Australian Winegrower

Your Vineyard Your Voice

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WGGA and the Big Yellow Taxi

Apologies for the gratuitous attention – seeking title. It is intended to be more Joni Mitchell than Roald Dahl. The point is that WGGA is facing some real threats to its viability at present, and in the worst case scenario may not last for another year. It would be a pity if its true value was only realized when it was no longer there.

So what brought WGGA to this point? Put simply, income from grower – funded levies has been decreasing, and by spending money in an effort to serve growers WGGA has exhausted its reserves.

WGGA's income emanates from voluntary contributions from growers. In the case of South Australian growers, this is a mandatory collection with growers able to request a refund.

It is not surprising that in such difficult times, some growers feel compelled to ask for their money back, purely through financial hardship. Others request a refund claiming not to see value in the activities of the national body; or in some cases the state or regional body in question.

It may be that growers are not aware of the activities of WGGA and what it does to add value. WGGA may be guilty of not clearly communicating the value of its activities in recent times. The end result is that the national grower body is now under massive pressure and may not be viable shortly after the coming financial year.

WGGA has also received income via membership and project funding arrangements with various regional associations. Some of these members have withdrawn from WGGA due to differences between their own priorities and those identified by WGGA as the highest priority activities at national level.

The two main areas of concern identified by the WGGA executive were advocacy on areas of national policy, and biosecurity responsibilities.

Everything else has been shelved due to lack of resources. Other concerns related to regional or state issues are outside the remit of WGGA as a national organisation. Biosecurity is the core responsibility of WGGA as it is this organization that is signatory to the Emergency Pest and Plant Response Deed (EPPRD).

Without robust biosecurity, there will be no industry.

SO WHAT WOULD BE THE EFFECT IF WGGA WERE FORCED TO WIND UP?

Firstly, there would be no national voice for wine growers. There will be no national voice primarily advocating for grower issues, and WFA would be the default national wine industry voice. During our recent consultations with regional and state it has been made clear; that while there is a strong desire to have a greater collaborative working relationship with WFA, deferring to WFA as a lone industry voice may not adequately meet grower needs. Retention of a national grower voice is imperative.

Secondly; biosecurity would suffer. WGGA is the signatory to the EPPR Deed, and the responsible body to ensure that the wine industry biosecurity responsibilities are fulfilled. There is a huge amount of activity in this space. There are alerts almost weekly for the Consultative Committee on Emergency Plant Pests (CCEPP) that relate to potential risks for wine grapes. WGGA engages a Biosecurity Officer via the AWRI to manage these ongoing responsibilities in this vital area of concern, and is working collaboratively with other entities to ensure that the wine industry is as prepared as it can be for any possible outbreak or incursion.

If WGGA ceased to exist, the wine industry would be reliant on the Winemakers' Federation to 'step up to the plate' and take on the biosecurity responsibilities at national level. While WFA may would feel compelled to do so out of a sense of obligation and good intent, in the current challenging times when all representative organisations are strapped for cash, and WFA has numerous other tasks it is dealing with, biosecurity priorities would be at risk of being downgraded.

The pressure on WGGA's survival has increased with the resignation of the Riverina Wine grapes Marketing Board and Murray Valley Winegrowers in the past six months. These resignations from the national body have two main drawbacks. Firstly, it endangers the viability of the national organization, and potentially jeopardizes the ability to fulfill these functions on behalf of all Australian winegrowers. Secondly, it also means that the growers in these regions are not represented via input into the deliberations of the many industry committees and management bodies.

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WHAT ELSE WOULD BE LOST?

There are statutory responsibilities that WGGA must fulfill, including selection of the Chair and Non-Executive Directors for Wine Australia. WGGA representatives provide input into the research and development priorities for Wine Australia and the AWRI. WGGA attends various committees to provide a grower perspective into industry issues, including the Joint Policy Forum, the Code Management Committee, the National Vine Biosecurity Committee, Market Access group, OIV Committee, National Wine Implementation Strategy Committee, National Wine Extension and Innovation Network, the Wine Innovation Policy Committee, Wine Industry Technical Advisory Committee, and others. Contributing to the membership of many of these committees relies on the time and commitment of WGGA executive committee and other regional members. Without WGGA or its equivalent, there would be no national grower representation.

The current federal government has made it clear that it will not be discussing national issues with regional representatives. When regional bodies choose to withdraw from the national body, their growers no longer have a voice with the federal government via the national advocacy organisation.

THE FUTURE

Changes are in the wind for WGGA. Discussions are under way with state and regional wine industry bodies to discuss the best options for WGGA in future, and more will become evident soon.

Retaining a national organisation is important for the growers whom we represent and work for. Neither the members of the executive committee, the staff, nor I as Executive Director have any misconception of that.

