

The Wine Business Wheel of Fortune: Boom, Bust and What's Next

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In his second conversation with Tom Massey, Toby Langley uses the Turrentine Wine Business Wheel of Fortune to explain why the wine industry moves through booms and busts, how inventory and vintage variation drive the cycle, and how to tell a genuinely valuable wine business from one that is simply riding the right part of it.

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This transcript has been lightly edited for readability.

Introduction

Tom Massey: Welcome to the Cellar Door Podcast, where we delve into the fascinating stories and tackle the key issues at the heart of the wonderful world of wine. I'm your host, Tom Massey, and this is the Cellar Door Podcast.

Tom Massey: The wine industry is cyclical. Booms become busts, shortages become oversupply, prices rise, vineyards get planted, markets change, and suddenly everyone is asking: how did we get here? Perhaps the more important question is, did we see it coming? In this conversation, Toby Langley and I unpack the Turrentine Wine Business Wheel of Fortune and what it can tell us about supply, demand, inventory, timing, and the decisions businesses make when the market turns. Because in wine, by the time the signal becomes obvious, it can already be too late. So how do you read the signs? And how do you know whether you're looking at a genuinely valuable business, or simply one that is benefiting from being in the right part of the cycle? This is my second conversation with Toby Langley, and it's all about cycles, timing and surviving the business of wine.

Tom Massey: A huge thanks to Toby for joining me on the Cellar Door Podcast. The first conversation we did, not all that long ago, got a marvellous reception, and it was so nice we've decided to do it twice. This instalment is on the relevance of the environment in which a wine business is operating. But before I go too far into that little Pandora's box: Toby, how the heck are you? How have you been?

Toby Langley: I'm great, Tom, thank you. I'm sitting in my office in Adelaide. It's a nice sunny day, spring has sprung, and there's a bit of action at work, which is keeping me off the streets, so I can't complain. Last week I was in Tasmania visiting some clients, and I was lucky enough to go to the opening of a new tasting room and restaurant in the Tamar Valley called Small Wonder. It's an amazing venue, and a property I sold to a couple from Singapore about six years ago. They've done amazing things with it, and they actually enlisted the help of Dylan Grigg, a former guest of yours, who's all things viticulture. I've also been in the Limestone Coast of South Australia, and I'm in the Barossa on Thursday. So there's plenty to do and plenty of places to be.

The Turrentine Wine Business Wheel of Fortune

Tom Massey: Well, let's not beat around the bush and get down to it. If the first conversation I did with you was about setting out the principles and giving some definition, this conversation is about applying them: modelling and problem solving. What is really going on in the world? What's going on in the environment that will have a direct impact on the value of a business and its attractiveness as an asset? Off the back of our last conversation, you were good enough to shoot me an email with a paper in it — correct me if I'm not saying this right — the Turrentine Wine Business Wheel of Fortune. It's a pretty little name for what is a very interesting model.

Toby Langley: Yes. Just for context, Turrentine are a wine brokerage and advisory firm in California. I don't know them that well, but they've been going for 30 or 40 years, and I think in 1996 they developed this graphical summary. For people listening, Google "Turrentine Wine Business Wheel of Fortune". It describes the various characteristics of a cycle in the wine industry. As we talked about on the first podcast, the wine business has been pretty cyclical. Lots of businesses are cyclical, but the wine business can be particularly cyclical, and this is a one-page summary of those cycles and the key dynamics within them. They break the cycle up into four phases.

Toby Langley: What I was trying to get at in our first episode was that it's hard to increase wine production, and it's quite hard to slow it down, and that creates a whole lot of things. That's what prompted me to share this page with you. I think it's not a bad way to reflect on where things are at in the wine world at the moment. You've got vineyards being removed in most wine-producing countries, global wine consumption at 60-year lows, and people changing their habits. It's quite hard for the wine industry to respond to that. That's creating some incredible opportunities, but it's also creating some pain and distress in the industry.

Tom Massey: In a lot of conversations, people refer to what's going on — and some people even play down how severe it is — on the basis that it's cyclical, it's just a cycle. On reading the paper and doing some of my own research, I thought this adds a whole other level of depth to the idea of it being a cycle. For people listening, pull up the actual diagram. There are four quadrants, and to really simplify it, you've got price highs, price lows, demand exceeding supply and supply exceeding demand. That's the north, south, east and west of it. Then there's an overlay of dates that maps it from a historical perspective, based on case studies of wineries that have either fared really well or not so well. So there's some historical data that seems to support the reliability of the framework. The other thing I'd say — I don't know if it's a caveat — is that somebody might object and say you can't have a one-size-fits-all wheel that captures everything going on in the whole wine industry. And they admit that in the paper. They say the wheel is more of a framework that can be applied in different ways.

