



FOSTERS 2008 EUROPEAN WINE TOUR

Friday 18th July. *Visit to UK marketing department.*

Our growers group was kindly hosted by the staff of Fosters EMEA (Europe, Middle East, Africa) based in Twickenham, London. A presentation gave an insight into the very competitive UK market and into the relatively robust growth of the wine sales in continental Europe. The UK market was of particular interest because of the intensity of competition between brands to gain even the slightest edge in the market. The UK could be considered to be the world's supermarket for wine as every country that produces wine sells some to the UK. We saw first hand the fight for position on the retail shelf in a number of outlets.

When in small groups we visited retailers to look at the customer /retail activity. We visited a bulk warehouse chain with 174 stores, growing at 10 new stores per year through UK and expanding onto the continent. This chain carries 800 lines of wine brands in addition to spirits and beer lines. Our next visit was to a Somerville medium sized supermarket. This chain consists of 1,000 stores and was recently purchased by a company called The Co-Op. The Co-op already has 3,000 stores and with this acquisition has the greatest number of outlets in the UK (albeit medium size stores like Foodland in Aust.)

Thirdly we went to a Tesco's store, the largest chain by volume retail turnover and are a very aggressive market player due to its dominance. We saw how a Tesco's Extra store sells just about everything, including white goods, gardening, foodstuffs, alcoholic beverages, electronics, petrol, etc. There was an impressive display wine range representing selections from all over the world. The 4th visit was to a Sainsbury supermarket the 2nd largest chain in UK that had a similar setup to the others.



It was obvious that a huge amount of research goes into wine display lay outs and stores work closely with supply brand & category managers to develop desired "look and feel" displays. Wine trends in UK and most of Europe are currently towards Rose wine which has been led by fairly cheap sweet styles from USA. The demand for Sauvignon Blanc is strongly led by NZ at currently very profitable price points. There is a slight increasing demand for Tempranillo and Pinot Grigio. Chardonnay remains flat in the market place and requires work to change style and to market a newer image. Australian Shiraz is strong and is our best performer. Fosters market is split 60% UK and 40% Europe (Europe is growing strongly)

Sat 19th

Our group boarded the Euro star train to Paris. In less than 3hrs we were there. When you are in Europe travel between countries by fast train (200-300km/hr) its well worth the experience. Paris is a beautiful city with stunning architecture, very crowded and expensive but the buildings and art are fantastic. We visited The Orsay Museum which specialises in the impressionist period art and what a feast for the senses especially if you are a fan of this colourful period.



Mon 21st

The drive to Champagne was through rolling hills of farming land where a variety of crops are grown. (wheat-2 crops per year, lupins, peas, sunflowers, maize and then vineyards. The capital of the area is Reims with a population of 180,000.

We visited 2 Champagne houses in the area. The first was a large company setup called Lanson which dates back to the 1700's. Production is approx. 5.5 million bottles per year. Lanson has grown and accumulated other smaller houses over time. They have a lot of their own vineyard but rely on contracted growers for a large part of their grape intake requirements.



Monet- lily pond

The grading and pricing system is done purely by vineyard and location. All the vineyard practices are strictly controlled, including pruning, harvest time, foliage trimming, hectolitres per hectare production and vine density as well as the wine making process (vintage champagne requires five years of age before released). Only Pinot, Pinot Meunier and chardonnay can be grown in champagne with soil types dictating where varieties can be grown. This all sounds crazy but it has worked for champagne for a long time.



Dom Perignon's grave stone

The Champagne process is always fascinating. There are many steps to make good sparkling with timing and ageing playing a major role in the process. We were fortunate to taste a Lanson 1998 vintage Champagne that was extremely elegant with great delicate flavour and mouth feel and soft acid finish.

The vineyards are very different to Australian vineyards. Vines are all closely planted on root stocks (8,000vine/ha) and trellised very short (1-1.2 meter high). Hedging is very strictly controlled and once the desired height is achieved they usually trim every 2 weeks to maintain shape. The climate is cool and rainfall is very frequent so no irrigation is required but disease pressure can be high.

