative (net removals) at 6 750 hectares on balance of 1 400 hectares planted in 2009-10 and 8 200 removed.
- c. The total area of the national winegrape vineyard for in 2009-10 was 156 650 hectares.
- d. The share of the planted area bearing fruit in 2009-10 was 97% (151 800 hectares).
- e. The area left unharvested or had grapes dropped on the ground in the 2010 harvest was 13 150 hectares – estimated to be 132 800 tonnes based on 2010 yields per hectare.
- f. Total production in 2010 is therefore estimated to have been 1.67 million tonnes.
- g. Surplus hectares in 2009-10 (net removals plus grapes left or dropped) was 19 900 hectares split roughly one third net removals and two thirds area on which fruit was left.

3. Comparisons with last year

- a. Total production (off-take plus tonnages estimated to be left behind) declined 11.2%, bearing areas declined 3% and yields per hectare were down 8.4%². Hence, the major contributor to the tonnage decline in 2009-10 was lower yields per hectare – accounting for 75% of the decline. The additional 25% of the tonnage decline was accounted for by the fewer hectares bearing fruit.

| | | 2008-09 | 2009-10 | Change | Notes |
|---------------------|-------------------------------|-----------|-----------|--------|-----------------------|
| Crush | <i>tonnes</i> | 1 732 506 | na | na | |
| Production off-take | <i>tonnes</i> | 1 683 643 | 1 533 246 | -8.9% | |
| Production | <i>tonnes</i> | 1 875 506 | 1 666 031 | -11.2% | |
| Yield | <i>t/hectare</i> | 12.0 | 11.0 | -8.4% | |
| Bearing area | <i>hectares</i> | 156 467 | 151 789 | -3.0% | estimated for 2008-09 |
| Net removals | <i>hectares</i> | 941 | 6 758 | 618.1% | |
| Total area | <i>hectares</i> | 162 000 | 156 632 | -3.3% | estimated for 2008-09 |
| Left ¹ | <i>hectares</i> | 11 930 | 13 147 | 10.2% | |
| | <i>est tonnes¹</i> | 191 863 | 132 795 | -30.8% | |

1. Note that this is a like-on-like comparison (1.876mt - 1.683mt), but based on a higher final winegrape tonnage (the ABS crush number, at 1.732 million tonnes - therefore, 1.876mt - 1.732mt) the final grape tonnage left on the vine was estimated to be 143 000 tonnes

- b. The net removal of vines in 2009-10, increased by seven-fold over the year before - up from just under 1000 hectares in 2008-09 to reach 6 750 hectares in 2009-10.
- c. In addition to the significant increase in vine removals, more hectares were also left unharvested. Despite more hectares being left uncropped, a higher proportion of relatively lower-yielding 'Rest of Australia' hectares in the mix had the effect of resulting in fewer tonnages estimated to be left behind compared to last year. Last year remains the season in which the greatest tonnage of grapes were left or dropped at harvest.

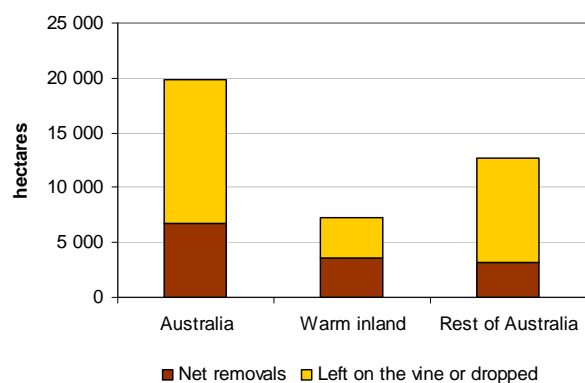
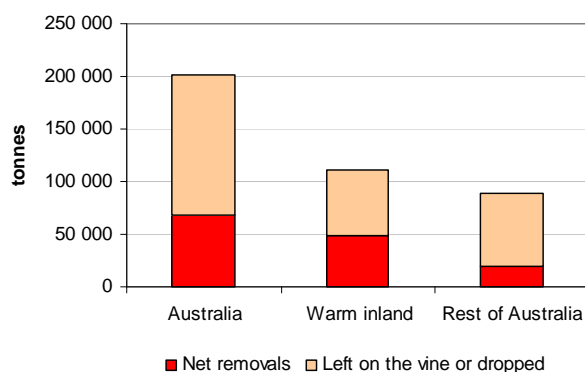
² Based on total production.

