



The United Grower

February 2007

The newsletter of Wine Grape Growers' Australia

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Introduction

Mark McKenzie
 Executive Director
 Wine Grape Growers' Australia

The key message to bring to you in this issue of *The United Grower* is that the winegrape-growing industry is fundamentally changing. We are seeing a change in the supply and demand picture and it seems the ratio is likely to move into balance over next two to three years, rather than the four to five we initially estimated.

While the more rapid than expected return to balance is welcome, WGGA knows that this will come with significant short-term pain for individual growers through the effects of frost and drought. We also caution growers over expectations that winegrape prices will return to the high levels of the 1990s. Stock surpluses plus greater international competition are constraining increases in winegrape prices. Nonetheless, spot market prices are firming and WGGA's message to growers is that they need to ensure they get current market information before committing to a sale price. In this issue we advise growers how not to sell themselves short.

WGGA cautions growers over expectations that winegrape prices will return to the high levels of the 1990s.

Also in this issue, our chairman Alan Newton talks about the *Taking Stock and Setting Directions* project, which was signed off in December. We know from the TS part of the project that WGGA, as a national body, will be a key driver of change and have a crucial role in facilitating programs that deliver sustainable economic outcomes for the industry – many of which are highlighted in this issue.

Alan and I have travelled to a number of regions to discuss these programs with growers. We are buoyed by growers' strong desire to see WGGA establish effective industry programs and we look forward to people supporting our mission by becoming members through voluntary subscriptions in 2007. ■



Message from the Chairman

Alan Newton
Chairman
Wine Grape Growers' Australia

A winegrape-grower blueprint for the future

I am pleased to announce the completion of The Australian Winegrape Industry 'Taking Stock and Setting Directions' (TSSD) project.

The project was conducted by consultants operating under a partnership between the Australian Government and the national body representing winegrape-growers - Wine Grape Growers' Australia (WGGA). Its \$200,000 cost was funded through the Australian Government Department of Agriculture, Fisheries and Forestry, Industry Partnerships Program. The project involved extensive input from winegrape-growers, their stakeholders and other elements of the wider wine industry. It commenced in July 2006 and was finalised in December.

The project involved a comprehensive examination and analysis of the current status of Australia's winegrape-growing industry and the issues and challenges it faces. It focused in particular on the strategic imperatives grapegrowers must grapple with in securing their futures, the key strategic options available to them and initial actions for implementation.

The report is intended to provide a 'blueprint' for WGGA and its winegrape-grower constituents to guide them in their industry policy operations over the next few years.

Effective communication on the TSSD process is important to ensure winegrape-growers are fully informed about it and the proposals in the report so that they can derive maximum benefit from it. WGGA will be taking measures in coming weeks and months to make sure growers are completely informed of the underlying analysis, key findings and conclusions, and to enable them to be closely involved in determining future policies for re-building industry strength.

The intention here is to develop a shared view of the future and to determine how to drive this to fruition.

WGGA will use this information to forcefully advocate grower views in their cooperation with the Winemakers' Federation of Australia and the Australian Wine and Brandy Corporation on the wine industry *Directions* program.

The TSSD report is prefaced by a thorough statement of the outstanding and irreplaceable contribution of Australia's grapegrowers to the wine success story.

This is followed by a vision statement for winegrape-growers, namely that of 'a globally competitive, profitable, sustainable, resilient and self-reliant industry that adds value to the national economy, Australian communities and the environment'. The five strategic imperatives identified for the industry to address in the pursuit of this vision are:

- 1 Information** - Quality and timely market-driven information for shared industry understanding and effective planning, policy development and decision-making.
- 2 Competitiveness** - Internationally competitive business models and cost structures for enterprise profitability and sustainability.
- 3 Policy** - Adaptive policy and change management as a permanent feature of grapegrower initiatives for enhancement of industry performance and sustainability.
- 4 Relationships** - Collaborative and efficient value chain relationships for industry responsiveness and resilience enabling global competitiveness and shared profitability.
- 5 Representation** - Nationally coordinated, well-resourced and efficient industry structures for effective representation, advocacy and service delivery.

I commend the report to you and encourage you to become involved in taking it forward and in making sure that we achieve the aspirations and benefits from all the good work which it underpins. ■



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Industry update

Mark McKenzie

Executive Director, Wine Grape Growers' Australia

Membership

WGGGA has spent a lot of time talking to grower organisations, wine companies and Government about funding mechanisms. We have finalised arrangements for a membership subscription system for the 2007 vintage. Growers can subscribe either via their state/regional levy systems in the Riverina and Murray Valley and the new South Australian levy proposed by the Wine Grape Council of South Australia, or via voluntary subscriptions raised through winery payments with growers' agreement. Subscriptions will be raised from second grower payments in June.

Structural issues

The industry still has some structural issues to address over the longer-term. We have over-planted in high production cost zones, and we still have the vineyard capacity to produce high volumes of fruit against our market requirements. We certainly do not need more vineyards planted. In fact, we anticipate that the financial impact of drought and frost and the tougher market conditions confronting Australian producers will still see many growers being forced to exit the industry. This change in supply and demand position should be seen as a reprieve for some producers – not a return to the boom times of the 1990s. The downturn in production will come at significant cost to many growers, and increase pressures on some to exit the industry.