The second Champagne house we visited was a family affair in Hautvillers the village where Dom Perignon made the first champagne which Big King Louis adored. The village formed a co-op in 1924 so that it could improve the regions returns for the growers. Before this time the farmers in the area were very poor. The co-op consists of 180 growers that own 75 Ha collectively that produces approx. 900,000 bottles.

They sell most of their wine to Moët-Chandon and retain some for individual farmers. The Co-op has its own label also. The country side and the village were beautiful. Our hosts from Lopez Martin (the family champagne label) showed us through the pretty village and we learned a little of the family history that went back a few hundred years. The highlight was the visit to a medieval monastery chapel to view the grave of the great Dom Perignon.

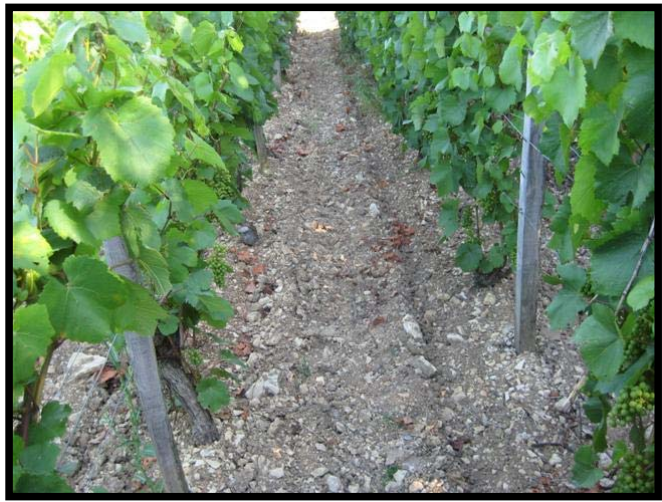
Tues 22nd *Discovery of Chablis & Burgundy. The registered grape varieties –Chardonnay & Pinot noir.*

The first stop off was in Chablis to visit the vineyards of Simonet Fevre part of the Louis Latour group. This wine company also operates in Burgundy and has a newly developed vineyard in Bordeaux. Louis Latour wines sell all over the world and their top wines from burgundy sell for around \$300 per bottle. These are classy wines that are hand made. The Chablis region produces a lighter crispier flinty style of Chardonnay with good length and mouth feel. This regions wines are relatively cheap (12 – 23 euro).

The region has fairly big problem with frosts and even though they don't use irrigation they have installed some frost protection sprinklers. Some people also use burners to fight the affects of frost.

Chablis' three grades of wines are divided up by the altitude and aspect of where the grapes are sourced. The lowest grade is known as Chablis. The 2nd grade is Premier cru and the top grade is the Grand cru. As with all other regions the whole viticulture and winemaking system is controlled by French law so variation is largely removed.

Lunch was at a local country restaurant Domaine Comte Senard that also made their own wine. We had perfectly matched terrine entrée with Chardonnay, local coqauvin in wine/gravy sauce with a baked potato/cheese cream dish matched with two types of Pinot and finally a selection of soft cheeses also with pinot. Not to shabby.



Typical marly soils of the region. Tillage is very common.



A locally made tractor for narrow row high density viticulture. A common site around wine region villages.

To purchase a vineyard that is a grand cru appellation in Burgundy you will pay in the order of 5 million euros per Hectare. These blocks tend to get handed down in families. What happens though is that in a 20Ha appellation block may have 25 interested parties that own a dozen rows each. It makes for some complicated situations at times but this is where strict appellation control plays its part to ensure that all vines are managed the same. Now days many of the owners of a few rows have an alternative job elsewhere in a city and employ a contractor to manage their patch. This type of management becoming more popular and enables more consistent viticulture.





Wine tasting in a cellar dug out by the monks 400 years ago.

The wine tasting was conducted in an underground cellar that has been there for a couple of hundred years. The cellar was the storage area for their top wines, kept back for extra ageing. Some bottles have been stored since 1890 (which is undrinkable museum stock) but some wines are still drinking well from 1920. The temperature variation summer to winter was between 10-14C and there was a well developed matted black mould that kept the humidity consistent. A great experience that had to be seen to be believed. The chardonnay we tasted had more body and palette weight than the Chablis wines and was very well balanced. The pinot was the stand out wine of this region. Vibrant berry with layers and a very even mouth feel and lingering length. The wine will age - easily 15 years.

