



Wineries

Special Report



Chinese taste for WA wi

Key takeaways

- WA bottled exports to China up 35 per cent (by value) last year
- Reduction in tariffs through China-Australia FTA fuelling wine export growth
- Federal \$50 million Export and Regional Wine Support Package a boost for industry
- Emerging demand from China for organic wines



Katie McDonald
katie.mcdonald@businessnews.com.au

Local wineries are embracing China's growing taste for WA wine with plans to develop more export opportunities across Asia.

THE Chinese have taken a liking to a good Aussie drop.

Australia's wine exports to China (including Hong Kong and Macau) set a record this year with bottled wine exports increasing by 51 per cent in the 12 months to March 2018 reaching just over \$1 billion – a first for Australian wine exports to a single country.

The data released by peak industry body Wine Australia last month also showed Australia's overall wine exports reached their highest value in a decade, increasing by 16 per cent to \$2.65 billion.

For Western Australia, bottled exports to China by value increased by 35 per cent in the year to December 2017, from about \$13 million to \$17 million.

Mainland China is the biggest export market for the state by both value and volume, followed by the UK, and the US. Singapore and Hong Kong come next, with bottled exports by value growing by 5 and 4 per cent respectively in the 12 months to December 2017.

The reduction in wine tariffs set out in the China-Australia Free Trade Agreement is one driver for the substantial growth in exports to China, with the tariff set to be removed completely in January 2019; this is expected to provide a competitive advantage over other key producers such as France, Italy and Spain.

Chief executive on industry peak body Wines of Western Australia, Larry Jorgensen, said there was more optimism among the state's wineries than 12 months ago, given the improved export performance, specifically to China.

"There's no question that China is a growth market," Mr Jorgensen told *Business News*.

"The impact of China on the domestic market is also something to consider; the more wine that goes offshore, the less there is available for the domestic market.

"That's where the benefit for smaller producers comes

– trading in a market that has more tension around supply and demand."

Mr Jorgensen said the federal government's \$50 million Export and Regional Wine Support Package had also increased confidence in the sector.

Across Australia, 21 international wine tourism projects were granted funds earlier this month, including proposals from the Swan Valley and Margaret River wine regions, receiving \$250,000 each.

The Margaret River Wine Association is planning to use the grant to fund a week-long program of events in Singapore, as well as the development of marketing assets and a digital campaign to help grow visitation from Singapore and South-East Asia.

Mr Jorgensen said the Swan Valley region was also focusing on Singapore as part of its competitive grant strategy, with the other seven WA wine regions to benefit from a broader state grant, which is currently being negotiated by Wines of WA.

"The biggest opportunity is collaboration," he said.

"What do you think has more value, generic New Zealand sauvignon blanc or Marlborough sauvignon blanc?"

"Promoting the fine wine regions in WA, that's where the branding juice is.

"That's another attraction for visitors when considering coming here; we have nine different distinct regions."

Opportunity

Fogarty Wine Group, ranked in the BNiQ Search Engine as the state's largest winery by volume of wine produced (see page 20), is one of many local producers hoping to accelerate wine sales in China.

Chairman Peter Fogarty said the group had been gradually building its presence in Asia and planned to increase its efforts in China over the next 12 months.

He said China had already absorbed a significant amount of Australian wines, evident in the increasing grape prices on



POTENTIAL:

the east coast and the growth in sales of premium wines.

The group's acquisition of the Evans & Tate brand last year was one way to bolster this appetite, with Mr Fogarty pointing to the brand's track record of award-winning premium wines.

The premium drawcard has been top of mind for Denmark-based winery **Rockcliffe**, which has created a new label, Peaceful Bay, specifically tailored to China's tastes.

Owner Steve Hall said the winery had already shipped its first container to China in 2018, with total sales to China on track

to hit \$540,000 this financial year.

Dr Hall has sought out Asian markets since he purchased the winery in 2002, pointing to advantages such as: its burgeoning middle class with a desire for affluence; a population far larger than the competitive domestic market; its location in the same time zone as WA; and the ability to fly directly from Perth.

"We got into China via agents," Dr Hall said.

"Patience has been key; time invested in forging workable relationships is now beginning to bear fruit.

