



# Wine Grape Council SA

# Newsletter

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June 2008

## NEW VINEYARD PLANTINGS THREATEN VIABILITY OF THE WINE GRAPE GROWING SECTOR

Wine Grape Council SA is gravely concerned that the over-planted national vineyard continues to be expanded, primarily by new investment scheme vineyard plantings. If this uncontrolled expansion of the already grossly imbalanced supply of wine grapes cannot be checked, it has the potential to plunge the industry into a deeper crisis, far greater than that experienced over recent years.

The low 2007 and 2008 vintages, impacted by drought and irrigation water restrictions, have masked the worsening massive over-supply.

### Facts:

1. The industry has repeatedly said that it requires around 1.6 million tonnes of wine grapes per year, at most, to meet current demand and projected growth.
2. In 2006 the vintage yielded 2.1 million tonnes and a 500,000 tonnes surplus caused grape prices to collapse.
3. New plantings, almost entirely driven by investment schemes, will increase grape production significantly over the next seven years, thus bloating the over-supply and collapsing prices at a time when traditional grape-growers are trying to reduce production and maintain viable returns.
4. Obviously, a considerable quantity of precious water is being used to produce 500,000+ tonnes of unwanted wine grapes.
5. There is no potential for the industry to absorb the over-supply, even in the medium term. There is a worldwide oversupply, markets are awash with wine and the AUD exchange rate is unfavourable. The over-supply was created in the first instance largely through a gross over-estimation of our ability to sell wine at premium price points in export markets.
6. At least two of the large dominant wine companies in Australia have advised growers recently that they hold a significant over-supply of Chardonnay wine from the 2008 vintage and warned growers that prices offered for that variety in the 2009 vintage will be very low.
7. Regional economies in grape-growing regions, already under stress, will be severely affected as the fall-out from the uncontrolled over-supply impacts further.

An accurate estimate of the size of new investment scheme plantings is not known, however, WGCSA is aware of a number of new Managed Investment Scheme plantings:

200+ acres – New Residence near Loxton  
200+ acres - Lake Cullulleraine  
400+ acres - Barossa Valley

700+ acres - Barossa Valley (next year)  
200+ acres - Wentworth  
200+ acres - Ballarat

It would be fair therefore, to assume that these projects represent only a portion of the total new vineyards currently being established.

It is not acceptable for industry or government to remain passive about this threat to so many small growers, so many regional economies and the Australian wine industry as a whole. Industry and government cannot turn its back on this issue on the grounds that this is free enterprise at work and that market forces will address the problem.

Government and industry must embrace the principles of the *Triple Bottom Line* convention – where the community (investors, taxpayers, consumers and other stakeholders) demand that considerations beyond economic return, such as equity, justice and responsibility for social impacts are made.

Nowhere, in any of the Australian wine industry's strategies and directions, is it said that we have set out to be the world's *largest* producer of wine.

The industry must seek to be sustainable and in balance, producing quality fruit and quality wine – so that all its sectors are profitable and enduring.

WGCSA believes this issue to be of such a grave threat to the industry that it cannot be left only for growers to address. This matter needs to become the foremost issue for the whole of the industry and government – and of the utmost urgency.

The Council has made this issue one of its key priorities and will continue to make representations to government, wine industry and the investment and financial sector, warning of the serious and wide ranging threats of the over-planting.



**Paul Clancy**  
**Chairman**

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## **JUNE LEVY PAYMENT – BEGINS NEW ERA FOR SA GROWERS**

The one dollar per tonne levy, which will be deducted from the second grape payment due in June, officially begins a new era for South Australian grape growers. For the first time, all growers will be united by a single representative organization – Wine Grape Council SA. The Council represents more than 3,500 members who pay the levy – making it the largest of any of the representative bodies in the Australian wine industry.

At last, grape growers have clout.

While the Council has been functioning for two years, without any funding, the flow of funds from the levy will now enable it to really address some of the priorities it has set for the next year. Included in this newsletter is a survey, which will also assist the Council to develop strategies to tackle issues, identified by

growers as their areas of concern. The Council is conscious that one of its prime tasks is communication and one of its first jobs will be to establish an interactive web portal so that growers can access information from a “one-stop-shop”. The Council is also developing an industrial relations handbook in collaboration with the SA Wine Industry Association, which will provide growers with comprehensive IR information including award rates data and other material, which is essential when employing vineyard labour.