Wed 23rd

Bayer chemicals research division situated in Lyon is one of the main sites for R&D of chemical products. This facility discovers new molecules to develop into new chemical products. Bayer is the 2nd largest chemical company globally in the field of crop sciences, health and high-tec material fabrics. The visit was a fascinating insight into how the processes evolve to bring a new chemical formulation to the market place. There are millions of dollars invested to ensure the products are safe. It can take up to 10 years before a new product is properly assessed.



Bayer research facility lab tour- Lyon

Rhone Valley region.

Champagne, Chablis & Burgundy all practise cool climate viticulture. The Rhone is a warm climate region that can get quite hot. This region has a much drier landscape and more akin to what we are used to in SA but the soils are very different. Being a river valley the region has a wide range of soil types. They can be very rocky river stone soils, gravelly loams and gravelly white soils to straight loams. There is some irrigation but very little used in viticulture. The first recorded grape plantings date back to 600 BC. There are about 13 main varieties in use currently a lot less than 100 years ago. Some of the main varieties include Grenache, Syrah, Mourvedre, Clarette, Grenache Blanc, Ugni Blanc and Viognier.



Interesting rocky viticulture- bush vine grenache

The white wines are typical of warm areas and possess more ripe apricot and nectarine characters but are very aromatic on the nose. The reds are more medium to fuller bodied wines. I was a little surprised that with the warmth of this region, the wines didn't possess a rounder mid pallet but this is probably more a style and culture of the region. The appellation laws in Rhone are more relaxed than the northern wine districts where greater blending of varieties is allowed but still only from fruit with in the region. Vine spacing is 3,500 per Ha on average which reflects the dryer climate but there still remains control on vineyard culture as to hectolitres produced per Ha.



The country Chateau

Accommodation tonight was in a 13th century Château de la Piolin in Provence. This magnificent Chateau resided many past nobleman and kings. It is now a local hotel but retains the feel of history and is surrounded by beautiful gardens. Dinner was kindly hosted by Pellenc.

Thur 24th Visit to Pellenc factory.

This company is on the cutting edge of new technology. They invest 10% of their turn over into R&D. The product range covers precision viticultural equipment, olive harvesting machinery and electric tools. We were shown around the factory and viewed

as their latest developments in precision harvesting and berry sorting. Components are manufactured in other European countries, China and Brazil but the products are assembled in France and then exported globally. They have an impressive sales/maintenance backup system as local staff in the country of sale are being constantly trained. Lunch was kindly provided by Pellenc at a local country restaurant, the best lemon meringue pie I have ever tasted.

their design, electronics and production lines as well

Now down the freeway a fair south to Carcassonne. This city has a medieval town and a well kept 12th century castle. This part of Southern France has lots of old buildings that have remained in relatively good condition through the centuries and there remains a distinctive Roman influence.

Fri 25th Off to Bordeaux to visit the renowned Chateau Margaux in the Merdoc appellation.

The Chateaux started making wine in the early 1500's. It has become one of the most admired wine brands around the world. Every process in the wine making chain from vine to wine to consumer is aimed at quality and history. Chateau Margaux only produces 3 wines per vintage from a vineyard area of



Pellenc factory production line

82 Ha planted to Cab Sav, Merlot, Petit verdot, Cab Franc and Sav Blanc. The average age of the vines is 35yrs. Annual production of their top wine (Chateau Margaux grand cru) is 150,000 bottles which can sell for \$1,000 per bottle + for a very good vintage. Their second wine (pavillon rouge) production is around 200,000 bottles and the third wine a Sav Blanc (pavillon Blanc) is 33,000 bottles. Production is not high but passion and quality are at the forefront of this wine house. Chateau Margaux has a museum cellar that have bottles stored that date back to 1898.



The vineyards are again on high density planting (6,600-9,000 per ha) and are pruned to low cordon (400mm off ground). Only 5-6 canes are retained per vine producing about 8 bunches per vine. The vines are constantly trimmed and at verasion green harvest takes place to remove unwanted bunches. The ground is constantly tilled to keep weeds at bay. The rainfall is 900mm per year and more than half falls through winter. The location of the vineyard is between the ocean and the La Garonne River which produces a mostly dryish but slightly humid climate. The sun is soft in comparison to the harsh Australian sun.

