PRIMARY INDUSTRIES & REGIONS SA
PIRSA

Wine ScoreCard 2014-15

PRIMARY INDUSTRIES AND REGIONS SOUTH AUSTRALIA

PREMIUM FOOD AND WINE FROM OUR CLEAN ENVIRONMENT

SOUTH AUSTRALIA

Government of South Australia
Primary Industries and Regions SA

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To track the advances in the South Australian food and wine industries, Primary Industries and Regions South Australia (PIRSA) has developed a series of industry ScoreCards, which provide detailed value-chain measures1 of annual performance. This report outlines the 2014-15 performance for South Australia's wine industry.

1. GRAPE AND WINE SCORECARD 2014-15 RESULTS

In 2014-15 South Australian Gross Wine Revenue (GWR) reflects the stability that is occurring within the wine industry.

Key indicators of the South Australian Wine ScoreCard for 2014-15 include:

- Gross Wine Revenue remained at $1.78 billion – a decline of $3 million from 2013–14.
- Volume of grapes produced increased slightly (5%), with an 11% rise in farmgate value to $470 million.
- South Australian winemakers produced 507 million litres of wine worth $1.6 billion.
- Overseas exports grew by 23 million litres (or 5%) to 481 million litres, with the value increasing by $63 million (or 6%) to $1.22 billion.[1]

The $1.78 billion GWR is virtually the same as recorded in 2013–14, with a $3 million decline from last year's figure. Despite the slight fall in GWR, wine grape growers revenue increased by $47 million (or 11%) and wine exporters received an extra $63 million (or 6%). Table 1 below reflects these changes in regard to value while Table 2 shows the major volume changes that have occurred in the last year.

Table 1: South Australian Wine ScoreCard – value-chain – change over the year to 2014-15, value $ million

	Farm Gate Value of Grape Production	Wholesale Value of Wine Made	Overseas Exports	Interstate Sales + Change in Stocks	Retail & Hospitality Consumption	Gross Wine Revenue (Sum of 3 to 5)
2014-15	470	1 592	1 216	14	559	1 789
Change over year	47	-4	63	-87	26	3
% Change over year	11%	0%	6%	-87%	5%	0%
Note: Numbers have been rounded and discrepancies may occur between sums of the component numbers and totals						

Table 2: South Australian Wine ScoreCard change over the year to 2014-15, Volume

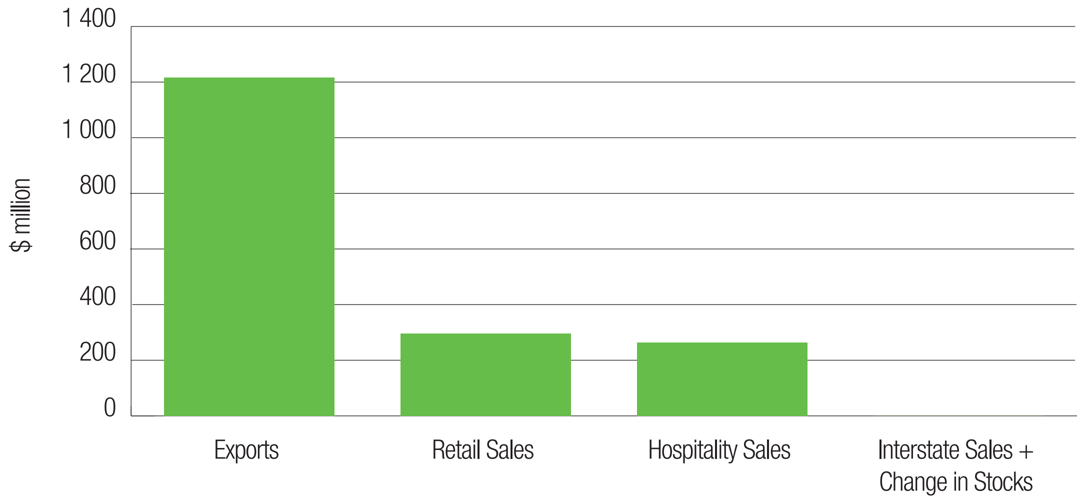
	Grape Production (tonnes)	Wine Making (million (m) litres)	Overseas Exports (m litres)	Interstate Trade & Change in Stocks (m litres)
2014-15	737 803	507	481	0
Change over year	31 787	-25	23	-34
% Growth over year	5%	-5%	5%	NA
Note: Numbers have been rounded and discrepancies may occur between sums of the component numbers and totals				

1 Export and import values are based on ABS Trade data (unpublished) using detailed 8 digit AHECC data. Note: slight differences in values between the ABS wine export data and other sources may be possible from time to time.

