



Quality wine expected despite a tough year

Australia will produce some great wine at all price points this year, despite taking a battering from the weather.

The Winemakers' Federation of Australia says reports from a number of regions are of high quality across a range of varieties.

"While a lot of damaged fruit has had to be rejected, much of what was accepted was very good," said WFA chief executive Stephen Strachan. "There has been a great deal of pain across the industry, particularly for growers, but consumers can expect some exciting results.

"Rain caused problems everywhere except in the west, but the impact varied greatly between regions and even within regions. Some really suffered – we've heard of losses as high as 70–80%, with individuals wiped out – but others reported little disruption." (See page 4)

Despite the rejections, WFA's Vintage Survey suggests the 2011 harvest will be 1.62 million tonnes – a 1% increase on last year. Riverina and the Riverland both increased their share of the crush but the cooler regions generally were down. Chardonnay was the big mover (see page 2).

While this year's headlines were about humidity causing disease concerns, the cool summer across much of southern Australia

had a greater impact. In many regions vintage was three weeks later than in recent drought-affected years and this extended ripening period provided fruit with good acid levels, giving winemakers scope to finesse their wines.

"Many winemakers are reporting that this season provided fruit that allowed them to create

wines with real regional flair," Mr Strachan said. "Vintage 2011 should allow Australia's diversity to shine through.

"It also marks a return to the seasonal differences and volatility that usually are the norm after many years of the consistent, albeit difficult, conditions that drought brings."

On the demand front, the trend towards bulk wine exports continued, as did the shift away from the traditional markets to new and emerging ones.

In the 12 months to the end of March, bulk exports grew to 46% of total exports to all markets, reflecting an increasing and

permanent shift towards shipping wine for packaging offshore. Half of all bulk sales were to the UK.

Over the same period, sales by volume fell in Australia's top two markets (by 4% in the UK and 16% in the US) but rose in the next three; Canada by 8%, China by 30% and Germany by 25%. Total exports fell by 3% to 755 million litres (worth \$2.02 billion).

A brief report on export trends prepared by Wine Australia can be downloaded at www.wfa.org.au/vintage_reports.aspx

"...fruit that allowed them to create wines with regional flair..."

Key points

- Harvest estimated at 1.62 million tonnes; 1% up on 2010
- Riverina and the Riverland harvests higher; cooler regions lower
- Chardonnay increases 23%
- Cool summer provides for elegant wines and regional expression; good wines from most regions expected
- Trend towards bulk exports continues

Numbers don't tell all the story

Comment: Stephen Strachan, WFA Chief Executive.

There are three key points to make in relation to this year's vintage.

The first is to remind ourselves that wine is an agricultural product and that for all our plans and best intentions nature helps call the shots (for good and bad). Rain can cause havoc when it comes when and where it's not wanted but it is also what makes vineyards grow.

The second is to praise the ingenuity and technical ability of grape growers who had to deal with the rain they didn't want. For all the bad news, there were plenty of stories of strength in adversity that will ensure Australia can produce some great wine this year, when industry outsiders watching their TV screens might have feared there would be none at all.

The third is to note, as I must, that the vintage is too big. It may seem harsh, given the year many people have had, to focus on the longer term rather than the demands of the present, but a harvest in excess of 1.6 million tonnes (despite the rejections) is out of step with the realities of sustainable production and the market opportunity for premium Australian wine.

Most in the industry now accept that decisive steps must be taken to align supply with market potential. *Continued on page 2.*



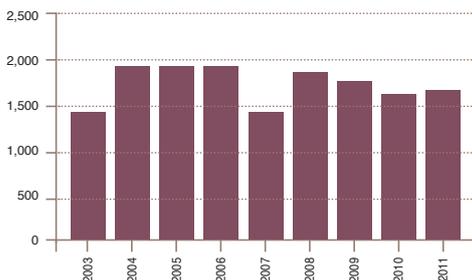
2011 WFA Vintage Crush Report

A difficult 2011 vintage matches 2010

Despite early indications of a small harvest given the variable and at times difficult conditions, Australia's estimated crush for the 2011 vintage is 1.62 million tonnes, an increase of 1% on 2010.

This is a little below the 5-year average of 1.63 million tonnes, which was influenced by the high 2008 and 2009 vintages (1.83 and 1.73 million tonnes respectively).

