

The Key Report by ferment

Unlocking the News on the Australian Wine Industry

28th October 2002

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1. Chardonnay – eh?

The September issue of **Which**, the UK consumer magazine had an article headed “discover there’s more to Australian white wine than Chardonnay” Oh well done, another candidate for dumb headline of the year! What seemed rather obvious was the set up. The request to suppliers was a range of white varieties and price points resulting in 35 wines to taste.

The article said “Chardonnay fared badly compared with the other grape varieties” yet on reading the list there were some smart chardy’s in the lineup. So, was the brief “look for anything but chardonnay?” Or were the tasters (professionals all) collectively anti Chardonnay. There again perhaps the wines genuinely were not that interesting.

There were 15 Chardonnays in total and none will make it into the annual **Which Best Buy Guide**. The wines coming 1,2,3, were **The Willows Vineyard** Semillon 1998, **Wakefield/Taylor’s** Gewurztraminer 2001, **Capel Vale** Verdelho 2001 and a special mention for a wine that came sixth **Yellow Tail** Verdelho for its good price.

The October edition of **Decanter** (UK wine magazine) carried “Best Wines 2002 - A Years Recommended Wines In One Issue.” In the intro we are informed that an Australian Chardonnay tasting was interesting as it showed how different regions stacked up, but overall “tasters criticized the wines for lacking individual character”. Decanter follows the practice of awarding stars: three equals Recommended, five for a Decanter Award.

I know it appears strange but no five star reds. Oh well let’s think this through:- Australian Chardonnay is lacking individual character, must be true because Which Magazine said something similar, yet the only wines that get five Decanter stars are Chardonnay. They were.

Edward & Chaffey Selection 353 unfiltered 1997 Chardonnay	McLaren Vale	£10.80
Katnook Estate 1999 Chardonnay	Coonawarra	£10.99
Grant Burge Summers 2000 Chardonnay	Eden Valley	£8.99
Miranda High Country 2000 Chardonnay	King/Ovens Valley	£6.99
Shadowfax 2000 Chardonnay	Yarra/Geelong	£11.50

And if this “anti Australian Chardonnay” feeling sweeping through the UK trade and wine scribes needed any reinforcing, a recent article in Harpers (UK wine trade magazine) on The International Wine Challenge contained this: “Australia showed badly when it came to producing top quality white wines picking up only two gold’s in the category (France won ten), with the Aussies somewhat handicapped by the judges reluctance to hand out gold’s to any wines which had any connection to Chardonnay.”

2. Money matters

BRL Hardy’s reemergence above the \$8 line was short-lived, ending the week trading in the \$7.50 range. At lunchtime on Friday 25th October, trading in **Reynolds** shares was still suspended. It’s shaping up to be a story! At the request of the company a trading halt was

agreed to on Monday 14th October as the 2001/02 financial results needed to be restated. Also, a run-in with the Tax Office was not helping. However it appears to be taking some time.

The bedding down of the **Cranswick - Evans & Tate** merger continues. In recent news two planes owned by the former, estimated value \$1.3 million, are to be sold. We wonder what other goodies will emerge?

Winepros is still being fought over, recording a loss of \$4.48 million for the year ending 30th June 2002. Assets remaining are \$998,439.

Mount Langi Ghiran went on the market some time ago, reported price in the region of \$25 million. Since then not a lot of news, however rumors have started to circulate that a Yarra Valley winery has/is made/making an offer.

3. Update on the anti-WET crusade

Huon Hooke ¹ reports on Dennis Horgan's Anti-WET crusade, which makes perfect sense to us. Instead of governments giving away hundreds of thousands of dollars for consultants to write strategic plans for wine regions to compete against each other, why not spend the money on reducing or abolishing the WET and give the wineries the benefit?

The wine industry is doing more for the development of Regional Australian Tourism than all the other industries put together. If Dennis is right, and "Many of the nation's 1350 small producers will go broke unless the Government's wine tax is changed", governments will be up for a lot more than what they reckon they'll lose by abolishing WET.