1.1 Gross Wine Revenue (GWR)[2] - remained steady at $1.78 billion

In 2014–15, Gross Wine Revenue (GWR) reached $1.78 billion, with a $3 million decline in value compared to the previous year. Figure 3 below outlines the composition of GWR for 2014–15. It shows that 69% of the total GWR revenue was generated through wine exports, with the remainder being shared between retail and hospitality sales.

Figure 3: 2014-15 South Australian Gross Wine Revenue: $1.78 billion



1.2 Grape production farmgate value – $470 million

Over the 2015 vintage, South Australian grape growers produced 738 000 tonnes of grapes, with a farmgate value of $470 million. After a slight increase in grape production and price, the farmgate value increased by $47 million (or 11%) over the year.

In South Australia, there are currently 76 118[3] hectares of wine grape producing vines, with average yields estimated at slightly over 9.5 tonnes per hectare.

The average grape price (weighbridge) in 2014–15 was $637/tonne,[4] up $37/tonne (or 6%) from 2013– 14.

2 Gross Wine Revenue includes imports into the state, valued at an estimated $48 million based on apportioned national wine imports

3 ABS source, Vineyard estimates 2014-15 (cat.no.1329.0.55.002)

4 Average grape prices are derived from the SA Winegrape Utilisation and Pricing Surveys. The survey notes that these prices exclude any bonuses or adjustments applied beyond the weighbridge and therefore represents a conservative estimate of total crop value. According to the 2006 SA Winegrape Utilisation and Pricing Survey: 'There is considerable variation in the pricing arrangements made by different wineries. For example, some wineries make adjustment payments based on the average value per tonne reported in the survey and some pay quality bonuses based on the end use of the product. These additional payments are not made in the reported figures. The average price does not include any indication of the distribution of prices, or variables that go into individual contracts. Therefore the average price should not be compared directly with any individual grower's arrangements.'

Figure 4 shows there has been a steady increase in the farmgate value, despite a fluctuation in recent years in the volume of grapes.

Figure 4: Volume and value of South Australian grape production, 2001– 02 to 2014–15