Toby Langley: Yes, it's some overarching principles, and it's pointing to the characteristics of a market. It doesn't necessarily have to be the wine industry; I think every industry suffers from this. What we're trying to get across is that the wine industry suffers from it a bit more, simply because it's a natural product coming from a place. It has a variety on the label, a vintage on the label and a region on the label, and it comes from a plant that has one crop a year. As we talked about before, that's why it's interesting and why we like drinking it. We think, "Wow, that looks different to last year," or, "I can't wait to try the latest release of X and see how it compares to the previous year." These are all the things that make it interesting, but also complex and challenging.

Tom Massey: So when we talk about wine in terms of cycles, what gives the cycles their scaffolding? Someone gave me an analogy during the week. I remember being told in Year 8 science that when you look at a star, the light has taken so long to reach you that there's every chance the star no longer exists. You're responding to something that's no longer there. If you read that into the wheel, given how long it takes winemakers and the wine industry to respond to what's going on in the market, you have this really slow response time, so you can be making decisions based on things that have gone.

Toby Langley: Yes, although I'm not sure that's so much of an issue. I don't think conditions appear and disappear in the blink of an eye. In a wine cycle we're probably talking 5 to 15 years. People have different views on how long the cycles are, but they're not six months and they're not six years; they're probably closer to 10 years.

Toby Langley: The other thing that's changed in wine over the last 100 years is that wine was traditionally a local product. People drank the wine from their village, particularly in Europe, which had the main wine-consuming countries, and not many other people drank wine. Then, with global trade, wine became a globally traded commodity. So you add all these other factors: international trade, tariffs, local taxes, import taxes, excesses in one country, shortages in another, rosé one day, Champagne the next. It all goes into this melting pot of a cycle and a business environment, which means you need to be on your toes.

Toby Langley: At the small boutique end, most small winemakers in Australia are selling wine to people they have an email address for and shipping it out, or customers are visiting the tasting room and buying over the counter. Those customers aren't flying in and out of the brand. They're loyal, and they're buying reasonably regularly and at reasonably stable levels. It's the global trade side — an Australian producer selling to a UK supermarket, say — where the winds of competitive pressure, change and cycles are a lot stronger.

The four phases of the cycle

Tom Massey: Could you humour me and the listeners and give us an idiot's guide to how the Wine Business Wheel of Fortune works? There are the four quadrants. Could you unpack it so people can follow the concept? Then I might throw some case studies at you.

Toby Langley: Phase one is the depressive phase, where you're leaving the good times and entering a downturn. At that point you might see a reduction in sales volume, value, or both. You might have inventory from previous vintages, bought in anticipation of sales growth that hasn't been achieved. So you've got an overhang of inventory, which you may choose to clear, and that might push prices down.

Toby Langley: Phase two moves on from there. The inventory hasn't cleared, people are discounting their product, the discounting isn't increasing demand, and things are getting worse and worse. That's the bottom of the cycle, which is probably where we are globally in a lot of cases, where people think, "Wow, this industry is really hard. Do I want to be here?" That's when some tough decisions are made, and some aren't. At the moment, everyone in the world seems to be drinking less wine than we're producing, so people are having to make decisions about long-term production, and vineyards are coming out.

Toby Langley: The point is that the signal to pull those vineyards out is potentially delayed, so too many vineyards come out. Then all of a sudden there's another change in the market: interest rates go down, the economy improves, whatever it is, demand ticks up, and there's no supply. There's a new signal, transitioning to a point where demand exceeds supply, and you get the next phase of market signals saying, "Hang on, we've got a shortage." The winery goes to its grower and says, "I want 100 tonnes of Chardonnay, and you've only delivered 50." The grower says, "Well, I've only got 50. That block came out," or, "I've grafted it over to something else." So the winery thinks, "How do I get more product?" You've got to offer a higher price. Then they ask the grower, "If I gave you a contract, would you replant Chardonnay?" And the grower says, "Okay, but it needs to be a 10-year contract with base prices, and then I can go to my bank and get finance." All of a sudden you get a wave of new planting, which is what happened in Australia in the '90s. You had this boom of development.

Toby Langley: Then that hits the market, and that's phase four. You think, "Hang on, we've got all this wine. Where's it going to go?" The market's changed, there's a tariff on imports into China, all these market factors, and you've got this elastic band hitting a brick wall.

