

2014 AUSTRALIAN MID-VINTAGE UPDATE



14 February 2014

Predicted 2014 Crush

- ▣ 1.6 - 1.7 million tonnes
- ▣ This is around the 5-year (2009-2013) average of 1.65mT, which was insufficient supply, leading to *generally rising* Australian bulk wine prices.
- ▣ Certainly smaller than last year's 1.83mT crush, which was clearly a year of abundant supply and *generally falling* Australian bulk wine prices.
- ▣ Not as large as expected back in November 2013. Some wineries are suggesting a 2014 crush of 1.5-1.6mT, but we think 1.6-1.7mT is more likely.

Crop Predictions in selected regions

- ▣ Riverland: Whites average, Reds down 10%
- ▣ Griffith: Whites down 10-20%, Reds average to down 15%
- ▣ Murray Darling: Whites average, Reds down 10%
- ▣ Barossa Valley: Whites average, Reds down 20%
- ▣ Coonawarra: Whites down 15-20%, Reds down, possibly 35%

Key factors influencing the 2014 growing season

- Little winter rain in 3 major inland irrigated regions. Dry spring & summer leading to smaller canopies.
- Spring frosts in October 2013 – a major event - leading to crop losses of 10-15%.
- Extremely cold nights during flowering and set, leading to bunch shatter. Some crop loss, perhaps 5%. Very difficult to accurately assess.
- Extreme heat with temperatures in excess of +45C or more in late January & early February. Little crop loss (in inland irrigated areas) to some crop loss (where canopies were exposed in premium regions, eg Coonawarra, Barossa).
- If heat wave conditions continue, then crop loss will be larger in premium regions.
- Hail in September 2013 (SA Riverland) and December 2013 (Griffith). Very little overall crop loss.
- Some powdery mildew reported. Very little overall crop loss.
- Major rain event expected during next 24-48 hours. Impact unknown.

Quality of 2014 Vintage?

- ▣ Generally quite fine, unless the extreme heat wave conditions continue...
- ▣ Major & widespread rain event of 20-80mm expected across much Australia during the next 24-48 hours. Minimal impact if 20mm, but could be significant impact if 80mm.

Key economic factors for wineries

- ❑ Treasury Wine Estates, the market leader has signaled lower grape intakes, by around 20%.
- ❑ Most inland irrigated wineries have followed suit, reducing intake. Most report reductions of 15-20% on last year.
- ❑ Wineries are only crush contracted fruit. There will likely be uncontracted (overs) grapes left in the vineyards.
- ❑ The vintage is actually turning out shorter than most wineries had planned for.
- ❑ Extend 2013 vintage to cover any shortfalls in 2014.

What does this mean for Buyers?

- ▣ Almost all inland wineries are crushing less in 2014 than last year....
- ▣ But the vintage is turning out shorter than most wineries had planned for...
- ▣ Likely shortage emerging of 2014 bulk wine.....
- ▣ Unlike 2013 when it was much easier to buy good wine at lower prices.
- ▣ Consider extending 2013's for a couple months, which are currently at very cheap prices.
- ▣ You need to be strategic in 2014....