

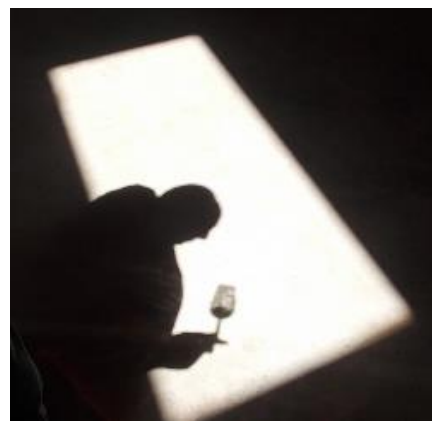


Unlocking
the news on the
Australian wine
industry

The Key Report - 20 February 2014

There are three letters in this week's TKR. The first is from America. Gordon Little, a partner in Little Peacock Imports, defends the market for better quality Australian wines and gives TKR a ticking off for our view that this is a dying market. We are not fully convinced, but it's a good argument and we do hope we are proved wrong.

The second letter is from Melbourne. Actually, it's an article by Jeni Port on the recent spat between Garry Crittenden and family with Woolworths over the supermarket's use of the name Crittenden in one of its house brands. Not only does Jeni's article tell the story, it lays out her battle to get answers out of Woolworths.



The third letter is from Byron Bay, written by myself. It follows on from Jeni's article but lays out the story from a different perspective. Crittenden's use of social media to achieve his victory may appear to many a David and Goliath story. It's the much beloved tale of the good old Aussie battler piercing the heart of the wicked demon of retailing and emerging to the admiration of the crowd. What, in my opinion, isn't covered with the good manners deserved, is the generosity of Woolworths in this spat. My full article is in the main body below and I know it won't be well received but balance is important for TKR.

A wine writer sent a short note concerning the advertising I have instigated in The Key Review of Wine: *"Woah! Winery advertising in a review newsletter. Conflict of interest much?!"*

I would prefer not to take the advertising, but needs must, and with Key Report subscribers dropping away or reducing from multiple to single subs (most say reluctantly), I must. I can only stress my reviews are done first and do not change if an advert is placed or not.

An interesting article by Blair Speedy in The Australian on February 17 starts: *"Investment in the agricultural sector must be made more transparent if Australia is to realise goals of becoming*

the food bowl of Asia, and the \$100 billion Future Fund could have a role in stimulating the flow [of] new money into the sector, according to Winemakers' Federation chairman Tony D'Aloisio."

D'Aloisio is talking about all agricultural pursuits, not just wine, as it's unlikely many would want to invest in wine after the sums had been done. He is correct: Australia could be a food bowl for Asia and investment is needed. Get that right and we might even start to get the wine industry sorted.

Speaking of getting sorted, the Treasury Wine Estates (TWE) share price has recovered from \$3.51 at the beginning of the month to end last week's trading on Friday, February 14, at \$3.75. The pressure is on for TWE to flog its American arm and rake in a couple of billion. Meanwhile, traders are buying and selling the shares and taking a profit. The TWE board can be found in Melbourne's Chinatown, buying fortune cookies by the cartload, looking for a way forward.

From an article by Anthony Rose in The Independent (UK) on February 15:

"Confessing a general immunity to the hype normally generated by wine PR, I have to admit that New Zealand is the exception that proves the rule. At last month's overview of the 2013 vintage, I found myself full of admiration for this relatively small wine country, whose vineyard area covers a mere quarter of that occupied by Bordeaux. New Zealand's compact size, in conjunction with its maritime climate and zest for quality, has seen it become the first wine country whose average bottle price now exceeds £7 [\$13]."

What I find depressing is out of 34,300 hectares of vines, 14,600 are sauvignon blanc. An awful lot of that sauvignon blanc is very ordinary. Rose has tasted a selection of wines, enjoyed them and found them value for money, though most were at the expensive end and will only attract a small section of wine drinking consumers. I walk into my local bottle shop and find three fridges crammed with the NZ sauvignon blanc, a lot of it cheap and tasting like dishwater. It looks as if Rose and I view NZ from different angles.

TKR congratulations to Craig Stansborough, Chief Winemaker at Grant Burge Wines. Stansborough was awarded Winemaker of the Year at the Barons of the Barossa Declaration of Vintage celebrations last Sunday.

Drink well and be kind this coming week.

Tony

Letter from America

Recently we wrote about the American market in an article headed "Stars and stripes or snakes and ladders".

Overall, our view is that it's a difficult market and will remain so for some time to come. Though there is some movement in the higher price segment, it's not enough to get excited about.

One who is excited is Gordon Little, a partner in Little Peacock Imports, which imports several Australian wines into the US. Little hails from Melbourne and started his import company two years ago with Lauren Peacock. He sent the following to TKR:

"I import Australian wine to the USA, predominantly New York & New Jersey and beginning to distribute farther afield. I began the company two years ago to combat the lack of decent Aussie wine in the market here (I'm originally from Melbourne).

