

The Key Report 1 May 2008

Directions to \$4billion – are we on target?

About a year ago the Directions to 2025 document was released: lots of fanfare and a roadshow akin to a Roman Triumph - the culmination of 16 month's effort from some of the sharpest, most respected minds in the business.

All good stuff in a broad, common sense way, but no great revelations. Still, it had the industry and many sycophantic wine media running around like chimps at a tea party congratulating themselves and each other.

What caught our attention (and much of the mainstream media) was this statement in the introduction from Chair of the Directions to 2025 Committee, ex-McWilliams CEO, Kevin McLintock:

'Directions to 2025 is every bit as ambitious as Strategy 2025. Founded on the firm conviction that Australia must become a more significant participant in the regionally distinct and fine wine market, its target is to increase the value of the Australian wine trade over the next five years by a cumulative \$4 billion. This would return the Australian wine sector to the appropriate return on investment it previously experienced, but has largely not been seen over the past five years.'

Certainly a 'grand statement'; ambitious, forward thinking and extremely positive. Therefore, why didn't it resonate with us at TKR? Why was I (TK) standing at the window waiting for a squadron of pigs to do a barrel roll (or is that a pork roll) under Sydney Harbour Bridge? The Directions to 2025 document states:

"The *Directions* process has identified the potential for the Australian wine sector to sell an extra \$4 billion worth of wine over the next five years - lifting cumulative domestic and export sales for the period to \$30 billion, rather than the \$26 billion expected based on current production levels and consumer trends. The gains will come through a combination of new marketing focused on regional and fine wines, a clearer identification of niche market opportunities, and a focus on business sustainability at an individual winery level.

'To identify the key market opportunities to make this a reality, the *Directions* taskforce initiated and undertook extensive research into the 11 markets which account for 90% of Australia's current sales volumes - Australia, the UK, the US, Canada (Ontario and British Columbia), Germany, Netherlands, Denmark, Japan, New Zealand, Ireland and Singapore.

'Across the 11 markets examined, the majority of the world's wine sales are concentrated in the lowest price point (basic wine), with 29% of sales. Moving up the price scale, the concentration of sales progressively declines to an 11% share at the super premium/specialty end. By contrast, Australia's sales are highly concentrated, at just over 50%, in the midrange (popular premium) retail price point, where Australia clearly outperforms market potential and its competitors such as France, Italy, Spain, Chile and the US. Significantly, Australia also outperforms market potential in the premium price point, while it currently underperforms in higher price points. Australia also underperforms in lower price points but this reflects a decision by the vast majority of producers not to target unsustainable price points.'

Being blunt regarding the 11 markets there are three that really count: Domestic, UK, and US. A glance at the export figures up to March 2008 show UK around \$936 million, US around \$834 million, then a big drop to Canada - around \$280 million. Next is New Zealand (around \$88 million) and so on down. After the first 11 countries, the rest of the world only totals around \$200 million.

It seemed to us that if an extra \$4 billion was to be generated, these three markets would play a major role. A year on, TKR sent a note to James March, Executive Officer Communications at the Australian Wine and Brandy Corporation:

TKR: Can you ask Lawrie Stanford and Kevin McLintock if the target of an extra \$4 billion in Australian wine sales by 2011 is on target?

James March: 'Lawrie has been on annual leave this week and I can't respond on behalf of Kevin McLintock, but in answer to your question I think it is fair to say if the Australian wine sector is to achieve the Directions to 2025 target to increase the value of the Australian wine trade over the next five years by a cumulative \$4 billion, the next three years will have to be exceptional.

'We may be behind schedule but I would suggest that some of the main factors influencing growth are economic. Deep supply constraints in the sector, particularly with regard to water reserves in the warm inland regions, have and will continue to contribute significantly to the realisation of this target. Punishing exchange rates have also exerted a serious influence on our competitiveness.