Wines leads Asian sales push



Vanya Cullen plans to exhibit her Wilyabrup-based organic wines at Asia's premier wine and spirits trade fair at the end of this month. **Photo: Tim Campbell**

“China seems to be on the move for everyone

- Vanya Cullen

“When I began attending wine shows in China, I was taken aback by the enormity of demand. In particular, if Chinese consumers liked a wine, they were game enough to order it by the pallet, not the case.”

Wine shows have also been key to Wilyabrup-based **Cullen Wines**, which managing director Vanya Cullen said was planning to exhibit at the 20th anniversary of Vinexpo Hong Kong, Asia's premier wine and spirits trade fair, at the end of this month.

This year, Australia is the country of honour, featuring 140 wine brands from more than 35 regions across the nation.

“China seems to be on the move for everyone,” Ms Cullen said.

“We've spent a lot of time getting the right person there.”

She said instead of showcasing in the Australian section of Vinexpo, the winery had chosen the organics section.

Cullen Wines has embraced organic and biodynamic wine-making principles since the late 1990s, but Ms Cullen said consumer interest had only started to grow in recent years.

According to Wine Australia, the country's organic wine exports were valued at \$14.5 million in the year to March 2018, with Sweden and the UK the largest destination markets.

Sales to China were next, with Australia's organic wine exports

increasing by 170 per cent during the same time frame.

Ms Cullen said the winery was well placed to cater to China's organic appetite, with its Vanya Cabernet Sauvignon biodynamic label retailing for \$500 per bottle.

South West winery **McHenry Hohnen Vintners** co-founder Murray McHenry also plans to showcase wines at the Vinexpo in Hong Kong.

“If we don't visit, we're not going to build our export trades,” Mr McHenry said.

“We're also looking at Taiwan and Japan, they're not big

currently, just boutique levels.”

The UK market has traditionally been the largest export market for McHenry Hohnen, however, Mr McHenry said the winery would soon match that in sales to China.

“For the best part of eight years we've taken a hit on the exchange rate, but UK sales have got some margin now,” he said.

“Our other key market today is China, particularly for our red wines.

“The UK will grow at 3-5 per cent a year and China will grow at 10-15 per cent a year.”

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Sandalford selling wine experiences

VARIETY: Grant Brinklow says expanding the business' offerings has underpinned its success, backed by numerous industry awards. Photo: Attila Csaszar

Sandalford Wines has established itself as one of Australia's most popular wineries, with dining and events key to its appeal in the wine tourism market.

Katie McDonald

katie.mcdonald@businessnews.com.au

GRAPES have been harvested over successive vintages at Sandalford Wines in the Swan Valley for more than 175 years.

The business has its roots in 1840, when Queen Victoria bequeathed John Septimus Roe, Western Australia's first surveyor general, 4,000 acres of land at Caversham, with extensive Swan River frontage.

Among the agricultural operations undertaken at Sandalford estate during those early years it was the vineyards, producing table grapes and wine, which proved most fruitful.

Sandalford exported its first shipment of grapes in 1915, and had established its second viticultural venture across 300 hectares in Wilyabrup by 1970, making the Roe family one of the pioneers of the Margaret River region.

In 1991, Sandalford was purchased by WA family business Prendiville Group, which owns and operates multiple hospitality businesses, including the Cottesloe Beach Hotel and Hotel Rottneest.

The Prendiville Group has since invested substantially in its facilities and the brand.

Developing different wine experiences in tandem with that investment has been an integral part of the strategy, according to chief executive Grant Brinklow, and a tactic that has come to fruition of late, with the winery winning gold at the Australian Tourism Awards earlier this year for the wineries, distilleries and breweries category, after being a state finalist 10 times and a runner-up twice.

"The Prendiville family had a vision for the business; to produce world-class wines and provide unique wine tourism experiences for the increasing number of people locally and overseas who want to visit wine regions, experiment and learn," Mr Brinklow told *Business News*.

"Fast forward to today and we've got the estate in the Swan Valley, which is probably one of the most visited wineries in WA, if not Australia.

"Quality is everything but it's not necessarily the only thing that's ultimately going to help

with getting through to the consumer.

"With a sea of competition, how do you build a relationship with customers?"

"We're able to have one-on-one experiences with guests at the estates; it's a very important means of building the brand and repeat patronage."