Over the past 500 years Chateau Margaux had a turbulent history and as a result has undergone constant change. The estate has changed hands many times especially through tough times. The last purchaser in the 1970's was a Greek supermarket chain owner who was married to a French woman. The Americans wanted to purchase the brand but the French government didn't want this iconic brand to fall into foreign hands so they subsequently intervened. The purchase price was 650 million francs and the new owners since spent a further fortune to restore the estate to its former glory and reputation.



Sat 26th Bordeaux appellation of Saint Emillion.

Again the great monks started the godly process of wine vinification. This appellations varieties are Merlot, Cab franc and a very small amount of cab Sav-used for blending to get length on the palette.

We were fortunate enough visit a local machinery contractor (a family business) that provides services to the local landholders. It was a very large operation and their services include earth moving, mobile bottling plant, transport and vineyard services. They operate 20 Pellenc multi function machines and travel from region to region. Contractors in France are starting to become more common.

We also visited their family winery and cellar door (Cadet Pontet), in a very beautiful location just outside the village of Saint Emillion. What a surprise this little known wine label was. We tasted their 2005 grand cru which was very good, well structured but a bit young. Then moved onto tasting their 2002 grand cru (75% merlot, 15% cab franc & 10% cab sav) and experienced the difference a few extra years makes. This wine was silky smooth with a luscious mouth feel. Given the time to do some wine hunting there were so many wine chateaus around and some real surprise wines at very good prices. I ended up purchasing a 2000 grand cru for 12euros and am assured it was the better vintage



Mon 28th Verona- Italy- Region Valpolicella -Armone wines, wine company- Soave co-operative group.

This region produces their signature wine called Armone. There only 3 red grape varieties used in wine production unique to this region. The grapes are picked from vineyards that yield no more than 7 tons/Ha. Harvesting happens in September and the picked bunches are placed on drying trays. These trays are stacked then moved to a drying room where grapes remain for 3-4 months under low humidity conditions while they concentrate down to 60% of their original weight. The grapes are then crushed (40% remains of original weight) and vinified. The wine then spends approx 18 months in old oak vats and is stored for a further 18months before bottling. The resulting wine is a rich full bodied table wine (not sweet as you may expect). This wine style matches well with game fare (hare, venison, boar, etc). There is a version of the wine made from these grape varieties that are picked, crushed and vinified to make a table wine (labelled Valpolicella-after the region) that is bottled after only 1 year and is so totally different (very high acid and colour). There is also a white version of the Armone style called Vendammia.



Bulk wine fill-up station at the local cellar door

The Co-op consists of 5,500 hectares and 2,200 growers, small lots by our standards. The return per hectare is approx 20,000 euro. Trellis systems are predominantly pergola style due high frost risk. A large portion of the regions vineyards were wiped out by a mega frost in 1986 which is why a high pergola trellis is now widely used. Very interesting to manage but the Italians have designed equipment and cope well.

Tue 29th Trentino – Italy- North East near to the Austrian border.

This regions main crops are wine grapes and apples. The Dolomite Mountains tower either side of this exquisitely pretty valley.

The winery visit was to another grower co-op Cantine Mezzocorna. What an amazing community setup. In Australia we have similar advancement in wine processing but this winery is an absolute architectural masterpiece that has to be seen to be believed. Every part of the design is visually stimulating but functional from a production angle. The investment in this winery, bottling, storage and administration was in excess of 100 million euro.

Trentino wine region is cool climate and has high rainfall with well drained soils. The varieties comprise approx 30% reds and 70% whites. The regions key variety is pinot grigio and is produced in copious amounts at low price (around 4-8 euro per bottle). It is exported globally the largest market being USA. Other important varieties for this region are the natives-Nosiola (white), Teroldego Rotoliano and Marzemino (reds). Also grown are Chardonnay, Cabernet, Merlot, Moscato, Pinot Nero as well as some Muller-Thurgau.

