Opportunities in Viticulture

Overview

Viticulture in Western Australia is a dynamic industry comprised of dried fruit, table grapes and wine grape production, with wine grape production the most significant component of the industry.

Wine Grape and Wine Production

Western Australia's wine industry has established a small presence in international markets and is consolidating its reputation for high quality and value for money product. It is well placed to continue to take advantage of the strong export performance of Australia's wines.

Wine Grape Production in Western Australia

2000 Wine Grape Utilisation Survey

Wine Regions	Tonnes crushed	$A estimate crushed	Wineries 2000
Margaret River (South West)	16,413	22,975,786	48
Great Southern	7,861	11,351,874	13
Swan Districts	4,839	4,343,117	35
Manjimup	5,328	7,205,194	11
Perth Hills	271	39,900	8
Other	4,915	4,209,957	14
Total	39,626	50,107,828	129

Source: Department of Agriculture Western Australia

Western Australia is a small but significant producer of premium quality wines that are supplied to niche markets in Australia and overseas. The success of Western Australian wines in capturing market share has seen the number of wineries increase from 100 in 1996 to 129 in 2000. In addition, another 99 wine companies have their grapes processed by one or more of the 129 existing wineries.

Wine grape production has increased from 19,376 tonnes in 1996, to 39,626 tonnes in 2000.

The following premium varieties of grapes were grown for wine production in 2000:

Wine Grape Production 2000

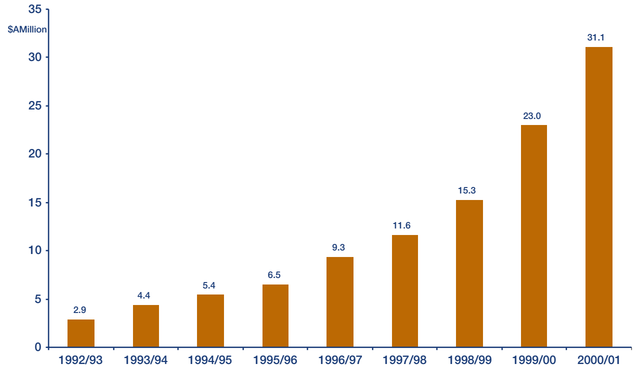
White Grape Varieties	Production (Tonnes)	% Share
Chardonnay	6,280	28.5
Sauvignon Blanc	4,214	19.1
Semillon	4,160	18.9
Chenin Blanc	2,777	12.6
Verdelho	1,669	7.6
Riesling	1,238	5.6
Muscat Gordo Blanco	45	0.2
Pedro Ximines	21	0.09
Muscadelle (Tokay)	3	0.01
Other Whites	1,641	7.4
Total White	**22,048**	**100.0**
Cabernet Sauvignon	6,663	37.9
Shiraz	5,266	30.0
Merlot	1,849	10.5
Pinot Noir	857	4.9
Grenache	549	3.1
Cabernet Franc	445	2.5
Malbec	105	0.6
Petite Verdot	19	0.1
Mataro (Mouvedre)	2	0.01
Other Red	1,823	10.4
Total Red	**17,578**	**100.0**
GRAND TOTAL	**39,626**	

Source: Department of Agriculture Western Australia

The domestic market is important to the small wine producers as they derive significant income from cellar door, retail and restaurant sales. However, as the domestic population is relatively small, more and more wine is being exported to the Eastern States and overseas.

Department of Local Government and Regional Development

Fig. 1 Western Australian Wine Exports 19992/93 to 2000/01



Source: Australian Wine and Brandy Corporation

Western Australia's overseas exports of wine have increased from $A2.9 million in 1992/93 to $A31.1 million in 2000/01, suggesting continued strong growth.

The major markets for Western Australia's wine exports in 2000/01 are the USA, United Kingdom, Switzerland, Japan and Singapore.

Western Australian Wine Exports - 2000/2001

Destination	$A Value	% Share
USA	9,790,026	31.4
United Kingdom	7,647,142	24.6
Switzerland	2,240,015	7.2
Japan	1,460,628	4.7
Singapore	1,403,680	4.5
Germany	1,162,523	3.7
Hong Kong	951,426	3.1
Canada	930,275	3.0
Belgium-Luxembourg	877,210	2.8
Netherlands	761,730	2.4
Ireland	654,623	2.1
France	590,389	1.9
Indonesia	562,588	1.8
New Zealand	432,914	1.4
Denmark	365,116	1.2
Others	1,317,565	4.2
Grand Total	31,147,849	100.0

Source: Australian Wine and Brandy Corporation

Western Australian wineries have established a reputation for their product in overseas markets. As a consequence the value of exports to the USA increased from $A435,916 in 1994/95 to $A9.8 million in 2000/01. Exports to the United Kingdom increased from $A2.4 million (1994/95) to $A7.6 million in 2000/01. Japan is another strong growing market with the value of wine imported from WA increasing from $A249,809 in 1994/95 to $A1.5 million (5% of WA wine exports) in 2000/01. Singapore and Switzerland are becoming increasingly important as export destinations.

Investment Opportunities in Wine

An industry report suggests that Western Australia has the greatest unused potential for premium wine production (appropriate soil types and climate) in Australia. Western Australia's climate is ideal for growing a range of premium wine grapes. Western Australia also has the further advantages of being free from some of the most serious industry diseases, such as phylloxera and Peirce's disease.

