

June 2010



Wine Grape Council SA

Newsletter

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WINE INDUSTRY INQUIRY - REPORT BACK

RELEASE OF MOSS INQUIRY

WGCSA welcomed the release of the findings of the Ministerial Inquiry.

At its May meeting Councillors reviewed the report conducted by Mr. Allan Moss into the application of the SA Grape Growers' Industry Fund.

Councillors also unanimously resolved to acknowledge that when the fund was originally promoted, it was promoted on the basis that part of the purpose in establishing the fund was to provide affiliation membership fees to Wine Grape Growers' Australia (WGGA), at the rate of 50% of each South Australian growers' contribution, prescribed as being \$1:00 for each tonne of the growers' SA grapes delivered to an SA winemaker, for the remaining two periods of the Fund.

The Council has a joint meeting with the Minister O'Brien and WGGA personnel late June.

RETIREMENT THANKS

PAUL CLANCY – FOUNDATION INDEPENDENT CHAIR

As indicated in the October 2009 newsletter and the November 2009 AGM, Paul Clancy did not seek re-nomination for the position of Council Chair. Paul's "behind the scenes" work and negotiations with Government in 2006 and 2007 to put in place a funding mechanism that could provide for this Council and the WGGA is greatly appreciated. The Council and wider grape growing community wish to thank Paul for his leadership energy and support for the South Australian Wine Grape Council and wish him the best for the future.

CHRIS BYRNE - EXECUTIVE OFFICER

Chris indicated in June 2009 that he would not be renewing his two year contract (01/07/07 to 30/06/09) with WGCSA.

Chris was instrumental in setting up the \$1.00/tonne levy that funds both state and national activity for independent wine grape growers. In that time Chris has been a tireless servant of the council and provided the highest level of support in communication, negotiation across the sector. Chris's loyalty and professionalism has been welcomed for a further 12 months beyond his desire, continuing as interim Executive officer until now.

The Council and all growers will miss Chris, and thank him for all his hard work and dedication, and wish him all the best for the future.

SA WINE INDUSTRY COUNCIL (SAWIC)

Michael O'Brien, the newly appointed Minister for Agriculture, Food and Fisheries, has accepted a recommendation to reduce the size of the SAWIC Council to 8 positions. WGCSA is entitled to one position on the Council, as is SAWIA with all other positions open for nomination.

Tom Keelan, Langhorne Creek is the nominee from WGCSA.

A selection process has commenced following public calls for expressions of interest from a wide cross section of industry stakeholders. Nominations closed 11 June 2010. Recommendations by a panel comprising industry and government will be forwarded to the Minister in due course.

REGIONAL ROUND-UP



Adelaide Hills

Members

Recently members of the Adelaide Hills Wine Region (AHWR) met for a lunch and a general meeting. Reports were presented by the President, Treasurer and various sub groups, Environment, Viticulture, Wine show, Wine Grape Council and marketing.

Viticulture

The viticulture sub group is planning to run a number of seminars over the coming months. Firstly they are collaborating with the Phylloxera Grape Industry Board of South Australia (PGIBSA) to conduct a Phylloxera outbreak scenario in the Adelaide Hills. The second seminar they are planning is a look at Organics, Biodynamics, Mixed Farming (sheep and cattle in the vineyard) and other forms of environmentally sustainable viticulture.

Eutypa Project

After reaffirming the support from the major regional bodies the research into effective (commercially viable) options for the control of Eutypa has recommenced. There will be a trial run in an AHWR vineyard looking at a number of different chemical options for control as well as a number of different spray units.

AH Vine Improvement Collaboration

The AHWR are working with AHVII on a project looking into Alternative Varieties. This project aims to discover how these varieties perform in the Adelaide Hills and report this back to interested growers. It will also provide a basis for virus free source blocks as all blocks involved in the project will be fully virus tested.