'Directions to 2025 set an ambitious target for the sector but it also recognised the need for the industry to invest additional resources to implement the strategies necessary to achieve many of the goals that were set. This additional investment has not yet been made and in the current economic climate, it may be difficult to achieve. Ironically, coinciding with the call for additional investment in marketing, the last two depressed harvests have actually resulted in a reduction in the money available to the AWBC to implement our marketing strategies.

'The AWBC has concentrated on putting strategies in place that aim to shift the structural gearing of the sector. In the current operating environment, it's even more important that we focus on building value and not volume alone, and all of our current activities reflect this approach.'

With all respect to March, Stanford and McLintock, 'economic factors, water and exchange rates' were all evident a year ago; in fact two years ago when the process started. There's been a drought for a decade, the dollar had been running above 75 cents all during the process and we know it needs to be below 75 cents or around 40 pence to make export attractive. The 'current economic climate' has been coming at us for several years - a simple look at the debt burden the average Australian, Brit or American is holding tells that story quite simply.

Regarding: 'last two depressed harvests have actually resulted in a reduction in the money available to the AWBC to implement our marketing strategies', what has that to do with it? TKR doesn't believe that it is the role of the AWBC to achieve this extra \$4 billion; that is clearly the role of industry. We accept that the AWBC is working hard with

what it has. If the industry wants another \$4 billion in their coffers they will have to generate it themselves.

There have been personnel movements at AWBC; there will be further changes as the NOS recommendations come into play. Let's get a new culture in there; please, no more telling people what the AWBC thinks they want to hear; tell it as it is!

Alcohol tax hike announced – is wine next in line?

TKR has roundly cursed Ready to Drink (RTD) or alcopops for years. We have openly stated that in a round about way, sugar is the real culprit: it softens out the hard edge of alcohol and allows young adults to carry on the childhood habit of loving sweet things, but with the hidden danger of alcohol involved.

We firmly believe that RTDs have done a lot of damage in the way they have changed peoples' acceptance of more grown up drinks.

Putting that aspect, as well as binge drinking and associated health issues to one side for a moment, the sudden hike in tax imposed by the Federal Government at midnight on Sunday 27April has a very worrying aspect. Could it happen to wine next?

Reading an ABC online news report, there were 76 comments posted on the web. The ones that concerned us included:

'It will be \$3.99 Magnum Champagnes at the back of the pub to get the buzz from now.'

'Cheap? At 10-18 dollars for 4 drinks, Beer and cheap wine are way cheaper.'

'sure wine is cheaper, just not as cool'

The following is an interesting selection of exchanges

1. 'It's much more effort to drink beer or cider to get drunk on than the lolly water bevvies which go down like soft drink. This is a logical tax if you ask me'
2. But it's less effort and expense to drink a cask wine - is it still a logical tax? I'd argue that drinking Fruity Lexia or Kaiser Stuhl is much harder work that drinking something that tastes like Solo. There are a few decent cask wines out there, but it isn't exactly fine, sweet, easy to drink flavour here...
3. You would lose that argument to a lot of kids, I'm sure they could neck the cask wine just as quick as an RTD. Because in the end it doesn't matter to them; in the end it does the same job.

As hard as the industry is trying to get away from the cheap end and upgrade all consumers' wine drinking habits, there is still a river of easy drinking sweetie wine out there. Will the government see this as the next problem and swoop on wine?

Asked if WFA was aware this tax was to be implemented, **Penny Boothman** told TKR 'we hadn't been specifically pre-warned, but there's obviously been a heap of speculation about this recently, and the media had picked up on the tax issue with RTDs, so it didn't come as a complete surprise. We're not issuing a public statement on this at the moment.'

Troy Hey from Foster's told TKR: 'Like others in the industry we were surprised by the government's announcement. We will be working with customers over coming days to assist with the transition to the new excise arrangements.'

'While we acknowledge the issues associated with under-age and binge drinking, our firm view remains that initiatives targeted at improving the underlying drinking culture as a whole should be the primary focus of any intervention.'

