

The government is listening to grower issues

The last edition of the United Grower carried an article called "The government is listening to grower issues" but quizzically asked, "Now let's see if action follows". It is pleasing to report that just one edition of the United Grower later action has rapidly followed the release of the White Paper on Agricultural Competitiveness.

WGGA was active in putting the grower view in the lead-up to the White Paper's release. See www.wgga.com.au for some of these documents. Already, some of the main themes promoted by WGGA have been actioned. We are being listened to.

In the first instance, the Department of Agriculture and Water has released revised, fit-for-purpose procedures for activating or amending emergency response levies, and has reduced industry's legislative costs to do so. This greatly aids WGGA's attempts to be an effective partner with the government in dealing with potential incursions of pest and diseases from overseas.

To explain this further, WGGA is the signatory to the Emergency Plant Pest Response Deed (EPPRD) on the behalf of all winegrape vines, both wine company owned and independent. The EPPRD is a cost-sharing arrangement with the commonwealth and state governments for responding to incursions of pests and

diseases from overseas locations (think for example of having to respond to the glassy wing sharp shooter arriving here). Early in the piece, the wine sector put in place the EPPR Levy to pay for such a response – but it is zero-rated (that is, inactive) until it needs to be activated to pay for the industry's share of dealing with an incursion.

Until now, the process for gaining industry permission to activate the levy has been costly in terms of dollars and time – and is a barrier to industry decision-making.

The changes the government has put in place have made industry decision-making easier. The smoother this decision-making is, the quicker a response to an incursion will be and the lower the cost. Ineffective decision-making processes mean higher costs or could even result in no response at all. If an incursion of a pest or disease is too-far gone, it may not be technically possible to eradicate it or the costs could be greater than the benefits. In either case, the pest or disease will not be responded to, and it will be here to stay.

Of course, the regular reader of this newsletter will be aware that WGGA is currently doing a lot more to ensure that the winegrape sector can effectively respond to not just exotic pests and disease (from outside Australia) but also

those that are endemic to the country but contained in some part of it. You will be aware that a strategic plan and business case for how you want this done is coming your way.

In the second instance of the government listening, WGGA has been contacted by the Agricultural Enforcement and Engagement Unit, a newly formed unit in the ACCC. This is government's response to many submissions (including ours) that were concerned about lack of transparency in the commercial arrangements which are all too often to the detriment of farmers. A more farm-savvy and proactive ACCC was promised to encourage fair-trading and to strengthen competition in agricultural supply chains.

You will be advised more about this as our relationship with this new unit in the ACCC develops.

From my experience, the urgency with which the foregoing changes are happening is impressive. Hats off to Minister Barnaby Joyce and the Department of Agriculture and Water. With many other initiatives outlined in the Ag Competitiveness Whiter Paper that are also aligned to our (winegrape grower) interests, I wait with bated breath to see which are enacted next.

*The National Voice
For Australian
Winegrape Growers*

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

Your sponsor at work

This year, WGGA engaged with the Woolworths Liquor Group as a sponsor. The relationship was developed on the grounds that it would yield benefits to growers in terms of getting a better understanding of consumer demand for wine that would improve grower decision-making on production. The following is the first instalment of feedback from the perspective of a major retailer provided by **Shane Tremble, Head of Corporate Development, Woolworths Liquor Group (WLG)**.

Standing in the paddock as you work your vines can sometimes feel like you are a million miles away from today's wine shopper. Here's some insights to that space.

The fundamentals of making wine remain largely unchanged, while the revolution that retail shoppers have embarked upon has driven incredible innovation and change.

As shoppers change, so do their expectations. They can instantly recall tasting notes of every wine they encounter, they can know everything about a wine from a quick google search, and they are always connected. This means they could be reading or hearing about you, the grower, right now and making a decision to purchase based on how well the story is being told.

As retailers compete for shopper loyalty, it has raised the bar of what customers expect as a minimum level of service. Because time is so precious, transactions must be instant, service must be intuitive and individual and when a shopper enters a physical store, they expect magic, experience and immersion.

Coupled with that is the incredible diversity of shoppers retailers must serve. Australia's ageing population has been a large contributor to the decades long demand growth for wine compared to other alcoholic beverages. However, experience tells us that new generations don't always follow the drinking preferences of their parents.

We also cannot avoid the other mega trends coming our way. Anti-alcohol activists are actively playing on our desire for a healthy lifestyle and wellbeing by demonising wine as being bad for the body and society. This needs to be vigorously contested by demonstrating our strong commitment to community, to reducing harmful use, and maintaining the strong association to pleasurable and sociable occasions that wine provides.