"Rather than use a distributor, I import and distribute the wines myself in New York & New Jersey so that buyers have a chance to taste a lot of Aussie wines together, rather than just one at the end of a line-up of brunello or sancerre.

"As somebody who deals with Australian wine in the USA on a full-time basis, I wanted to weigh in. I think the American market a good one for Australian wine. It will never be about bulk volume again a la Yellowtail, but rather for higher priced offerings, the actual wines Aussies drink at home.

"Over the past two years, I have seen increased interest in Aussie wine in the US, and sommeliers are beginning to look at their Aussie sections (or lack of) and say 'ok, I need to start focusing on this'. They are bored with malbec, and the continual push to buy NZ sauvignon blanc and pinot noir ever lower (buying it for \$7/bottle wholesale and selling it for \$11/glass) is turning off the consumer who is looking for a better quality-value proposition.

"OK, the '5 per cent assyritko' drinkers don't instantly have Australia as their 'go-to'. That's because most Aussie sections here are truly awful. Old vintages, poorly kept, high alcohol, Parker points, always South Australian, store clerks who don't know anything about them. But that means room for expansion once the message gets out.

"(Incidentally I was at a store tasting recently for Greek wines... which were priced \$18-57. The winemaker and I shared some remarks about Greece and Australia having the same image problems (i.e. cheap kangaroo wine/retsina). Aussie wine needs a makeover, by bringing in the right wines to match what drinkers want.)

"So, here's where Australia has the edge. In the \$15-40 category, we vastly over-deliver against most of what California and France offer here. The 2012 burgundies are outrageously priced given vintage problems, and Aussie pinot in the \$35-40 range is well placed, because for the same thing from California/Oregon you'd pay \$60.

"In terms of shiraz, I get overwhelmingly positive reactions from consumers who say 'I love Australian shiraz'. What sells doesn't have to be cheap, and it doesn't have to be expensive, but it does have to be good. Wines with restrained alcohol, good acid, food-friendly styles are exactly what the "5 per cent assyritko drinkers" are after. We just need to get back to the tipping point where folks will ask for Aussie wines rather than require it be suggested to them.

"To achieve this, it will take a new look at America (on the part of Aussie wineries) to make the most of it. Aussie wineries should recognise that America is not one market, but 50, and start by focusing on selected markets. Their approach will require a lot of effort and support to help tell the story of the post-Yellowtail generation of Aussie wine.

"They will have to be ready to accept a bit of a price cut to be competitive in the market. Most markets, NY included, are still post-recession and there isn't the frivolous spending that there is in Sydney, Perth and Melbourne. But any price break should be seen in the context of a long-term proposition about brand building. In terms of volume (look at the sheer number of stores and restaurants), they will recoup their money and then some in the medium term.

"I am bullish on NY/NJ and 'secondary' markets in the US. I think the next five years will see only growth in Australian wine consumption as people start turning away from malbec and pinot grigio."

"Only growth in Australian wine consumption," says Little. We do hope so and wish for the Little Peacock to become a very large chook indeed. Regarding "the actual wines Aussies drink at home" statement: sadly, they mostly drink at the lower end of the spectrum, as they do in America. The Wine Market Council's annual report, released in January, shows America consumers drink:

- Budget wines less than US\$10 a bottle: 47 per cent of the market
- Wines retailing over \$20 a bottle: 30 per cent of the market
- Box wines (mainly three-litre boxes): 23 per cent of the market

Letter from Melbourne

A day in the life, by Jeni Port

The other day a good wine story dropped onto my lap directly off an email sent to me by a friend who had received a letter from Mornington Peninsula winemaker, Garry Crittenden.

Mr Crittenden was keen to let as many people as possible know that his wines weren't associated with a certain Crittenden & Co label sold through Woolworths stores for \$4.99. He had been getting a lot of disgruntled customers who thought it was one of his brands and he was worried.

That's a good little wine story, I thought to myself.

I rang Garry Crittenden. I visited him and his son, Rollo, at Dromana a few days later. We had a good old yarn for 90 minutes and then I got into my car and drove home.

I started writing the story for the Epicure food and wine section of The Age newspaper. I visited my local Dan Murphy's wine shop and brought a selection of Crittenden & Co wines for tasting. I spoke to some wine marketers about the potential harm a producer might undergo if his or her wines were (mistakenly) associated with ultra cheapies.

Then I rang Woolworths for comment. It was essential to get the other side of the story. I think Woolworths understood that but somehow the message had to be relayed again and again and again.

I rang Steve Donohue, marketing manager. He was no longer employed by Woolworths, but it was suggested I speak to Campbell Stott. Campbell Stott wasn't in. I left a message.

Within the hour a helpful young man by the name of Alex rang me back. He'd like to help me but what was I after?

I told him I wanted to speak to someone who could answer just three simple questions:

- Did Woolworths believe there was confusion between Crittenden Estate and Crittenden & Co out amongst the wine drinking public?

