

A regional perspective on adjustment

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WGGA is a national organisation and naturally, it takes a national perspective on supply and demand balances.

Feedback from the regions nevertheless highlights the fact that such high-level analysis does not always accurately reflect the circumstances of individual regions.

Moreover, some feedback suggests that recent messages of national oversupply undermines positive news for regions felling they are in balance or even under-supply.

This article is an attempt to provide some indicators of regional differences in supply-demand balances by reporting regional supply adjustments from Vineyard Survey evidence. The word 'indicators' is used advisedly since the production statistics are only half of the supply-demand picture that will ultimately reflect balance.

The Vineyard Survey is the industry's national viticulture statistics collection, albeit that the 2012 collection was the last one and there is no longer a national viticulture statistical collection until decisions are made about how to re-instate a data collection.

For simplicity, not all regions are reported in this article, although they are available in the Vineyard Survey statistics for the interested reader to find themselves (go to the Wine Australia website to find them in winefacts). In addition, the smaller regions of Greater Victoria (outside Yarra Valley, Goulburn Valley, Heathcote and King Valley) have been aggregated into 'Greater Victoria-Other'.

The regions that are included accounted for 95% of the total national vineyard in the start year, 2007-08.

This analysis reports the supply adjustment that has occurred since 2007-08, and therefore misses the first year of continuous contraction in total area between 2006-07 and 2007-08. Nevertheless, contraction started relatively slowly in 2006-07 and the record of contraction provided here, for 2007-08 to 2011-12, captures 96% of the total contraction in the national vineyard over the total period.

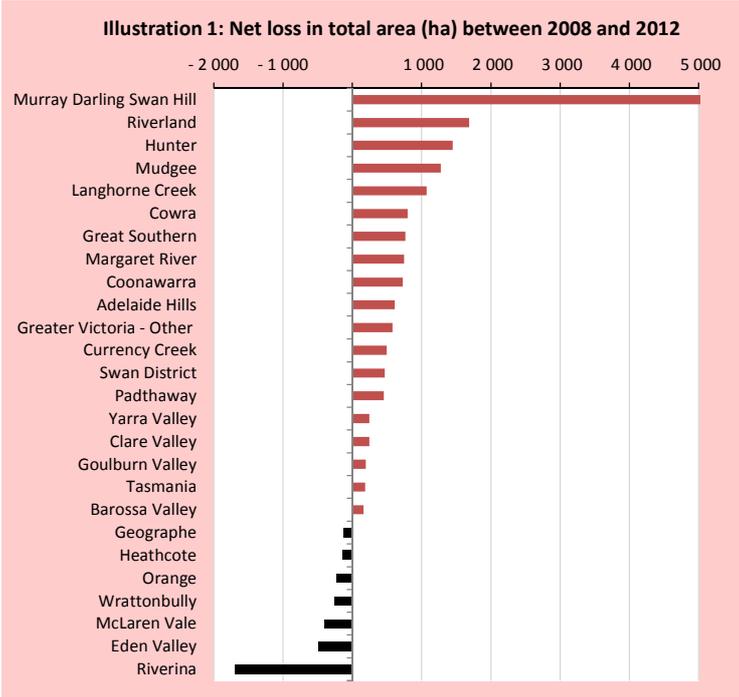
The data reported here shows that adjustment has varied markedly between regions.

Net loss in total area between 2008 and 2012

It needs to be noted that in 2007-08, the Vineyard Survey collected statistics on all vine varieties from which winegrapes were sourced - including vines that also produced dried and table grapes. After 2007-08 however, what was reported was strictly winegrape-producing areas so for some regions the loss of vines between 2007-08 and 2011-12 will be inflated by the reporting of non-winegrape producing vines in the first year of the period but not subsequently.

This goes some way to explaining the first stand-out observation from Illustration 1, Murray Valley Swan Hill vineyard area losses were off the scale, at roughly 12 500 hectares in all.

A part of the explanation may be the significant dried fruit industry in the area and its inclusion in the first year of reporting. Nevertheless, the winegrape area loss is still likely to be significant.



