

THE United Grower

The Newsletter of Wine Grape Growers Australia

September 2015

Time for a change in mind set

IT IS INTERESTING to compare the constitutions of WGGGA and the WFA. Both provide for membership of businesses that might otherwise sit under the banner of the other – either winemaker or winegrape grower.

WGGGA's constitution invites membership to "any wine grape grower... including winemakers who also grow wine grapes". The WFA constitution provides membership for Grape Growers meaning "any person who grows grapes... for use in the production of wine".

All good so far.

The difference between the two is that

as member of the WGGGA, winemaker-growers have voting rights and are entitled to sit on the primary decision-making body, the Executive Committee. On the other hand, Grape Growers who become members of the WFA can attend General Meetings, but cannot vote and can only "speak at General Meetings" or "have matters included on the Board's Agenda" if the Chair consents.

The mental set of the two is vastly different in terms of whole-of-value chain thinking.

The degree to which vineyard activities and wine production overlap, and

support the ability of each to be successful in the marketplace, is profound, and we cannot afford to have passive and dominant partners across the two. There needs to be constant and meaningful dialogue between the vineyard and wine companies that makes trade between the two purposeful in producing the right product for consumers and profitable for both.

The industry is on the cusp of significant change. If it is going to be change that makes a difference, it has to be different thinking not more of the same.

Summit key messages

THE WINE GRAPE COUNCIL SA held its second Winegrape Growers' Summit in Adelaide on 17 July 2015. The focus was on the global and Australian economic outlook for the wine industry and an implications for grape prices in 2016.

Speakers included business commentator Michael Pascoe, Marc Soccio (Rabobank), Prof Kym Anderson (University of Adelaide), Jim Moularadellis (Austwine), Mark Rowley (Wine Australia) and others. Summaries and podcasts can be downloaded from wgcsa.com.au.

The following is a brief summary of the key messages from the day.

- Conditions are still tough and the global economic recovery is sluggish;
- Global demand for wine is soft and supply remains ample – especially after a number of big harvests in the US (before 2014);

- The domestic market for wine is unlikely to grow much due to downward pressures on disposable income, cultural changes in drinking preferences and a strong push from the anti-alcohol lobby to reduce drinking and increase alcohol taxes. There is also a trend towards importing wine into Australia and this is likely to increase as Aldi wine shops grow their market share;
- The main export opportunity is the developing markets, especially China. There are nevertheless inherent risks in the China market and it is difficult to access. The US market is growing but Australia continues to underperform while the UK market is stagnant or declining;
- Future growth prospects favour premium products over commercial products;

- There are opportunities for grapegrowers – like all small businesses – if they are able to be creative and customer-focussed;
- Prices were up slightly this vintage – especially for white varieties, but the indications are that they will not increase in 2016; and
- In South Australia, the only varietal "hot-spots" are premium Shiraz (Barossa Valley and McLaren Vale) and Pinot Gris. Chardonnay is better placed than it has been in recent years while Sauvignon Blanc is in short-term undersupply in some regions. Merlot was rated poorly – it is struggling to compete in export markets and it is a difficult variety to grow.

*The National Voice
For Australian
Winegrape Growers*

**2015/16
WGGGA membership
commencing 1 July**

Indicative prices - should be earlier

EXISTING INDICATIVE PRICE provisions in the Code have the potential to drive down price benchmarks and thereby act against grower interests. There have therefore been calls to remove indicative prices from the Code in the growers' interest. However, it is not the indicative prices themselves, but their timing, that is the problem, and the solution is not to simply throw them out.

Current price provisions in the Code of Conduct specify 15 December as the date for notifying growers in the warm inland regions and the Hunter of indicative regional prices. It occurs a month later in the more southerly, cooler districts.

In the current operating environment, the late timing forces growers to commit to unviable production because by far the larger proportion of their costs have been incurred and options to adjust crop management or to renegotiate requirements have passed. Such late market signals also create a perverse outcome in that growers will increase production levels to reduce the impact of loss-making revenue per hectare created by low prices per tonne. In turn, this will prolong supply and demand imbalances.

Moreover, while these arrangements raise grower risk, the wine producer's risk is lowered. Wine producers have the option to adjust final prices for fruit much later in the season in response to emerging market circumstances.

Effective grower decision-making about investment in a crop, in terms of meeting off-taker's requirements as well as optimising their own ability to manage a viable business, requires clear market guidance for the major investment involved in each year's crop.

Indicative prices are a vital part of such market guidance and to be effective they are made early in the vineyard management decision-making process.

Moreover, since indicative prices are non-binding, they need to be a credible reflection of the market so the grower can understand if they will cover costs, at least.