Over at Lion Nathan their spokesman **James Tate** told TKR: 'RTDs are a relatively small part of our business. We are currently working through the implications.'

In the UK, Jacobs Creek parent Pernod Ricard has revealed a campaign that encourages consumers to take responsibility for their drinking habits. It's a bold stance and we think a good one.

The Australian Government announced the establishment of a National Preventative Health Taskforce on 9 April. On the face of it, their aim is a worthy one: the annual social costs of tobacco, alcohol and illicit drugs has grown to \$56.1 billion. It is the job of the task force to bring this form of abuse under control.

In an article for *The Telegraph* (NSW) 29 April, journalist Sue Dunlevy wrote 'An increase of 300 per cent on beer and wine taxes is being proposed by the Federal Government's new preventive health taskforce'

One member of the taskforce, Ms Kate Carnell* was quoted as saying 'we believe the liquor excise should be based on alcohol content, not what the drink looks like.'

According to Ms Dunlevy 'a uniform alcohol tax rate would mean increasing the cost of a beer by 46c and bottled wine by 63c a glass.'

It's getting scary out there folks. For our friends belonging to the 'glass half full' brigade, it may be half full, but it's possibly going to cost twice as much.

** Ms Kate Carnell AO, CEO of the Australian General Practice Network (AGPN), former ACT Chief Minister, and former pharmacist;*

Wine Tasting 1 – is it just genetic?

There have been a couple of interesting and thought provoking articles/papers published this month:

Top flight US wine writer Dan Berger writing in www.wine.appellationamerica.com had an article titled 'Your Genetics May Determine The Wines You Prefer' the sub title is 'Do we have a genetic makeup that determines everything we taste and thus like and dislike?'

Berger writes 'And evidence is beginning to emerge that *how* we taste differs radically from person to person. The latest bit of evidence regarding wine tasting's connection to a hard-wired status comes from DNA research, and the investigation of the physiology of taste by scientists and amateurs alike.

'Some of this research seems to be saying clearly that numerical scores that rate the putative quality of a wine really are little more than opinions, not in any way related to fact, because it is increasingly clear that each individual tastes differently - one man's greatness is another's gruel - and what we perceive, or fail to experience, may be related to what we were born with. Or not.'

The long and interesting article ends 'Furthermore, it also appears that external factors such as our upbringing, our wine training (formal or informal), exposure to a wide (or narrow) range of wine types, connection to skilled (or unskilled) mentors and various ethnic, social, and acculturative influences all play as much as, if not a greater role than, genetic makeup. It is the totality of it all that ultimately determines whether you like a particular element in a wine, hate it, or are incapable of sensing it.'

We hate taking this out of context and in no way are we belittling Mr Berger, so please read the article in full on the website, but hey, hasn't this always been known? Just how is one person's taste better than another? Are wine writers given a gig on a newspaper because they can taste or because they can string a few words together on the subject of wine and some struggle in that aspect? Isn't the focal point of a wine writer a person who has wide experience and can relate one wine to another? Many wine descriptions are utter rubbish (see comment by Paul Clancy below). If that's the route the writer wants to take and their readers are happy with it, then fine. On the other hand, if a description has a certain beauty in the prose, that is another aspect altogether.

The other report out this month that also blows the whole tasting subject apart is the American Association of Wine Economists (AAWE) working paper No. 16 titled 'Do More Expensive Wines Taste Better? Evidence from a Large Sample of Blind Tastings.'

Reducing the academic language, the short answer is 'no.' Those not really into wine seem to enjoy cheap wine more than expensive wine. Those who are into wine can't really identify expensive wine in a blind tasting. However when the label is revealed, those in the know start salivating over expensive wines and enjoying them greatly.

The synopsis states: 'April 2008: Individuals who are unaware of the price do not derive more enjoyment from more expensive wine. In a sample of more than 6,000 blind tastings, we find the correlation between price and overall rating is small and negative, suggesting that individuals on average enjoy more expensive wines slightly less.