The Council has already commenced many of its priority tasks, including building relationships with other industry organizations such as the Winemakers’ Federation of Australia (WFA), South Australian Wine industry Association (SAWIA), South Australian Farmers Federation (SAFF), other advocacy groups and the SA Government.

WGCSA has a strong representation on the South Australian Government’s Wine Industry Council where growers have a significant voice in this high level forum of government and industry.

The Council has, to date, been somewhat restricted in its advocacy for grape growers through its lack of funds. The flow of levy funds from June will now enable us to really get on with representing growers in a fully resourced manner – something growers have not been able to achieve in the past.

This is a new era for growers, we thank you for your support and ask that you continue that support so that the Council can take its rightful place in industry, government and other forums, as the strong and long overdue, voice for grape growers in South Australia.

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## **PRIORITIES FOR THE NEXT 12 MONTHS**

Prior to receiving any funding, the state council worked with Adelaide firm **Oztrain** to develop priority projects to be implemented as soon as grower contributions begin to flow.

Members agreed the challenges confronting our industry can only be resolved if growers come together, listen to each other, define what the challenges are, carefully and deliberately articulate what we think we can reasonably do, and advocate these responses to industry and government.

Many growers will say “yes we understand that, just go and do it”. Doing it for 3,600 growers can be a bit like herding 3,600 cats. Nevertheless, council has identified the following four priorities to be addressed in the short term.

### ***Communication***

Two way effective communication is essential. Conventional means such as newsletters like this one, articles in newspapers and industry journals and emails are good, but with the rate of change of industry circumstances we must facilitate a more immediate means of communicating. As a consequence, council has committed resources to establish an interactive website as a matter of priority. This will not be just another website with a range of topics and links to other websites. Rather, it will be a web portal as described below.

### ***Information***

All growers need access to accurate information about a wide range of topics. These include information about the weather, industry events, government policy and particularly information about the grapes and wine. Industry organisations and agencies such as: -

- Wine Grape Growers’ Australia (WGGA)
- The Grape and Wine Research Development Organisation (GWRDC)
- Australian Wine and Brandy Corporation (AWBC)
- The Phylloxera and Grape Industry Board of SA (PGIBSA)

- Winemakers Federation of Australia (WFA)
- Primary Industries and Resources SA (PIRSA)
- SA Wine Industry Association (SAWIA)
- Australian Bureau of Agriculture and Resource Economics (ABARE)
- Australian Wine Research Institute (AWRI)

All these organisations produce information that growers should have access to. This council has already commenced working with SAWIA, and the State Government to agree how wine grape growers should grapple with the impact of climate change and particularly how growers should reduce carbon emissions. The council has also worked with SAWIA to prepare reference material for growers about a range of industrial relation matters including rates of pay for vineyard workers. An agreement has been signed with the Phylloxera Board to have direct input to the annual *Utilisation and Pricing Survey*. The AWBC produces a wide range of industry statistics relating to production, pricing, import and export of wine.

Council is negotiating to work with AWBC to produce regular reports that will enable growers to make better decisions about their businesses. Council is working with the WGGGA to develop a desk top tool to enable growers to accurately calculate the profitability of each patch or block of vines and to determine whether their business is viable.

### **Representation**

Another key priority for the council is to ensure the growers have appropriate representation and advocacy opportunities. Council already has three members who sit on the South Australian Wine Industry Council (SAWIC), a key advisory body to the South Australian Government. Three councillors have been appointed as delegates to represent South Australian growers on the Federal Growers body. Chair of the Council Paul Clancy and Executive Officer, Chris Byrne regularly talk to and meet with representatives of other industry bodies including all of those mentioned above.

### **Environment**

All growers must accept responsibility for management of their environment. As mentioned above council has already worked with the State Government and SAWIA to understand the implications of carbon emission reduction and targets for growers. Council has committed funds together with SA Government and SAWIA to appoint a full time Project Manager to execute the Climate Change Agreement signed between SA Government and industry. Council will also seek to cooperate and engage with industry bodies to ensure that growers are consulted and informed and not disadvantaged as environmental management systems are rolled out.

## **WHAT SHOULD WE STRIVE FOR?**

Right now it seems the odds are firmly stacked against wine grape growers and many other primary producers. In addition to the challenges of supply, demand and sustainability highlighted above, growers are grappling with escalating fuel prices, ever-increasing fertiliser costs and overwhelming water purchasing costs. At the same time the: -

- \$US/AU exchange rate is squeezing export margins
- In the year ending April 2008, wine **imports** increased by 47%, to a record 50M litres
- Piece rates must now be underpinned by minimum hourly award rates thereby reducing work flexibility for both employers and employees and in many cases increasing costs
- Contracts have become far more complex and contract terms, in many cases, barely provide for a return on a planting investment.