Dennis explains it succinctly: "Because the tax is calculated as a percentage of value rather than volume, the small wineries effectively subsidise the big. The WET paid on a four-litre cask retailing for \$15 is about \$2.17, while that paid on a \$20 bottle of wine is \$2.90 – that's equivalent to 54 cents a litre compared to \$3.86. And the dearer the bottle the wider the gap."

Not only does this give the small companies a major advantage, but surely it encourages the consumption of excessive drinking through the availability of cheap cask wine?

The WFA (Winemakers Federation of Australia) is lobbying for the following changes:

- Wine Equalisation Tax (WET) exemption on the first 600,000 litres per annum of domestic sales and 29% WET on all domestic sales after that.
- Remove WET from applications to own use, thereby ensuring taxation consistency between WET and GST.

Also on their website: www.wfa.org.au they list the following information:

Deloitte Touche Tohmatsu / WFA research has shown a winery margin of \$0.48 or 2.4% on a \$20 retail bottle of wine, with a Government tax take of \$4.99 or 25%

Profitability pressures are even greater for the 1,297 wineries (of a total of 1,454) in Australia with less than 1,000 tonnes production.

WFA is in discussions with the Government regarding the unsustainability of these levels of profitability and the implications for the 61 regional economies within which the wineries operate.

Let us hope that governments are listening. As Dennis says, "The smaller wineries are great employers, they attract tourism, etc. And they give character to the industry; the character is disappearing from the industry with the big companies taking over the little."

¹Sydney Morning Herald Oct 22

4. Come play in my region!

If the big retailers only want to play with the big producers then where can the little guys play and with whom? Independent retailers, a shrinking breed, will take up some of the slack, restaurants perhaps a little more and **tourism**. Tourism is being touted as the big one for small wineries; a recent report has just been released for South Australia showing 813,000 visitors spending \$342 million. It should be noted that this fact has not been lost on the big chaps and they also are actively pursuing a slice of this cake. But with all due respect, how many people are interested in a vertical tasting of 4 litre casks?

However, it also promotes competition between regions. Every region reckons they have what it takes to attract the tourist dollar, providing they can just get a state/ federal grant to improve this or that. Go for it but remember every other region is doing the same.

5. Allergic to labels?

Most winemakers will be aware that more changes are on the way to wine labeling laws. This time it's Food Standards Australia New Zealand (formerly ANZFA), which is requiring wine producers to add more safety warnings to their labels.

If you use fining agents such as isinglass, egg whites or tannins, you need to warn customers of the dangers of drinking your product. From 20 December 2002, as the regulations stand, you will be required to label any new products with the following: "This product contains traces of fish" (or nuts or eggs or whatever) or words to that effect. Won't that be a great incentive for consumers to drink your wine?! If you can prove there are no traces of these fining agents, you won't have to say anything. Problem is there are no laboratory tests yet to prove it! And you have to have it sorted out in two months. Another case of "I'm from the Government and I'm here to help"?

But we at Ferment have got a suggestion. We got our marketing gurus to have a few of these "highly adulterated" drinks and see if they could come up with a cunning plan. And they did! Here is the answer. On your back label, (you know, the one that has all the flowery stuff that you spend so much time on, but nobody reads) you could add something like this:

"This elegant wine has aromas of peaches, pears, orange blossom and river pebbles, and traces of fish, nuts and eggs. A perfect accompaniment to fish and chips, fried eggs on toast, or peanut butter sandwiches."

But don't our word for it! For further information check out the web site of Food Standards Australia New Zealand (formerly ANZFA), its motto is "To protect the health and safety of the people in Australia and New Zealand by maintaining a safe food supply." www.anzfa.gov.au

6. Know your place!

"We don't want people to think we're making European wines" Brett Fleming, BRL Hardy.

"It would be wrong if we started making clones of New World, customer-led wine/styles" Graham Hines, director of Wines From Spain.

7. Saving the planet

- **BRL Hardy** via its Banrock Station brand, in partnership with Wetland Care New Zealand is planning to set up a wetland reserve on the North Island.
- The results of an audit carried out by the **Environment Protection Authority** (EPA) have been released. The audit was on 63 wineries crushing over 500 tonnes in the

six major wine regions of South Australia. Under scrutiny included waste management, disposal of waste, noise, odour, chemical storage and staff training. Its good to see most wineries are aware and are improving. The EPA has a scale of risk rating ranging from low to extreme covering each section out of 800 ratings only 10 extremes were given. Problems arose from composting, wastewater and winery sludge.