Tom Massey: I let that go all the way through because at the very start I wanted to ask, isn't it odd that you start the story with a depression? But when you get all the way around, it answers the question of how you got there in the first place: the fat times, and the human behaviour that turns them into the depressive part. The other thing I found interesting is that it's not just economics. Well, what is economics other than applied human behaviour? It's psychology. You can call it a cycle because, as the case studies show — and here we are again, by the sounds of it — people seem to respond to certain things the same way. They buy, and then they're stuck in long-term contracts.

Reading the signs: contracts and vintage variation

Tom Massey: I want to ask you about that now, at the risk of departing from the structure I put together, which happens every time anyway. It's a really interesting paper for those who can take the time to read it. The case studies include Kendall-Jackson Chardonnay in the US, and Blackstone — not the financial company, the Californian winery, which I think you told me was a Gallo entity — known for doing some good things with Merlot. Their success apparently had something to do with understanding and applying the concepts this wheel stands for, whether or not the wheel existed at the time: reading the environment, knowing when things are turning, and timing your business decisions so you're benefiting from what's actually going on. That means making sure you don't have long-term contracts that leave you stuck, locked into unattractive prices, when things go down.

Tom Massey: The question I asked you last time we were on the phone was: how do you read the signs? You're walking around the business environment, you lick your finger, stick it in the air and say, "Ah, things are not looking good. I need to make sure my next contract is the perfect length so I'm not stuck with something that's going to hurt." How do you know?

Toby Langley: I think in reality, no one really knows. It's a probability and an estimation, and the perfect length of contract changes with other people's behaviour. You might have a two-year contract while everyone else is signing five-year contracts, and there's an imbalance there.

Toby Langley: Just to confuse everyone, vintage variation, which we talked about last time, also drives some of this. Vineyards don't produce the same amount every year, particularly — I won't say premium vineyards — cool-climate vineyards: the Adelaide Hills, the Yarra Valley, Tasmania, Burgundy, New Zealand, parts of the US. They're far more susceptible to weather events than the larger irrigated areas, which have a lot of sunshine and a lot of irrigation. Those are almost a hydroponic factory for grapes and a lot easier to control. With cool-climate viticulture, a lot of people would say the really interesting wines come from risky places, because you're on the edge of what's possible. The really fine, interesting wines have this viticultural variation, which makes the style of wine a lot of people like. But it also means you might get two or three tonnes to the hectare one year, and seven or eight the following year. Growers manage that as best they can, but a certain amount is out of their hands and comes down to the season. That also influences the cycle, more so at a micro level.

Toby Langley: Marlborough is probably the best example of large-scale cool-climate viticulture in the world. They've had seasonal variations of 20 or 30 per cent, and this is a wine that's on supermarket shelves globally. Managing that takes skill, and there are risks involved.

Toby Langley: As for the right length of contract, I've seen plenty of evidence that the smart growers lock in contracts. Some people get greedy and want to play the spot market, but the really savvy people say, "I'm happy with that price, I'm happy to know where my grapes are going and what I'm going to get for them," and they lock in a deal. Others in the wine community play the market and take the spot price. They do a bit better in the tight years, but they're the first ones to get dropped in the tough years. It's a risk-and-reward position.

Toby Langley: Going back to the Wheel of Fortune: when there was an acute shortage, people in Australia were signing 10-plus-year contracts with minimum prices that almost guaranteed a good return to the grower. Some had CPI increases. These were very bankable contracts, and they were being signed in an afternoon on the bonnet of a HiLux. I say to people, you shouldn't be surprised that we've got an oversupply, because so much money was thrown into growing the supply base of Australian wine. Wine was easy to sell back then. Bang, we had the boom, and now it's harder to sell and we're dealing with the overhang of that supply.

Tom Massey: So could you simply say the cyclical nature comes from people being a little silly? Some people come into the industry unaware of something like the Turrentine cycle. They see an opportunity, people take it en masse, and you're off.

Toby Langley: Using the cycles in Australia again: it was before my time — I was still in high school — but in the '80s they were pulling out some of the oldest vineyards in the Barossa Valley, which everyone now looks back on as a tragedy. Then 10 or 15 years later, whole tracts of the Barossa were being opened up to new vineyards. In that 10-to-15-year period, you went from the absolute depression of a government-funded vine pull to this unbelievable global expansion. As I've been saying, a whole lot of factors contributed to that. I'm trying to think of another industry where that happens. It's pretty amazing, but that's human nature, that's economics, that's psychology. That's what makes this business interesting.

