Submission to the National Agricultural Statistics Review

Wine Grape Growers Australia
February 2014

Background

Wine Grape Growers Australia (WGGA) is the national voice for Australian winegrape growers. It is an incorporated association that is accountable to its members through a representative Executive Committee. There are roughly 6,200 winegrape growers in Australia and WGGA can count around 3,700 of these as having a direct involvement in the organisation. WGGA welcomes the opportunity to provide input to the National Agricultural Statistics Review on behalf of all its members and the wider population of grapegrowers, their families and communities.

The value of grapes (all uses) in 2012 was approximately $1 billion – similar to sugarcane and about a third of all other types of fruit combined. The estimated value of winegrapes in the same year is $880 million. This places winegrapes in about tenth place on a list of Australian crops by value. It is a significant contributor to Australian agriculture.

When converted to wine, the value of winegrapes translates to over $4 billion in wine sales revenue. Exports of wine were valued at $1.9 billion in 2012-13 – ranked fifth among food and beverage exports after grains, meat, oilseeds and all dairy products. The wine industry is estimated to employ between 16,000 and 20,000 Australians directly – with many more in associated industries such as tourism.

Response to review questions

1. Do you agree with the proposed enduring goals for Australian agriculture and why?

The proposed enduring goals for Australian agriculture are:

- Competitive and profitable sector
- Prosperous communities
- Sustainable national resource use
- Growing trade and market access
- Protecting animal, plant and human health and welfare

These goals are consistent with the priorities of the Australian winegrape and wine sectors – with an emphasis on profitability and sustainability driven by international and domestic competitiveness and environmental responsibility. Growing trade and market access in international markets is of particular importance to the wine industry as it is strongly export focussed.

2. What are your top three priority information needs to inform your work program and are they being met?

The top three priority information needs for the winegrape industry are:

i. An accurate picture of the location, number and size of grapegrowing businesses in Australia

ii. Accurate foundation statistical data for the sector's supply chain – including area of vines, grape tonnages, wine processing and storage capacity, production sales and inventory (disaggregated appropriately - for example: volume and value, region, variety, style, container type, price), consumer insights, and socio-economic aspects of the industry (employment, education, age demographics etc).
iii. Business data - financial benchmarking information on the performance of grapegrowers compared with each other, across regions and compared with other agricultural sectors.

An **accurate understanding of who and where the grapegrowers in Australia are** is essential for three reasons:

- to facilitate a rapid response in the event of a biosecurity emergency such as the incursion of an exotic pest or disease or break-outs of endemic pests or diseases,
- to enable the development of effective policy by government and industry bodies that takes into account the size, distribution and nature of vineyard businesses,
- to enable industry organisations and government to effectively communicate with and service grower needs.

Accurate winegrape and wine foundation data is essential for industry planning and decision-making - including:

- planning for whole-of-value-chain activity,
- understanding and measuring regional and varietal information (bearing area, removals, crush, watering information) to enable forecasting of supply at a regional and varietal level, estimating resource needs including water, freight and local infrastructure and measuring changes in these in response to changes in consumer demand and other factors,
- measuring and forecasting Australian supply against domestic and global market demand,
- measuring growth and decline of regional/varietal production over time,
- understanding trends by wine style, package type and price point for domestic wine sales, imports and exports,
- understanding supply and demand balances in the industry through the agency of national inventory data,
- monitoring industry adjustment in times of growth and down cycle,
- benchmarking individual performance against the total category.

Financial benchmarking information on the performance of grapegrowers is essential for raising winegrape grower business acumen, enabling better decisions by growers and increasing overall risk management, profitability, competitiveness and sustainability of the sector. In upward business cycles, it is vital to business modelling for expansion, and in troughs this information is vital for exit decision-making.

The extent to which these information needs are being met is summarised in the following table. In summary, WGGA asserts that over the last five years the industry's information has seriously deteriorated and none of its priority needs are being adequately met.