Vineyard Biodiversity Study

The AHWR are in discussions with Flinders University regarding the possibility of running a series of Honours level studies to explore different aspects of biodiversity in vineyards.

Barossa

WRAA Meeting – 4 May

The Barossa and Clare regions held their WRAA information session on the fourth of May. There was a good turn out of growers with approximately 120 persons attending in total. Growers attending gained a greater insight into the supply and demand situation through presentations delivered by Stephen Strachan, CEO – WFA, and a local perspective from information presented by Grape Barossa Chairman, John Hahn and BGWA Inc CEO, Sam Holmes. The main message of the need to evaluate individual circumstances was clear and generally well received.

VineBiz Workshops – 13 & 31 May

Two VineBiz workshops were conducted in May and organized by Grape Barossa with the second workshop being fully booked which showed the interest of growers in learning how to better evaluate the financials of their vineyards. The two workshops were free with growers receiving a complementary VineBiz CD and were delivered by Mary Retallack. The workshops were part of the SA North GWRDC Regional Grassroots Program.

Biodiversity in Vineyards Workshops – 18 & 26 May

The AMLR NRM Board delivered two workshops for landholders focusing on maintaining and incorporating native vegetation in vineyards. These workshops are part of a GWRDC Rita project – a collaborative initiative by the McLaren Vale Grape, Wine and Tourism Association, BGWA and the AMLR NRM Board. Growers will be provided with an aerial photograph of their property. They will also receive a 'ute-guide' style booklet for identifying native grasses. A field excursion forms part of the workshop whereby growers will visit a local vineyard where native grasses have been incorporated into the mid-row.

Grape Grower Survey

Grape Barossa is currently sending out a survey via the Phylloxera Board address list to all growers in the Barossa Region. It is important that as many growers as possible fill out the short survey and return it in a timely manner. Information collated from the survey helps your grower organisations better serve the needs of our members.

Commercial factors facing growers are an increasing concern of Grape Barossa and also of other Grape Growers Representative bodies. Therefore following is a short discussion of some of the issues.

State of the Industry – Some Commercial Factors and Points to Consider for South Australian Grape Growers

With the current state of the industry with the supply of grapes being in many instances in an oversupply situation, there are a number of commercial realities and factors that affect our sales of grapes. Many of these are self-evident to most growers however it may be useful to note a few here. These factors are of relevance to growers throughout the state.

Pricing

In a buyers' market pricing can be difficult for many varieties. However note should be taken regarding differing quality levels with premium grapes still achieving sustainable price offers and "super-premium" grapes still very much in demand by quality brands. If necessary it pays to consider alternative buyers to achieve acceptable prices.

Vintage 2010 with a lower harvest saw a wide range of prices offered, from very low to quite acceptable pricing, and not always due to a great difference in quality level.

In vintage 2009 and 2010 we again saw attempts to buy grapes at very low prices. These price offers in some cases were at ridiculously low levels and attempting to exploit the difficult circumstances faced by some growers. From an individual grower perspective some of these prices would not even have covered variable production costs, let alone breakeven, obviously putting pressure on the ability of growers accepting these prices to meet their mid-term or even short-term cashflow requirements. From an industry perspective the sale of fruit at such prices contributes to wine over-supply and excess stocks, which in turn can lead to excessive discounting. Thereby creating price competition pressure, and pressure on competing brands and suppliers and their ability to provide a fair return to their suppliers.

Note should be taken also on the practice of "agreeing" prices after delivery. In reality a grower that does this has relegated any decision on price to the buyer. While this may sound unlikely, there are also wide spread contracts with an "agreed" price, which allow for later revision on price even downwards, based on unilateral quality assessments.

Obviously price negotiation and the resultant outcomes are the decision of individual growers and of course their buyers. However it is important when making individual decisions to consider important factors such as break-even and variable costings and look forward several years to see if we as individual growers can sustain agreed lower prices for several vintages. For their own individual benefit.