This paper ties in with AAWE working paper No.3 published April 2007 titled 'How Do Consumers Use Signals to Assess Quality?'

Abstract: 'This article analyses the way some 6,000 European wine consumers, both connoisseurs and non-connoisseurs, use a set of available signals (price, umbrella branding, goodwill, past consumption) to assess the quality of Bordeaux wines where price is the main source of information on quality. Connoisseurs use this signal less intensively than non connoisseurs.'

It's a real art the way academics can recycle material and wiz all over the world giving papers and picking up grants etc.

Wine Tasting 2 – descriptions absolute poppycock

Paul Clancy, ex-publisher of Winetitles, sent this to TKR: 'Yesterday at lunch we talked about some of the rubbish wine writers produced and how it is hardly conducive to encouraging new wine drinkers. In fact most of the bumph that is written about wine is gobbledygook to the average drinker because they don't understand it and often they decide not to pursue any further interest because they feel intimidated intellectually.

'I was recently amused by the following description of a wine:

"Wild cherry and sweet spices dominate the nose with a background hint of warm brick. The palate is relatively simple but not without style or character."

^What absolute poppycock!

'**Wild Cherry** - I am unaware of wild cherries in Australia - or anywhere for that matter. In any event they must be rare. So what do wild cherries smell like? The average Joe Blow would not have a clue what aroma is being referred to. In fact I suggest that if you got the top 100 horticulturists and the top 100 chefs in Australia to describe the smell of wild cherry, none would know.

'**Sweet Spices** - Surely spices cannot be described in the plural if attempting to describe an aroma. Each and every spice has its own distinct aroma. But what are sweet spices anyway? Cinnamon? Nutmeg?

'**Hint of Warm Brick** - I don't go around smelling bricks - warm or cold - and I doubt if anyone else, (apart from wine writers) do either. Again, the consumer would not have the faintest idea of what the writer is describing.

'**The palate is relatively simple but not without style and character** - So something which is relatively simple has style and character? Surely that is a classic contradiction in terms. How can something be simple and have style and character? More rubbish.

'Perhaps an annual award to the wine writer who best uses plain, understandable language and a brickbat award to the writer judged the most prolific at gobbledygook! '

NZ bumper harvest sounds horribly familiar

The planting frenzy that was Australia has, as we all know, resulted in too rapid growth of the industry - grape prices plummeting, the inability to sell the resulting product and so on.

As Australia was starting to suffer from the effects of rapid expansion, New Zealand was entering the same domain and just like Australians a few years before, were spruiking how they had got the wine formula right and were going to lead the world etc.

This vintage has seen a massive harvest in Marlborough with an expected 160,000 tonnes coming into the wineries. Reports are saying that many wineries were

overwhelmed and couldn't handle all the fruit resulting in some left on vines and prices falling.

It all sounds horribly familiar, as does the statement pointing out that it may mean falling retail prices on the domestic market but for those who export, all will be fine as they will be able to meet increased global demand for Sauvignon Blanc.

Australia went through this with Chardonnay; when we finally reached and exceeded the global demand, the knives came out. Company undercut company, overseas buyers smelt blood and went for the underbelly of Australian wine.

Be very aware NZ it could happen to you.

Wine Regions - a ranking proposal

From **James Andrews**, CEO Hamiltons Bluff:

'I have been away and just saw your debate regarding ranking wine regions. Just a quick thought. Why don't we rank vineyards and wineries on what they produce, regardless of where they produce it?

'It is stupid rewarding a poor producer in a great region with premium status and penalising a standout in a lesser ranked region.

'Surely our consumers deserve a true indication of quality not some generalist crap regarding the whole region where the wine came from.

'Why do we continually feel the need to be like the Europeans, we are Australian that is what got us going globally in the first place. Let's stop trying to be accepted by Euro traditionalists and get on with our own thing.'

TKR: When the Classification of Bordeaux was done in 1855 it was on price. Do you think that is how it should be done? Should we take the average price of a wine for the past five years then rank it?