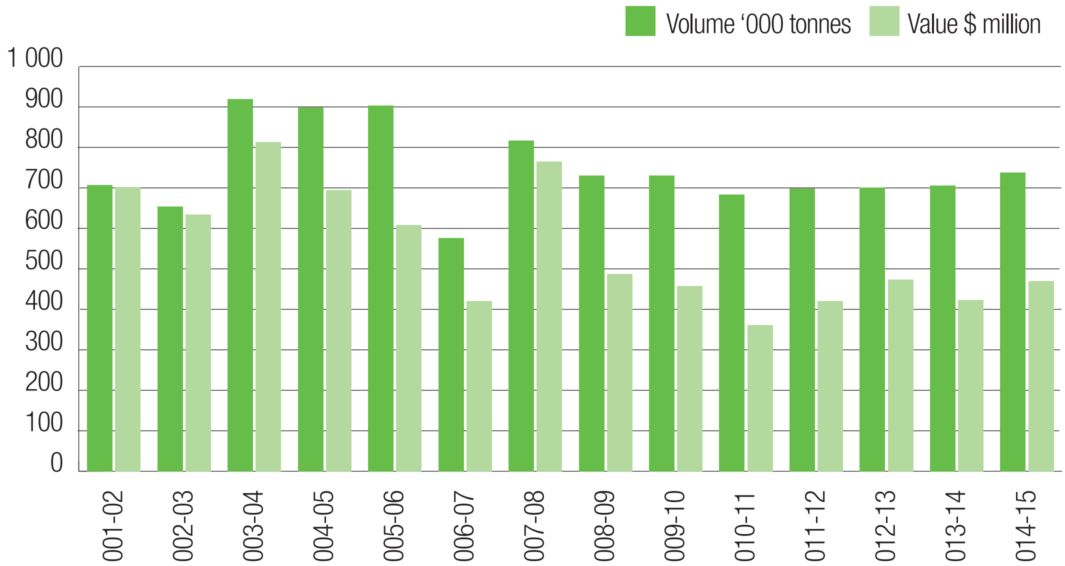
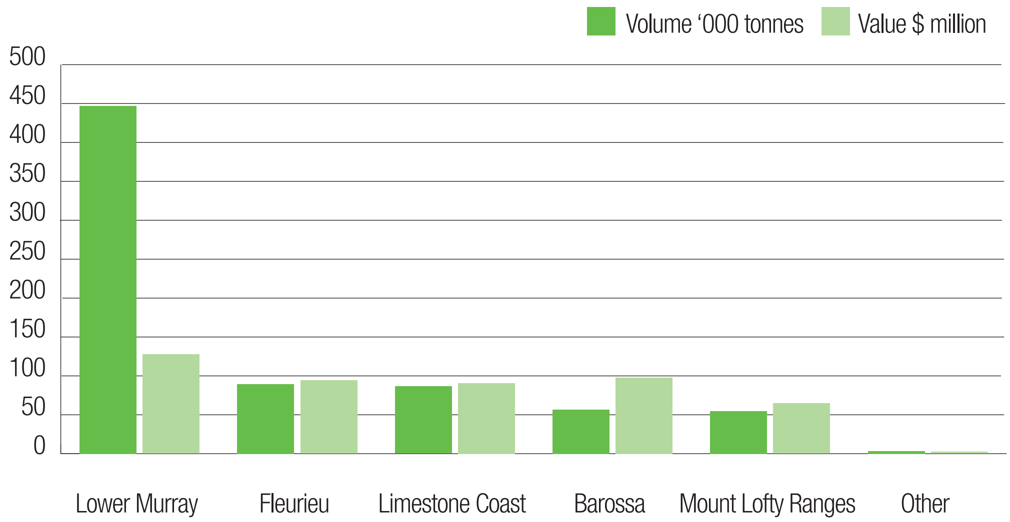


Figure 5 below highlights the change in average South Australian grape prices from 2001–02 to 2014–15. Although still below the high prices of a decade ago, the average price in 2014–15 exceeds the lows experienced three or four years ago. It should be noted that Figure 5 only reflects the average price and not some of the premiums that are being achieved in some regions.

Figure 5: Average grape prices (farmgate), $/tonne, 2001-02 to 2014-15 (nominal)

South Australia's wine grape production is divided between seven Geographical Indicator (GI) zones. Figure 6 below shows both the volumes and values of production across the state, with most production volume associated with the Lower Murray region at 61%. However, values are more evenly distributed across the five zones ranging from the Lower Murray with 27% to the Mount Lofty Ranges with 14% of the total production value respectively. Figure 6 also indicates the variation of price being received for wine grapes across the various regions.

Figure 6: South Australian wine grape production by region, 2014-15 – volumes and values



1.3 Wine processing value - $1.60 billion

In 2014–15, the wholesale value of winemaking in South Australia declined marginally by $3 million to $1.60 billion.[5]

Figure 7 below highlights the trends in wholesale value for wine produced in South Australia since 2001–02. It shows that the value has declined at 3.5% per annum over the last 13 years, reflecting the global slowdown that has occurred in the wine industry, especially over the last six to seven years.

Figure 7: South Australia's total processed wine wholesale value, 2001–02 to 2014–15