So, for wine grape growers there are many challenges. It is difficult to know what to strive for. All things considered this council is of the view that we must continue to lobby for an appropriate restructure of the industry. This means that some growers will most likely need to leave the industry. Many are quite prepared

to do that, but are not in a position to do so financially. In order to achieve equitable and just outcomes this council must and will continue to develop strong arguments for change.

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### **WHAT IS A WEB PORTAL?**

A web portal is a user's entrance to the Internet. Portals are often the first page the web browser loads when users get online and provides them a single point of access (through a single sign-on) to a variety of content and core services. Portals give the user a managed online experience, and can be particularly helpful as a start and return point for those new to the Internet.

A portal often includes calendars and to-do lists, discussion groups, announcements and reports, searches, email and address books, and access to news, weather, maps, and industry information, as well as reference material. The idea of a portal is to collect information from different sources and create a single point of access to information - a library of categorised and personalised content. It is very much the idea of a personalised filter into the Internet.

The goal of a wine grape grower's portal would be for it to be the default 'go to' for all growers across South Australia and its development would enable growers throughout South Australia to have access to the most current news and data about their industry and provide them with the ability to share information and their views with each other.

It can also provide a mechanism to bring growers together, give them a sense of solidarity and community and help them see the potential of a yet unrealised strength in numbers.

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### **SURVEY**

The collection and analysis of current data will enable your association to make informed decisions on behalf of growers when engaging with Government and Industry.

Analysis of the 2008 vintage outcomes is vital and provides substance and relevance when advocating on your behalf. Decisions based on facts stand a better chance of succeeding other than those based on gut feelings, personal opinion or the way the wind is blowing on a particular day.

Please take the time to fill in the simple survey on the back of this page and **fax it back to (08) 8584-6289.**



# Wine Grape Council SA

## Vintage 2008 Survey

Fax Back: (08) 8584-6289

PO BOX 444, LOXTON SA 5333

Name: ..... Region: .....

Mobile: ..... Email: .....

Hectares: (total).....

Will you agree for The Phylloxera Board to release your contact details to WGCSA? YES  NO

Please tick the box **IF YOU AGREE WITH THE STATEMENTS**

### In vintage 2008...

- 1. I achieved good yields.....
- 2. I achieved good quality gradings .....
- 3. I managed my water VERY efficiently .....
- 4. I managed my winery relationship(s) successfully.....
- 5. Extreme heat conditions impacted yields, but did not damage vines.....
- 6. The prices I am receiving for my grapes will more than cover my growing costs .....
- 7. I am satisfied with my mix of varieties.....
- 8. I am satisfied with my selection of rootstocks and clones .....
- 9. I used the CropWatch service regularly .....

### During vintage 2008...

- 10. I experienced frustration with poor winery communications .....
- 11. Insufficient crushing capacity at the winery(ies) impacted on my yields .....
- 12. Insufficient crushing capacity at the winery(ies) impacted quality and price .....
- 13. Heat conditions revealed shortcomings in my winery(ies) contact(s).....
- 14. I realised I have limited capacity to drought proof my vineyard .....
- 15. The prices I am receiving for my grapes will NOT cover my growing costs .....
- 16. My harvest operations were impacted by a shortage of bins, transport and/or forklifts.....
- 17. A shortage of manual labour was an issue for me.....
- 18. A shortage of skilled workers was an issue for me .....

### The adverse conditions experienced through vintage 2008...

- 19. Enabled me to build a more positive winery relationship.....
- 20. Caused me to review my position as a grower in the supply chain.....
- 21. Caused me to consider an alternative enterprise model .....
- 22. Caused me to review my variety mix.....
- 23. Caused me to consider alternative rootstocks for future plantings .....
- 24. Caused me to review my *on farm* irrigation technology and/or practices.....
- 25. Caused me to consider leaving the industry.....

### I am concerned about...

- 26. The significant oversupply of wine grapes.....
- 27. The likelihood of lower prices next year because of the oversupply of winegrapes.....
- 28. The probability of long term water shortages .....
- 29. The probability of sustained higher prices for temporary water.....
- 30. The probability of increased water allocation for *Critical Human Needs and the Environment* .....
- 31. Increasing salinity levels .....
- 32. Machinery movements by passing heat treatment facilities .....
- 33. An increase in vintage-related OH&S incidents .....