



**Accolade
Wines**

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www.accolade-wines.com

Accolade Wines Australia Limited
ABN 86 008 273 907

Head Office
Level 10, 10 Franklin Street
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Jim Godden & Peter Hill
CCW Co-operative Limited
9 Battams Rd, Glossop SA 5344

30th August 2022

Dear Jim & Peter,

The last 2 years have brought significant challenges to the wine industry in Australia, ongoing supply chain challenges, increased cost of goods, change in consumer taste, tariffs and the pandemic have had a significant impact.

Accolade Wines values our ongoing partnership with CCW and has welcomed our constant dialogue since April to try to address what is a critical time for our industry. In this series of meetings (25th May, 28th June, 11th August & 25th August), we have laid out a number of proposals and, I am sure you will agree, it is now clear that to keep growers and our businesses sustainable there are some difficult decisions we have to make together.

Please feel free to circulate this communication to your growers and as agreed I am happy to have the sessions in the Riverland on the 7th & 8th September (times TBC).

This is the situation we face:

- Continue as is and see growers receive <\$150 per tonne for Shiraz & Cabernet. There is no end market for this wine after large vintages and demand shifts.
- There are over 350m L/c.500k tonnes (or more than the entire Riverland annual crop) of surplus in the Australian Wine market. This is currently in tanks and unsold.
- Additional tonnes will drive a greater V24 surplus and continued downward pressure on pricing (<\$150 per tonne)
- Australian Wine is still uncompetitive in the Global Bulk Wine market. Shipping, Inflation & On-Costs continue to have a serious impact so this makes us uncompetitive against other key countries of origin like Chile & South Africa. Also overall Global Wine consumption is still in decline so we need to address the Australian surplus.
- Reduce V23 intake & rebalance for the longer term. This will ensure we have viable businesses for growers & wine producers to fulfil what end consumers require/need.
- Change crops or varieties that growers produce to drive change and ensure agriculture needs meet consumer requirements



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There are three ways Accolade Wines will help achieve this and ensure our businesses are viable and future-proofed:

- **Red to White Varietal Changes**
- **Yield Management to reduce fruit grown**
- **Mothballing/Postponing intake in V23**

From the above we will need to remove >2k ha / 45k tonnes (equivalent) from V23. We will also apply these measures to our own Riverland vineyards (Banrock Station).

1. Red to White (Sauv Blanc, Pinot Gris & Prosecco)

- Planting material will be in short supply. However the longer term economics for growers are extremely beneficial. To facilitate this we propose a vine removal support mechanism in V23 of \$1.25k per ha for those committing to the programme. In addition in year 2 there will be a supplementary \$500 per ha for those removed and replanted patches.

2. Yield Management

- c.30% Reduction in yields below your scheduled tonnes for Shiraz & Cabernet.
- For this there will be a premium supplementary price where growers receive the same returns per hectare (thereby nil/sum gain)
- Any incremental tonnes to what is agreed are unviable for both the winery and grower, strict parameters will be in place to manage this (methodology tbc)

3. Mothballing/Postponing intake of V23 (Shiraz & Cabernet) supply

- We will offer a \$1k per ha to avoid V23 intake
- There will be a +10% premium to the agreed V24 & V25 price for those mothballed/postponed intake (where relevant)
- This can also help facilitate proposed crop changes (almonds etc;) for year 1

You can see from the dialogue that this is a critical time in the Riverland and for the Australian Wine Industry in general. We need to work our way through this to ensure the viability of the Wine Trade. This offers the best chance to make sure the industry is viable going forward for growers, CCW and AW.

Yours Sincerely

Derek Nicol
Chief Supply Chain Officer