



EUROTRADE

BUSINESS SERVICES Ltd.

Newsletter Southern Hemisphere – May 2024

Much of the fruit in the Southern Hemisphere has now been harvested, and although official estimates are still pending, overall volumes look to be trending downwards, sometimes quite significantly, whilst quality is highly rated across-the-board. We take a look at what this means for the current marketing campaign.

“Whether by Mother Nature or human hand, the global bulk wine market is getting the Southern Hemisphere crops it needs to restore some supply-demand equilibrium, at least on whites”.

The comment, by Robert Selby, editor at international brokerage company Ciatti, pretty much sums up the situation across the major producer countries south of the equator. Only **Argentina** is expecting a sizeable uptick in production this year – currently estimated at +24% by the country’s vine and wine institute INV – but this has to be put into the perspective of last year’s extreme production shortfall (8.8 mhl versus a five-year average of 12.5 mhl). South Africa is expecting its shortest crop in 22 years, Chile could be 20-25% down from the average and reports from Australia similarly indicate low output, yet to be officially quantified.

Two-year cycle

Weather conditions proved to be less favourable for South African winegrowers, where adverse events hit both ends of the spectrum – from wetness causing fungal diseases to heat and dryness. The current nationwide estimate of 1.105 million tonnes shows a relatively marginal decrease on 2023, but would still be an extremely light crop, confirmed by reports from producers. At the famed Kleine Zalze estate in Stellenbosch, cellarmaster RJ Botha pointed to excellent quality expectations this year, but a significant volume shortfall:

“We thought that with a lot of rain we would have a sizeable harvest but this is not the case. It could be due to the vine cycle, with a two-year gap from cause to effect”.

Botha also offers another explanation: “The lower crop is also due to uprooting, but this is good because a lot of the vines are older and unprofitable, like Chenin for distilling, so afterwards we will have a better industry”.

Pricing uptick

Vine pulls are also cited by Benoit Fitte, technical director at Survalles Wine Group in **Chile**: “We don’t have a clear picture about vine pulls, but it is reasonable to think that Chile has uprooted over 10,000 hectares over the past couple of years. Similarly, we wouldn’t be surprised if several thousands of hectares under vine had been mothballed”. Combined with the effects of rain during flowering in the Maule and Itata regions along with severe drought in northern Chile, this would seem to point to a double-digit decrease in output this year, which spells significant availability issues, particularly for white wines. Hence, Ciatti notes a rise in Chilean white wine pricing over the past few months, and also a more recent upward trend for reds.

Quality over quantity

Greater positivity in the marketplace – prompted by China’s removal of countervailing duties – is filtering through to Australian wine pricing, with a “slight uptick” in both enquiries and pricing of reds according to Ciatti. News of a potential sizeable decrease in production in **Australia** is also fuelling the trend: “The crop is down anywhere from 10-15% to 30-35% in regions like the Barossa, let alone that there will be fruit left on the vines in some areas”, explains Paula Edwards, general manager at Winegrapes Australia, a regular attendee of the WBWE. Again, Edwards describes quality as “really good. We had beautiful ripening conditions, cool for slow ripening, with a lot of great intensity in the tanks at the moment”. Expectations for both quality and quantity are similar in **New Zealand**, where the crush could be down by 20-25% this year. For individual producers, this is likely to usher in financial issues, due to high interest rates on borrowing, but from a macro-economic perspective, it is being hailed by some Marlborough producers as “what the region desperately needed”.

Source: WBWE Newsletter

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