8. Over there

A selection of reviews from the UK & Ireland covering the week 5th- 13th October 2002.

Mary Downey, writing in the Irish Times 5th October has conducted a survey amongst her readers. France is the place 43% would like to visit for a wine trip. Australia is second on 11% of wish lists.

Ned Halley (Western Morning News 5th Oct) says he rarely buys and therefore rarely reviews Australian wine "preferring to try wines more urgently in need of my custom". Ned goes on to say that he was given a glass of red to taste blind, thought it came from the south of France and put its price over £10. The wine was Penfolds Koonunga Hill Shiraz-Cabernet 2000 costing £6.99. "I swear it is now in a much more sophisticated and – dare I say it – more European style than of memory" writes Ned.

Anthony Rose (The Independent 12th October) writes about Australian wine: "How to account for such success? The answer is attitude and a refreshing lack of bullshit". He continues, "France on the other hand, riven with internal rivalries between regions and organizations has sat on its haunches"

Before you go a whooping and hollering around the vineyard, there is a BUT. "But like a lazy giant who's been poked and prodded once too often, France has at last been goaded into a badly needed exercise regime." The ironic point Anthony makes is that Australia has contributed to this via the many Aussie winemakers going there to work.

Tim Atkin is editor of Harpers, (UK trade magazine) wine correspondent for the Observer (a Sunday broadsheet) a Master of Wine and all round good bloke. From his column in The Observer 13th October "People who think that Dom Perignon, Penfolds Grange, Cloudy Bay Sauvignon Blanc represent good value are probably toting a set of Louis Vuitton suitcases". Tim's article is about value for money wines and where the Brits can find them. According to Tim the answer is "Anywhere that's off the beaten track (or has a weak currency) is a potential source of good inexpensive drinking. My tips are Hungary, South Africa, Portugal, Argentina, the south of France, the south of Italy and weirder parts of Spain."

Australia has moved into the number one spot as country by value in the UK off-trade light wine category. There are a couple of ways of looking at it: one is haven't we done well! the other is that the counter attack is under way.

43% of people in Mary's survey want to go to France. Will the good glass of Australian wine convince Ned to try more? His wine of the week was still French. Anthony's column was pro Australian but warning that the French are getting their act together and Tim is pushing his readers to broaden their drinking habits.

The MAT figures from AC Nielsen July/August show Australia with a 22.3% market share in the off-sale light wine category

World consumption of wine is not growing at the same rate as world production. Latest figures put the amount at 5,605,900,000 litres of over-production.

9. Milk & Wine can mix

Milk and other dairy products can be as effective as some conventional fungicides in controlling powdery mildew in vineyards, according to new research by the **University of Adelaide**.

Peter Crisp from the University's Department of Applied and Molecular Ecology is examining novel control methods for powdery mildew for his PhD, and has already attracted interest from the wine industry with his preliminary findings. Powdery mildew currently costs the Australian wine industry about \$30 million a year, mainly in control measures.

"A lot of people are already using milk on their household pot plants to make the leaves shiny - but now its benefits are being formally recognised," Mr Crisp says. "For the first part of my study, I examined 30 or 40 different treatments, some of them "snake oils" or "old wives' tales", that are in circulation for treating powdery mildew. Unsurprisingly, most of them did not provide good control, but milk and whey, and also a canola oil-based product, stood out as being comparable to current powdery mildew treatments."

A solution of milk and whey is sprayed onto the grapevine leaves and immature grapes. The solution appears to work well on most grape cultivars and, importantly, doesn't appear to affect the quality of the grapes and hence the finished wine product, although this needs to be evaluated experimentally. The success of milk as a control of powdery mildew on grapevines supports earlier research on zucchini in Brazil.

The implications of Mr Crisp's research are biggest for organic winemakers, those who don't currently use synthetic fungicides and herbicides for disease and pest control.