



**Wine Grape Growers Australia Inc**

**ABN 15 475 806 313**

**Executive Director's Address to Growers**

**The Annual General Meeting of Members**

**Held at Barossa Weintal Resort, Murray Street, Tanunda**

**On Wednesday 24 November 2010 at 10.00am**

I don't need to remind anyone in this room of the challenges facing growers, so standing here as the (relatively new) Executive Director of Wine Grape Growers Australia is both an honour and a somewhat daunting task as the news is not all good.

As the Chairman has remarked, we live in interesting times – perhaps *too* interesting!

The Chair and I represent a new leadership team for WGGGA. We are both nevertheless privileged to retain links to our predecessors whose terms of office covered the full reporting year for this AGM. In the case of my predecessor, I am indebted to Mark McKenzie for providing me with the material I needed to report on the 2009-10 financial year.

My report will touch on a number of the topics covered by the Chairman -- but at a more operational level.

**Wine Industry Restructuring**

The 2009-10 financial year was dominated by the central issue of industry restructuring, in the face of chronic over-supply and a worsening export market environment.

Wine Grape Growers Australia was actively engaged in assessing supply-demand research and the framing of the Wine Restructuring Action Agenda.

We continued to provide active grower-sector feedback to the other national bodies -- including the potential for over-correction in the inland regions and the fact that the grower sector is carrying a disproportionate level of the market risk at this time.

We also continued to apply pressure on the major wine companies to share the burden of industry correction through removal of more winery-owned vineyards.

As an organisation, we've remained committed to the restructuring -- and successfully argued a grower perspective in messages delivered to the industry as a whole.

**Streamlining National Organisational Structure**

A positive outcome of the restructuring process was bringing together the leaders of the four main national organisations into the Industry Directions Council. This Council reviewed the restructuring processes within the industry, and at a lower level, greater administrative integration.

Co-location, the means of administrative integration, is scheduled to occur in 2011 – pending final sign-off by the relevant organisations.

### **Wine Industry Relations**

The 2009-10 financial year also marked the reconvening of the Wine Industry Relations Committee – a partnership between our organisation and the Winemakers' Federation.

A number of new winery-grower issues have arisen for committee consideration, including the standardising of colour measurement for fruit grading; minimum limits for 2,4-D and sodium chloride, and smoke taint residues or content – all of which are under ongoing consideration by the committee.

### **Government Relations**

Good relations with government are essential for an organisation such as ours.

Wine Grape Growers Australia continued to develop a positive working relationship with the Federal Government and the Department of Agriculture, Fisheries and Forestry.

We have been fortunate enough to have had regular communications and briefings with the immediate past federal Agriculture Minister, Tony Burke, along with his advisers and senior managers in his department.

The key themes in government communications have been industry restructuring, wine tax impacts and research and development.

### **Changes to WGGGA Constitution**

A number of changes to our organisation's constitution were adopted at a Special General Meeting in Adelaide on 3 December 2009.

These changes allowed for the option of electing a Chairman from amongst the members of the Executive Committee as well as having the option of an independent Chair.

As a step to improved Corporate Governance, other changes included the formal establishment of positions for a Deputy Chairman and a Treasurer.

### **Code of Conduct**

As the Chairman noted in his presentation, winemaker commitment to the Australian Wine Industry Code of Conduct remains low. For reasons to become obvious, there will be more said about this in the financial report.

The Chair adequately covered this topic in his presentation.

### **Vineyard Biosecurity**

In 2009-10, the Winemakers' Federation withdrew its membership of Plant Health Australia and as a signatory of the Emergency Plant Pest Response Deed. This was done in favour of WGGGA taking responsibility for these matters on the behalf of the whole wine sector.

Hence, our organization has assumed "front line" responsibility for management of national vineyard biosecurity.

A new biosecurity framework is being developed.

During the year we liaised regularly with Plant Health Australia on biosecurity issues affecting the vineyard sector, including a revised Vineyard Biosecurity Strategy; National Plant Health Strategy; National Fruit Fly Strategy; and the categorisation of vineyard pests.

We also began discussions on allocating a portion of existing research levy funds, at 4 cents per tonne, towards the membership fee for Plant Health Australia.

This new allocation would supersede the current 1.6 cent per tonne grower contribution and 2.2 cent winery membership contributions to this cause.

A new national industry biosecurity structure was developed to replace the National Vine Health Steering Committee. The biosecurity structure includes a new National Winegrape Biosecurity Committee, to be chaired by Wine Grape Growers Australia and supported by a Technical Reference Group.

Sitting beside this will be a national winegrape assurance system, designed to accredit all vine material and provide a declaration of its varietal, clonal or rootstock identity; accredited source and health status.

A consultant has been appointed to develop the framework and to apply for industry funding.

### **Information & Analysis**

During 2009, the industry had to adopt a fresh approach to the sourcing of foundation vineyard data. This followed a decision by the Australian Bureau of Statistics to, in essence, double the cost of its annual vineyard surveying for half the data output.

Our organisation teamed up with the other three national bodies in an executive management group to explore data-sourcing options.

Interim, and compromise, solutions were found for the short-term, but an industry-owned National Vineyard Database was seen to be the solution in the long term.

From a position of relative advantage in this issue, through its statutory and industry links, the AWBC is taking the lead in this project. The initial research conducted by the AWBC sounds promising, and the on-going activity has WGGGA support.

### **VineBiz**

During the year, the VineBiz Financial Ready Reckoner continued to be rolled out across wine regions through provider arrangements with Retallack Viticulture.