Yields are typically 17tons per Ha, that is after shoot and bunch thinning. The average grower holding is about 2Ha but some are larger. To purchase 1 Ha of good quality vineyard you can expect to pay up to 1.2million euro if you can find one. All grapes are hand picked using mostly local people, family, friends and some imported gypsies & students. Vine spacing is usually 3.5x0.8 (approx 3,500 vines/Ha) on pergola trellis.

Art or architecture you be the judge



We learned about how Italian agricultural subsidies operate. Italians look at a subsidy as an investment in their industry rather than a hand out. For example if you purchase machinery, make improvements/upgrade your vineyard or upgrade infrastructure you can apply for a rebate of up to 40% of the total cost. The landholders can also receive government loans to invest in their vineyards. Australians view farm subsidies differently but should consider what they have achieved in Italy. The co-op system is something worth looking into also as it seems to work in Italy by providing sound returns for growers.

Wed 30th

Toscana (Tuscany) Italy's most famous wine region with rolling hills beautiful villages and landscape and is home to Chianti Classico and the Super Tuscan wines. The most common varieties planted here are Sangiovese, Merlot, Shiraz, Cab sav., Canaiolo, Cillegiolo as well as a host of other local varieties.

Our first visit was to the Antanori family winery and vineyard first established in 1385 but purchased by the Antanori family in the mid 1800's. It produces one of the most highly regarded wines of the region. This family have the tradition of being at the cutting edge of wine making and vineyard culture and has pushed the boundaries of regional control laws.



The local soils are lime/marble marly soils, very rocky and sloped. They also love to cultivate. Rainfall is about 800mm per year, winter dominant, with a warm to hot climate. Supplementary irrigation is used on some blocks. Vine density is around 5,600 per Ha and pruned to 10 shoots per vine (7-8 bunches, approx 6 tons/Ha & 7-10 tons/Ha for lower grade wines). Production is approx 40,000 bottles per year. These wines target top end quality as shown by the investment in time, money and expertise. One observation I made was the huge variation in vineyard vigour (resulting from soil variation) which didn't seem to bother the Tuscans they simply harvest differentially by hand at varying times (up to 4 times).

The second visit was to a Fosters owned winery and vineyard- Gabbiano Estate. The castle, winery and cellars were first built in the 13th century by a wealthy family and has been built on to and extended over the centuries. The estate was purchased by Beringer Blass in 1999 and became part of the Fosters group in 2006.

Sangiovese is the dominant variety planted here with 5 clones growing. There are small parcels of merlot and cab sav over the 90 hectare vineyard. Another vineyard has just been leased and a small group of contract growers also supply grapes. The first wine we tasted was a 100% Sangiovese Chianti Classico 2005, young vibrant, very little tannin but an acidic finish. These wines, because of naturally higher acid, need to be matched with food like a good rich pasta.

The second wine was much the same but had undergone malolactic and was much softer and more rounded a much better drinking wine. The third wine was a blend of 90% merlot, 5% cab sav and 5% sangiovese. This was a good wine and my favourite of the range. A much softer palette with good length which the cab sav component provided, an interesting wine. Since my last trip to Italy it is quite surprising to see how strict vineyard control has slightly eased and more experimentation is taking place



The Gabbiano castle

Thur 31st – Fri 1st Florence.

A couple of days around the old city reviled some classic architecture, sculptures and art.. There are plenty of places to eat but we had to find the exceptional restaurants. The Gelato was divine. There was an abundance of people due to the height of the summer tourist season.

Fly to Sicily

Italian airports are interesting to say the least. You don't want to be in a hurry!!! I'll leave it at that.

Sicily has interesting landscape with high rocky mountains, hilly and undulating arid land, a mixture of soil types dominated by limey soils. The climate consists of very hot summers and cool winters. Sicily is a poorer region of Italy as can be seen by the state of the buildings and the rubbish lying around. However we saw significant works on improving roads and bridges. Other major developments will eventually follow. The island has been invaded for thousands of years by Greeks, Arabs, Normans, Romans, Spanish, English, Germans and pirates looking for slaves. As a result architectural influences are widely variable. In Sicily there are 164,500 hectares planted to vines. The main local red wine grape variety is Nero d'Avola. There are also a host of other varieties grown especially those for sweet wine production.



