

# FINANCIAL REVIEW

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The Barossa Valley's Schild Estate is the latest winery **business** to go on the block, as it seeks to tap the growing investor interest in a sector long dogged by oversupply and low prices.

Chairman Ed Schild is looking to sell an 80 per cent **stake** in the **brand** and its 50,000-case-a-year winery facilities. While the block on which the winery is located has 2.5 hectares planted with vines and has space for another 12 hectares, the family-owned **business** is not planning to sell the 125ha of vineyards it uses to supply the winery and other clients.

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Mr Schild said recent deals such as those of the April deal struck by the Coonawarra Hollick family made him think now was a good time to sell a majority **stake** in the mid-sized winery he started in the late 1990s.

"Two years ago, I would never have dreamed of doing something like this," the 73-year-old Mr Schild told The Australian Financial Review.

"I don't think the interest would have been there."

A fall in the value of vineyards – from as high as \$100,000 per hectare at the pre-GFC peak to more like \$70,000 for one with top Barossa shiraz vines now – is sparking interest in both productive land and the businesses producing **wine** and vendors are trying to make the most of it. Last week Australian Vintage Limited **sold** its Barossa Yaldara **brand** and winery to a **Chinese**-owned, SA-based 1847 Winery for \$15.5 **million**. More than 200 hectares of vineyards in SA and NSW have hit the market since this year's harvest season ended.

In an industry where conditions remain tough, bargain seekers are out in force, as seen in private **equity firm** KKR's rejected bid in April for Treasury **Wine** Estates, or elsewhere. Vendors have become more realistic in their expectations, says broker Stephen Strachan, of Gaetjens Langley, which is selling Schild.

"There is real opportunity for cashed up, countercyclical investors to take advantage of low entry costs," agency Colliers' latest Rural & Agribusiness report says.

While the industry has been hurting for a long time, people are now more frank about the fact, said Marc Allgrove, of Evans & Ayers, a **wine business** consulting **firm**.

"Every vineyard is effectively on the market," he said.

Veteran winemaker Brian Croser, who **sold** his listed Petaluma **business** to Lion Nathan in 2001, agrees the low prices are spurring buyers.

"There are well-heeled organisations that see potential at current prices," he said. Consolidation under way

Consolidation is under way. Many say it is necessary in a **wine** industry that quadrupled its number of producers from 620 in 1990 to 2420 in 2010 and is highly fragmented.

More than a fifth of the current 2573 producers – 557 – crush less than 10 tonnes of grapes a year.

Whether Schild will fetch its asking price – understood to be between \$18 **million** and \$20 **million** – is unclear.

Prices may have to fall further.

"There still needs to be a little bit more reality in terms of vendor expectations in value before we start to see significant movement in the exchanging of assets," Andrew Cheeseman, the former chief executive of industry body **Wine** Australia and now a consultant to the industry, said.

"Buyers are looking at a value based on earnings multiples, while sellers' expectations are based on asset base. There's quite a gap between the two methodologies."

Warrick Duthy, the general manager of Clare Valley-based Kilikanoon Wines and director of the UK agricultural investor Vestey family's **wine** investments, says the pickings are good for owners of strong branded businesses with established distribution channels who want to expand.

"Now's a good time to get out and **buy** vineyards which fit that supply chain strategy," Mr Duthy said.

US investor Peter Kight, who bought the Torbreck **wine business** in 2008, last month did just that, purchasing a number of Barossa vineyards, including one producing fruit for The Laird, Torbreck's single vineyard shiraz that retails for \$900 a bottle. In May, **Chinese** investors purchased the Hunter Valley's prime Black Cluster vineyard in Mistletoe Lane, Pokolbin.

Mr Duthy said in December he advised the Vestey family, which owns Delatite in northeast Victoria and The Lane in SA's Hahndorf, to focus on those two investments before buying more assets.

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