But if there is no support forthcoming, and if the current work is clearly not understood nor supported by the majority of the grower and wine community, then there will be little point in persisting.

Many growers are struggling to keep abreast of the changes needed for them to run viable businesses.

They need competent representation at the national level to:

- Deal with biosecurity issues;
- Guide the R&D agenda; and
- Work with government on the legislation and policy which individual growers may not have the time, background or inclination to deal with.

One winegrower recently mused that the perception of WGGA is "arse about". He suggested that growers really need a national body more than a national body needs them. If this fact is not clearly understood, then there is a significant amount of work to do in a very short time.

We urge growers to support WGGA by sharing this information, engaging with WGGA or encouraging their regional organization to do so.

The need for a strong, national Grower Advocacy Body

ADVOCATE ON WINE ISSUES

Recent widespread consultation across the wine industry revealed consistent feedback regarding the need for a stronger industry. Most industry participants recognise the need for an empowered, unified voice on wine industry issues as a whole; but also see the need for a strong and independent voice for winegrowers when it is appropriate.

Australia is the world's sixth largest wine producer, and the wine industry contributes over $40bn to the national economy. It provides over 68,000 direct jobs and over 104,000 full and part-time jobs, largely supporting rural and regional Australia. It covers over 132,000 ha of vineyard area. The wine industry is vital and makes up an important part of the fabric of regional Australia.

The national organisation has important national responsibilities, such as selection of members of the Wine Australia board, and it is the signatory to the Emergency Pest and Plant Response Deed (EPPRD). With seven state and 76 regional wine industry organisations, there must be a unified and representative voice at national level, addressing national industry issues.

VALUES AND INTEGRITY WITH A NATIONAL COMMITMENT AND FOCUS

Growers and the Australian Wine industry as a whole have a right to expect that an organisation funded by hard-earned industry contributions should:

- Be outcome–driven, operate efficiently and deliver results to contributing members that represent value for Australian winegrowers;
- Be able to influence national policy through sound and collaborative working relationships with government and other industry organisations;
- Be agile, capable and responsive to industry needs;
- Have a high standard of governance, and provide exceptional reporting back to members, consistent with a lead industry organisation.

A STRONG NATIONAL FOCUS ON BIOSECURITY

Australia's remote location from other winegrowing countries means that our vignerons produce naturally clean, disease–free fruit. This competitive advantage is not to be taken for granted. There are numerous exotic pests and diseases that affect vineyards in other countries, and these may endanger Australian vineyards unless we remain vigilant.

The national grower body is committed to working on behalf of Australian wine grape growers to ensure that correct risk management processes are maintained in the interests of every Australian grower.

The current national grower body is a signatory to the EPPRD. This both enables preventive measures and facilitates compensation for vineyards where crop destruction is necessary for eradication or control of a pest. Failure to strongly enforce this "prevention is better than cure" approach would be like driving an uninsured car, or failing to insure your house. Without biosecurity, growers are not protected, and there is no industry.

ADVOCACY
Our leadership is focused, responsive and accountable; trusted by government and stakeholders.

BIOSECURITY
Protecting our greatest assets and ensuring a resilient industry.

VALUES
Ensuring effective national representation; including and collaborating with others. Motivated by results, and underpinned by sound governance.

MARKET ACCESS
Creating and shaping policy and generating opportunities across the value chain to build profitable wine communities.

RESEARCH AND DEVELOPMENT
Influencing and optimising research priorities and outcomes through strong relationships with research and development providers.

National Framework

Why we need a strong national voice

NATIONAL SUPPORT FOR RESEARCH, DEVELOPMENT AND EXTENSION

Strong input by the national grower voice is vital to ensuring that RD&E priorities reflect the needs of growers, and that their hard–earned levies produce the best "bang for buck". Australia boasts world-class research and development in wine and grape production, and it is critical to protect this standard and competitive advantage. With research costs rising, the most efficient outcomes possible must be sought to face challenging trading conditions head on. Strong working relationships and a collaborative approach are hallmarks of the current focus in strengthening the RD&E investment, and preserving the outcomes for Australian growers.

NATIONAL FOCUS ON BUILDING MARKET ACCESS

The national grower body works in collaboration with other industry stakeholders to build policy that helps market Australian wine, and with it Australian growers' fruit. It has a solid focus on rebuilding industry profitability, and strives to remove barriers that create negative market impacts. One example is tax reform, with a continued push for the removal of negative market distortions and preservation of valuable regional businesses.

WGGA supports work currently under way to ensure that fruit and wine sold globally enhances Australia's clean and green reputation, and preserves the risk management options available to Australian winegrowers.

