

MEDIA RELEASE

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DROUGHT HITS HARD FOR AUSTRALIAN WINE

The 2008 Australian winegrape vintage could be down by more than 50% if current unfavourable seasonal conditions continue.

Releasing results from modelling done by the Wine Industry Drought Taskforce, the Winemakers' Federation of Australia (WFA) and Wine Grape Growers' Australia (WGGA) today announced that the drought-affected 2008 winegrape crop was likely to fall to between 800,000 tonnes and 1.3 million tonnes. This compares with normal seasonal conditions which would see a crop of around 1.9 million tonnes.

"As the season progresses, we will be able to refine our forecasts" said Mark McKenzie, Executive Director of WGGA.

"However, we know for certain that yields will be down dramatically in those regions relying heavily on irrigation water from the Murray Darling, particularly the Murray Valley (Vic) and Riverland (SA), where water allocations for high reliability water are currently 10% and 16% of full allocations respectively."

"In NSW, Murray water has been made available to meet the critical supplies for essential human needs, permanent plantings and essential industries" he said.

"In many other regions, the prognosis is little better, and rainfall is urgently needed."

"A drop in the size of the crop towards the lower end of this estimate means that Australian wine exports will most likely fall over the next 12 months" said Stephen Strachan, Chief Executive of WFA.

"Wine companies will seek to protect their established and high value brands and will divest lower profit product, particularly the surplus-induced distressed sales that have been evident over the last couple of years."

"It is also highly likely that some companies will seek to offset the shortfall by importing bulk wine for some products sold in Australia such as cask wine" said Mr Strachan.

As a consequence of the more severe nature of this drought, the Australian wine surplus will disappear, and Australian wineries are gearing up to manage a grape and wine shortfall over the next year or two at least.

On the basis of updated information and industry consultation prior to the Wine Industry Outlook Conference in Melbourne on 27 November, the Australian Wine and Brandy Corporation (AWBC) will deliver an update on the 2008 harvest at the conference. Also considered will be the implications for exports and imports.

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The Winemakers' Federation of Australia is the peak industry body representing the interests of winemakers across all national issues

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