The bottom of the cycle and the inventory overhang

Tom Massey: Looking at the bottom of the cycle, and just for the sake of the exercise, let's say that's where we are. To put some positives where people are seeing a lot of negatives, that can actually be the part where you get innovative or opportunistic action. You have exits, you have exciting activity from people coming in at really attractive prices, and that drives the upswing.

Toby Langley: The next boom. Yes. It surprises me we haven't seen a bit more of that in Australia, because there are amazing parcels of bulk wine on the market that are very hard to sell at the moment. I think it's probably because of this interesting cycle we're in, where consumer budgets are stretched and people are more health conscious. There hasn't been the level of innovation in the industry that would soak up supply, move it on, reinvigorate the category and get people interested in wine. That style of wine is often a stepping stone for consumers to try other, higher-priced, more interesting wines. From my vantage point, we haven't seen a lot of that.

Toby Langley: To use a global example, the Bronco Wine Company had a \$2 wine for years. It was called Charles Shaw, but everyone called it "Two Buck Chuck". They took advantage of all the surplus inventory and put it through a big supermarket chain in America for \$2 a bottle. That was just a way of clearing inventory. There wasn't a lot of innovation in it, and a lot of people would probably prefer I didn't talk about wines like that, but it served its purpose: it cleared inventory.

Toby Langley: One of the reasons we're where we are at the moment, again feeding into this cycle, is that there's a whole lot of inventory sitting in sheds and tanks, and that's affecting the market signal being sent to grape growers. If a wine company didn't have all this wine in the shed, it would be in the market buying grapes, making wine and replenishing its stocks. But it has so much capital tied up in inventory that its balance sheet, its bank or its shareholders are saying, "I'm not investing another drop in inventory until you clear what you've got." Once that inventory clears, the grape market starts to look healthier, grape prices come up, and signals go back to the market saying, "Hang on, don't pull that vineyard out, because there's a viable customer for it." But right now the signal is that we've got too much inventory and consumption is constrained, so the signal to the grower is, "We don't want your grapes." That's a global phenomenon, and that's why vineyards are being pulled out.

Tom Massey: We discussed in our last instalment the importance of proper inventory management. I think I asked you off air how broadly that term can be defined, the business implications of not understanding what it covers, and the importance of managing inventory from grapes, to wine in tank, to wine in bottle.

Toby Langley: This is a fascinating part of what I do. The fundamental piece is that if you haven't got wine in tank, you've got nothing to sell. Inventory is the lifeblood of the wine industry, for small, medium and large wine businesses. That's the ultimate premise. Not enough is a major problem, but too much is also a significant problem, and that drives the cycles in the wine industry to a large extent.

Toby Langley: Within the big cycles, you also have cycles from vintage to vintage. Wine is a natural product from a plant grown in a place, subject to seasonal variation. Some regions are steady as she goes and fairly reliable, and others fluctuate. Often, the better the wine, the more the vintages can fluctuate. You can see variations of 50 per cent. A wine business that makes 5,000 cases a year from its own vineyards might only get 1,000 or 2,000 cases in a bad year, and in a really fantastic year it might get 6,000, 7,000, 8,000 or 9,000 cases.

Toby Langley: In a low year, you've got less to sell and your costs go up, because your labour bill is spread over much less wine. You might have to call distributors and say, "Look, we can't supply this." Export markets, airline contracts — all of these become really challenging. Then in a boom year you think, "What am I going to do with all this wine?" You might have to outsource some production, find extra warehousing or find new markets. These are the challenges, and the interesting things, about this industry, and they need a lot of time and effort. You need contingency plans. You can't have a plan you never change. You need to be responsive not only to the consumer, but also to Mother Nature.

Managing vintage variation: the Tasmanian example

Tom Massey: Just to give this theme a bit of colour, I was delighted when you told me you'd done some homework in preparation for this. That gets me very excited. You compared three cool-climate regions — the Adelaide Hills, the Yarra and Tasmania — looking at vintage variation, or yield. I'll let you unpack the numbers, but trying to run a business with that much volatility in yield is quite remarkable.

Toby Langley: For people operating in those regions who might be listening, I'm telling them what they already know. But for people who aren't familiar with it or are new to it: a lot of plants, including grapevines, have a biennial bearing characteristic, so you can have on years and off years. That's normal. Sometimes an off year is followed by another off year, so you have two low years in a row, and we've seen plenty of evidence of that. And sometimes the stars align and you have absolute bumpers.