These megatrends, coupled with migration's contribution to cultural diversity is already manifesting with customers shopping less frequently for all forms of drinks, and the first signs of wine's historical growth trend starting to slow.

Everyone reading this is probably a regular shopper, and drinker, and may assume that the rest of Australia is as heavily invested and interested as we are. The truth is that we are a very unique group of people. Just 15% of shoppers will make a purchase at



least once in a fortnight. 50% of shoppers will make a purchase at least once in a month. While 35% of shoppers buy quarterly or less often.

They are also very category loyal. 30% will only shop from one drinks category in a year. That means they will only buy beer, or only buy wine, or only buy spirits, or cider, or RTDs in the year and will never buy outside of that category. You'd probably see this as great news if they are loyal to

wine only, but makes it a massive challenge if they are a rusted on bourbon drinker who you want to move into trying wine.

Among our wine consumers, we are seeing the following recent trends:

- The top growing red bottled wine varietals are Pinot Noir (10% value growth on MAT basis), Shiraz (8%) and Cabernet Sauvignon (6%). Growth in Red Bottled Wine is strong above \$12;
- The top growing white bottled wine varietals are Pinot Gris/Grigio (12%) and Riesling (5%), although both are off a small base;
- Sauvignon Blanc is currently 43% of white bottled wine and is reaching maturity, currently showing slight declines in value (unfortunately, or fortunately, depending on which side of the Tasman you are sitting); and
- Cask wine has seen significant volume decline over the past year losing 6.8M litres, predominately driven by 4 and 5L.

When we talk with wine suppliers, we encourage the conversation to cover four keys things. Obviously one of those is going to be the financial return, but it isn't the only thing which interests us. A winery that focuses the growing the market; has ideas that work with each of our retail banners and their respective business strategies (BWS, Dan Murphy's, Cellarmasters, Langtons, and ALH Group); and can demonstrate a way of building customer loyalty are key elements we look for in any proposal.

Ultimately, within a socially responsible framework, a combined focus on increasing the number of shoppers, how frequently they shop, and how much they spend will benefit everyone in the supply chain and make for better sales outcomes for all.

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WOOLWORTHS LIQUOR GROUP



In praise of economic research

The Australian Grape and Wine Authority legislation says that “grape or wine research and development means systematic experimentation and analysis in any field of science, technology or economics”.

This article asserts that a small part of Wine Australia's research effort is economic yet it could greatly help policy-making and would guide program decisions. In addition, I hope to show that any claim that economic research is not permitted by AGWA's charter, because economic research is 'commercial', is misguided.

The economic research funded by AGWA tends to be compiling statistics and interpreting their meaning – particularly on supply and demand. For example: fruit in, wine out, what's the balance? Trouble is, this sounds more like accounting. Dollars in, dollars out, what's the balance?

There is a difference between accounting and economics and it is essentially that economics is about how the values of things affect people's behaviour. It is a misconception that economics is about dollars and cents. It is true that

economists often express the value of things in terms of dollar and cent – because after all, dollars and cents are the way value is often expressed. But the point is, it is the behaviour an economist is trying to explain, or perhaps to even influence.

The problems in the industry today are not just the dollars and cents. A part of the problem is people's behavior. What motivates people to hold or remove loss-making vines? What motivates people to produce commodity or premium wine? What motivates selling wine at home or overseas? If we are going to understand, and respond to, a lot of issues in the industry we need to understand the economics of it, that is to explain why people make the choices they do so that we may be able to influence their decisions for the better.

Economists advise governments on the patterns of behaviour in society, both observed and that which is desired in the future. So why can't economists advise the wine sector's government? That is, WFA and WGGA (the politicians) and Wine Australia (the administrative arm).

Both WGGA and WFA like to think we

make policy based on evidence. But sometimes the evidence is not there or it is hearsay. Nevertheless, we do the best we can. But what would happen if we had more economic evidence from research to help guide policy. I strongly suspect the policy would be better for it.

What can we think of that might be better if we based it on economic evidence?

First to come to mind is the WET Rebate. What are the incentives the rebate creates? What evidence is there that winegrape prices are depressed by the rebate? Who wins, who loses? What would a better system be and how much would it improve things?

As another example, how about the reasons there are apparent barriers to the exit of vines? And so on.

Note that these suggestions are research questions for the purpose of providing evidence for guiding policy that improves profitability in the industry. There is no difference between this objective and doing research for technical advances that improve profitability. Neither is commercial in nature, but both yield commercial outcomes for the adopters.

Farewell from the Executive Director

You are likely to have heard that I will be finishing as the Executive Director of WGGA on December 11 this year. This note is to say a personal farewell to winegrape growers across Australia and to thank our members in particular for their active support over the past five years I have been here.