Total Winegrape Intake ('000 tonnes)



2011 WFA crush estimate

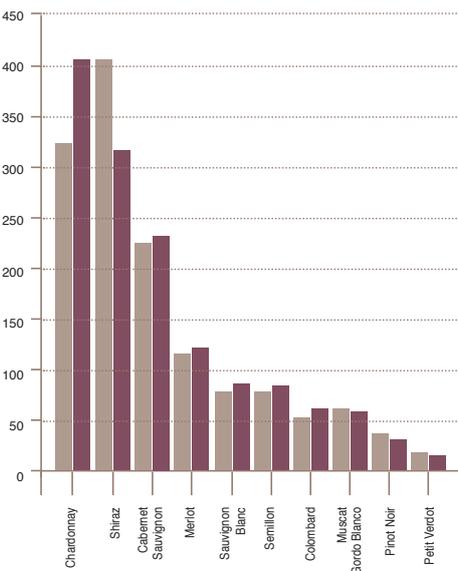
Source: ABS Catalogue No: 1329.0 Australian Wine & Grape Industry

The inland regions, particularly Riverina and the Riverland, increased their share of the crush compared with 2010, while the cooler regions showed a slight reduction.

White grapes overtook red for the first time since 2007 and accounted for 52% of the crush. The estimated white crush increased 13% (from 745,000 to 839,000) while red dropped 9% (from 858,000 tonnes to 779,000).

Chardonnay is the leading grape variety this vintage, overtaking Shiraz.

Tonnes Crushed by Variety ('000 tonnes) ■ 2010 ■ 2011



Source: WFA estimates

Cabernet Sauvignon up, Shiraz down

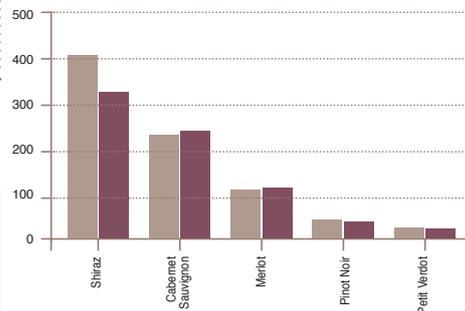
The top five red varieties were the same as in 2010 and accounted for 92% of the red crush; **Shiraz** 323,000 (-21%), **Cabernet Sauvignon** 232,000 (+2%), **Merlot** 113,000 (+1%), **Pinot Noir** 36,000 (-8%) and **Petit Verdot** 17,000 (-12%). Pinot Noir's decrease followed a significant increase in 2010.

Petit Verdot held on to fifth spot despite its fall and a 53% increase in **Grenache** (from 10,000 tonnes to 16,000 tonnes). Grenache is still well below its high point of 25,000 tonnes in the large vintage of 2005.

Tempranillo continued to show good growth, up 26% (to 3000 tonnes) on top of a 39% rise in 2010. Other red varieties with an increased crush were Mataro (+19%), Sangiovese (+18%), Tarrango (+18%) and Muscat a Petit Grains Rouge (+15%).

The other red varieties with significant decreases were Barbera (-59%) – albeit from a small base – Durif (-24%) and Cabernet Franc (-11%).

Red Winegrape Intake ('000 tonnes) ■ 2010 ■ 2011



Source: WFA Estimates

Quality wine expected despite a tough year

Continued from page 1.

The process has begun but this year's vintage suggests we have a fair way to go.

Market forces are driving the changes but it is a slow process, in part because some in the industry are not making hard decisions in the unrealistic hope that things will get back to the way they were.

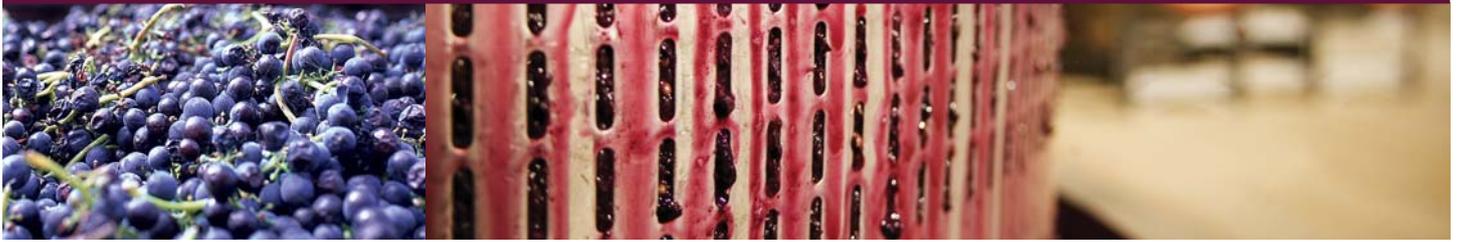
That may be changing, however. Wine industry brokers Gaetjens Langley tell us they are seeing an increasing number of vineyard sales – often of properties that have been on the market for some time – as owners accept the reality of lower prices.