On a positive note if a grower is able to achieve higher premium fruit quality levels the risk of "bottom feeding" pricing is less a risk.

Payment terms

Payment terms continue to be a source of problems for many growers.

To re-cap, there are legislated payment terms for wine grapes in South Australia. Your grower organisations should be able to supply the proper worded terms. These terms are roughly: one-third the end of the following

month of the date of delivery; one-third the end of June, or two thirds if supplied in May or later; and the balance payable September 30.

If payment is not made by these dates the legislation provides for an interest payment to compensate.

Furthermore no grapes should be purchased by a buyer the following vintage if the previously vintage has not been fully paid for.

However a number of buyers engaged in a systematic and organised manner to purposefully break the law and negotiate “extended” payment terms beyond these dates, and according to reports in the worst instances pay even a year or two later.

Note legally if an agreement has terms or clauses which contradict legislated requirements those terms and clauses are null and void, and the legislated requirements can still be relied upon and enforced. Please note this is not legal advice and please consult a solicitor to obtain legal advice.

In addition a grower should consider why a buyer needs to offer extended terms. Does the buyer have a problem in paying a fair and legal timeframe and is there actually a cash flow problem? If the buyer is relying on the grower to fund his working capital for him, what happens if the eventual sale is not according to plan? Has the grower actually taken on the commercial risk of the wine sale?

We have seen a number of insolvent grape purchasers in recent years and the risk of selling on extended terms may involve considerably increased credit risk. A factor to be considered. The grape sale in reality is only sustainable when the cash is in your bank account.

Your grape grower organisations are concerned by the systematic and organised breeches of the law and it will be an area to be examined in the future. In addition many wineries have also expressed concern about the practice, and it should be a concern of their organisations as well given that most wineries pay within the law and legal terms. Buyers systematically and repeatedly breaking the law in this way gives them a competitive advantage over the majority of wineries whom do the right thing.

Contracts

We are in a buyers market, so supply agreement terms are not often in our favour and good agreements are often hard to achieve. However the use of “unilateral contracts” or unilateral changes to them is a problem, especially if key contracted requirements such as rejection terms, quality assessment criteria etc are able to be changed unilaterally by the buyer from year to year without grower agreement.

Future Vintages

With Vintage 2010 resulting in lower tonnes in many regions, it should be noted that many of the pressures above will only worsen if we have a “bumper” vintage.

Conclusion

Commercial outcomes of growers are an important concern of your grower organisations. Achieving economic sustainable results are important for individual growers and the industry. Fair trading arrangements should be an objective of the wine and grape industries in general and especially when organisations call for industry partnership and unity.

Coming Barossa Grape & Wine events and seminars

July 12	BVTG Viti Conference
July 25 & 27	Sommeliers Weekend
August 4, 11, 18 & 25	Wine Appreciation Course
August 15	Northern Expressway launch
August 21 & 22	NAB Barossa Gourmet Weekend
Sept 13 & 15	Barossa Wine Show Judging
Sept 16	Barossa Wine Show Presentation Dinner
Sept 18	Barossa Wine Show Public Tasting
Sept 30	BGWA AGM
Nov 4 - 6	Hong Kong International Wine and Spirits Fair

Nov 25

End of year BBQ

Dec 8

Generations Lunch

Information on the above events is available from the Barossa Wine & Grape Association.

Clare

The main focus in Clare at present is our Future Directions summit conference on 16th June. Objectives are:

- hopefully achieve greater cohesion within the wine sector in Clare
- get all participants to agree on a small number of priorities for the wine community in Clare to focus on
- expose attendees to views of national and international retailers
- offer growers independent and voluntary assessment of unsold patches/fruit to see if they meet Clare "standard "
- wider understanding of WRAA and "regionality"

COONAWARRA

Australia's *Other Red Centre*

Issues of concern which have been raised recently are;

- Is there any research on how to process old CCA vineyard posts?
- Lack of response from Tourism SA regarding a request from the Coonawarra Grapegrowers & Vignerons Associations regarding a cost benefit study of wine tourism for Coonawarra and surrounding areas.
- Concern at the lack of consultation between government and our representative bodies regarding the appointment of the new Chairman of GWRDC.