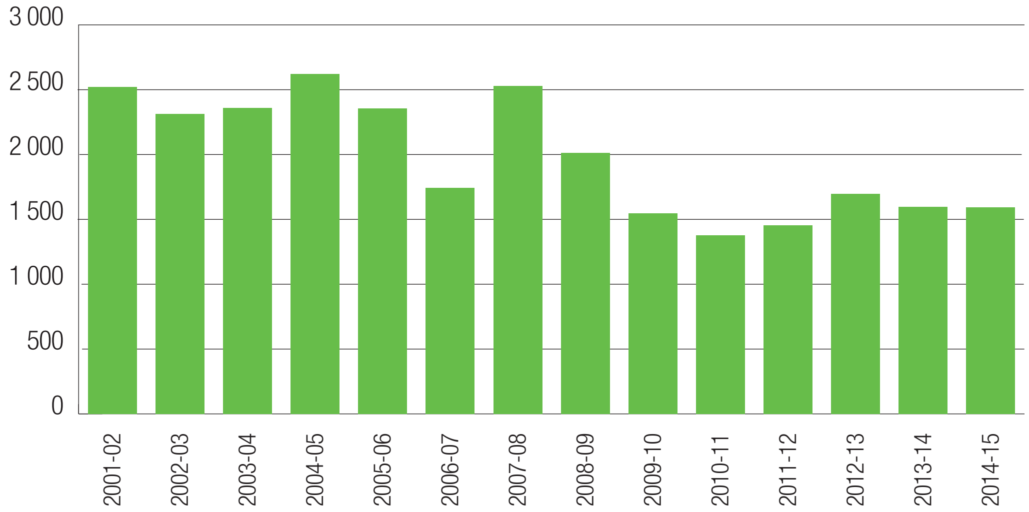


Figure 8 below shows bulk wine processed as a percentage share of the total processed South Australian wine. Although this percentage had remained steady over the previous four years, there was a decline in 2014–15.

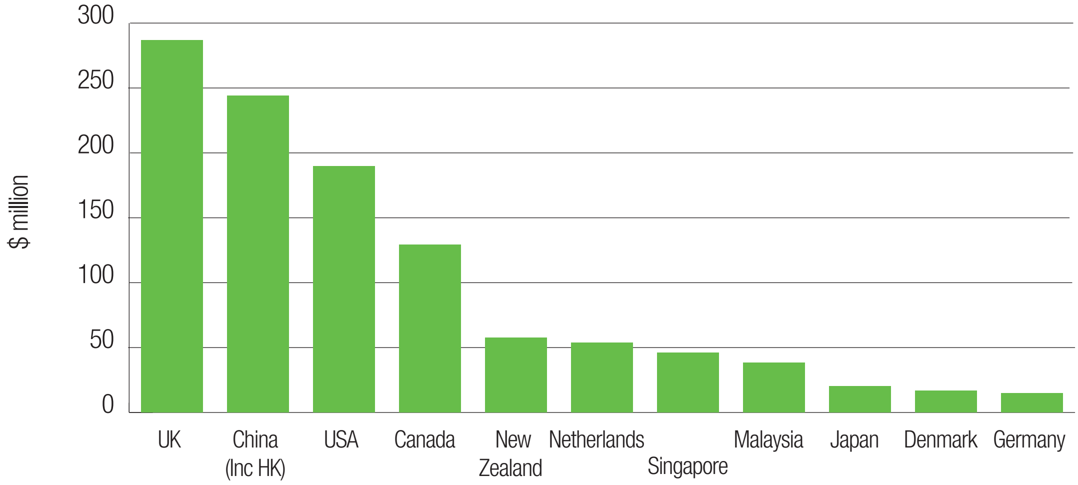
Figure 8: South Australian bulk wine as a percentage of total wine produced, 2001–02 to 2014–15

5 The value of wine processed (measured in wholesale prices) has been estimated by calculating the share of grapes going into bottled and bulk categories and then estimating separate per-litre values based on grapes and other cost inputs. Wine costs have been derived from various Deloitte 'benchmark' estimates for different scale wineries.

1.4 Overseas trade – key destinations for South Australian wine exports

Figure 9 depicts the leading destinations of wine exported from South Australia during 2014-15. South Australia exported wine to over 107 countries, down from 111 countries in 2012-13. United Kingdom (UK), China (including Hong Kong) the United States of America (USA) are the key export destinations for South Australian wine, comprising almost two thirds (59%) of total South Australian wine export value.

Figure 9: Overseas destinations for South Australian wine exports, 2014–15



South Australia's value of wine exports increased by $64 million (6%) to $1.21 billion. Wine exports, comprising 11% of total South Australian merchandise trade, remain a significant contributor to achieving the SASP Target No. 37 to increase the value of South Australia's export income to $25 billion by 2020.