They note that the biggest drop in values has been in the cool climate regions, but the pain has been reasonably universal. That's tough on individuals but a necessity for an industry that needs to keep its focus firmly on quality rather than quantity.

We cannot base success on how many grapes we grow and crush, but on whether that number is in line with the quality, character, market destination and potential earnings factors that drive industry viability.

Chardonnay on the move

The four main white varieties all increased, but **Chardonnay** was the big story, increasing by 23% to 405,000 tonnes. As well as being the leading grape variety overall (Shiraz is second at 323,000) it now accounts for 48% of the total white crush (up 4%).



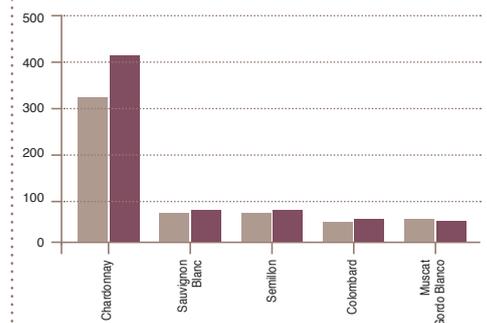
Estimates of Australian Winegrape Intake

Variety	2010 tonnes	2011 tonnes	2011 % Share	2011 % Change
Red Grapes				
Barbera	482	199	<1%	-59%
Cabernet Franc	1,594	1,424	<1%	-11%
Cabernet Sauvignon	227,197	231,869	14%	2%
Durif	4,781	3,650	<1%	-24%
Grenache	10,497	16,069	1%	53%
Malbec	2,012	1,894	<1%	-6%
Mataro	4,437	5,296	<1%	19%
Merlot	111,684	113,190	7%	1%
Muscat a Petit Grains Rouge	1,480	1,700	<1%	15%
Petit Verdot	19,789	17,359	1%	-12%
Pinot Noir	38,830	35,790	2%	-8%
Ruby Cabernet	11,802	12,310	<1%	4%
Sangiovese	3,526	4,150	<1%	18%
Shiraz	406,775	322,676	20%	-21%
Tarrango	606	717	<1%	18%
Tempranillo	2,422	3,045	<1%	26%
Other Red	10,197	7,945	<1%	-22%
Total Red Grapes	858,111	779,283	48%	-9%
White Grapes				
Chardonnay	329,341	404,610	25%	23%
Chenin Blanc	6,857	6,770	<1%	-1%
Colombard	52,262	58,694	4%	12%
Doradillo	700	529	<1%	-24%
Marsanne	1,567	1,399	<1%	-11%
Muscadelle	396	379	<1%	-4%
Muscat a Petit Grains Blanc	7,309	13,952	<1%	91%
Muscat Gordo Blanco	58,037	54,459	3%	-6%
Palomino & Pedro Ximenes	490	197	<1%	-60%
Pinot Gris & Pinot Grigio	44,778	43,217	3%	-3%
Riesling	32,188	32,720	2%	2%
Sauvignon Blanc	79,053	86,043	5%	9%
Semillon	78,960	82,243	5%	4%
Sultana	2,575	1,713	<1%	-33%
Traminer	10,413	12,116	<1%	16%
Trebbiano	891	476	<1%	-47%
Verdelho	13,588	14,323	<1%	5%
Viognier	12,464	10,729	<1%	-14%
Other White	13,031	14,884	<1%	14%
Total White Grapes	744,901	839,453	52%	13%
Total Grapes	1,603,012	1,618,736	100%	1%

Sauvignon Blanc increased by 9% (to 86,000) and moved into second place ahead of **Semillon**, which was up by 4% (82,000). Fourth placed **Colombard** grew 12% to 59,000.

The biggest percentage growth was for **Muscat a Petit Grains Blanc** (up 91% to 14,000 tonnes), perhaps reflecting the increasing popularity of Moscato. **Viognier** fell 14% to 11,000 tonnes.

White Winegrape Intake ('000 tonnes) ■ 2010 ■ 2011



Source: WFA Estimates

Survey Methodology

This survey is the first quantitative national measure of the 2011 vintage, and is used widely by industry, industry analysts and media.

In April 2011, wineries were sent an email survey to determine the industry's 2011 winegrape crush. Wineries were asked to provide details of their intakes for both 2010 and 2011 for processing into wine, brandy, spirit or juice.