WRAA

Industry Restructuring Action Agenda workshop held on 13th May. Approximately 50 people attended. General feeling was that the information was presented very well but that growers and businesses most affected were not present at the meeting. Hard to tell what action individuals will be taking.

Water

The Coonawarra Grapegrowers Association have been advised that there will be a governmental review of the process and science behind the draft water allocation plans (WAP). Our local grape growers and wine makers are concerned that this process is repeating a public consultation process that has lasted for eight years to date and that the reasons for this review are not transparent.

Local Government

- **Bypass;** Court case between Ratepayers association and local council, a court decision is pending.
- **Pulp Mill;** active publicity from Protavia, appointment of CEO and Chairman, still no funding apparent.

Coonawarra Grapegrowers & Vignerons Office

A recent vehicle accident has meant that the office can no longer be used for the next month or two, our executive officer is now based in one of the wineries and promotional work is proceeding as planned.



The Langhorne Creek Wine Grapegrowers Association held a grower information and field day on 10 May featuring guest speakers from DWLBC, CSIRO, The AIV and SAWIA. A highly successful day providing attendees with an insight to the River Murray outlook for 2010-11, the outcomes of a 7 year project assessing data from FullStop wetting front detectors in the region, soil pit assessment and finally the Wine Industry Sector Agreement. The next

planned activity will be a spray day in September. A soil management day will also be held on 29 June as part of the GWRDC Regional grassroots solutions program encompassing the region.

The LC CropWatch service has concluded for the season and been reviewed for re-tender over the 2010-11 season.

The LC Wine Grapegrowers Association annual area and tonnage survey has been completed and the results are being compiled. A supplementary survey was also issued seeking member response on the CropWatch service at LC, the impact of Elephant Weevils and the uptake and support needs for EntWine Australia.

GWRDC Regional

LC is part of the SA Central group under the GWRDC Regional program. We await the outputs from the 2009-10 projects. The 2010-11 project plan has been submitted to GWRDC on behalf of SA Central and we await confirmation of this budget for next year.

Project areas 2009-10: Soil salinity management (including grower day and salinity management booklet), pest & disease SOP, yield estimation guide.

Project areas 2010-11: Vineyard viability and profitability (business management tools and decision making), Alternative varieties/alternative crops seminar and benchmark wine tasting, Vineyard Biodiversity Planning.

Limestone Coast

Water Issues

- Tatiara WAP has been signed off- volumetric licences will be issued midyear.
- Lower Limestone Coast WAR still with committees – science involved in forests may be revisited.

Regional Committee

The “Mundulla Grape Growers” is an informal small group that has met infrequently over the past few years. However with the support of local management and with that in higher echelons of ownership and management structure we are anticipating moving towards formalising our association via incorporation later this year and agreeing on a regional name. While one of the goals is talked about below, importantly it gives us a voice with which to address concerns of a regional nature such as pest and disease, water, regional research funding etc.

1. Geographical Indication

One of the reasons for incorporation was to steer towards a GI application however no sooner than we had agreed to go this path then the Australian Wine and Brandy Association decided to increase the applications for GI by 400% (from \$5,500 to \$27,500) with a provision to charge additional fees. In communicating with other members this has likely sunk our aspirations before they even got off the ground. The WFA has endorsed the fee increase in a climate where they have been recently advocating a regional approach to addressing the industry woes. We will find it difficult to consolidate our position going forward if we cannot get regional definition and have to remain in the generic “Limestone Coast Other” GI. Larger companies that use our fruit principally for blending may not be overly concerned about this however we believe it is restrictive. We also believe a GI is necessary to encourage regional pride and support for the purpose of marketing strength and image.