We like your idea just want to know how you would go about it. Would there be a limit like the top 100 or 200? Or should we make more of the Langton's Classification and base the whole thing on wine that is traded not drunk?

James Andrews: 'Obviously a very hard one to answer. Maybe a formula ranking fruit prices, wine show results and critics' rankings, along with independent experts, say expanded export approvals ranking. I don't think the price ranking would work.

'Seriously though I don't think a ranking system is necessary. As my friends at liberal party HQ would say, let the market do its work. Good wines will rise to the top without an artificial structure to prop things up and provide opportunities for bias, misuse and rioting. Searching out quality bargains and undiscovered gems should be part of the wine experience, why should we remove all the fun?'

Wine Education Conference a first

There is an awful lot of talk about 'wine education'; great belief in educating the consumer hence giving them the understanding and confidence to trade up. Yet it seems

good educators are often underrated. The education policy of many companies appears to be drumming home the message that their wine is best - the proprietor or winemaker attends a dinner and drones on and on. Good all round educators who can get across several different messages whilst showing a cross selection of wines and raising a smile at the same time seem not to get the support they deserve.

It's unlikely that anyone from Australia will be able to attend, but the '1st European Conference for Wine Education' will be held from May 28-29, 2008 at Weinakademie Österreich Austrian Wine Academy in Rust Austria.

The invite says: 'The EAWE believes that there is a need for European wine educators to cooperate more closely, learn from each other and build a common platform for communication and networking.'

TKR believes that closer ties with European Educators will benefit all. The guy behind the Austrian gig is Dr. Josef Schuller MW who can be contacted on info@weinakademie.at

For the UK Association of Wine Educators contact Andrea Warren andrea.warren@btinternet.com

Let's get something going with these organisations.

In the business of education, the Northern Sydney Institute Ryde College has a new website www.sydneynwineacademy.com.au. On offer are a range of different courses covering most aspects of wine education including the UK based Wine and Spirit Education Trust course which leads up to the Master of Wine.

'08 Vintage will go down in history

TKR has avoided publishing vintage reports as most of them have leaned a tad too far to the 'lets be jolly and positive' 'best vintage ever' etc. Last week we plucked a short report out of Coonawarra-based winery Majella's newsletter, just because it had an authentic ring to it.

This prompted **Toby Bekkers** from Paxton Winery in McLaren Vale to send this: 'Had this in the pipeline, but just read TKR and looks like Majella have beaten me to the punch.....here you go anyway.'

'Now that vintage is over and things are quieter, well for me at least, I thought I'd take the opportunity to drop you quick note.

'No doubt you heard about the significant heatwave we experienced in the latter part of this vintage. Wineries here have struggled to fit fruit in and as a result, regrettably some of the later parcels were harvested later than would have been desirable. The 2008 vintage will be one of two parts, the very good early harvest and the late harvested fruit that had so much potential, but had some of the shine knocked off it by the last week of the heatwave.

'The 2008 vintage will likely go down in the history of McLaren Vale as one of the most challenging, but I'm happy to say that it's certainly not all doom and gloom.

'For us and others who got in early and picked before the heat, the wines are looking as good as most people can remember seeing – some* are comparing the early fruit to 1998. Certainly, all fruit destined for Paxton Wines came off in great condition and the wines in tank, I'm happy to say, are looking very good.

'Time will tell, but I'm confident that there will be some really good McLaren Vale wines from the 2008 vintage and amongst them, hopefully a few from Paxton!

** Tintara Winemaker Paul Carpenter predicts Shiraz and Cabernet Sauvignon wines from the 2008 vintage in McLaren Vale are the best since 1998.*

Another exceptional wine...