Mr Brinklow said Sandalford's Swan Valley restaurant had won more than 15 Gold Plate awards since its inception in 1998, and the estate had also received a number of wedding venue awards, accommodating about 300 weddings per year, with the business now in the process of building another function room.

Wine education classes and outdoor concerts have also been part of Sandalford's diversification mix, hosting the likes of Michael Buble, Sting, Lionel Richie, Leonard Cohen and Alicia Keys across both of its estates, holding its largest concert in 2015 when Neil Diamond performed to 16,000 people at its Swan Valley amphitheatre.

Mr Brinklow said as many as 200,000 people visited Sandalford's Swan Valley property each year,

“ Our expectation is that this interest in wine experiences will continue to gain more momentum

- Grant Brinklow

aided by the business's partnership with Captain Cook Cruises, which operates charter cruise day trips along the Swan River.

"It all sits under the umbrella of wine – enjoying wine with the right food, company or cultural experience, whether that's music or art," he said.

"On the back of (the) Prendivilles' vision, I think we've been nimble enough to take advantage of the right opportunities as they come along.

"And we're very fortunate because of the Swan Valley's proximity (to the CBD)."

Mr Brinklow said not all tourists had the time to visit Margaret River, but Sandalford had been able to leverage the fruit of that region through its second property and pair it with the accessibility of its Swan Valley estate.

From a product export perspective, he said Asia had emerged as a promising opportunity for many WA wineries.

"We've worked hard to be China ready," Mr Brinklow said.

"It's outstripped the annual demand from the UK and US, traditionally the two main export markets for Australian wine.

"And what happens once people start drinking wine? This is where the wine tourism piece comes into play; they want to visit that region and have a wine experience.

"Our expectation is that this interest in wine experiences will continue to gain more momentum.

"So I think the next chapter of Sandalford's history will be just as exciting. I'd be surprised if we're not here for another 178 years."



Collaboration's best to come

COLLECTION: Pascal Marchand (left) and Jeff Burch bring years of experience to their produce. **Photo:** Burch Family Wines

A shared love of wine and the merger of old-world know-how with new-world techniques are behind the growth of Marchand and Burch.

Fergal Gleeson
news@businessnews.com.au

MARCHAND and Burch recently celebrated the 10th anniversary of its first wines.

The Great Southern label grew from a shared passion for the wines of Burgundy held by Pascal Marchand and Jeff and Amy Burch, proprietors of Western Australia's largest family-owned winery.

Messrs Burch and Marchand met by chance in 1990, in France, with the first seeds for their collaboration planted not long after that time.

Burch Family Wines produces the Howard Park (established 1986) and Madfish (1992) labels, and operate vineyards across the Margaret River and Great Southern regions.

Originally from Montreal, Canada, Mr Marchand's first passions were poetry and literature, which he studied at university. Travel, too, was a priority, and it was after time in Greece, Italy and France that he worked on a vintage in Burgundy, in 1983.

Mr Marchand said he became part of a new breed of winemakers in Burgundy at the time.

"There was a changing of the guard. Guys were taking over from their fathers. They had studied abroad. They spoke English. Things were moving on from the peasant style to a more open-minded one," he said.

Mr Marchand spent 15 years at Burgundy winery *Domaine Comte Armand* and then moved on to the larger *Domaine de la Vougeraie*, before setting up his own business.

Mr Burch met Mr Marchand during his first trip to Burgundy, in 1990, while doing a tasting at the *Domaine Armand* cellar.

A friendship quickly developed and Mr Marchand helped Mr Burch buy a house in Burgundy. They talked about business ideas for years, but it only became possible contractually when Mr Marchand finished up at *Domaine de la Vougeraie*.

The Marchand-Burch mission was to bring together the best of old- and new-world winemaking.

Terroir, or a sense of place, is critical to French winemaking

philosophy, and selecting the right site is crucial.

Mr Marchand surveyed locations across WA and settled on two sites in the Porongurups.

"Pascal selected a rocky site with poor top soils, low yields, where water is challenging at a height of 200-380 meters. We were told 'only a crazy person would give it a go'. They suspected it was a perfect site to make great chardonnay so they did," Mr Burch said.

