

The Financial Impact of 2020 Summer Bushfire Smoke on the Wine Regions of North East Victoria.

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1.0 - INTRODUCTION

Bushfires impacted over 18 million hectares of land along the south-eastern seaboard commencing in Queensland in August 2019. Large tracts of forest and farming land were impacted in north-east Victoria and south-east New South Wales from early January 2020, resulting in prolonged periods of smoke haze across the North-East zone.

No vineyards in the districts were directly impacted by fire, but all were to some degree, by bushfire smoke.

This report commissioned by The Rural City of Wangaratta with the assistance of the North East Catchment Management Authority, attempts to quantify the financial losses incurred by grape and wine producers in the Wine Australia geographic indications of King Valley, Alpine Valleys, Beechworth, Rutherglen and Glenrowan, commonly known as the zone of North East Victoria; and the subsequent impact on the national economy.

2.0 - SUMMARY

The impact of 2019/20 summer bushfire smoke on the viability of the grape growers and wine producers in the North East zone has been substantial; with a significant flow-on effect to the national economy expected in the coming years through reduced sales volumes and sales of lower value wine.

Proximity to the fires and prevailing winds resulted in varying levels of impact across and within regions. Vineyards least affected were located in the southern part of the King Valley south of Whitfield and the Glenrowan region; while those suffering greatest impact were in the lower King, Alpine and Beechworth regions.

Of the 25,808 tonnes estimated to be on the vine prior to harvest in the North East Victoria zone, only 17,444 tonnes or 69% were picked. The farm gate value of the grapes prior to bushfires was estimated to be \$34,536,692, which was reduced to \$12,700,559, or 36% of its original value.

The 7,215 tonnes that remained unpicked had an estimated value of \$11,030,051.

It is estimated that the loss of retail sales value to the national economy to be \$140,698,400.

REGION	Estimated Tonnes	Value	Tonnes harvested	%	% of tonnes harvested at salvage value	Total Value of fruit harvested	Tonnes not harvested	Value of fruit not harvested	Retail value of wine foregone
King valley	17,515	\$ 21,077,235	12,474	73	11	\$ 9,495,587	3,913	\$ 5,096,497	\$ 76,046,357
Alpine Valleys	3,173	\$ 3,945,532	1,715	54	69	\$ 612,445	1,457	\$ 2,254,600	\$ 10,666,144
Beechworth	919	\$ 2,480,154	54	6	0	\$ 179,800	865	\$ 2,309,904	\$ 18,899,033
Rutherglen	3,752	\$ 6,461,771	2,834	76	1	\$ 2,267,527	896	\$ 1,192,250	\$ 29,850,866
Glenrowan	450	\$ 572,000	366	81	0	\$ 145,200	84	\$ 176,800	\$ 5,236,000
	25,808	\$ 34,536,692	17,444	69	15	\$ 12,700,559	7,215	\$ 11,030,051	\$ 140,698,400

Table 1. Summary of losses.

3.0 - MATERIALS AND METHODS

In March 2020 an Excel spreadsheet was sent to either individual grape and/or wine producers where the addresses were known, or to regional associations for distribution to members. A considerable number of producers were not members of regional associations, so further research was required to identify and communicate with those growers.

Emails were followed up with phone calls through April and May.

Respondents were asked to provide the following information.

With respect to grapes:

Grower Name	Variety	Pre-smoke value or contracted value/t	Estimated Tonnes	Value	Tonnes harvested	Value /t of fruit harvested	Total Value	Tonnes not harvested	Value of fruit not harvested
<i>example</i>	<i>Sangiovese</i>	<i>1500</i>	<i>25</i>	<i>37500</i>	<i>10</i>	<i>250</i>	<i>2500</i>	<i>15</i>	<i>22500</i>

With respect to wine:

Grower Name	Variety	Pre-smoke planned production/cases	Retail value/case	Value	Post fires case production	Retail value/case	Total Value
<i>example</i>	<i>Durif</i>	<i>500</i>	<i>350</i>	<i>175000</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Shiraz</i>	<i>1500</i>	<i>300</i>	<i>450000</i>	<i>1500</i>	<i>100</i>	<i>150000</i>

From the information provided we were able to ascertain in the case of grape production, expected yields and grape values; and actual tonnes harvested (or not) and the value of those grapes.

Where winemakers who used all their own fruit did not place a per tonne value on the varieties grown and just placed a value on sales foregone, a regional average grape value was estimated and included.

In the case of wine, to reduce confusion and assist ease of reporting, all values were recorded as the *retail* value (including GST, WET and wholesale/retail margins). Producers were asked to calculate either the direct loss from wine not being made and available for sale at a future date; or the reduced value of the wine made due to the impact of bushfire smoke taint compounds.