2. Water Allocations

A recent Pilot Study conducted by the Department of Water Land and Biodiversity funded since late 2006 has just concluded and has greatly added to the knowledge of our resource in the areas of recharge rates, variability of flows, & geological structure. It also enabled the development of a telemetry trial for the reading of meters and the development of a Meter Data Management System to support water accounting. Importantly, a trial was conducted to assess options for managing water resources in a pilot study zone in the Tatiara based on a water level response approach. This has given a potentially valuable tool for use in adjusting and fine tuning water allocations as a response to rainfall trends and rates of extraction in our area.

Water allocations were reduced by 18% for 2009/2010 and there will be a further cut back of 9% this year and for the next 2 years as part of the 5 year reduction plan. While vineyards had enough water for this season, some may begin to struggle to maintain yields with further cutbacks.

SUMMARY OF WRATTONBULLY ACTIVITIES 09/10

In addition to the social activities arranged for WWIA members and guests including the 2009 Race Day Meeting and the highly successful 2010 Post Vintage Celebration, the Association has also been involved in the following activities during the past year:

- The sighting of a Weather Station at Foster's Wrattenbully South Vineyard. This project was co-ordinated by the SE Natural Resources Management Board in conjunction with the BOM
- Organising production and erection of Wrattenbully signage on four main roads leading into Naracoorte
- Sponsoring a trophy for the 2009 Limestone Coast Wine Show. MC for the evening was WWIA Committee Member, Susie Harris
- Marketing activities including support for the 2010 Taste the Limestone Coast Festival, developing a brochure on Wrattenbully, arranging displays at the Naracoorte Visitor Information Centre and the Naracoorte Hotel Bottleshop, members' involvement in Feast for the Senses/Tasting Australia
- Development of a Strategic Plan for the Wrattenbully Wine Industry Association including Vision and Mission Statements:
- Promotion of Entwine accreditation program to WWIA members
- 2010 Post Vintage Tasting
- Promotion of Environmental Management through regular distribution of information to Members on Field Days, Workshops, Training courses, Newsletters
- Co-hosting a Tempranillo Day/vineyard walk/tasting with Yalumba Wine Company



Riverland

Riverland Alternative Wine Group All Riverlanders have welcomed the recent announcement by Riverland Alternative Wine Group (RAWG) that it has engaged the services of Phil Reedman to help develop strategies for better communication and marketing and to capitalise on the growing consumer interest in alternative grape varieties. Ashley Ratcliffe, a Riverland grower and member of the Riverland Winegrape Growers' Committee heads up the RAWG. Ashley readily acknowledges that alternative varieties alone will not solve the Australian wine industries woes but Phil Reedman's expertise will assist in developing the right message and the right place to tell our region's story. Increasing numbers of Riverland growers have planted alternative varieties and all of the wine is made locally. Mr Reedman has been very much involved in establishing many Australian wines in the UK market. He has a Master of Wine, the peak professional qualification of the world's wine trade with a membership of less than 300.

WRAA Meetings The Riverland Winegrape Growers' Association convened five special breakfast meetings for members in each of the main regional towns to explain and emphasise the messages to industry contained in the *Wine Restructuring Action Agenda* (WRAA) statement. Well over 200 members attended these meetings. Best estimates are that almost 150 winegrowers have already left the industry and more than 4,000 ha have been taken out of production. Of the 1,100+ remaining growers, 34% agreed they will seek independent financial advice from business reconstruction experts and finance professionals. The Association took the opportunity at the breakfast meetings to also explain the complexities of Ken Henry's proposed changes to tax laws. This activity was supplemented by a sustained media campaign to raise awareness across the entire community about the risks to this region's welfare if the federal government adopted the recommendations to move from an *ad valorem* tax to a *volumetric* tax and to remove the WET Rebate. Needless to say all stakeholders have breathed a collective sigh of relief that at this stage the government has set those recommendations aside.