My reasons for finishing in the role are both personal and professional and not without some regrets. At the very least, after almost five-and-a-half years in the role, I feel it is time to hand-over to fresh leadership. I hope I have served well and I pass onto the new leadership a better organisation than that which I joined in 2010.

Over the past five years WGGA has grown in credibility and has been a serious contributor to the big issues and challenges dealt with by the industry. On behalf of growers, WGGA has been invited to the conversation and listened to.

Importantly, over the past five years, 'new blood' of next generation viticulturists and growers has been actively encouraged into national grower decision-making. In-roads have also been made into important issues for growers like biosecurity, the code of conduct, the wider issue of commercial practices, access to agrichemicals and wine tax.

Nonetheless, consistent with the difficult times all in the industry are experiencing, diminishing resources mean the organisation struggles to do its daily work and a significant period of re-organisation is commencing. This will be an important role for the new leadership. In this respect, the selection panel's focus is on quality people who can provide input into organisational restructuring and who will continue to grow and build the effectiveness of grower representation in the future.

I note that after five years the chair, Vic Patrick, will also be standing down. He will do this at the November AGM. My thanks go to Vic in particular, but also to the executive committee, both present and past, for their work and support over the past five years. I leave with satisfying memories of us all working and growing together in our combined understanding of problems and solutions for growers.

Again, I wish to assure you that the executive committee is working hard to replace the executive director position, and the chair, with the right people.

I wish you well in the future and look forward to hearing about the ongoing thinking and activity to return the industry to better times.

Lawrie Stanford, Executive Director, WGGA.

WGGA matters...

WGGA 2015 AGM

This year, the WGGA Annual General Meeting will be held in conjunction with the AGM of the Winemakers' Federation of Australia.

The combined event will be held on the afternoon of Tuesday 10 November 2015 at the National Wine Centre in Adelaide, South Australia.

The WGGA AGM will be conducted first, followed by the WFA AGM. The day will wrap up with a joint Q&A panel discussion followed by networking drinks.

Further details are available on our website.

WGGA members WIN

Thank you to all our members who have either joined or renewed for the 2015-16 membership year.

Members who signed up prior to 30 September went into the draw to win a FREE 12 month subscription to the Grapegrower & Winemaker magazine. Congratulations to Warren and Sue Smith from Pyramids Road Wines who are the lucky recipients of this generous offer from Winetitles.

Pyramids Road Wines is located in the Granite Belt region of Queensland and Warren and Sue have been WGGA members for the past three years.

Membership for 2015-16 is still open – visit our website to learn more.

WGGA welcomes new office administrator

In our last edition we advised that our Office Manager, Kelly Bonser, was taking maternity leave from the end of October 2015.

We are happy to welcome her temporary replacement – Edwina Donoghue.

Edwina can be contacted through the info@wgga.com.au email address or by phoning (08) 8133 4400.

We hope you will join us in welcoming Edwina to this role.

In there with our tails WGGAIing

The period since the last United Grower has been a busy one for WGGA as it represented the grower perspectives at reviews/inquiries/consultations.

- Grape and Wine 2015 dealt with re-organising the representative structure in the wine sector as a whole and identified key issues on which a unified industry voice was essential.
- Various activities around WET Rebate reform included a response to a Department of Treasury Discussion Paper and

representing WGGA on a Consultative Group established by the Assistant Treasurer, the Hon Josh Frydenberg MP, to consider submissions to the Discussion Paper and to advise the government on options for reform.

- Making a submission to the Horticulture Code Review.
- Making a submission, to the Senate Inquiry into the wine industry and appearing as a WGGA witness at a Senate Hearing.
- Commencing discussions with Vinehealth Australia on collaboration among the wide range of biosecurity stakeholder organisations in Australia.

Christmas and office closure

The team at WGGA and the Executive Committee wish our members and industry colleagues a happy and safe festive season. Best wishes for harvest 2016.

Please note that the WGGA office will close at 5pm on Thursday 24 December 2015, reopening on Monday 4 January 2016. Telephone and email enquiries are still welcome and will be responded to as quickly as possible on the office reopening. If a matter is urgent, please call Deputy Chair Justin Jarrett on 0409 993 941.

WGGA Associate Members

WGGA proudly acknowledges its associate members:

- AHA Viticulture
- Belvino Investments
- Broke Fordwich Wine Tourism Association
- Gaetjens Langley
- Lallemand Oenology
- Omnia Specialties Australia
- Performance Viticulture
- River Murray Training
- SCE Energy Solutions
- Vine Sight
- Vitibit
- Woodshield