Toby Langley: By way of example, Tasmania is one of the shining lights of cool-climate viticulture in Australia. There's growing interest in its sparkling wine, Pinot Noir and Chardonnay, and it's a really exciting frontier for Australia as a wine-producing nation. The quality of wine coming from Tasmania is remarkable and getting better year on year, and a lot of vineyard has been planted there, so the resource is growing. In 2024, Tasmania produced about 17,000 tonnes, which is the equivalent of about 17 million bottles of wine. In 2025 there was a big increase, of about 35 to 40 per cent. That's a challenge for the industry. But 2026 was an incredibly tough year, and the yield dropped to a bit over 11,000 tonnes. So you go up by 40 per cent one year and down by 50 per cent the next. Needless to say, that's a challenging set of cards for Tasmania's wine producers to play. It has all sorts of implications for what the market can take, what the market will bear and how you manage your business. Again, this is what creates the cyclicity in the industry.

Tom Massey: How have you seen different producers and businesses manage that level of uncertainty? I don't want you giving away trade secrets, and there may not be a precise answer. Is it disciplined decision-making — not over-correcting, not over-indulging? You mentioned contingency plans. What contingency plans can you have in place when things are that volatile?

Toby Langley: I remember talking to a long-standing Tasmanian family business after the 2025 vintage, which was incredibly abundant. For reference, Tasmania is arguably the hottest wine region in Australia in terms of demand and interest, yet there was fruit not picked in Tasmania because there wasn't the capacity to process it. All the wineries were full, which is just remarkable. It's the highest-value fruit in the country, and it was left unpicked because the infrastructure wasn't there to handle it. They had a word for it, which I can't quite remember, but it was a replenishment year — one that makes up for a whole lot of difficult years in the past. You don't bank on it, but you take it, you deal with the abundance of nature, and that's just what you do.

Toby Langley: Generally speaking, there are a whole lot of ways wineries deal with vintage variation. They'll have an amount they grow and an amount they buy, and they'll most likely have limits on what they buy under a contract. You might have a contract with a grower for 50 tonnes, and the grower says, "We've actually got 80." The winery might say, "I'll take an extra 10 or 20 tonnes, but anything above that you'll have to sell elsewhere." Release dates are another way of cushioning the blow. If you've had a short vintage, you might bring release dates forward if you can, and if you've had an abundant vintage, you push them out. So there are a whole lot of tools. It's a bigger issue for some people than others, but I think people underestimate it. It's something the wine business needs to be good at, and you could never be too good at it.

Tom Massey: You were explaining to me off air how interconnected all these issues are, and how one seemingly small decision can have large ramifications. Say a grape grower has to find a new buyer for grapes they were previously selling for \$1,000 or \$1,500 a tonne. They find a buyer, but at \$500 a tonne, because of the surplus. Even though that's an understandable decision for the grower trying to recover their costs, they're actually contributing to the problem that's driving down the price of their fruit.

Toby Langley: Just to recap the broader global signals the industry is getting: people are drinking less. People were drinking a lot more during COVID, and there were some quite buoyant times in the industry. People built inventories in anticipation that consumption would continue, but consumption is declining. So globally we've got a vineyard area that's producing more than the consumer wants.

Toby Langley: On top of that, during the global pandemic people were stockpiling rice, toilet paper, peanut butter, whatever — and they were also stockpiling wine. That pantry-stocking disguised a whole lot of unconsumed wine that had been sold but is now sitting there, replacing you or me stopping at a bottle shop on the way home on a Friday night. A, we're drinking less, and B, what we want to drink is probably already in our cupboard or under the stairs.

Toby Langley: That's creating a reaction in the market where everyone's saying, "Wow, we've got way too many vineyards," and grape growers are getting the signal, "We don't want your grapes." It's probably being exacerbated by all the wine in people's pantries, wineries and warehouses that's competing with next year's crop. The sense I get is that next year's crop is perhaps being treated unfairly relative to the overall dynamics, because there's so much inventory competing with it. So when a grower has to make the difficult decision about whether to sell their grapes at a loss, at a really poor price, I completely understand why they want to recover their costs. But the downside is that those grapes end up in a tank, then in a bottle, then in a warehouse, where they compete with next year's crop or the year after's. That's where we are at the moment.

Toby Langley: These are the peculiarities of the wine industry. You've got annual vintages that vary substantially, and inventory sitting in cupboards that you don't know exists, so you're not sure what you're competing against. At a broader scale, you've got tons of variables giving you mixed messages, and again, that's why we have these cycles.

Tom Massey: That's such a good example of what the wheel is doing. If you set the wheel aside and go back to the foundation principles from our first conversation — inventory is something you have to manage — you can imagine someone valuing a business for M&A or a purchase decision. The

uneducated onlooker might think having a lot of wine in the shed is a really good thing. But you've got the cost of managing that inventory, and you have to put its value in the context of supply and demand and what's going on around it. You want a business where you haven't lost the ability to keep everything moving. I imagine a stream with parts stagnating on the side, not getting any air or flow-through. When something goes wrong, you're really, really stuck.