Murray Darling Basin Plan The Association is presently working with other commodity groups across the region, Irrigation Trusts, SA Murray Irrigators, National Irrigators Council and the Water Committee of the National Farmers Federation to raise awareness, not just among irrigators, but throughout the entire community about the challenges likely to confront this region's economy in July when the *Murray Darling Basin Authority* releases the

MDB Plan for the 18 catchments that make up the Basin. At that time we will begin an intensive 16 week consultation period with the Authority to interpret the 4,000 page document and then to quantify and articulate members' concerns arising from the Plan. There is much apprehension already about the potential impacts of *Sustainable Diversion Limits* (SDL's) to be prescribed in the Plan. The implications of *Risk Assignment* regarding future reductions to entitlements are not yet explained and concerns are running high that irrigators may not be compensated for any such reductions. The RWGA believes the *rumoured* figure of a 40% reduction to entitlements is misleading and exaggerated despite the recent publication of such a figure by the *Wentworth Group of Scientists*.

Value Chain Emphasis Orlando recently advised 30 families their contracts would not be renewed following the 2010 vintage. Other wineries have been steadily distancing themselves from growers as the full impact of unconstrained planting in all regions has become so evident. The Loxton Winery with a crush capacity in excess of 90K tonnes is reportedly being mothballed by AVL and the 2 wineries at Monash with a combined crush capability of between 30 and 40K tonnes are unlikely to resume crushing operations next year. Despite that gloomy outlook, many growers have taken heed of the WRAA message to this region that indicates the supply / demand balance is about right. Many members have examined what's happening in world wine markets, evaluated future opportunities relative to the wine produced here, reviewed their business plans and decided to be *on-goers*. The RWGA is working closely with the *Riverland Futures Task Force* and *PIRSA* to encourage more of these growers to embrace *Value Chain* concepts. There is an emerging appetite among many of these members to understand Value Chain Principles. Many are hopeful they will position themselves to be long term sustainable wine growers but free of the dependency on major brand owners as has been the recent experience of many in the *Supply Chain* (price-taker) situation. It is not an easy transition. The challenge to identify markets is enormous but the region believes it has a strong future. A number of successful proponents of Value Chain systems have already been engaged to assist in this work. These include: Hamish Gow, James Parsons and Theo Simmos. Much of this was stimulated by Andrew Fearne when he visited the Riverland as the *Thinker in Residence*.

10+ Ways to Reduce Your Environmental Footprint

A one-day seminar will be convened on 23 September 2010 at the Adelaide Convention centre to mark the culmination of the current Wine Industry Sector Agreement and to mark the commencement of the Wine Industry Sector Agreement "Mk II".

The seminar will present the achievements of the agreement as well as set the future agenda for the SA wine industry as it responds to the challenges of competitiveness and sustainability in increasingly carbon and environmentally sensitive markets. Those attending will receive practical take-home messages on how to route reduce carbon footprints – not only greenhouse gas emissions, but also water, energy, packaging and other resources.

Those attending will access best practice information and resource use efficiency, from industry experts and the resources of the various government agencies.

The South Australian Wine Industry Association, Wine Grape Council SA and the South Australian government are making good progress in planning and negotiating the 2nd agreement (MK II). It is presently proposed that the current Sector Agreement be used as a basis for development of a new program to support and enhance the agreement. The current agreement sets the scene for a logical progression to an *adaptive focus* in response to changing markets and climate. It will also seek to contribute outcomes consistent with the aspirational targets set in the first agreement. An agreement will be developed that will contain headline targets and goals and provide for the government and the grape and wine industry to continue its partnership.

The program will shift from one of awareness and GHG measurement to a broader scope of resource efficiency improvement encompassing the HG, water, energy, waste and resources and will be applicable to grape growers and winemakers.

All growers are urged to make this a diary priority.