Although the firming in winegrape prices is appreciated, we are warning people not be lulled into a false sense of security. We still have vineyard infrastructure that can produce two million tonnes of grapes if the seasonal conditions are right and there is a wine overhang that will still take some years to draw down.

There are still some speculative plantings happening at a time when we are facing slowing export growth and

are feeling the pinch from significant fruit plantings in cooler production zones in past decade which are not relative to where most Australian wine is being sold. Plus, the international market for wine is now far more competitive which is constraining wine and winegrape price growth.

WGGA will continue to work with Government on strategies that tackle these structural issues. In addition we are striving to be the prime conduit for industry information and new business model templates for growers to use.

Wine stocks

A lot of work has been done to get a better assessment of wine stocks since the national summit in June. We still have a fair way to go as an industry to know the type of stock in-hand but we now have a better measure than last year. There is still an excess of stock, about 460 million litres, but the stocks will clear sooner than expected at current sales growth rates.

Winegrape prices firm

As the winegrape market begins to tighten, WGGA is calling on all growers to immediately contact regional grower associations to register fruit available for sale, join regional winegrape selling groups to market their crop, or move to secure new grape supply contracts with wine companies.

The change in the winegrape market follows the downward revision of wine stocks; the likelihood of a lower volume, drought and frost-affected harvest in 2007; and the increased likelihood of a more severely drought-affected 2008 vintage.

The projections of a more rapid than expected correction in wine stock levels, coupled with lower volume vintages over the next two years is seeing some wine companies



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actively seeking grapes, with the resultant firming of winegrape prices over the very low values of last year.

Growers urged to seek new grape supply contracts

The major wine companies are now moving to secure their supply over the next two years, with a mixture of annual purchase agreements, and short and mid-term supply contracts now being offered. As a result WGGGA is urging growers to do a number of things:

- Growers should not take the first offer if the price level is low – check the market and use the prices being offered by the larger wine companies as a benchmark. Some growers have been offered as little as \$150-\$200 a tonne prior to vintage. The market is more rapidly moving back into balance and grape prices are moving off the bottom. A number of the larger wine companies are currently offering \$400 per tonne or more for good quality inland region red grapes, and cooler district growers are also being offered higher prices as wineries seek to replace their own production from drought and frost-affected vineyards.
- Growers should immediately contact their regional association to register their uncommitted grapes, and consider joining a regional selling group to market their fruit, or contact reputable wine companies if they wish to negotiate direct. If growers have previously had a supply relationship with a reputable winemaker and wish to continue marketing their own grapes, they should make contact with these companies first. Growers should avoid processors who have not fully paid for last year's fruit or have overly extended payment schedules.
- Growers should also be seeking short-term contracts – rather than annual supply agreements – preferably for at least three years. In the case of growers who have had a long-term supply arrangement with one or a number of wine companies, but have not had their grapes taken in the last two years, growers should seek longer-term supply contracts. ■



Katie Cotton, Office Manager and Personal Assistant to Executive Director Mark McKenzie.

INTRODUCING KATIE COTTON

Katie joined WGGGA in September last year as Office Manager and PA to Executive Director Mark McKenzie. Her vast experience in this area made her an ideal candidate for a position that requires high level organisational skills and proficiency. Katie's friendly manner and willingness to get behind WGGGA's key objective to be the driving force to lift the Australian winegrape-grower sector out of its current downturn won her the job.

Katie said she enjoys learning about a new industry and particularly enjoys accompanying Mark and Chairman Alan Newton when they visit winegrape-growers on their home turf.

"It's the people-contact that makes this job rewarding," she said. "Every day I'm meeting new people and it's a pleasure to be able to help them." ■



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WGGA Strategic plan

Although not fully completed, WGGA has developed the following framework on which its strategic plan will be developed.

ORIGINS

A business study by the 2005 Centre for International Economics (CIE) found a national growers' body – such as WGGA – could improve the performance of the winegrape sector by engaging in the following activities:

- Improve growers' limited contribution to the development of national industry strategies;
- Provide better data and information for growers;
- Develop better relationships and codes of practice between growers and wineries;
- Oversee and prioritise research and development expenditure on behalf of the industry;
- Manage national vineyard bio-security issues;
- Provide advocacy for the grower sector and maintain a dialogue with Government on sector opportunities and performance.

OBJECTIVES

The vision is for WGGA to be recognised by growers, industry bodies and Government as the national body for Australia's winegrape sector. Its mission is to develop and implement winegrape sector and whole-of-wine-industry strategies and programs that drive grower sustainability by delivering economic benefits to the Australian winegrape sector and valued services to WGGA members.

KEY ROLES

- Set and drive the national winegrape sector agenda;
- Drive winegrape sector and whole-of-industry strategies to deliver grower sustainability;
- Drive culture change in the wine industry that reinforces and enhances the position of the sector

and its growers by developing effective collaborative industry relationships;

- Facilitate improved resources for growers by delivering programs for the sector and valued services to WGGA members.