Toby Langley: Yes, and I think it's something the industry struggles with. Wine is such a beautiful, natural product, you get one crop a year, and people look at wine on a pallet in their warehouse knowing how much blood, sweat and tears went into making it. Selling it at a price they don't like is pretty unpalatable, so they ignore it. The pragmatist might say, "Look, you need to make room for next year's crop, generate cash and keep the wheels turning." This is the melting pot of the wine business. And as we've talked about, there are a lot of layers between the major corporates and the family businesses, and these issues affect them at different levels.

Genuine value, or just the right point in the cycle?

Tom Massey: Another case study I found really interesting in the paper was Glen Ellen. It was basically an innovative response to a flood of oversupply in California, and that's how the marketing of "fighting varietals" was born: something under cork in a 750 ml bottle, above cask wine but not quite super premium. They just flogged it, and I think the paper says the business ended up selling for between \$60 million and \$80 million — off the back of times taking an absolute crash.

Tom Massey: I want to put a brutal question to you, given that we're either at the bottom or not quite at the bottom. How would you distinguish between a business that is genuinely valuable and one that is simply benefiting from being at the right point in the cycle? We talked about this a bit off air. The writing is kind of on the wall. Using the quadrants of the wheel, you'd have a lot of businesses that have benefited from times of plenty, and now that times are tough, you check the news every day and there's another casualty. How do you see real value? Going back to what we talked about last time in terms of business decisions, how do you look at this practically?

Toby Langley: It's probably not very different from what we talked about previously. A valuable business, in my mind, is one you have a fair degree of confidence will continue to make sales and make money. Then it's a question of what you're prepared to pay for that profit — what multiple of earnings. In a down cycle or in tough economic conditions, buyers are more critical and sceptical and will pay a lower multiple of those earnings. In a boom, when everything's flying, people are more optimistic, and there are probably other buyers in the market driving the price up. Those features exist wherever you are in the cycle.

Toby Langley: In terms of wine businesses, take the big ones that are benefiting from oversupply. I think people will look at them sceptically and ask, "What happens when grape prices return to normal?" They'll look at the earnings and say, "If there's a major correction in the grape market, you're exposed, because you can't hit those price points and make that margin." Then I come back to my focus on premium wine businesses, which are probably more in control of their supply chain and grow their own grapes. Notwithstanding some vintage variation, that's probably a more robust foundation for valuing a business and attracting a value people have a lot of confidence in. It's quite a hard question to answer,

but oversupply typically doesn't last forever, and I think people will be pretty sceptical about putting a huge value on a business that's clearly benefiting from a time in the cycle that isn't going to last.

Tom Massey: Looking back at the case studies in the paper — which is easier, because it saves us picking contemporary ones — take the Blackstone example. I jotted down what I'd call a trifecta: strong brand, strong management, and getting your timing right.

Toby Langley: Probably the two best examples at scale in Australia are Rosemount and Casella, or Yellow Tail. Rosemount had a great brand and a very focused management team. It was a single-brand company, so Rosemount got all their attention, and they'd done very well in export markets. They didn't actually own a lot of assets; they relied on bulk wine and grape supply, so they were a pretty capital-light business, which made them quite responsive and very profitable. The rest is history: they were acquired by Southcorp in 2001.

Toby Langley: Not long after that, John Casella was a fledgling winemaker in the Riverina looking to develop an export market in the US. A distributor that had been distributing Rosemount, I believe, had lost a brand, and John Casella was in the right place at the right time. He presented Yellow Tail, the distributor liked it, and that brand went from nothing to 15 million cases in the space of 20 years. It's arguably still Australia's most successful wine brand. People don't like it because it's \$9 and it's sweet, or whatever, but it's a business focused on that brand. They've diversified into other labels, but they've gone to a lot of trouble to invest in that brand, and it's become a sustainable, profitable business through the cycle, for want of a better phrase.

Toby Langley: There are also plenty of examples at the micro scale, where the icons of the Australian industry have ridden the cycle. Even in today's market, if any of those businesses became available, I think people would be surprised at the valuation they'd command, because they've been around for a long time and, all things considered, they'll be around for another 50 years.

