



Wine Grape Growers' Australia

Wine Grape Growers Australia Inc

ABN 15 475 806 313

Current Chairman'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

The continuing downturn in the wine sector, a strong Australian dollar and ongoing restrictions on river Murray water resulted in another challenging year for WGGA and its members.

In September 2009, the Minister for Agriculture Food and Fisheries requested an inquiry into the administration of the South Australian Grape Growers Industry Fund.

The results of the Inquiry report were released in May 2010 and vindicated WGGA on its performance and the value derived from expenditure of grower levy funds. The report stated that

"The real problem with WGGA is that it is under funded. If it collapses the industry will have no National voice and recent history makes it extremely unlikely that another national body could be formed"

On 22 June 2010 the Minister for Agriculture Food and Fisheries convened an industry roundtable to discuss the future of the South Australian Grape Growers Industry Fund.

I am pleased to report that WGGA and the WGCSA accepted the Inquiry's findings and agreed to work together on a Memorandum of Understanding (MOU).

I can advise that a MOU was signed by the WGGA and WGCSA on the 26 August 2010

The MOU will operate for the remaining two periods of the current South Australian Grape Growers Industry Fund.

I regret to advise that during the 2010-11 year, on the 12 October 2009, the Riverland Winegrape Growers Association resigned as a convening body of WGGA

This is a regrettable situation and WGGA encourages continuing dialogue to turn around this decision.

Finances

WGGA operates on a modest budget. At its peak, in the FY 2008-09, revenues were in the vicinity of \$550k. This income was derived from a combination of membership fees and levies of \$290k and project fees of \$260k.

During the FY 2009-10 income fell to approximately \$250k. Project fees reduced to \$50k and membership and levy contributions were a low \$192k.

WGGA is hopeful of an improved funding position in 2009-10 but not to the peak of 2008-09. In a complex set of funding arrangements that support WGGA's activities some of the funding decline in 2010-11, namely federal capacity building funding, may be permanent but on balance of reduced affiliation fees from the Murray Valley and an improved contribution from the SAGGIF, membership and affiliation fees will improve.

The complexity and volatility of WGGA funding will be a priority area of reform going forward.

Expenses in 2009-10 were approximately \$263k a reduction of \$100k on the previous year.

Savings were made in Administration salaries of approximately \$84k.

One significant cost increase was incurred due to the introduction of the voluntary Australian Wine Industry Code of Conduct. WGGA's share of the Code administration cost in 2009-10 was \$31k.

Code of Conduct

The voluntary Australian Wine Industry Code of Conduct was introduced on the 19 December 2008.

Adoption of the code by wineries has been disappointing. Currently only 6 wine companies representing 37% of the 2010 crush are signatories to the code.

The code has two main aims

- To establish a common Australian wine grape supply contract framework thus setting minimum standards for agreement between winegrape growers and winegrape purchasers
- To provide a dispute resolution system to manage disagreements which arise over price or quality assessments.

A review of the Code was reported in June 2010 and in the light of this review changes are envisaged.

WGGA continues to strongly encourage Winemakers' Federation of Australia to vigorously promote the Code to its membership.

WGGA has resolved to support the voluntary code for a further 24 months subject to the success of the WFA in encouraging a significantly greater number of winemaker signatories.

In the event that the Code does not attract significant winery participation WGGA will pursue the development of a mandatory Code.

Entwine

Entwine is the name given to the WFA environmental programme. It is currently being promoted and supported by a number of wine companies.

Growers are being strongly encouraged to sign up to the programme.

Some wine companies have included a clause in their grape supply agreement insists on contracted growers achieving full membership (accreditation) in the Entwine programme by 31 December 2011. If the grower is not accredited by that date companies can terminate the agreement.

Wine Restructure Action Agenda

In a joint venture between WFA, WGGA and the AWBC, the wine sector is currently focused on WRAA.

Issues under consideration include oversupply, demand and vineyard viability.

WGGA is involved in initiatives to monitor and analyse reduction in vineyard capacity to ensure restructuring is consistent with future requirements.

WGGA will also upgrade and expand its VineBiz business support programme.

WGGA and WFA will be both creating tools to encourage business benchmarking.

While the current focus appears to be on supply reduction market development and vigorous programmes to increased sales should also be a future focus.

Biosecurity

WGGA has assumed the leadership role in the biosecurity area on behalf of the entire Australian wine industry.

WGGA, WFA and AWBC are developing a new biosecurity framework for the grape and wine sector.

WGGA and WFA are also working to progress a new structure to replace the National Vine Health Steering Committee. This will be in the form of a new WGGA/WFA National Winegrape Biosecurity Committee to consider broader policy guidelines on biosecurity.

A Technical Reference Group to be chaired by the Chief Plant Protection Officer will be funded by GWRDC.

Water

The release of the Murray Darling Basin Authority Guide to the proposed Basin Plan has caused significant anxiety to the irrigation community.

It is widely recognised that the major focus of the guide was the environment with little attention paid to the socio-economic consequences of the proposed cuts to sustainable diversion limits.

WGGA in conjunction with WFA and a number of irrigation industry organisations will continue to monitor the situation and make submissions on behalf of the wine industry.

Administration and Staffing

WGGA met on 9 occasions from 27 August 2009 (the inaugural AGM) until 24 November 2010. One Special General Meeting and three teleconferences are included in that total.

Alan Newton retired from the position of Independent Chairman of WGGA on 7 July 2010. Alan had communicated his desire to retire from the position several months prior to this date but continued in the position in order to respond to the results of the Inquiry into the South Australian Grape Growers Industry Fund and to contribute to negotiations for new Memorandum of Understanding with South Australia.

On behalf of the committee of WGGA, I would like to formally thank Alan for his contribution and dedicated service to WGGA and the grower community for a period of close to four years. I am sure you will join me in wishing Alan well for the future.

At the Executive Committee meeting of 7 July 2010 and in accordance with the constitutional changes approved at a Special General Meeting of WGGA on the 3 December 2009, Vic Patrick was elected as Chairman from the Committee for a period of twelve months.

Mark McKenzie resigned as Executive Director of WGGA on the 11 June 2010 effective 9 July 2010. The committee of WGGA also thank Mark for his contribution and dedication to the organisation over the period from start-up and wishes him well in his new role as Chief Executive of Murray Valley Winegrowers Incorporated.

I am pleased to announce that Lawrie Stanford has been appointed to the position of Executive Director of WGGA and commenced duties on 19 July 2010.

Lawrie is one of Australia's most respected wine industry analysts with a background in agricultural and resource economics and I wish Lawrie every success in his new role.

My thanks go to all of the committee members for their continued diligence, endeavour and support and for the skills and knowledge they bring voluntarily to WGGA.

Government and Industry Organisations

We live in interesting times. The challenges to maintain a financially sustainable industry will not be achieved by organisations working in isolation. It is imperative that all sections of the Australian wine sector work cohesively for the betterment of their members. I look forward to a continuing positive relationship with regional, state and national wine industry organisations to achieve common goals.

I would like to thank the South Australian Department of Primary Industries Staff and particularly the Minister for Agriculture, Food and Fisheries the Hon Michael O'Brien for his assistance during a difficult period and for their combined contribution to developing a Memorandum of Understanding between WGGA and WGCSA.

Vic Patrick

Chairman