The Margaret River wine region (located in the **South West** of the State) has been identified as suitable for producing Bordeaux style wines, made from Cabernet Sauvignon, Sauvignon Blanc, and Semillon grapes. Margaret River has also had success with making Verdelho, Shiraz and Chardonnay wines. The area surrounding Margaret River still offers potential for further plantings.

The **Great Southern** wine area comprising the City of Albany and the Shires of Plantagenet, Cranbrook and Denmark, has a cooler climate than Margaret River. It is most suitable for the production of Shiraz, Cabernet Franc, Merlot, Chardonnay, Sauvignon Blanc and Riesling wines.

The area around the Manjimup-Pemberton districts, also in the **South West**, is proving popular for Pinot Noir, Shiraz, Sauvignon Blanc, Chardonnay and Verdelho.

Viticulture is rapidly expanding in the **Wheatbelt** and the **central Midlands**, north of Perth, has been identified as possessing ideal climatic and soil conditions for wine growing and production.

Other grape production regions include the Swan Districts and the Perth Hills regions extending from the coast to the foothills east of Perth, featuring some of the oldest wineries in the State.

Wine grapes are grown and wine is also produced in the **Peel, the Mid West and Goldfields – Esperance** regions.

Forecasts for wine grape production estimate an increase from 39,626 tonnes (currently) to 63,267 tonnes in 2005.

Western Australian Wine Grape Production Estimates (tonnes)

Regions	2001	2003	2005
Margaret River	20,586.7	27,261.7	29,165.2
Great Southern	10,190.0	15,123.1	16,466.9
Swan District	4,146.0	4,304.5	4,574.5
Manjimup	5,287.5	5,871.0	6,220.5
Perth Hills	219.0	319.5	365.5
WA Other	4,549.8	5,711.5	6,474.5
TOTAL	**44,979.0**	**58,591.3**	**63,267.1**

Source: Department of Agriculture Western Australia "Wine Utilisation Survey 1999"

Margaret River is expected to increase its share of wine grape production from 41.4% (2000) to 46% in 2005. The Great Southern will also significantly increase its share of production from 19.8% in 2000 to 26% in 2005.

Investment Opportunities in Table Grapes

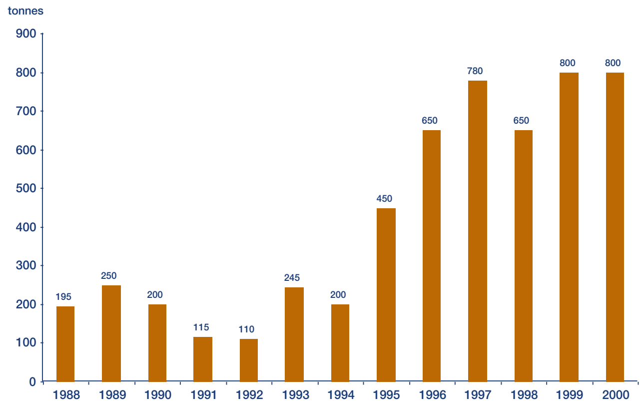
Since 1995 table grapes have been available to markets throughout the year. The industry has branched out from its origin in the Swan Valley (30 kilometres north-east of Perth) to include significant plantings of redglobe (variety) grapes at Carnarvon (in the **Gascoyne** region), from Wiluna to Northampton **(Mid West),** Bindoon area and in the Shire of Gingin in the **Wheatbelt**, Mandurah and Baldivis in the **Peel** region and at Harvey, Donnybrook, Boyanup, Busselton and Margaret River **(South West).**

The incorporation of greenhouse techniques, new varieties and cool storage has extended the "out of season" supply prospects and the variety of table grapes available.

A combination of research and development and idyllic climatic conditions along the coastal regions of Western Australia, between Carnarvon in the north and Margaret River in the south, has created a fresh fruit export much sought after in South East Asia. This is largely due to the fact that grapes can be airfreighted to Singapore, Malaysia, Indonesia, and other South East Asian countries in the few days after picking, when the fruit is freshest.

Western Australia's exports of table grapes have grown to the extent that there are now 12 key export markets. The major markets include Singapore (55% of exports), Thailand (16%), Malaysia (15%), Hong Kong (8%), Brunei (3%), Mauritius (2%), and Middle East (1%).

Fig.2 Export of Table Grapes



Source: Department of Agriculture Western Australia

The value of table grape exports was $A2.0 million in 1999/2000 and is expected to increase to $A5 million by 2005. The Department of Agriculture Western Australia has forecast a strong demand for fresh grapes in both domestic and South East Asian markets.

Forecast Demand for Western Australian Table Grapes (tonnes)

Year	Sales WA	Redglobe	Other Varieties	Total
1991/1992	3,465	29	86	3,580
1999/2000	5,636	748	2	6,386
2009/2010	6,400	4,000	3,600	14,000

Source: Department of Agriculture Western Australia

Although the Redglobe variety dominates production, market opportunities have been identified for large berry, red and white and seedless table grapes. Dawn Seedless and Crimson seedless will play a major role in the industry's expansion.

For Western Australia to maintain market share an additional 400 to 450 hectares of table grapes will need to be planted by 2010. This will raise annual production from 6,000 tonnes (2000) to 14,000 in 2010. Suitable land is available along the coast from Carnarvon to Margaret River and the estimated cost of establishing a vineyard is around $A50,000 per hectare. The greatest investment potential lies in the **Gascoyne and Mid West** regions. Investment in table grapes qualifies for certain taxation benefits.

Initial inquiries regarding the investment potential in winegrapes and wine production should be directed to:

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