Information need	Extent being met	Comment
Location and contact information	Moderate	There are databases in different states – particularly the Phylloxera Board's database in SA and Property Identification Code (PIC) databases in some states. Nevertheless these do not provide full coverage – even representative coverage for sampling purposes. PIC databases are variously limited in utility for industry needs by government protocols, lack of national coverage, lack of grape coverage and limited application (biosecurity only). WGGA is not aware of a national contact database for winegrape growers having ever existed. This contrasts with the existence of several such databases for winemakers. These factors means constraints on the representational effectiveness for Australia's winegrape grower and government services in addition to a serious disadvantage in these matters compared to the winemaker community. The latter factor is a significant contributor to overwhelming market power of winemakers over growers in the wine sector
Foundation data	Historically high – now effectively zero	Viticultural production data, wine production, wine sales and inventory data have been collected traditionally by the ABS on behalf of industry – and in the case of viticulture data, with a user-pays component to the funding from the Grape and Wine Research and Development Corporation. Funding (from any source) no longer exists for the viticulture data collection. The collection no longer exists. This breaks a 40-year time series of data that was a world benchmark for publicly available high resolution data, and provided an international competitive advantage for the Australian industry. Commonwealth funding will no longer exist after this year for the wine collections. Unless new systems are put in place, the sector will lose access to all this information. This will also break a long time series of data in these collections. Access to data on wine processing capacity has never been available to industry and its absence hampers whole-of-value chain planning. While socio-economic data has traditionally been available through collections like the national Census and generalist ABS collections, winegrapes and wine are increasingly aggregated into higher level groupings (eg winegrapes into grapes and wine into beverages) and disappear from view.
Financial benchmarking	Low	Small regional pockets of information exist as a result of locally funded projects but the cost of such projects and difficulty in obtaining and standardising the data have meant that coverage and interpretative capacity are very low. The nature of grapegrowing means that such information must be provided at a regional level to be meaningful.

3. What statistical assets are critical to your work program?

- **The vineyard survey** providing foundation viticulture data traditionally produced by the ABS on a census basis and funded by GWRDC[i];
- Annual/quarterly **wine statistics** providing foundation data on wine grape crush, wine production, domestic sales and wine inventories – traditionally collected by the ABS and funded by the federal government[ii];
- **Export shipment data** provided traditionally as a bi-product of Wine Australia Corporation's (WAC) Export Approval System but now endangered due to changes in the shipment approval process[iii;]
- **Financial benchmarking**[iv]
- **Processing infrastructure**[v]
- **Socio-economic data**[vi]
- WAC-funded **market insight and consumer data** reports collated from various commercial suppliers

4. What are the major barriers to collecting, producing and/or using statistics to inform your agricultural statistical information needs?

WGGA is aware of a number of barriers that prevent the effective collection, production and/or use of statistical information to meet our needs. These are:

- Cost and funding of collections
- Lack of coordination across multiple state jurisdictions and between industry and government
- Demarcation and access issues over contact lists
- Interpretation of the charter of the GWRDC for funding purposes,
- Issues with the ABS as a service provider,
- Attitudes of winemakers as gatekeepers to data

4.1 Cost and funding of collections

Funding is always an issue – especially in a situation of market failure through free-rider issues common to statistical collections that serve whole-of-industry interests. It is difficult to quantify the value of this information but the benefits are intuitively clear in terms of creating competitive advantage overseas, lifting the business acumen and improving decision-making of local producers, ensuring that resources are better matched to needs and increasing the effectiveness of policy development and representation.

In the case of the foundation data, the industry has supported its own viticulture collection for over 40 years; however the recent cost increase and methodology change imposed by the ABS has made this a contentious industry issue. It is WGGA's belief that such a high cost is not necessary to achieve the results required (see next section).

The removal of federal government support for both the grape and wine collections denies benefits to both the industry and the Australian economy. The sector is financially struggling at present but is still one of Australia's major export-oriented industries and one of the last remaining thriving manufacturing sectors outside of mining. At a time when external factors - in particular the high AUD - are working against the industry, it is important that the government does not withdraw support for initiatives that are assisting the industry to restructure and to remain competitive.

4.2 Lack of coordination across multiple state jurisdictions and between industry and government

Lack of coordination is a barrier to the effective collection and collation of national statistics. An example is the introduction of various Property Identification Code systems in a number of states; these are not consistent in terms of jurisdictions that collect them, the mode of collection or the data collected, and do not allow for the collection of production statistics or the generation of statistical outputs that are made available to industry. The gaps and restrictive protocols make them un-usable as a statistical resource, lead to duplicated effort and would result in cost inefficiencies if additional uses were contemplated.