Reflecting their relative sizes compared to other winegrape growing regions of Australia, the warm inland districts have been prominent in regional supply adjustment. Nevertheless, only two of the three warm inland regions contracted - Murray Valley Swan Hill and the Riverland. In contrast, the Riverina expanded and showed the largest expansion among the reported regions, in terms of absolute hectares of vines. In the Riverina, the total winegrape vine area grew by 1,700 hectares over the reported period.

After Murray Valley Swan Hill, as the region with the most likely highest contraction, came a clutch of regions with next highest number of hectares lost, all of between a 1,000 to 2,000 hectares each. These were the Riverland, the Hunter, Greater Victoria-Other, Mudgee and Langhorne Creek. Thirteen more regions declined by between 150 to 1,000 hectares.

The expansion in the Riverina raises the fact that not all regions contracted in the reported period and each of Eden Valley, McLaren Vale, Wrattobulley, Orange and Heathcote expanded between 2007-08 and 2011-12. On the other hand, after taking a trend for lower tonnages per hectare into account, tonnages declined in each of the Riverina, McLaren Vale and Orange despite the hectare increases.

Additional considerations

To provide greater insight into the reported losses of vine hectares, additional interrogations of the data are possible.

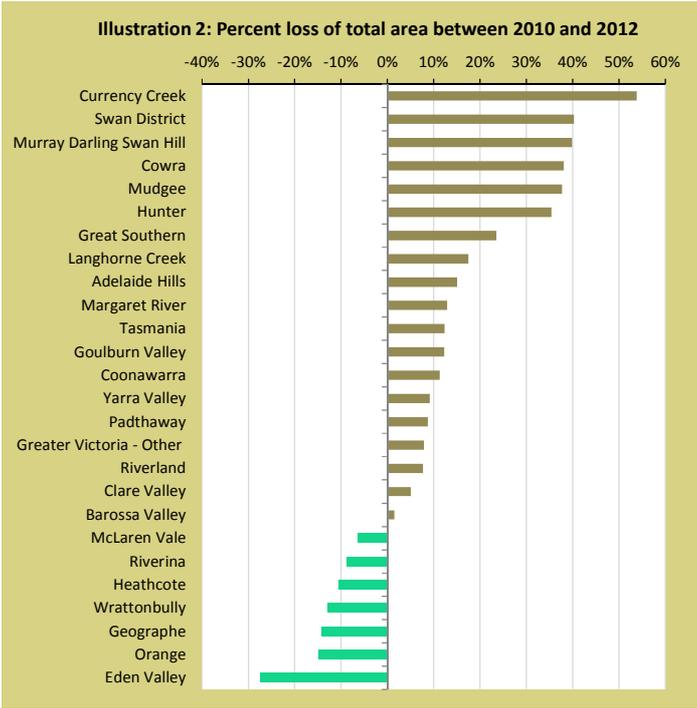
First, to reflect the regional significance of the reported hectares lost/gained, the vine area contraction as per cent of vines that existed in 2007-08 is provided.

Second, some of the dynamics behind the losses/gains are hinted at by comparing vine removals with new planting (that is, are area losses simply grubbing or is it likely vine replacement is occurring?).

Finally, the pattern over time of net removals in warm inland versus cooler-temperate regions provides interesting feedback on the timing and geographical location of adjustment.

Percent loss of total area between 2010 and 2012

The stand-out area in terms of the relative adjustment is Currency Creek where for a relatively small vineyard district, the recorded 500 hectare downsize in total vineyard area accounted for over 50% of the area that existed in 2007-08 (see Illustration 2).



Districts recording relative declines in total vine area of between 30% to 40% were in descending order; Swan District (down 40%), Murray Darling Swan Hill (where once again, the 40% decline in vines is likely to reflect a significant area of winegrape vines but is also likely to be inflated by the inclusion of non-winegrape vines in the first year and not in the latter years), Cowra (down 38%), Mudgee (down 38% and the Hunter (down 35%).

