



# RIVERINA WINE INDUSTRY FORUM

Representing the Wine Grapes Marketing Board  
and the Riverina Winemakers Association



RIVERINA  
WINEMAKERS  
ASSOCIATION

## MEDIA RELEASE

18 December 2009

### RIVERINA WINE INDUSTRY RESPONDS TO WINE RESTRUCTURING ACTION AGENDA

National Wine industry organisations have recently issued a Wine Restructuring Action Agenda Statement drawing attention to the urgent need to address structural over-supply and profitability issues for the Australian wine industry. This was done in order to speed up the adjustment process and bring about more sustainable operating conditions and dispel any notion that the industry can trade its way out of the current problem.

According to the statement, surpluses of grapes and wine are now so large that they are causing long-term damage to our industry by devaluing the Australian brand, entrenching discounting and undermining profitability. According to the Statement:

- at least 20% of bearing vines in Australia are surplus to requirements
- at least 17% of vineyard capacity is uneconomic, with few long-term prospects.

While the problems are national, some regions are more adversely affected than others, and not restricted to specific varieties or price points.

A meeting of the Riverina Wine Industry Forum, a joint committee of the Wine Grapes Marketing Board and the Riverina Winemakers Association on Tuesday 15<sup>th</sup> December 2009 discussed the implications for the Riverina wine and grape industries of the current industry situation.

The meeting agreed that:

- The Australian wine industry is in chronic over-supply relative to current market needs.
- The market for Australian wine is not expected to improve for the next 5-6 years given competition in the domestic market from imports – especially New Zealand - and the negative impact the high exchange rate is having on exports,
- Unless there is a contraction of the national vineyard area, current grape surpluses will continue for that period.
- low grape prices being indicated by some national companies for vintage 2010 are unlikely to improve until markets improve,
- The outlook for 2010 is made less certain given the imminent release of the Henry Review into taxation. Any recommendations of a volumetric tax will increase the risk

environment for wineries and place further pressure on wineries to reduce grape intake. Any legislated changes to a volumetric tax could cut Riverina wine grape intake by one-third.

- With local wineries indicating a reduction in grape intake for the coming vintage, it is quite likely that there will be significant local grape surpluses.

The meeting agreed that the situation is not likely to improve until such time as there is a reduction in the national vineyard area and wine sales achieve more profitable returns.

Factors that will impact on the depth and severity of the Riverina industry's current problems include:

- How quickly the national vineyard adjusts to the lower supply requirement
- The strength and direction of any future exchange rate movements
- A continuation of current tax regimes.

Growers need to have a hard look at their future viability in circumstances that suggest certainly no improvement – and more likely a worsening – of the current industry situation in the foreseeable future.

end

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