

**Wine Grape Growers Australia Inc**  
**ABN 15 475 806 313**

## **Executive Director's Report to Growers**

### **The Annual General Meeting of Members**

**Held at the Australian Wine Research Institute Seminar Room**  
**Wine Innovation Centre Building**  
**Corner of Hartley Grove and Paratoo Road Urrbrae**

**Friday 18 November 2011 at 10.30 am**

In my report to this meeting, I will try to strike a happy medium between relating the activities and issues of 2010-11, and giving you a taste of what WGGGA sees for the future of the organisation and the grower community.

An important theme throughout my presentation today is improving the information base -- and therefore knowledge -- that both growers and your national organisation can action.

#### **Supply and demand balance**

Supply and demand imbalance was most frequently registered as the issue of greatest concern in 2010-11.

The 2011 harvest of a remarkable 1.6 million tonnes clearly indicates that adjustment in the industry is happening too slowly.

Apart from the size of the crush, the fact that so much of it was taken was also astonishing.

My speculation is that many processors are keeping their heads above water in two ways: by maintaining processing throughput and average unit costs on the back of loss-making prices paid to growers and, secondly, through production of low-value wine for global markets. These pathways result in unsustainable prices for growers.

Processors cannot be blamed for wanting to survive. Nonetheless, your organisation, WGGGA, is calling for greater industry leadership from winemakers in considering what the trade of low-value wine is doing to the value of Australian wine's brand.

If at some price, this business is sustainable, that is fine. However, more than ever before, growers will need to decide if they can supply this trade.

If they can't make a living in price-driven supply chains, they need to say "no" to the prices offered and seek more profitable partnerships with off-takers or adjust their business.

## **Knowledge**

Good knowledge is essential to drive good decisions.

There are many reasons offered for why adjustment is so slow and, invariably, the reasons will differ from region to region.

The two reasons most frequently mentioned are off-farm income and diversified agricultural production among those who produce winegrapes. Both strategies act as hedges against a downturn.

Unfortunately, we know little about the profile of growers in respect to these characteristics. Planning an effective industry response to adjustment is hampered by this ignorance.

However, a solution is not far away: data commissioned from the ABS will soon provide new insights. This data will improve our understanding of the grape growing industry by size, enterprise mix and by independent- versus winemaker-grower.

Based on this information, we can devise and target better policy.

Another major initiative to improve our knowledge -- albeit in the longer term -- is a project to create an industry-owned national vineyard database.

Once completed, this database should boost our understanding about the viticulture supply foundations of the industry; provide assistance in biosecurity matters; and afford the means to contact Australian grape growers.

If a national vineyard database delivers on all of these dimensions, it is very much supported by WGGA.

## **Capacity development - VineBiz**

Ultimately, adjustment in the industry will occur by individuals making good decisions about their businesses.

VineBiz is viewed as a highly effective tool for this purpose. However, its use is languishing.

To make decisions about its future, we have undertaken research into what growers think about VineBiz and how they use it. In summary:

- Industry commentators and leaders say growers should use it;
- Growers who have used it say it's "great" but, despite their good intentions, they don't go on to regularly use it;
- Growers who have chosen not to use it say this is because they don't have time, are not willing to pay for it or don't have the required technology skills.

Put simply, while VineBiz is not seen to be the problem, it's not seen to be the solution either.

Clearly, our challenge over the next 12 months is to further analyse these findings and determine how best to improve the use of VineBiz among growers.

### **Market Access for winegrapes**

In 2010-11, WGGGA was active in projects that promoted access of winegrapes to the market. Our activity included:

- Revising and promoting the Australian Wine Industry Code of Conduct;
- Establishing the Winegrape Quality Measurement Committee to set the rules and protocols for quality valuation that can be legally used in price determination;
- Providing input into the OIV (the International Office of Viti- and Vini-culture) that establishes the international regulatory environment for viticulture practice and winemaking; and finally
- Facilitating the negotiation of phosphorus acid maximum residue limits in Canada and China.

### **On-line tools to assist growers**

Improving knowledge has been a theme of my talk today and I am pleased to have this opportunity at our annual meeting to launch a new initiative to help growers access markets.

To assist growers to hold their own in a market with depressed prices, we have released three new online information tools:

- A checklist of considerations for growers entering into grape supply contracts.
- An easy-to-use contract template that is fair to both growers and producers.
- An “at a glance” outline of the dispute resolution process within the Australian Wine Industry Code of Conduct.

These tools can be downloaded from our website at [www.wgga.com.au](http://www.wgga.com.au).

### **Code of Conduct**

The signing of a revised Australian Wine Industry Code of Conduct is imminent. A key revision to the original Code released in 2008 is the setting of new targets for the number of winemaker signatories.

They are: 25 % of the top 100 winemakers by December 2012, and 50 % by December 2013.

From our perspective, the release of a revised Code represents a renewed opportunity for the large number of Australian winemakers who have not yet signed up to come on board.

While we believe that it is primarily the responsibility of the Winemakers' Federation to encourage winemakers to sign up, we are nonetheless urging our members to insist that their off-takers become signatories.

### **Research, Development & Extension**

As a primary stakeholder in the GWRDC -- together with the Winemakers' Federation and the Federal Government -- WGGGA has been active in providing input into the new GWRDC Five Year Plan and in selecting its new Board.

This, in turn, has motivated us to review our policy on research, development and extension (RD&E).

Our policy now states that as the sole beneficiary of national grower levies (the Grape Research Levy), the GWRDC has a responsibility to invest this money across the whole range of RD&E.

That is, research that benefits growers, development of growers and extension to growers.