Mr Marchand also brought ideas to the winery that were anathema to Australian winemaking at the time, such as biodynamics, whole-bunch pressing, the use of solids and natural fermentation. The objective was to make more "upright and fresh wine" as Mr Marchand terms it, rather than the buttery chardonnays of old.

They've also gone through the painstaking and expensive process of getting new Burgundian vine clones through quarantine to raise the quality of WA pinot noir.

Marchand and Burch offers an Australian collection comprising chardonnay and pinot noir from



Micro changes lead to big results; winemaking has got to be a constant evolution

- Jeff Burch

the Great Southern region, and a French collection from Burgundy (from regional level right up to grand cru).

During their many combined years in the business, the partners have learned that winemaking is about constant learning and adapting to changing economic and natural environments.

"Nature can give you a lot of problems. Frost wiped out 80 per cent of production in 2016 in Burgundy," Mr Marchand said.

"But you had to go out in the vineyard, working it even though there was nothing left. You had to believe that nature would be generous again. So she was in 2017."

From a financial point of view, Mr Burch said his experiences had taught him to be prepared for fluctuations and upheaval.

"When the sun is shining you've got to put some away. Because it doesn't always shine," he said.

"We haven't made our best wine yet.

"Micro changes lead to big results; winemaking has got to be a constant evolution".

The men are tweaking the range to make it more accessible and affordable by including lower-priced wines to the Australian collection.

The partners see Marchand and Burch as a long-term relationship between the two families that will benefit their sons and daughters.

Ten years is no time at all in the winemaking business, where reputations and brands are built over hundreds of years.

Messrs Marchand and Burch are in it for the long haul.



Rank	Change from previous year	Name	Senior executive and title	Year est. in WA	Primary wine regions in WA	a) No. of WA vineyards b) Total vineyard hectares	Volume of Wine Produced (litres) a) 2017 b) 2018	% wine sold a) WA b) interstate c) overseas	Brands	Name of Chief Winemaker
1	—	Fogarty Wine Group	Mr Peter Fogarty Proprietor	2000	Margaret River, Perth Hills, Pemberton, Geographe	NFP	NFP	a) 45 b) 40 c) 15	Millbrook Winery, Barking Owl, Deep Woods Estate, Smithbrook Winery and Margaret River Vintners	Julian Langworthy
2	—	Accolade Wines	Mr Ross Pamment Winemaker	2011	Greater Perth, Great Southern, Margaret River, Pemberton, Geographe	NFP	NFP	a) 65 b) 34 c) 1	Houghton, Goundrey, Amberley, Brookland Valley, Moondah Brook, Busselton Boys	Ross Pamment
3	—	Burch Family Wines	Mr Jeff Burch Owner	1986	Margaret River, Great Southern	a) 4 b) 401	NFP	a) 40 b) 30 c) 30	Howard Park, MadFish, Marchand & Burch, Franck Bonville	Janice McDonald
4	—	Treasury Wine Estates	Mr Ben Miller Devil's Lair Winery Manager & Chief Winemaker	2011	Margaret River	a) 2 b) 129	NFP		Devil's Lair, Fifth Leg, Valley of the Giants.	Ben Miller
5	↑	Calneggia Family Vineyards	Mr Mike Calneggia Owner	2003	Margaret River, Pemberton, Frankland River, Mount Barker, Geographe	a) 3 b) 52	a) 1,500,000 b) 1,600,000	a) 15 b) 70 c) 15	Rosabrook, Bunkers, Bramble Lane, Calneggia, Brian Fletcher, Alexandra Bridge, Main Break, Wolfsburg and 101	Brian Fletcher
6	↑	Vasse Felix	Mr Paul Holmes a Court Chief Executive Officer	1967	Margaret River	a) 4 b) 260	a) 1,350,000 b) 1,350,000	a) 20 b) 65 c) 15	Tom Cullity, Heytesbury, Vasse Felix, Filius, Classics	Virginia Willcock
7	↓	Ferngrove Vineyards	Andrew Blythe Managing Director	1997	Frankland River, Margaret River	a) 5 b) 350	a) 1,500,000 b) 1,286,691	a) 20 b) 20 c) 60	Ferngrove, Leaping Lizard and Killerby	Marco Pinares/Marelize Russouw
8	↑	Cape Mentelle Vineyards	Mr Cameron Murphy Estate Director	1970	Margaret River	a) 3 b) 135	NFP	a) 15 b) 40 c) 45	Cape Mentelle	Frederique Perrin
9	↓	Alkoomi Wines	Ms Sandra Hallett Proprietor	1971	Frankland River	a) 1 b) 165	a) 1,200,000 b) 1,000,000	a) 61 b) 17 c) 22	Alkoomi Icon Range, Alkoomi Black Label, Alkoomi White Label	Andrew Cherry
10	↑	Latitude 34 Wine Co	Mr Robert Olde Chief Executive Officer	1997	Margaret River, Blackwood Valley	a) 3 b) 126	NFP	a) 50 b) 25 c) 25	St Johns Brook Margaret River, Optimus, The Blackwood	Andrew Dawson
11	—	Sandalford Wines	Mr Grant Brinklow Chief Executive Officer	1840	Margaret River, Swan Valley	a) 2 b) 450	NFP		Sandalford Prendiville Reserve, Sandalford Estate Reserve, Sandalford Margaret River Collection, Element of Sandalford, Sandalera	Hope Metcalf
12	↑	Watershed Premium Wines	Mr Geoff Barrett Founder & Managing Director	2002	Margaret River	a) 2 b) 140	a) 720,000 b) 824,250		Watershed Awakening, Watershed Senses, Watershed Shades, The Point, The Farm	Severine Logan
13	↑	West Cape Howe Wines	Mr Gavin Berry Managing Director & Senior Winemaker	1997	Great Southern	a) 2 b) 312	a) 600,000 b) 750,000	a) 45 b) 40 c) 15	Cape to Cape Range, Regional Range, Single Vineyard Series	Gavin Berry
14	↑	Leeuwin Estate	Ms Simone Horgan-Furlong Joint Chief Executive	1974		a) 1 b) 150	a) 576,000 b) 576,000	a) 25 b) 40 c) 35	Leeuwin Estate - Art Series, Prelude Vineyards, Siblings	Tim Lovett
15	↓	Xanadu Wines	Mr Glenn Goodall Chief Winemaker	1977	Margaret River	a) 2 b) 85	a) 600,000 b) 550,000	a) 40 b) 40 c) 20	Next of Kin, Exmoor, DJL, Xanadu, Stevens Road, Reserve	Glenn Goodall

