



# MEDIA RELEASE

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## **WGGA notes positives in supply adjustment – but more is needed**

Wine Grape Growers Australia today released an analysis of the 2014-15 Vineyard Survey results, in which it noted positive signs of supply adjustment that continues to move the wine sector toward supply-demand balance. There was nevertheless a strong qualifier that there is still some reduction of supply still needed at current demand levels.

On the positive side of supply adjustment indicators, there has been an estimated 17% reduction (nearly 30,000 hectares) in the national vineyard size from its peak in 2007-08 and there were record low non-bearing areas reported. The combination of these two factors, in the right market conditions, should lead to upward pressure on winegrape prices sometime in the future.

However, the report noted continued indicators of supply side stress. These indicators included on-going net removals of vines, grapes left on the vine or dropped at harvest and winegrape supply starting to edge up again in recent years due to increasing national average yields in tonnes per hectare.

Lawrie Stanford, WGGA executive director and author of the report, said that “the long and painful adjustment in winegrape supply is headed to a desired position for balance but there is no certainty yet for businesses that are eating into assets in order to survive until better times arrive. Better times are unlikely to be immediate.”

Mr Vic Patrick, WGGA Chair, said “The state of adjustment, together with positives in market conditions and export sales, augur well for growers in the next few years. Winegrape prices are likely to improve as supply continues to tighten and growers have more bargaining power”. But echoing the sentiments expressed in the report, he cautioned that this “depended on the final unwinding of supply/demand imbalance and the willingness of wine companies to negotiate better prices as they rebuild their own margins.”

On a final somber note, the report indicated that around 1500 (23%) of the winegrape growing businesses that existed in 2010 have since exited the industry. “The adjustment has been long and difficult and the positive indicators that are emerging now, come too late for some” said Mr Stanford.

The full analysis can be viewed on the WGGA website at <http://wgga.com.au/wp-content/uploads/2015/11/Analysis-of-2014-15-Vineyard-Survey-OCT-2015.pdf>

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