Responses were received from more than 370 wineries, covering an estimated 87% of the industry's winegrape intake. The aggregated data for the 2011 vintage was compared to the aggregated data for the 2010 vintage to obtain the relative change in the size of the intake. This was then compared to the ABS 2010 intake to estimate the size of the 2011 intake. It should be noted that the intake estimates for each variety in both 2010 and 2011 are derived from each variety's respective share of the total crush reported by respondents to the 2011 Vintage Survey.

All results are estimates. The final intake figures will be available from the Australian Bureau of Statistics in October 2011.

State reports



South Australia

Most regions experienced above-average rainfall throughout the growing season and mild to cool temperatures delayed ripening for most grape varieties. Disease risk was high, though vineyards with free draining soils and open canopies were less affected. Quality varied considerably by both region and variety and in some cases from block to block.

There are some standout parcels of fruit and high quality wines are expected from all regions, though a few winemakers face challenges and some brands and varieties may be in shorter supply.

Most whites are looking good, with great flavours and potential. There are examples of quality Chardonnay and exceptional Riesling. Shiraz that had reached full ripeness before harvest and Cabernet Sauvignon that had a low incidence of disease are also looking strong.

There were a number of examples of fruit rejection and downgraded fruit in most regions, which is likely to result in an overall reduction in tonnage across the state.



New South Wales

The Hunter Valley aside, NSW regions generally suffered the effects of above-average rainfall and cooler ripening conditions. Fruit was generally picked later, with higher acids and lower Baumes. Whites fared better than reds.

Higher rainfall during the growing season was a mixed blessing, with potential production increases being offset by losses though increased disease pressures. Despite this, tonnages taken in the Riverina were the second highest on record. Most other regions however suffered reductions in production, although it is expected NSW production overall will be down only slightly on 2010.

The Hunter Valley dodged its notorious harvest rainfall this year resulting in what is being described by local winemakers as a "cracker of a vintage".

Both reds and whites are reported as being of a high quality. Canberra and Orange expect to produce some excellent wines with characters reflecting the prolonged growing season.



Western Australia

A hot and dry extended summer translated into a very early ripening of fruit and for most producers the earliest vintage on record. Vintage for whites was especially short, particularly in northern regions.

Early reports show a long dry and hot ripening season in northern regions of Swan District, Perth Hills and Peel. Margaret River reported hot and dry conditions with wine quality across the board being very good. Standout varieties include Semillon, Chardonnay and Cabernet Sauvignon. Pemberton region and surrounds had a moderate amount of rain in the lead-up to vintage; however the long warm summer provided well-ripened and good quality fruit.

Great Southern reports conditions that translated to outstanding fruit quality, however rains at the end of vintage in some areas meant some growers did not harvest late-ripening red varieties.



Tasmania

The Tasmanian vintage was challenging but ultimately should be one to savour.

Mild weather and frequent rainfall encouraged vegetative growth and full bunches but also brought disease pressure. Careful management left growers with a harvest of delicate yet concentrated fruit of superior quality, great acidity and lower Baume.

Vintage started two weeks late with the fruit for sparkling wine and at the time of writing there are still pockets of Pinot Noir, Merlot and Cabernet Sauvignon to be harvested.

The majority of fruit in Tasmania is hand-harvested from small patches, so picking was not problematic.



Queensland

Queensland vineyards were among the worst hit by heavy rain this vintage, with yields down by an estimated 70% or more in the two main regions.

South Burnett received 600-700mm of rain between early December and mid January and several vineyards lost their entire crop. Hand picking in salvage mode was the norm, but overall quality was good. Best yields were for Nebbiolo, Shiraz, Verdelho, Cabernet Sauvignon and Semillon.

Granite Belt battled similar conditions and late season varieties struggled to achieve desired sugar levels, though exhibiting good flavour. On a brighter note, some pockets in the region yielded fruit of high quality and a number of white varieties, such as Verdelho, are showing exceptional flavour.



Victoria

Outstanding winter/spring rains raised everyone's hopes for a great year, but as the wet continued downy mildew and later bunch rot became a concern. Vineyards that were vigilant and maintained a good spray program stayed on top of the threats, but a shortage of some sprays, particularly in Mildura, caused problems and some vineyards failed to produce a crop.

The cool season saw a later start to picking than normal (up to 3 weeks in some areas) and this led to the development of ripe fruit flavours at lower sugar levels and higher natural acidity. Consequently, elegant wines have resulted in most regions. Consumers can expect to enjoy some fine wines with some of the lowest alcohol levels for a number of years. Reds are showing great colour.

Early maturing varieties, such as Chardonnay, Pinot Noir, Riesling and Pinot Gris have produced some great wines, but the later varieties, eg Shiraz and Cabernet Sauvignon, have struggled to ripen in some of the cooler regions due to the lateness of the season.