Under the updated policy, grower development also includes facilitating grower engagement and feedback -- to the GWRDC and the Federal government -- on how their levies are spent.

Hence, grower development is an awareness and communication function as distinct from the no- less - important extension of scientific research.

It's a change in thinking and we are planning further discussions about this with the GWRDC and the Federal Government.

### **Vineyard Biosecurity**

During 2010-11, some progress was made on improving vineyard biosecurity -- but not as much as we would have liked.

During the year, a policy-setting body called the National Winegrape Biosecurity Committee was formed and met on two occasions. In addition, the Vine Health Technical Reference Group is in the process of being convened.

The tasks that lie ahead are to:

- Advance the development of a National Phylloxera Management Plan;
- Review the categorisation of vine pests and diseases under the Emergency Plant Pest Response Deed);
- Raise awareness in the industry of its responsibilities under that Deed; and
- Increase industry's response readiness for an exotic plant pest outbreak at national, State and regional levels.

To help deliver results more quickly, we will be addressing the resourcing of this important work in the coming year.

### **Water**

Within the winegrape growing community, water is largely a regional issue – given the role of the States in the distribution of Commonwealth allocations to irrigation.

Nevertheless, at the national level, the Murray Darling Basin Authority has been busy on the issue of water that will be available to the states for irrigators by the Commonwealth.

WGGA has kept abreast of events via “observer status” with the National Irrigators Council.

From the beginning, we have argued for a balanced approach to making water available to the environment and the socio-economic effect on irrigators from reduced water access.

The next round of scrutiny on this issue will commence on November 28 when the second attempt at releasing the Draft Plan will occur.

### **Wine Tax**

The Henry Review into Australia's tax system -- and a growing discussion within industry about impediments that the WET rebate may represent to industry adjustment -- has meant wine tax was an issue for discussion over the past year.

Subject to continuing discussion and change, WGGA supports the current *ad valorem* tax mode.

We also support the following WFA positions:

- No overall increase in the total tax revenue from the wine sector;
- Reform of the WET rebate to remove distorting supply decisions;
- No use of tax or artificial minimum pricing measures as a lever for health reform and;
- Maintaining the differential tax rates for wine, beer and spirits.

Support for reforming the rebate is contingent on there being no discrimination against growers receiving the rebate, if eligible.

### **Government Relations**

Good relations with government are essential for WGGA.

WGGA continued to develop a positive working relationship with the relevant Federal Government offices (primarily the Minister for Agriculture but also with DAFF and Ministerial Offices for Sustainability, Environment, Water, Population, Communities and Regional Development).

The focus in government communications has been industry restructuring and facilitating a grower voice to provide effective feedback to the Commonwealth on the investment of its matching funds in research, development and extension.

### **Streamlining National Organisational Structure**

Restructuring at the national organisation level is building a head of steam.

Closer relations are set to gain a boost in the next few weeks as all four national organisations -- ourselves, the Winemakers' Federation, Wine Australia Corporation and the GWRDC -- are set to co-locate in Industry House at the National Wine Centre.

A paper by the DAFF, analysing the pros and cons of a range of options for integrating the two statutory bodies (the GWRDC and Wine Australia) has been presented to WGGA and WFA for consideration.

WFA already has a policy that the two statutory bodies should be merged and WGGA will now consider its position on such a merger.

In a parallel set of thinking, WGGGA has presented the WFA with a proposal for creating a Council with equal grower and winemaker representation. This has been received favourably and discussions are underway on the details.

It is worth noting that the current trend towards combined grower-winemaker associations at the State and regional level is unlikely, for the moment at least, to be adopted at the national level.

### **Membership and funding**

Like many membership-based organisations, securing adequate funding is a challenge. This issue is coming to a head through a review of the South Australian Grape Growers' Industry Fund.

After a year of thinking and investigation into alternatives and options, an action plan will be devised over the next year for restructuring.

### **Staying in touch with growers**

The importance of a two-way flow of information between WGGGA and growers cannot be over-emphasised.

It helps us to be effective in harnessing grower input and representing grower views in industry and government forums.

One innovation has been publishing our newsletter within the Grapegrower & Winemaker magazine, a better fit with our constituency. The ongoing collaboration and support in this from Winetitles is acknowledged with gratitude.

WGGGA also commenced an e-Alert system to inform growers about events and opportunities available to them.

### **Thank yous**

I want to take the opportunity to acknowledge the contributions of a few key people.

Our Chair, Mr Vic Patrick, brings an immense depth of experience and understanding about the wine sector to this organisation and I thank him for his accessibility and his commitment to the cause. Supporting both Vic and me are the voluntary Executive Committee who contribute their time and effort for the collective benefit of their fellow growers.

Along with Vic, I add my welcome to Kelly Bonser who has stepped into the role of office administrator on a half-time basis and performed admirably in a short span of time. I also add my thanks for the expert and committed input of Sandy Hathaway into project-based activities.

**Comments about the future**

In regard to the future of our organisation, I am determined that next year I will be able to report wider representation, better representation and a closer partnership with winemakers on the many issues that we have in common along with greater collaboration with other agricultural sectors on matters that are, once again, in common.

Finally, I would like to share with you one big idea for the future.

As the Australian wine sector and the major players in the sector become increasingly global in their interests and perspectives, I see an increasing role for representation by agents whose interests are aligned with that which is inalienably Australian - vineyards rooted in Australian soil.

In this regard, the national grower organisation is uniquely positioned to represent Australian wine sector interests.

With the help of those with goodwill and the interests of the Australian wine sector at heart, I hope WGGA will increasingly have the privilege of this role in the future.

Thank you.

L Stanford  
18 November 2011