

Harvest total could drop to 1.36m tonnes

Concentrate and poor quality yet to be counted

As bulk wine continues to grow in volume and importance for many in the Australian wine industry, *Grapegrower & Winemaker* asked Jim Moularadellis, Austwine CEO, for his thoughts on the latest developments in this sector. According to Wine Australia, bulk wine exports in 2010-11 increased in value by 12 per cent to A\$335 million. The rise in value is on the back of a 9% increase in volume to 342 million litres and a 2% rise in the average value per litre to A\$0.98.

Looking ahead, Moularadellis believes the next 12 months will see stronger competition across the Australian market, including bulk wine.

Since the Winemakers' Federation of Australia released its harvest estimate in June, there has been a lot of talk that the overall figure was much bigger than expected. Do you have any comment?

JM: At 1.619 million tonnes, the most recent report on the size of the 2011 Australian winegrape crop is certainly larger than expected. It is similar in size to last year's crush, so what is all the fuss about under-supply from Australia during 2011?

In contrast to previous vintages, general market reaction was as follows:

- 2010: the 1.603m/t was considered smallish
- 2009: the 1.732m/t was large
- 2008: the 1.831m/t was very large
- 2007: the 1.397m/t was very small.

When tabulated and compared with previous years, which is the obvious temptation, the 2011 crush number is actually a little misleading.

There are two reasons why, with the first being the 2011 crush number is the tonnage over the weighbridge, not the tonnage made into wine. We need to deduct the extra volume of



Jim Moularadellis, Austwine CEO.

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grapes sent to concentrate this year to increase Baume of grapes picked earlier than usual due to the heavy rains this vintage.

This practice is not typical in Australia, and certainly did not happen to any significant extent in the previous four years tabulated above, as drought and hot weather typically assisted sugar accumulation. My very rough estimate of this is a net loss of 100-150,000 tonnes of volumes available for winemaking during 2011.

The second reason is we also need to deduct the volume of grapes made to wine that will end up not being of beverage quality. The range of quality outcomes in 2011 is very large compared with previous years and there will be a lot of wine that cannot be sold as varietal wine. As one winemaker described it to me: "in previous years the wines just made themselves", indicating little winemaking intervention was required to produce a respectable product. Not this year. A lot of poorer quality wines are yet to be released to the market as winemakers try to fix them up and make them better.

A lot won't make it to beverage quality varietal wine at all. My very rough estimate of the tonnage of low quality wine: another 100-150,000 tonnes.

Clearly, these estimates lack any scientific rigour: they are simply one person's view. However, if we are prepared to take a leap of faith and use the mid-point of these two very rough

estimates, we need to deduct 250,000 tonnes from the 2011 vintage.

This is quite a big number. So a very different picture emerges and, in contrast to the previous years, 2011 at an adjusted 1.369 million tonnes is likely to be considered a very small harvest. On this analysis, the crush is smaller than 2007 and this is the main reason why prices are rising and supply of varieties is tight.

Does the bulk wine market warrant the negative comments it earns? Shouldn't we be more grateful to have this opportunity to help generate at least some form of income for the growers and wineries?

JM: The Australian wine industry operates in a free market and everyone has the opportunity to participate in the market segments that best suit their business models. The bulk wine market is one such market and it is important in assisting wineries balance their bulk inventories and also supply bottlers with a low-cost product that is economically accessible to many consumers.

If the bulk wine market suffers from a negative perception, then it can probably be traced back to price and a mismatch of business models. In recent years the price of bulk wine has often fallen below the cost of production for many producers, which have typically been forced into the bulk market as long-term supply contracts have expired. Unfortunately, this is a natural consequence of the state of oversupply that

has plagued the Australian industry for the past several years. This has left many unhappy with the financial outcomes achieved, since their businesses were not set-up with the bulk market in mind.

In the July issue, Wine Grape Growers' Australia executive director Lawrie Stanford says Australia needs to accept the financial realities of bulk wine; and work smarter at differentiating between bulk and branded markets. What do you think are the vital steps to achieving this?

JM: Simply identify the markets that are of interest to you and adjust your business model to ensure a profitable and sustainable outcome.

Exit those markets that are not suitable for your business. As Jack Welch, former president of American conglomerate General Electric, said "if you can't compete, don't."

Are you attending the Bulk Wine Expo, in Amsterdam in November? If you are, what do you hope to get from it and why should Australia have a presence?

JM: We have yet to decide on our attendance to this particular trade fair. As with any trade exhibition it takes good preparation and ongoing persistence to achieve meaningful market penetration in the medium to long-term: attending a single trade fair is a very small part of that process. Australia should only have a presence if it wants to participate in the international bulk wine business. **GW**

Global bulk wine expo to open market channels

Buyers and sellers of bulk wine will have an opportunity to network with international export markets at the next World Bulk Wine Exhibition in November.

The exhibition (WBWE) will take place from 21-22 November in Amsterdam.

The event will comprise an exhibition area with a number of exhibitors' stands; a silent tasting room where buyers can taste bulk wine selected by participating wineries and several presentations that, under the sponsorship of the International Organisation of Wine (OIV), will explore the theme, 'How to link profitability and increased quality in bulk wine production'.

World Bulk Wine communications manager Cristina Villar Miranda said the exhibition was aimed at bulk wine buyers, wine brokers, and wineries in

the bulk market seeking new export markets.

"At a time when there is a balance between wine supply and demand, an event such as the WBWE, which brings together the largest bulk buyers and sellers in the world, provides the perfect opportunity to improve your sales prices, make new contacts and open new marketing channels across the globe," Miranda said.

"There are a lot of companies in Australia with a big interest in the bulk wine industry and this trade fair is supposed to be the greatest commercial opportunity for them".

Global beverage logistics company, JF Hillebrand Group, will once again be sponsoring and exhibiting at the WBWE.

Global marketing manager for the group Alex Norton said the exhibition was an important place to meet and do

business with professionals from all fields of the bulk wine industry.

"At the WBWE, we have the chance to meet with wineries, buyers and brokers at the same time – which is a rare opportunity get all parties in the supply chain together around one table, at one time," Norton said.

"We find that this helps to provide solutions to supply chain problems, through clear and open discussions, and also provides a great opportunity for us to offer and share our knowledge about bulk wine logistics."

JF Hillebrand has an Australian division, JF Hillebrand Australia, which employs 60 people in Adelaide and Sydney offices, dealing with both exports from and imports to Australia.

For more updates, visit the website at: www.worldbulkwine.com **GW**