A few weeks ago we included a wine review on Thomas 'Kiss' Hunter Valley Shiraz in TKR because we felt it a wine so good it could be taken to the world and shown as an outstanding example of Australian wine. As with all wines received it also had a full review in The Key Review of Wine (the KROW) that goes to umpteen thousand people. (Subscribe at www.ferment.com.au)

Cabernet Sauvignon is having a tough time at the moment; I'm sure it used to be drunk because people thought it sophisticated, just as many do now when drinking Pinot Noir. Then Shiraz shot to the top of the fashion stakes and hard and green Cabernet no longer had to be suffered. Which is a great pity really, as there are still some great Cabernet-based wines being made in many parts of the world, such as the **Sandalford Estate 'Reserve' Margaret River Cabernet Sauvignon 2005:**

Has a classic Cabernet nose of faint cedar and blackcurrant; in the mouth it goes straight to the sweet spot. The great intensity of fruit would be too much but it dissipates with the fruit moving along on one level, beautifully balanced with acid/tannin/oak on another.

It's a wine that is way up there ...worth looking at and worth showing to others. One improvement I would suggest is to get away from those big, heavy bottles. It carries a domestic retail of \$34 and is worth every cent and more.

Tradies' crack of dawn, by Max Crus

Tradies are a funny lot and clearly they all learn more than their trade at trade-school, but I worry - are they destined for extinction or long, healthy and fulfilling lives. My painters gave some insight.

The first dutifully arrived at 6.40 every morning on his loudish but inoffensive (ie it wasn't a Harley) motorcycle and smoked and coughed until his colleagues arrived at 6.50. The boss turned up at 7am, and they had smoko until 7.30.

This is a wonderfully Australian practice, by no means restricted to tradies, and an ingredient for a long, healthy and fulfilling life.

Fine, I don't sleep in much and their banter was soft background patter, with the occasional hilarious interlude - no doubt something to do with me, but that could just be paranoia.

However, one of the laws of Tradiedom, is that they all know one another, and thou shalt 'toot' whenever one drives past a member of the brethren, and heartily, without exception, they did.

Fine, a sense of belonging is another ingredient for a long, healthy and fulfilling life.

Regrettably, another 'given' of acceptance into the kingdom of Tradieworld is an all-metal trailer filled with all-metal implements. I know this because there are two sharp bumps in my street, both directly in front of my house.

Sometimes the cacophony is so loud and prolonged, you can't hear them toot.

This creates more hilarity amongst the Michaelangelos.

Fine. We may all be deaf, but laughter contributes to a long, healthy and fulfilling life.

This is all very well, however another aspect of tradieness could well be their downfall.

Just as Australians are divided by things such as 'you're either a Holden man or a Ford man, you either hate Collingwood or you barrack for them, tradies are divided by another...you're either a coke man or a flavoured milk man, and neither shall be deposited in the recycle bin.

You can see why they're called trade winds, can't you?

If only they drank water and wine, they'd live long, healthy and fulfilling lives.

Capel Vale 2007 Whispering Hill Riesling \$28. Beautiful riesling smell and semi-steely bite, have this with a James Bond film or a welders' party. 8.6/10.

Fox Creek Short Row Shiraz 2006, \$28. I had a short row with a tradie once, went like this - "are those stairs right?". "How many stairs have you built?" Fair comment, but they were changed the next day. Chunky. 8.3/10.

Paxton 2006 AAA Shiraz Grenache \$23. Is this a step up from last year's or was it the company? Paxton's are pretty green, committing 1 percent of sales to the cause, so have it with something like free-range beef. 9/10.

Morgan Simpson Row 42 cabernet Sauvignon, 2004, \$16.50. Surprisingly warm considering its lowly 13.7percent, but welcoming nevertheless even on a warm night. 8.4/10.

Wenzel Family Wines The Missus Sauvignon Blanc 2007 \$17. Bit flat as savs go, so it's the sort of thing you'd have with pancakes. 7.7/10.

Fence Sitter Upton Run Vineyard 2004 Cabernet Sauvignon, \$30. Great wine for Pisceans, as if they don't have enough trouble making decisions, or hang on, maybe they do. Could be a dry argument. 8.4/10.