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
- Withnell and Co Solicitors
- Woodshield

WET WET WET

There has been much outpouring of emotion and lots of comments following the announcement in the budget about reforms to the WET rebate. The fact the current government, or any government for that matter, would pursue reforms to the rebate should have been no surprise to anyone. The final result that was announced on budget night was not perfectly in line with industry lobbying, and certainly not the same as industry pre-budget submissions.

This range of opinion reflects the incredible diversity of this industry. A small volume maker of icon wine a cool climate area who sells through their cellar door outlet will have a markedly different business from a large grower in one of the inland regions who sells all of their fruit to a large wine company, which makes commercial wine for export. Clearly WET rebate settings will affect their businesses in different ways. Both are legitimate businesses, and both should have a place in this industry if they are genuinely sustainable. A lot of divisive commentary around the issue seems to spring from a lack of knowledge about how diverse and widespread wine production is in this country.

There was no way the status quo in regard to the rebate would continue forever, regardless of industry lobbying. It was made very clear during many meetings over recent years the situation was not sustainable; as the amount of rebate paid out was steadily increasing in a static domestic market. This clearly showed some businesses were being structured primarily to access the rebate, rather than to make and sell quality wine. To try and pretend it was a case of 'don't mention the war', where if we all 'kept quiet' about the rebate, then things would keep ticking along without ruffling any feathers was totally unrealistic.

We should understand the real opposition to the wine industry. There has been pressure on the wine industry taxation regime from many quarters for some time, including anti-alcohol lobby groups, spirit producers, brewers, and most recently the AMA. There has also been pressure from within the industry itself. If the industry advocacy groups had remained silent in the face of such strident lobbying, much of it misinformed, misguided, and potentially damaging to the wine industry, it would have been a massive failure on their part. The writing was on the wall, and as an industry there was a choice of ignoring the inevitable, or being responsible and being part of the discussion.

The budget reduction in the cap from $500,000 to $290,000 was not part of WFA submission, supported by WGGA. This is the political reality of dealing with government; especially a government under pressure to balance a budget. However, many complainants are criticising WFA (and also WGGA) as if these organisations had ordered the wrong meal at a restaurant, or pressed the wrong button on a vending machine, and stupidly ended up with the 'wrong' result. Despite prolonged lobbying and consultation, you don't always get what you want.

The outcome could have been much more punitive to the whole wine industry than it currently is. There are still forces within both major political parties that support the Henry Review recommendations; a 'one size fits all' excise – based alcohol tax is the best option. This might make sense from a pure economic viewpoint, but does not make practical sense for the wine industry. Such an outcome would have been very damaging for all wine producers, with the administrative burden of an excise regime affecting one value segment, and the predicted spike in the price of most wine sold affecting the other. All parts of the industry would be impacted through reduced RD&E funding from the sudden drop in production leading to a commensurate loss of levy income.

WGGA also understands that there was a strong push from some quarters to reduce the amount of rebate even further, or even abolish it and replace it with a government–administered grant. This was hinted in the government's own WET rebate discussion paper, cynically referred to as the 'Rebate Rorting For Dummies' guide. This option would have provided less security for current rebate recipients, with a government grant viewed by lending institutions as less 'bankable' than rebate income under the tax regime. To paraphrase Sir Winston Churchill, the current outcome may be the worst option except for everything else being considered.

None of this softens the blow for a brand owner currently contemplating, in some cases, the removal of several hundred thousand dollars from their business. The WGGA position in the rebate argument has been mainly focused on removing the perverse negative impacts of the rebate on wine grape prices. The availability of rebate on bulk wine has led to an 'arms race' between those who are able to access the rebate and those who cannot. This tilted playing field spills over into the global market where rebated wine subject to a 'change in conditions' can be redirected to export sales, quit at low prices to ensure a sale and cash flow, where it then contributes to a new base value for the Australian category. Those who cannot access rebate are at an obvious disadvantage when trying to sell in competition with rebated wine, where the cost of production is effectively lower, allowing a lower sale price.

Rather than being involved in an argument about who 'deserves' a rebate and who does not, WGGA believes the industry is at a point where the trading conditions for growers and many of the wine companies who buy this fruit could hardly be more dire, and that change is necessary. As stated at the start of this article, it has been made clear that change was unavoidable in any case.

This does not mean that WGGA would be happy in throwing the baby out with the bathwater during the reform process. There are many small, regionally-based wine brands that generate synergies with tourism, and that add allure and value to the total Australian offering. It was this part of the industry that was the original intended beneficiary of the rebate; where it was realised that the incoming tax regime was disproportionately punitive to this sector in terms of overall profitability and cash flow.

There were some unfortunate statements made immediately following the rebate reform that only owners and operators of a winery would be eligible. That no longer appears to be the case, and it makes sense that producers who have invested hard-earned money in building a brand, and who exploit efficiencies by utilising existing processing facilities should not be significantly worse off.