4. Adjustment trends in Warm Inland districts versus the Rest of Australia

- a. Roughly equal areas of vine were removed from warm inland and the rest of Australia. The shares of areas were separated by only 2 percentage points (51% of the area removed was in the warm inland and 49% in the rest of Australia).

| | Removals | | New planting | Net removals | | Left or dropped | | Surplus ¹ | |
|-------------------|----------|--------|--------------|--------------|--------|-----------------|---------|----------------------|---------|
| | Hectares | Tonnes | Hectares | Hectares | Tonnes | Hectares | Tonnes | Hectares | Tonnes |
| Warm inland | 4 125 | 57 774 | 567 | 3 558 | 49 020 | 3 694 | 62 741 | 7 252 | 111 761 |
| Rest of Australia | 4 039 | 24 687 | 839 | 3 200 | 19 240 | 9 452 | 70 054 | 12 652 | 89 294 |
| Total | 8 164 | 82 461 | 1 406 | 6 758 | 68 260 | 13 147 | 132 795 | 19 904 | 201 055 |
| Warm inland | 51% | 70% | 40% | 53% | 72% | 28% | 47% | 36% | 56% |
| Rest of Australia | 49% | 30% | 60% | 47% | 28% | 72% | 53% | 64% | 44% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

1. Net removals plus grapes left behind (left on the vine or dropped at harvest)



- b. New planting was modest, at 1 400 hectares, with 60% of the new areas planted in rest of Australia and 40% in the warm inland districts.
- c. While removals from warm districts and the rest of Australia were 2 percentage points different, the higher rate of new planting in the rest of Australia meant the difference in net removals between them blew out to a 6 percentage point difference (53% of the net area removed was in the warm inland and 47% in the rest of Australia).
- d. Nevertheless, due to the relatively higher-yielding nature of warm inland vines, the warm inland share of estimated production removed in Australia was 70%.

- e. A significantly higher proportion of estimated tonnages left behind, at 72%, occurred in the rest of Australia. Nevertheless, higher yields in the warm inland districts meant that while they accounted for 28% of the areas with fruit left behind at harvest, their share of the estimated tonnage left behind was 47%.
- f. A measure of the area that was surplus to requirement in 2010 can be gained by adding the net removals to the areas with fruit left behind. While nearly two thirds of the surplus area measured this way was located in the rest of Australia while the larger amount of surplus tonnages, at 56%, were located in the warm inland districts.
- g. While 44% of the warm inland surplus in 2010 was dealt with by being removed, a lesser proportion of surplus area in the rest of Australia, at 22%, was removed. Hence, a larger part of the warm inland surplus was dealt with than in the rest of Australia.

5. Implications of the 2009-10 Vineyard Survey data on adjustment in the national vineyard

- a. The 2009-10 Vineyard Survey shows a demonstrated surplus of 19 900 hectares in 2010. This area translates to an estimated 200 000 tonnes of winegrapes, 140 million litres or 15.8 million cases of wine.
- b. Assuming some fruit that found a place in the market nevertheless sold at a loss, the 19 900 surplus hectares represents a low-end indicator of the total area in surplus of sustainable requirement.
- c. Of the demonstrated surplus hectares in the 2010 vintage, roughly a third (34%) had been dealt with by removal. On this basis, it can be claimed that a solid start in the adjustment process has started - but more is required.
- d. There are indications in the data that the adjustment in tonnages is occurring disproportionately in the warm inland districts. This is contrary to the general understanding that the larger share of the oversupply is located in the rest of Australia. The 2009-10 Vineyard Survey data supports the belief that unsustainable fruit from the rest of Australia is pushing warm inland production out of the market.
- e. The larger part of Australia's demonstrated surplus from the 2010 harvest (200 000 tonnes), at roughly two-thirds of it (132 000 tonnes), was left to rot.
- f. Unless market demand shows a dramatic turnaround for the 2011 harvest, it seems inescapable that while a solid start has commenced to the adjustment process, considerably more is still required.
- g. Further adjustment could occur to the hectares in 2010 that were not harvested and to the production that sold at unsustainable prices. The former was 13 150 hectares in 2010 and adjustment of this alone in 2011 would represent almost twice the adjustment which occurred in the 2010.