vinetur

Australian wine production faces steepest decline in over two decades

Unprecedented 26% decrease in 2023 vintage - lowest in two decades - threatens financials of grape and wine enterprises

Friday, July 21, 2023



In a troubling revelation for the wine industry, Australian producers are confronting their most minimal vintage in the past two decades. According to data furnished by the trade association, Wine Australia, the nation's vintage estimate stands at a mere 1.32

million tonnes for 2023. This unsettling number is a precipitous 26% below the decade's average and marks the lowest tally since the dawn of the millennium.

Such an unprecedented downturn is largely attributable to a series of formidable environmental challenges that the Australian wine belt has grappled with throughout the year. Persistent rainfall, anomalously low temperatures, and extensive flooding have significantly impeded the nation's vineyard activities.

Adding to the adversities, Australia found itself under the wrath of its third successive La Niña episode. Such climatic oscillations culminated in 2023 being branded the most rain-laden year since 2011 and the chilliest since 2012.

The South Eastern part of Australia, which hosts a significant portion of the country's vineyards, was inundated with unremitting rains during the winter and spring seasons. This presented formidable challenges to wine growers, from vineyard access issues to complications in disease management. Such unprecedented climatic quirks invariably led to dwindling yields and deferred ripening of grapes across various territories.

Wine Australia's report also highlights the inventory-induced challenges faced by the industry. Due to the surfeit of pressures, there have been significant strategic shifts like the imposition of yield caps. More distressingly, some vineyards were compelled to suspend their production activities altogether. The fallout of these circumstances was that uncontracted grapes found no buyers and remained unsold.

For Peter Bailey, Market Insights Manager at Wine Australia, the ramifications of this year's dwindling vintage are grave. "Such a substantial dip is bound to bear heavily on the financials of grape and wine enterprises throughout Australia. This comes at an inopportune juncture when costs linked to inputs, energy, manpower, and transportation have surged appreciably," Bailey observed.

This alarming scenario coincides with Australia grappling with burgeoning economic challenges. The nation's core inflation touched a concerning 6.4% in May. The resultant corrective measures from the Reserve Bank, in the form of consecutive hikes in interest rates, pose an imminent threat of plunging the economy into a recessionary phase.

In what can be considered a silver lining amidst the clouds, the extraordinarily cool season is poised to yield high-grade grapes. Such quality is anticipated to cater to the escalating demand for 'premium' wines, especially in pivotal markets like the UK and the USA. Bailey opined, "Globally, especially in matured markets, there's been a palpable slump in commercial wine sales but a converse spike in premium wine off-takes."

The year's data paints a clearer picture of the challenges faced. The red grape crush for 2023 plummeted to 711,777 tonnes, a 26% contraction from the previous year. This number is distressingly 25% less than the decade's average. The white grape segment wasn't spared either, with its yield reaching just 605,321 tonnes, marking a decrease of 22% year-on-year and a dismal 28% below the ten-year mean.

Yet, amidst the general gloom, Shiraz stands tall as the preferred grape variant, trailed by Chardonnay, Cabernet Sauvignon, Sauvignon Blanc, and Merlot.

Region-wise, South Australia remains the dominant contributor, accounting for 55% of the crush. New South Wales and Victoria followed with 27% and 13% respectively. Interestingly, Western Australia emerged as an exception, registering a prosperous season and raising its stake to 3.5%. Tasmania and Queensland had minimal contributions, both clocking in slightly less than 1%.

A closer examination by Wine Australia points to the significant declines being predominantly sourced from the nation's expansive inland wine production hubs: South Australia's Riverland, the Murray Darling-Swan Hill expanse shared by New South Wales and Victoria, and New South Wales' Riverina. Collectively, these regions witnessed a 28% dip year-on-year, bringing down their cumulative market share to 68%, substantially below their long-standing average of 74%.

In financial terms, the monetary worth of the 2023 vintage at weighbridges was valued at a staggering A$983 million, marking a downturn of 19% vis-à-vis 2022.

Given the dire state of affairs, the Australian wine industry is at a pivotal juncture. The challenges of the past year will undoubtedly shape the strategies and innovations for the future, as producers grapple with both the uncertainties of nature and market dynamics.