4.3 Demarcation and access issues over contact lists for collecting information

The major barriers to the utility of data collections are the privacy and protocols attached to their access, the limited scope of the collections and lack of sharing between government agencies and industry organisations, which hamper efficient, accurate collection of important statistical and contact information that would benefit the growers and the economy.

4.4 Interpretation of the GWRDC charter

A barrier to our industry meeting its information needs is the fact that there is disagreement between industry representative organisations and our statutory Research and Development Corporation over its role, as legislated, in respect to industry funding for foundation data collections.

4.5 The ABS as a key provider of essential statistical information

The ABS is rightly regarded as the primary provider of comprehensive and authoritative statistical information in Australia. However, and particularly in recent times, it has become increasingly unable to meet industry needs. The collection costs are too high; there is a lack of accountability, the outcomes are not timely and the collection methodology is not flexible enough to respond to emerging industry needs or new collection technology (for example, on-line collection mechanisms).

In regard to the latter, the recent switch from census-based collections to sample-based collections does not meet industry needs. Grapes and wine are highly differentiated products and the industry's success rests on this characteristic. Illustrating this, the industry differentially defines over 60 regions and 40 grape varieties, with each permutation a different expression and potential consumer following. In addition, consumer tastes tend to be faddish. As a consequence, business decisions require frequent and very granular acuity (region by variety). Census collections have been demonstrated as necessary to achieve the required rigour in interpretation.

4.6 Attitudes of winemakers

Winemakers traditionally do not support collections that are deemed to erode competitive advantage. For example, wine processing and storage capacity is not collected and questions have always been raised about the accuracy of inventory data collections. The concerns raised regarding commercial sensitivity are hard to defend in the light of reporting aggregation and confidentiality provisions that apply to all other collections in the industry, and stand in contrast to the transparency that applies to vineyard infrastructure. Nevertheless, the absence of collections occurs because of the dominance of the winemaker view in the industry and as a result, whole-of-supply-chain analysis is undermined to the detriment of industry planning.

5. In what ways do you believe efficiencies might be gained in the national agricultural statistical information system?

WGGA proposes a partnership between the government and industry in an industry-owned grape and wine database that meets the variety of information needs for the industry.

WGGA supports the industry view that industry needs can be met by an industry-owned collection of data via the agency of the industry's statutory body, the Australian Grape and Wine Authority (AGWA). The advantages of this arrangement include –

- capacity of the statutory body to cover off on the privacy and confidentiality requirements,
- ability to produce information outputs in a timely fashion,
- direct access to feedback on, and incentive to respond to, industry views on emerging needs,
- greater likelihood of providing services at least cost,
- greater engagement of industry in the data collections,
- ability to combine multiple purposes in the collecting activity (statistics, biosecurity responses, contact information),
- ability to encompass both grape and wine collections in one.

In these circumstances, there is the opportunity for industry and the commonwealth government to partner in providing information assets that benefit both the industry and the public, on terms that are favourable to both industry and government. Co-funding by both industry and government would be required. The government contribution would purchase access to the data.

A single industry-held database with the functionality to produce all the required statistical information – including contact information, location and size, foundation data etc – would also reduce duplication in surveys and increase efficiency. To achieve this, the Wine and Grape Authority would need access to the contact database used by the ABS as there is no other practical way of identifying all grapegrowing and winemaking businesses in Australia.

If such a structure is put in place, then cost efficiencies are achieved, government outsources the activity, and industry achieves the utility it desires from the collections.

L Stanford
Executive Director, WGGA
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[i] Funding has been withdrawn since the projected ABS cost of the collection increase to around $1,000,000 pa for a smaller collection (sample versus census, and in industry view, ineffective). Note that, **a National Vineyard Database** is considered by the industry to be of critical importance to replace the extinct Vineyard Survey - but is not currently in place. More commentary on this prospect is provided later in this submission.

[ii] The government has withdrawn funding for this collection from 2014-15

[iii] Available through international customs data but not with the same timeliness, accessibility, granularity or flexibility to respond to emerging needs.

[iv] Ad hoc in nature over time and geography. No major activity currently exists in either the grape or wine sectors.

[v] Non-existent in the wine sector of the grape and wine industry.

[vi] While socio-economic data has traditionally been available, albeit with unsatisfactory frequency, through collections like the national Census and generalist ABS collections – winegrapes and wine are increasingly aggregated into higher level groupings (eg winegrapes into grapes and wine into beverages).