Toby Langley: There are a whole lot of people in the Australian wine business — particularly in the small-to-medium branded space, and some of the bigger companies — who are actually doing quite well. In a difficult market, people who are doing well keep their heads down and don't want to draw attention to themselves. Unfortunately, bad news travels a lot quicker than good news. Economically and geopolitically, there are a whole lot of challenges making lots of businesses work harder for sales and profitability. But there's no shortage of people in the wine business who are in good shape. Their customers are still drinking their wine, and they're not going anywhere.

Toby Langley: Where there's trouble at the broader scale is at the fighting end of the consumer landscape in wine. I don't want to use the word "commodity", but it's more commercial wine: pretty interchangeable and often sold on promotion. The people who drink that product are, I think, drinking less, and they've got a lot of other choices, whether that's not drinking alcohol or drinking something else — a seltzer, a cocktail, a beer. That part of the wine market was very dominant and a high-growth category 20 years ago, and now it's really challenging. In an Australian context, more than half of our industry was designed to support that part of the market. That's why you're seeing vineyard removals. Twenty years ago, growers supplying Jacob's Creek or Yellow Tail, or pick a brand, were getting \$600, \$800 or \$900 a tonne for their fruit. They're now getting \$200 a tonne. You don't have to understand much about farming to see that's not sustainable, and over the same period everything else has

doubled or tripled in price. The reasons the vineyard boom happened have disappeared, and that's where a lot of the pain is. We're exporting into very competitive international markets at a time of declining consumption, so it's really, really difficult.

Resilience in tough times

Tom Massey: It's never going to be easy. Let's follow that through to resilience in a business context. I've spoken to a number of people on this show, particularly recently, about how tough it is out there and the mental health crises. It's really bleak, and that's part and parcel of going through really dark economic times. The stoic approach might be to stick at it, be there for your mates and help each other through. The pragmatic approach — and hopefully the kind of conversation I'm trying to have with you — is knowing the telltale signs, so you know when to, I don't want to say walk away, but maybe change direction and get the help it takes to make that change. A lot of the time you just don't know what you don't know. So talk me through business resilience in times like these.

Toby Langley: It's incredibly personal and difficult. My observation is that when people have had a lot of success and then that success disappears, that's harder than never having had the success in the first place. There are a whole lot of really difficult situations. As we touched on before, a vineyard is a permanent investment. You can't pull it out one year and put it back the next, and that's what drives these cycles.

Toby Langley: Within the industry, there's a recognition that it's a cycle, but there are also structural elements to it. We've talked about a cycle as if it will just return to the boom times, and that the boom times aren't far away. A lot of people are saying that may be true at some levels of the industry, but at the commercial level, that cycle has gone and it isn't coming back, which sounds a bit strange. It's hard to know what's going through people's heads and what's being discussed at the kitchen table. But I think most agricultural people are incredibly resilient because they have to be. They deal with tough seasons, and with the things that go to plan and the things that don't. So there's a lot of resilience inherently there. But we're in a bloody tough time, and I'm hoping people can get the help they need, talk to friends and family, and find their way through it, because it's not pretty at all. Recognising that you've got to do something different is probably part of the journey, isn't it?

Toby Langley: In a perfect world, for all the reasons we've talked about, the industry will become less cyclical, and you won't have these waves of prosperity followed by droughts and difficult times. I think the international side of the industry has exacerbated the cycles. A smaller industry is going to be less influenced by international cycles and demand, and therefore less boom and bust. I think a lot of people committed to the wine business at all sorts of levels can see real advantages in a smaller industry. There are tough decisions being made, and some people who came into the industry can no longer afford to stay, or the asset or business they had doesn't have a sustainable platform, and they need to make those calls. But there will be positives that come from that. I wouldn't call it optimism, but there are green shoots out there. The big challenge we don't quite have our heads around is what's influencing current trading conditions. What's the inventory situation in the industry? How much is that distorting the market, and how much is it making things seem worse than they actually are, if that makes sense?

Tom Massey: You mentioned the international context. Going back to what we were talking about before, I had a fascinating conversation a few episodes ago with Ed Kavanagh about ghost labels and their impact.

Toby Langley: Oh, yes.

Tom Massey: You'd look at Endeavour Group, Coles and Wesfarmers and this flood of ghost labels, and the impact of flooding a market with faceless product. He made some very interesting points about the role the ACCC might play in consumer awareness, and about regulated labelling, so consumers can actually know what they're drinking and choose between a ghost label and something made with the blood, sweat and tears of a real person. That's a different conversation.

Toby Langley: I'm not going to touch that one.

Tom Massey: I completely understand, and I wouldn't ask you to. But when you lift the lid on it, the market is very complex, there's a lot of product, and it's all suffering at the moment.