VineBiz workshops were presented in Margaret River, Murray Valley, Riverina, Barossa Valley and Limestone Coast.

### **Research & Development**

During the 2009-10 financial year, WGGGA stepped up its consultation with the Australian Wine Research Institute on issues of importance.

These issues included the viticulture-wine quality connection; revised research-to-practice modules; and a joint application for Farm-Ready Climate Change funding.

We have also received requests by the Winemakers' Federation to support an increase in the winegrape R&D levy cap.

It is a difficult financial climate in which to contemplate matters of raised levies but at the very least, on-going consideration of this request will be contingent on grower representation in expenditure decision-making and the return from research to growers.

### **Industrial Relations**

In close liaison with the National Farmers Federation and South Australian Wine Industry Association, WGGGA responded to the introduction of the new Wine Industry Award.

We collated industry data and case studies on employment-cost impacts of the new award; made three submissions to the Australian Industrial Relations Commission to seek coverage under the Horticulture Award for independent vineyards; and -- unsuccessfully -- argued for greater flexibility in hours of work and overtime provisions under the Wine Industry Award.

A summary of key award provisions was produced and communicated to State and regional grower associations via our usual communication channels to growers.

### **Wine Tax**

The crucial issue of wine tax also re-appeared in the past year, through concerted calls from the health lobby for a new volumetric tax on wine.

Our organisation responded with a submission to the Federal Government, detailing the negative socio-economic impacts of a volumetric tax on growers, and supporting the WFA position to retain the current *ad valorem* tax system and the WET rebate.

More recent thinking on amendments to the WET rebate are being discussed with a view to removing impediments the rebate represents to industry adjustment. However, WGGGA will argue

that in any such amendments, winemakers and winegrape growers who choose to make wine, be treated equally.

### **WGGA Strategic Directions**

It's important in any presentation like this to not only look back at what has been achieved, but to shift our gaze to the horizon, to see what lies ahead and what our future could be.

As part of our strategic plan for the three years from 2010 to 2012, we have identified six strategic priorities. They are:

- Effective issues management
- Policy development and advocacy
- Cultivating relationships
- Communication
- Membership and funding
- Corporate governance.

I don't have the scope today to cover all of these in full, however, I will un-pack the first strategic direction – that is, effective issues management – to reveal a little more detail.

Effective issues management covers such issues as our Code of Conduct, Biosecurity, Tax, Water Policy, Industrial Relations, Research and Development and a National Vineyard Database – all issues touched on by myself and the Chairman in our presentations today.

One issue very much at the forefront of our thinking is the supply and demand imbalance.

There is no question the imbalance is undermining the potential of our sector and while it could be argued that winemakers are 'turning the corner', the evidence suggests this is occurring at the cost of production foregone and 'left out there'. Hence, 'turning the corner' for growers is likely to come with a lag.

The recently released Australian Bureau of Statistics Vineyard Survey results support this view. In 2009-10, nearly seven thousand hectares were removed but at the same time, some 13-thousand-hectares were left unpicked.

Hence, while there has been a positive start to adjustment through market forces and industry initiatives, there's a long way to go yet.

There is even the potential for adjustment of the wrong kind. This wrong kind of adjustment will see potentially viable warm inland producers pushed out of the market by a combination of Coastal-Temperate oversupply and new water arrangements foreshadowed in the Murray Darling Basin Plan.

My vision for Australian winegrape growers is for them to be partners in a value-chain that responds to consumer demand.

This will involve breaking out of the predominant history of supply-chain management and a reliance on the goodwill and sometimes over-rated expertise of winemakers.

In an operating environment requiring knowledge and business acumen to survive and prosper – all operators in the sector need these attributes.

The grower of the future will not await the good -- or bad -- news from a purchaser but will be actively engaged in anticipating consumer demand and promoting their product as a solution to the winemaker's problem of providing consumers with what they want – to the benefit of all involved.

While remaining ever vigilant, protective and active in the process of advocating for grower's rights, I seek to build capacity in the grape growing community to achieve greater self-determination and profitability.

Needless to say, this vision of what could be – needs more resources, more money.

Equal partnership with the grower's closest partner in the value-chain, the winemaker, cannot be achieved from a funding base that is only 4% of that available to the winemakers. But this is the situation that exists.

While it is difficult to contemplate how grower interests can be effectively represented without a national voice – there is a real threat to the existence of that voice.

There are challenges in pulling together this national voice – some of them also faced by winemakers but some not.

They include –

- Inadequate funding resulting from an *ad hoc* system of voluntary levies and fees applied unfairly across Australia.
- Difficult operating conditions and many winegrape growers burdened by high debt and low received prices.
- The reality that growers operate in a fragmented and widely dispersed industry, making it difficult and expensive to deliver programs and advice.
- The fact that growers produce a highly differentiated product with a wide range of locations, varieties, wine styles, market opportunities and government regulations.
- Small sized operations on average and the consequent lack of market power and funding capacity.
- As a farm-based enterprise, the dilution of investment in grape growing by the diversification of agricultural production activity.

The closing message today is a call-to-arms for growers of all persuasions to step up and support WGGGA in continuing and enhancing its programs. This ideally applies across all of the varied expressions of winegrape growing – across warm and cool production and across independent-grower or winemaker-based production.

Make no mistake, every intention is for Wine Grape Growers Australia to be here to stay and we will continue to deliver effective programs and services to the industry.

Working out a better funding model will be a key challenge for the organisation in the coming 12 months.

I am hopeful that when Vic and I return to this podium in 12 months time, we will have a positive story to tell on this very important issue.

Lawrie Stanford

Executive Director