Grape production figures were totalled from the grower's own vineyard sites and do not include purchased grapes.

The retail value of wine losses was calculated for each wine producer, which included purchased grapes from within the North-East zone.

This report does not attempt to quantify any other losses incurred by producers due to the fires and bushfire smoke such as reduced cellar door sales or other tourism related activities due to forced evacuations and limited travel.

4.0 – REGIONAL REPORTS

4.1 - KING VALLEY

The King valley is the largest grape growing region in the North-East zone.

Within the region 47 producers were identified, with 29 of those either exclusively grape growers or only making very small quantities of wine. The remaining 18 were producers who processed most or all their grapes into wine.

It was estimated that 17,515 tonnes of grapes were available for harvest in 2020, with a farm gate value of \$21,077,235.

12,474 tonnes were picked, with a value of \$9,495,587, representing 73% of the grapes available. Most of the red grapes were unsuitable for the production of premium red wine and a portion (11%) were salvaged and sold to a large interstate winery for very low prices (<\$250 per tonne, or approximately 20% of their original value).

3,913 tonnes remained unpicked with a value of \$5,096,497.

The retail value of wine that was not made and available for future sale is estimated to be \$76,046,357.

4.2 - ALPINE VALLEYS

The Alpine valleys wine region encompasses the Ovens, Buffalo, Buckland and Kiewa Valleys (downstream to Dederang) and includes 25 grape and wine producers.

The region has 11 larger growers who either make no, or very small amounts of wine.

The 14 wineries are mainly small boutique operations with the exception of Gapsted Wines; and one producer with no vineyards.

The regional estimate was for 3,173 tonnes available for harvest in 2020, which had a farm gate value of \$3,945,532.

1,715 tonnes were harvested (54%) with a value of \$612,445; and approximately 1,457 tonnes were left on the vine with a value of \$2,254,600. A very large portion of those grapes harvested (69%) were salvaged and sold to a large winery outside the region at very low prices.

The value of retail wine sales foregone was estimated to be \$10,666,144.

4.3 - RUTHERGLEN

The Rutherglen wine district included 25 producers varying in size from small to large. It includes one producer with no vineyards.

Growers estimated a drought-reduced yield of 3,752 tonnes available for harvest in 2020, with a farm gate value of \$6,179,771.

A total of 2,478 tonnes were picked with a value of \$2,267,527; while 896 tonnes remained un-harvested worth \$1,192,250. Only a very small volume of grapes was salvaged (1%) and sold at low value.

The total value of retail sales foregone was \$29,850,866.

4.4 - BEECHWORTH

The Beechworth wine region is the North-East zone (and Australia's) smallest.

The region is typified by small family owned and operated boutique wineries, producing small quantities of high value wines. Three producers do not own vineyards; and only a limited number of producers have surplus grapes for sale. Fruit is keenly sought after and trades at high prices relative to the surrounding regions.

Producers estimated that 920 tonnes were available to harvest in 2020, with a conservative farm gate value of \$2,309,904.

Only 54 tonnes were harvested with an estimated value of \$179,800. This represents 6% of the grapes available.

Given the high prices commanded in the market the losses represent a retail value foregone of \$18,899,033.

4.5 - GLENROWAN

The Glenrowan wine region sits on the western edge of the North East zone and comprises only three producers.

Total grapes estimated available for the 2020 harvest amounted to 450 tonnes with a farm gate value of \$572,000. Of that, 366 tonnes or 81% were picked but with a significantly reduced value of \$145,200.

The remaining 84 tonnes were unpicked, with a value of \$176,800.

The retail wine sales value foregone due to lower value product destinations or fruit remaining unpicked was \$5,236,000.

5.0 - ASSUMPTIONS

Both grape and wine values vary considerably across the North East's five wine regions. Based on the information that I have been provided with the following are estimates only

REGION	AVERAGE PRE-BUSHFIRE GRAPE VALUE PER TONNE	AVERAGE POST-BUSHFIRE GRAPE VALUE PER TONNE	AVERAGE WINE PRICE*	RANGE
King Valley	\$1200	\$800	\$25	\$18 - \$130
Alpine Valleys	\$1350	\$250	\$28	\$20 - \$65
Beechworth	\$3000	\$0	\$45	\$28 - \$160
Rutherglen	\$1500	\$650	\$30	\$17 - \$500
Glenrowan	\$1500	\$400	\$30	\$20 - \$95

* Recommended retail value per 750ml bottle

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