Toby Langley: Yes. But a lot of what we're seeing at the moment hasn't happened overnight either. There have been underlying trends that quite a lot of people picked up on and adjusted to. Some people haven't, and that's always going to be the case; not everyone is paying attention. It's funny how people don't respond, and then all of a sudden they can't respond. The car industry is a fascinating example, with petrol engines versus EVs, and car brands that have been around for a hundred years — a bit like wine brands — suddenly blindsided by the take-up of EVs. That's what makes a market. The wine industry is special and unique, but it's like a lot of other industries too.

Tom Massey: That takes me back to one more previous episode, a conversation with Professor Gerald McDermott, a business lecturer at the University of South Carolina in the US. For people who haven't listened to that episode, make a note. It was about the rise of the Mendoza wine industry, and why Mendoza rose while San Juan, right next door with very similar base ingredients, did not. It all came down to an attitude towards cooperation and innovation, specifically through public-private institutions. A lot of his case studies map the rise of Silicon Valley in the microchip era: a Californian attitude versus a more traditional East Coast, Boston-firm attitude. The Boston firms had very high walls, protecting their intellectual property, which is all natural to do. California was cowboys. Somebody would be working here on Monday and across the road on Tuesday, sharing knowledge back and forth. I can't really imagine what it would have looked like, but it was this buzzing hive of cooperation and sharing.

Toby Langley: The conversation we're having is probably contributing to a cycle in the wine industry, because someone in the business community listening to this will say, "Oh, this wine business sounds terrible. I'd never go there." Those attitudes will delay the supply response when there's a genuine opportunity, and that's what creates these cycles. It's always darkest before the dawn. Everyone thinks people are not going to drink alcohol, they're not going to drink wine, the world's about to end. And that's what creates a cycle. It's also what creates a boom, because when things are good, everyone thinks, "This is great, it's going to last forever." And funnily enough, things don't last forever.

[Closing thoughts](#)

Tom Massey: Speaking of it being darkest before the dawn: as I showed you before, I'm drinking a beautiful bottle of 2022 Wynns Black Label Coonawarra, so I'm still enjoying a sip. What have you got coming up? What are you looking forward to?

Toby Langley: Coonawarra Cabernet is something I don't drink enough of, but it's the absolute bargain of the wine industry. Using Wynns as an example, since you're drinking it — and this isn't an endorsement — you can buy that wine for \$30, put it in your cellar if you've got the patience and the space, and drink it in 20 years. For that price, it's incredible.

Tom Massey: Inappropriately good. By the time this is released, I may have finally had the conversation I was meant to have with Sue Hodder, but in typical Tom fashion there was a slight technical difficulty, so I'm going to have to play the long game on that one. Nonetheless, I walked into my local and picked up a bottle. They're celebrating 70 vintages of Black Label. Damn, it's good. And I think it's exactly what you said about the price.

Toby Langley: I was in a pub in Penola on Saturday night. There are only two pubs in Penola, and this was the nicer one, I'd say. I was with my wife and one of my three daughters. She's 24 and not your typical Coonawarra Cabernet drinker. We had two lovely bottles, most of which I probably drank. But here was a young woman who's grown up with a bit of wine and has plenty of choices, drinking Coonawarra Cabernet and thinking, "Wow, that's pretty interesting." If you're eating red meat — if you're allowed to and you're not on some health kick — have it with a Coonawarra Cabernet, a Margaret River Cabernet or a Bordeaux. There are heaps of examples. It's not all bad.

Tom Massey: I love Cabernet, and a story for a story: I popped the screwcap on this one and poured it into a nice glass with a bowl that lets the aromas do their thing. My kid brother is 23 and loves his red meat, but he's not a wine guy. I said, "Hey, get a whiff of this." He stuck his nose in and said, "That is the most gorgeous bouquet of any wine." I just stared at him and said, "Did you just say 'bouquet'?" It just rolled out of him.

Toby Langley: It's good that we're talking about the great things about wine. That's what keeps people motivated, focused and energised. The cycles are the cycles, but one way or another, I'm very confident wine is not going anywhere. A smaller industry is causing pain, and a whole lot of people have had to make some difficult decisions. Unfortunately, that's business. And in a globally connected world, it's probably happening in more and more industries everywhere.

Tom Massey: But as you rightly said, it's always darkest before the dawn.

Toby Langley: Yes.

Tom Massey: On that optimistic note, Toby Langley, thank you so much for joining me on the Cellar Door Podcast. Two fascinating conversations. I guarantee I'll find a reason to have a third, but I'll let you breathe before I come knocking. Thank you so much for your time.

Toby Langley: Thanks, Tom. Talk soon. Thank you very much.