Sat 2nd Winery and vineyard visit to Feudo Arancio in southern Sicily.

The second of the co-op owned wineries and vineyards based in Trentino. there has been no expense spared on the architecture and functionality of the entire set up. The original building on this site was very old (probably 13th century) and was difficult to develop so it was decided to dynamite the site and start building from scratch. The resulting project after purchase of the land and rebuilding, costs were in excess of 80million euro. The co-op expects to pay this debt within a 40 year time frame. Europeans think long term.



Feudo Arancio covers 240 Ha and is 5km from the sea. Temperatures for summer average a max 32 min 22 but if the Sahara Sirocco blows in temperatures can reach up to 45C. Winter average a max 16 min -2, yearly rainfall is 500 to 600mm. This is warm climate viticulture where wine is typically C & D grade fruit that sells for between 3 – 5euro per bottle, a huge seller in the USA. The vineyards are cropped on average at 13.5 tons/Ha. Water is cheap (\$140/megalitre) and is supplied by private well and public dam (local water scheme).

The wines are very drinkable but nothing special as they are made to a price point. The white wine "Grillio" is a particularly pleasant lunch style wine. The Nero d'Avola (red) varied in style dependent

on winemaker and age, usually best at around 3 yrs of age. The Sicilian wine style tends towards young drinking wines as they don't tend to age well past a few years.

The second Sicilian winery we visited was the 3rd vineyard/winery in the co-op group –Villa Albius in Contrada Torrecchiana, Acte region, another large setup. The vineyards are located in a big river valley in deep sandy clay soils in with little variation. The property is 640 hectares and consists of a winery, vineyards and citrus fruit. The climate is hot (like Mildura) and the average rainfall is around 3-400mm winter dominant. This vineyard is big and efficient (rows up to 300mtrs) similar to what we are used to in Australia. The viticulture aims for high production at lower price point.

Through out the country side we noticed that the Sicilians utilise the practice of burning off stubble and quite often the fires get away and start burning the neighbours property (vineyards, roadsides, olive orchards,etc). Sicily has a huge number of hot house structures that grow an array of produce. There would literally be thousands of hectares of hot houses and in winter time there are labour shortages because they are in competition with vineyard pruning. Labour is relatively cheap at around 6 euro per hour for a vineyard/farm worker.



Reflections

I urge anyone in the wine industry to travel abroad to experience other wine cultures. Australians have done very well in the wine industry but we have much to learn and discover to further our own wine culture. Old world wine cultures are defiantly becoming more flexible, sharper and more market focused. The level of mechanisation is rapidly increasing so vineyard uniformity and quality is improving. Every wine nation has unique vineyards and a successful way of managing them.

One of the more mind provoking outcomes of this trip for me is the realisation that we need to look at future wine industry business structures. The current corporate structures in Australia are collapsing and this is in part due to an overbalanced focus on share price return/growth at all costs. It is unsustainable in its current form because essentially we robbing Peter to pay Paul and the resulting culture is short term planning and returns. As much as we like to believe we think ahead our minds are focused on a culture of instant gratification. This concept hit me when we were fortunate enough to visit the Trentino based growers co-op (grapes to wine to marketing-full integration). This co-op has invested large sums and has planned for the next generation when the investment has paid for its self, a 40 year financial plan. There are certainly elements of this structure that we can learn from to develop and discover new business structures and alliances.

I shall now look at government support structures in a different light. We are kidding ourselves if we think that agricultural nations around the world will reduce their farm subsidies. The fact is it is looked as an investment in the farming future and the subsidy schemes are now becoming smarter, more focused and are beginning to improve farming practices. There is no doubt that some subsidised money is wasted and there are inefficiencies but by the looks of things in France and Italy the systems will be continually fine tuned. Lets face it we need to keep people on the land not only to produce food but to make sure that the land remains vibrant and healthy. Our industry organisations can do a lot more work in negotiating smarter longer term proactive ideas with governments.

I wish to thank Fosters staff Paul Georgiadis, Adam Smith, Adam Brown and Vikki Neldner for all the work that went into organising such an outstanding European wine experience. The quality and calibre of the wineries, vineyards and personnel we visited was exceptional and appreciated by everyone in the tour group.

Report compiled by,

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