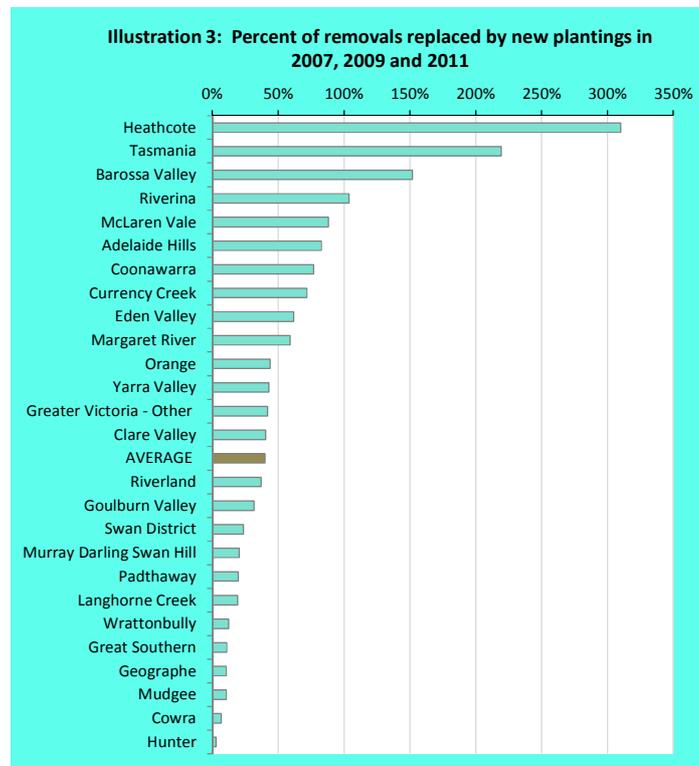
On the growth side of the ledger, Eden valley increased total vineyard area by 28% while a number increased by between 10% to 20% namely; Orange, Geographe, Wrattenbully and Heathcote.

Overall, after accounting for both the increases and decreases in vineyard area, the national vineyard declined 14%.

Snapshots of the percent of removals that are replaced by new plantings

This data is taken from a snapshot of removals and new plantings in 2007, 2009 and 2011 which are then summed. Unfortunately, incomplete data means the full data series is not available.

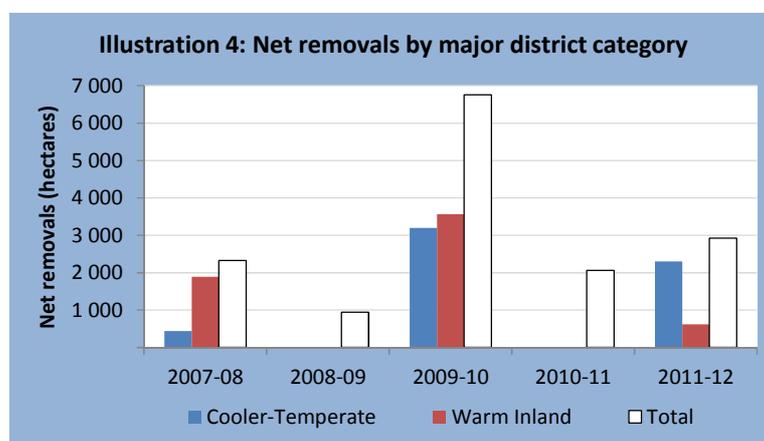
The data needs to be interpreted with caution because it is possible that in the intervening years there were significant movements that may change the indications provided here. A comparison of the net losses (Illustration 1) with Illustration 3 confirms this.



Nevertheless, a few broad impressions are possible. These are:

- relatively few areas grew by virtue of plantings exceeding removals;
- in roughly a similar share of the reported districts, the areas planted replaced more than half of the vines removed;
- in the larger share of reported districts (roughly two thirds of them), less than half of the removed vines were replaced, where;
- in around a third of the total number of districts, areas removed dominated areas planted by more than 3 to 1.

Warm adjusts early, cool adjusts late



The record suggests that in the earlier part of the period of national vineyard contraction, between 2007-08 and 2011-12, the warm districts were most active in net removals while in the latter part of the period warm net removals declined in favour of a larger number of net removals in cooler-temperate districts (see Illustration 4). In between, in 2009-10, net removals peaked with both districts making a relatively equal contribution.

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