The effectiveness of early indicative prices relies on them being meaningful, and not misleading, indications.

The earlier the release of indicative prices, the more competitive they become. Growers can assess the implications of the advised price guidance and negotiate their options. Unrealistic, exceptionally low indicative prices, that create a bidding process to keep prices low, will then be tested in the market place. Market testing can be further enhanced by the release of authoritative, independent, third-party assessments of supply and demand – present and future.

Such arrangements will ensure both parties and given maximum incentive to accurately read the market, improving effective business decisions through which the industry will thrive.

Of course, other arrangements than indicative prices are possible.

The government is listening to grower issues

Since coming to power after a period of time out of office, the current Federal Government has indisputably been a consulting government. This has been expressed in the large number of reviews and inquiries that sought to harness issues, views and ideas on a wide range of portfolio interests. WGGA has been kept busy this year and last in preparing submissions to many of these reviews.

Has the government listened?

The Agriculture Competitiveness White Paper provides a resounding yes to the question. White Papers are policy papers and the Ag White Paper has many of these, backed up by funding initiatives. Pleasingly, the White Paper substantially

addresses many strategic priorities that make up WGGA's work program. Chief among them are biosecurity, market access, commercial practices, new business models and agrichemical access. Further details can be found at agwhitepaper.agriculture.gov.au.

Add to this the findings of the Senate Inquiry into the Imposition and Disbursement of Marketing and R&D Levies. The findings were highly sympathetic to several of the issues with levy collections that WGGA, and the wider industry, are concerned about. These include enabling the creation of grower contact databases ('knowing who the producer levy payers are'), using the database to enable an effective national biosecurity response, more general reforms to levy arrangement covering

biosecurity response costs and lowering the cost of collecting levies.

Now let's see if action follows.

WGGA will certainly be agitating to ensure any initiatives stemming from these reports serve winegrape growers' needs.

Waiting in the wings are further reviews yet to be delivered. The Tax Review, the WET Rebate Discussion Paper, the Senate Inquiry into the Wine Industry and even the Horticulture Code Review holds some interest for growers.

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The role of the 'Dog book'

The 'Dog book' was first published in 1990 to facilitate the export of Australian wine and this continues to be its primary objective. It does this by setting withholding periods (WHP) for chemical application that meet export market maximum residue limits (MRLs) while minimising the risks from pests and diseases. An Agrochemical Reference Group hosted by the AWRI decides the WHP recommendations. This group takes into consideration good agricultural practice and the impact that

chemical use can have on fermentation or wine quality when setting WHPs. The 'Dog book' also functions as a tool to promote Australia's reputation as a 'clean and green' producer and to help meet consumer expectations for environmental performance and workplace health and safety.

The 'Dog book' has an 'Agrochemicals registered for use' section which is printed in black and white to distinguish it from the 'recommendations section' which is printed in purple.

The 'registered for use' section of the 'Dog book' is an all-inclusive list of agrochemicals registered for use in Australian wine-grape production by the Australian Pesticides and Veterinary Medicines Authority (APVMA).

The AWRI advises growers to comply with restrictions from their winery or grape purchaser in the first case and contact the winery or grape purchaser before using any chemicals not dealt with in the 'recommendations section'.

New restrictions on captan

The AWRI notified growers on 13 August 2015 that captan is no longer recommended for use on grapes destined for export wine. This change to the 'Dog book' recommendation section was made to meet a new European Union (EU) regulation concerning the maximum residue limit (MRL) for captan and how it is calculated. The new regulation, expected to be enforced from early January 2016, states that the MRL for captan will be set at 0.03 mg/kg and will include its main breakdown product tetrahydrophthalimide (THPI). Residue testing has shown that quantifiable amounts of THPI greater than the MRL can be present in grapes even if captan is applied long before

flowering. As such, to be confident of nil detectable residues in wine, it is recommended that captan not be used on grapes destined for export wine.

Knowing that this change may be highly disruptive to many growers' spray strategies, the AWRI is providing technical support for a Wine Australia and Winemakers' Federation of Australia submission to the EU requesting reconsideration of the new regulation. Coordinated efforts with the Australian Government Department of Agriculture are also being made to resolve this international trade issue as quickly as possible.

Letter to the Editor

Thought I'd write to the United Grower about my experience with the last vintage. I suppose I'm wondering if there is anything you can do about it. I grow grapes in a cool climate area of SA and have a contract with a major company (although who knows for how much longer).

Naturally enough, I want to get the best price possible so I work as close as I can with the company. Well, they insist on it anyway. The contact started early in the season for the 2014 harvest, that is, July 2013. I wanted to discuss pruning and gradings. A time and date was set with the company GLO but no show, no call.