There is also some potential consideration on the 'plus side' of the equation. The proposed savings from reform offer a real opportunity to inject $50million worth of momentum back into marketing and tourism efforts to benefit Australian wine, at a time when the influence of free trade agreements starts to increase. It makes a great deal of sense that while the incentive to remain in the domestic market reduces through reduction of the rebate cap, incentives to assist marketing should facilitate new and more effective export channels.

WGGA strongly supports the consultation that the government is having with industry to make sure that valuable wine businesses that will be a positive contribution to the future of the Australian industry are not excessively set back by these reforms.

BRIEF

ACCC WORKSHOPS

As previously reported via other communications, the Australian Competition and Consumer Commission (ACCC) has formed an agriculture consultative committee, and has started holding horticulture and viticulture workshops across the country to hear information from producers, and to provide information. The following scope of the workshops is from the ACCC press release:

- Issues and processes affecting the agriculture sector that fall within the scope of the Act;
- Emerging issues or market developments of concern to the agriculture sector;
- Information dissemination strategies and appropriate networks available to enhance communication with the agriculture sector; and
- Other issues as requested by the ACCC.

WGGA continues to field complaints from growers about commercial practices within the industry. These complaints reflect two types of concerns with commercial practices:

Illegal or clearly unconscionable conduct.

Such instances are thankfully rare, and it is a 'no brainer' that any reasonable person would find such practice unacceptable.

Commercial practices that are legal, but disproportionately apportion risk or cost onto a producer or supplier. Many such practices have become accepted in the wine industry.

An example of the second type of practice is the very late notification of price announcements. In many cases the value of fruit is unknown until a grower has spent 75% of their seasonal expenses. In some cases, the price is not accurately known until after delivery. By this time the grower is fully committed to producing a crop, and it is too late to make any decision to avoid committing to growing expenses that may result in incurring a loss.

The intent behind establishing a date for notification in the wine industry Code of Conduct was that this would be the LATEST acceptable time that prices would be known. The perverse outcome that has instead resulted is that it has become the EARLIEST date at which prices are known with any degree of confidence.

While a grower commits to acceptance of agricultural risk as a primary producer, this situation, which has now become widely accepted within the industry, apportions a greater market risk from the wine company to the grower by delaying the price announcement. This situation is about to become more problematic, with growers reliant on irrigation from the Murray-Darling system now facing significant increases in water prices and potential shortage of irrigation water due to prolonged periods of low inflow. It is likely that some irrigators will be reticent to commit to incurring production costs unless the likely return is clear much earlier in the season.

This reflects the way in which many wine companies view the wine industry Code of Conduct. The intent of drafting a Code was to encourage good and fair commercial practices. The perverse outcome suggests that this has not been the result.

WGGA supports the recent formation of the agricultural consultative committee, and WGGA's representative is executive committee member Ben Rose. Growers are urged to attend the remaining workshops, and to convey any concerns about commercial practice directly to the ACCC, or contact WGGA. We can record your concerns and convey them through the Agricultural Consultative Committee.

For more information visit https://consultation.accc.gov.au .

Vinitech Sifel trip to Bordeaux is on again

WGGA is pleased to announce the continuation of the opportunity for a grower or viticulturist to attend the Vinitech-Sifel international trade show in Bordeaux, France, from 29 November to 1 December 2016, as a VIP guest of the organisers.

This opportunity has very generously been negotiated through Promosalons, the company promoting and organising this event. Vinitech-Sifel is an international exhibition of equipment and innovations for the wine industry and the fruit and vegetable sector. There are more than 850 exhibitors (representing 1200 brands including 30% international) over an exhibition area of 65,000 square metres.

The group will comprise eight-to-10 people from the wine industry plus Sandra Trew from Promosalons; the company promoting and organising this VIP delegation. Flight bookings are organised through Promosalons. Everyone stays at the same hotel and will catch public transport (tram) out to the exhibition. Delegates are free to depart Australia earlier and or depart France later but will be responsible for any additional expense. Hotel bookings, and travel expenses for delegates are provided, but the program is flexible to include partners attending at their own expense.

The VIP package includes a program of equipment demonstrations onsite at the exhibition, business meetings organised with specific exhibitors of interest to the delegate, and one-or-two vineyard visits. The group will attend an evening event on the Wednesday organised by Vinitech. This trip offers a rare opportunity not only to visit one of the premiere international industry exhibitions, but to also visit some of the most exclusive vineyards and Chateaux in Bordeaux.

The successful applicant will be required to produce a detailed report on their experience after their return and must be willing to promote and present the report to peers and industry networks, and to share the experience of Vinitech Sifel with industry colleagues.

For more information about the application process you can visit the WGGA website (www.wgga.com.au) or contact Nikki Zorzi via email at accounts@wgga.com.au.