KEY ACTIVITIES

WGGA will deliver programs that will allow people to get better business information for future decision-making. WGGA will engage in:

- National Government and industry advocacy on behalf of winegrape-growers and the winegrape sector;
- Strategic planning and policy development and implementation of national strategies for the winegrape sector;
- Provision of information and data for winegrape-growers;
- Development and maintenance of collaborative industry sector relationships;
- Development and custodianship of industry codes of practice;
- Industry research and development program directions and oversight;
- National vineyard bio-security;
- National vineyard environment and stewardship programs;
- Member service delivery.

Programs

1 ENGAGE WITH GROWERS

WGGA will engage with growers through active communications:

- Industry road shows;
- Regional media coverage and commentary;
- News bulletins – to regional associations and growers;
- *The United Growers Newsletter* – published in *Australian Viticulture*;

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- The WGGGA website as a major information portal for growers – including interactive tools;
- The National Winegrape Outlook Conference;
- Regional industry and business development programs managed by WGGGA;
- Information sheets;
- Regular regional contact on current issues.

2 SET THE INDUSTRY AGENDA

WGGGA will strongly articulate the aspirations of growers and the vision for the sector through WGGGA's advocacy with:

- State and regional grower organisations;
- Government;
- Winemakers Federation of Australia, the Australian Wine and Brandy Corporation, Grapes and Wine Research and Development Corporation and other industry bodies;
- And, by raising the profile of the Australian winegrape sector within the community.

3 DEVELOP AND IMPLEMENT EFFECTIVE INDUSTRY STRATEGIES

WGGGA will be the driver of winegrape sector and whole of industry strategies to deliver grower sustainability through:

- Driving sector strategies arising from the *Taking Stock and Setting Directions* project for the Australian winegrape sector;
- Implementing of an all-of-industry strategic plan approach with Winemakers' Federation of Australia;
- Driving industry R&D directions and priorities for the sector;
- Managing vineyard bio-security and environmental stewardship programs for the sector, including wine industry membership of Plant Health Australia.

4 CREATE STRONG AND EFFECTIVE INDUSTRY RELATIONSHIPS

WGGGA will be the driver of culture change within the wine industry that results in growers and the winegrape sector being accepted as full partners in the development and future prosperity of the wine industry by:

- Being fully engaged in all industry forums, key committees and planning activities;
- Maintaining a regular dialogue and exchange of views with WFA, AWBC, GWRDC, other industry bodies, and with industry opinion leaders;
- Positioning WGGGA as the custodian of an Industry Charter and the Australian Wine Industry Code of Conduct;
- Positioning WGGGA as the key advocate for a change in industry culture through acting as the conscience of the wine industry on the attitudes of wineries and processors to growers.

5 FACILITATE IMPROVED RESOURCES FOR GROWERS

Industry Best Practice:

WGGGA's delivery of sector programs in technology adoption, economic benchmarking and business management, environmental stewardship, and bio-security management.

Member services:

- A national winegrape exchange (networked through regional associations);
- Information – WGGGA will be the primary source of independent information for grapegrowing businesses;
- Vineyard economic benchmarking to support best practice management;
- Businesses development programs;
- New business management structure templates for collaborative structures and collective bargaining;
- Group purchasing of discounted business inputs or sponsored deals for WGGGA members.



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Zone

Riverina
 Rest of New South Wales and Queensland
 Murray Valley
 Rest of Victoria and Tasmania
 Riverland
 Northern South Australia
 Southern South Australia
 Western Australia

Convenor

Riverina Wine Grapes Marketing Board
 New South Wales Wine Industry Association
 Murray Valley Winegrowers
 Victorian Wine Industry Association
 Riverland Winegrape Growers' Association
 Wine Grape Council of South Australia
 Wine Grape Council of South Australia
 Wine Industry Association of Western Australia

Executive committee

WGGA's Executive Committee is operating under an interim period arrangement until late 2007 when first elections are due. The interim executive committee is:

- Alan Newton – Independent Chairman WGGA (non-voting)
- Mark McKenzie – Executive Director WGGA (non-voting)
- Michael De Palma – President, Murray Valley Winegrowers
- Mike Stone – CEO, Murray Valley Winegrowers (ex officio non-voting)
- Bruno Brombal – Chairman, Riverina Wine Grapes Marketing Board
- Brian Simpson – CEO, Riverina Wine Grapes Marketing Board (ex officio non-voting)
- Stuart McGrath-Kerr – EO, NSW Wine Industry Association
- Roseanne Healy – Chair, Riverland Winegrape Growers' Association;
- Chris Byrne – EO, Riverland Winegrape Growers' Association (ex officio non-voting)
- Sean Edwards – Board Member, Wine Grape Council of South Australia
- Vic Patrick – Board Member, Wine Grape Council of South Australia
- Michael Matthews – Chairman, Victorian Wine Industry Association
- Kerry Smart – Grower Board member, Wine Industry Association of WA ■

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YES! Please tell me more about the WGGA membership.

My contact details are below, please call or send me a membership application.

Name	Company	

Address	_____	
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Signature	Date	
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