A little while later I asked for any explanation I could get for our gradings from the previous season and got very little feedback/direction. It was a waste of time. When it came time to prepare for harvest, I rang the GLO to arrange a time for him to visit. He brought another GLO with him but I wasn't invited to look with them and when they had finished they didn't even call in to the office. Just drove straight out the gate. I had to call the guy and the only comment he had was looks OK. A week later he visited off his own back. About another week after that, he and another GLO visited again. Again, I wasn't asked to go with them and when they had finished, the only feedback was 'no more water'. So much for their input to the harvest management.

In the end we got no more than a day's notice of picking. In this time,

you have to allow time to pick and transport. It's very little notice.

The year before, I remember we spent an extra \$1800/Ha on their recommendations for shoot thinning in a block. We lost around 1.5t/Ha and ended being downgraded to C grade anyway. All up, it cost \$11600/ha compared to eventual revenue of \$6567/ha.

There's no accountability in all this and we get treated like fools. Surely there's something that can be done?

Sincerely,

T. R. Ellis

Executive Director's note: We have the Code but as we stress to many people, you can't specify things down to the level of just being treated decently. Private contracts can help here but I'm sure you're going to tell us that you don't get much input into the contract they deliver to you and it's not easy to complain when it's so hard to sell your fruit. Of course, we regularly raise these kinds of issues with the WFA to see if there are things the organisations can do to raise standards. We have also talked to the office of the National Small Business. The Commissioner hosted an industry roundtable on these kinds of matters and the outcome was favourable for our arguments. There is hope we can follow up on this.

WGGA matters: At-a-glance

WGGA priorities for 2015-16

On a slimmer budget in 2015-16, WGGA has trimmed its strategic priorities. Key areas for action will be:

- National biosecurity arrangements;
- Organisational restructure;
- Code of Conduct reforms; and
- Improved commercial relationships between growers and wine companies.

Full details of our proposed operational plans for 2015-16 can be viewed at www.wgga.com.au under 'About WGGA/Our Activities'.

WineTech 2015

Congratulations to David Cavanagh from Yarra Park Vineyard (SA) and Tony Cahir from Watson's Creek Wines (Victoria) who visited the WGGA stand at WineTech in July and were the lucky winners of our prize draw. Tony won a copy of Kym Anderson's Growth and Cycles in Australia's Wine Industry and David is now keeping dry under a WGGA umbrella.

Thank you to all our visitors over the three days – it was lovely to speak to so many growers and even to sign up a few new members!

Membership reminder

A reminder that WGGA membership for 2015-16 is still open. There's a category for everyone interested in supporting grower issues.

Special offers close on 30 September 2015 so if you haven't joined or renewed your membership yet, get in quick!

Visit www.wgga.com.au to learn more about which membership category suits you and this year's special offers.

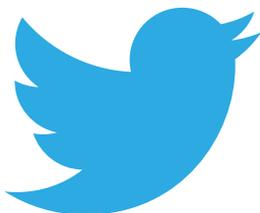
WGGA submissions

If you are interested in WGGA's views on the recent Senate Inquiry into the wine industry or would like to learn about WGGA's position for the government's Tax Review, WGGA's submissions can be viewed on the WGGA website at <http://wgga.com.au/policy/wgga-submissions>.

We're up and tweeting

WGGA has launched into social media with Twitter to keep you up to date with news and events. We are also on Facebook to give you a chance to join a conversation and/or have your say on industry matters

You can follow us on Twitter at @WGGAinfo or search for Wine Grape Growers Australia on Facebook.



Grape and Wine 2015

'Grape and Wine 2015 – a focus for action' was held on 28 August in Adelaide.

The aim of the event was to assemble national, state and regional industry people to discuss and provide direction on:

- The priority areas for industry representative bodies to contribute to focus on for a return to profitability; and
- Consider the future industry representative structure might best tackle the priority issues and present a united industry voice.

In August we sought grower feedback via a survey and the results from this were fed into the day's discussion. With the outcome unknown at the time of writing, readers are asked to watch both the WGGA (www.wgga.com.au) and WFA (www.wfa.org.au) websites for outcomes and further action.

Office staff

Our Office Manager Kelly Bonser will be taking maternity leave at the end of October. We wish her and the expanding family the best on this happy adventure. We also look forward to her return in the new financial year. We will advise everyone about Kelly's replacement in the next issue of The United Grower. The office phone and email details will remain the same.

WGGA Associate Members

WGGA proudly acknowledges its associate members:

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