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RANKED BY VOLUME OF WINE PRODUCED 2018

All information compiled using surveys, publicly available data and contact with industry sources. Other companies may be eligible for inclusion. If you believe your company is eligible, please email claire.byl@businessnews.com.au. WND: Would Not Disclose, NFP: Not For Publication, N/A: Not Applicable or Not Available.

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Wineries

Special Report

Freo feel on tap at new bar

28 Feb 2018 by Katie McDonald

can shine a light on small and independent breweries and wineries. Photos: Attila Csaszar Katie ...

Olive oil ecotourism opportunity

28 Apr 2017 by Dan Wilkie, Attila Csaszar

a lot of other tourist operations in the Margaret River area, which are breweries and wineries, which ...

Salitage Winery sold for \$2.85m

01 Feb 2016 by Dan Wilkie

quality space," he said. Salitage Winery CBRE VNW Independent Colliers International Ferrier Hodgson Phil ...

Gage Roads makes Australia's best brew

20 May 2016 by Dan Wilkie

Company Blue Mile Brewery The Monk Craft Brewery & Kitchen Nail Brewing Cape Bouvard Winery & ...

Eco takes glamping global

01 Dec 2016 by Dan Wilkie

accommodation on remote properties, so auxiliary income for wineries, wilderness tour operators, cattle ...

The Grand Cru experience, a top cellar

07 Dec 2016 by Dan Wilkie

off Grand Cru's relationships with wineries not only in Western Australia, but across the world. "If ... Champagne Billecart-Salmon winery in France. "Champagne Billecart is a champagne house that's been owned by ...

Art Money buyers comfortable with price

01 Mar 2016 by Saskia Pickles

events held at the galleries. Mr Kay's businesses in Subiaco, Perth CBD and Mandoon Estate winery in ...

Green shoots trimmed by WET conditions

30 May 2016 by Mark Pownall

OVERGROWN: WA wineries face increasing pressure to compete in a crowded market. Photo: Tim van ...

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WINERIES



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