Wine exports to China (including Hong Kong) increased by $65 million or 27% with small declines in the value of wine exports to the UK (1%) and the USA (8%). China (including Hong Kong) is now South Australia's second biggest wine export market.

In 2014–15, around 6.6 million litres of wine worth $48 million was imported into South Australia[6] from overseas. This represents a 14% decrease in the volume of imports over the year and a 9% decline in the value of overseas wine imports.

6 ABS Trade Data, unpublished. Imports are derived using national wine imports (volumes and values) apportioned on a population share basis.

2. SUMMARY AND OUTLOOK

In 2014–15, the South Australian Gross Wine Revenue remained steady, declining only $3 million from the previous year. The stabilisation of the wine industry is reflected through little change in the 2014–15 South Australian Wine Industry ScoreCard fron the previous year.

The industry is well positioned for growth, predominantly through capitalising on changes in the export market landscape arising from the Free Trade Agreements with China, Japan, and Korea, and also assisted by the depreciation of the Australian dollar that has increased the Australian wine industry competitiveness.

A rebalancing of supply and demand could be driven by a combination of business restructuring which has already commenced, and creating opportunity for exports in new and existing markets while ensuring a focus remains on high-value markets.

3. GLOSSARY OF TERMS

Farmgate

This measures the value of a commodity at the local level of production, which is known as farmgate. Farmgate value is calculated by multiplying the volume of production by the price received. This represents the value of production to the farmer or fisher person.

Finished Food Value (measured in wholesale prices)

This measures finished food – the value of foods and beverages that are processed at their highest level of processing in South Australia. Finished foods may be minimally or highly processed and the value is represented by their wholesale price into the retail or export markets.

Food Retail Sales

Food Retail Sales measures the value of food sales made through all retail stores including supermarkets and grocery stores, takeaway food, meat, fish, poultry, fruit and vegetable retailing, liquor retailing, bread and cake, and specialist food retailing.

Food Service Sales

Food Service Sales measures the value of sales of food and beverages through restaurants, hotels, and tourism operations within South Australia. The calculation estimates the percentage of total sales that occur through these outlets. Prices used in this calculation are usually higher than those used at the retail level.

Free on Board (FOB)

Free On Board (FOB) is the price of a commodity or product received by a supplier, including all costs incurred in getting the commodity or product to the port of departure, at which point the buyer takes responsibility of the costs.

Gross Revenue

An aggregate measure of revenue that includes international and interstate food and beverage exports and the value of food and beverage retail and service sales contributing to the South Australian economy. It is calculated by taking the sum of overseas export value (commodity and processed), interstate trade value (commodity and processed), food retail sales and food service sales. Gross revenue can be used in reference to food, wine or food and wine combined.

Interstate Sales – Commodity and finished food

This represents the difference in the value of goods exported interstate from those imported from interstate. A positive value represents net interstate exports – for example exports exceed imports. A negative value represents net interstate imports – for instance, imports exceed exports.

Overseas Commodity Exports

This measures the value of overseas exports of agricultural commodities sold overseas by South Australian firms, calculated by using free on board prices. Commodity exports are products that have a minimal change from their natural form – for example, live animals or bulk grain.

Overseas Imports – Commodity or finished food

This measures the value of either agriculture commodities or finished food products that are purchased from overseas. Import volumes and values are quantified at their South Australian landed value (at the port of shipment).

Overseas Finished Food and Wine Exports

This measures the value of overseas exports of food and wine products sold overseas by South Australian firms, calculated by using free on board prices. Finished food and wine exports are commodities that have had further value added from the point of production. For example, meat, wine, packed fruit and vegetable or fish.

South Australian Strategic Plan (SASP)

The South Australian Strategic Plan (SASP) guides individuals, community organisations, governments and businesses to secure the wellbeing of all South Australians. South Australia's Strategic Plan contains the State's visions and goals and its 100 measurable targets reflect our priorities. The SASP identifies priorities for South Australia.

Value Chain Measures

Value Chain Measures include all measures or indicators that are used along the value chain from the farmgate through the chain to the final point of sale.

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