

## An Exciting Time For WGGA

As Wine Grape Growers Australia launches its 2014-15 membership drive, and a call for new members, the organisation is reflecting on how it is more than ever important for the sustainability of the association to increase its membership base. WGGA relies on membership subscription for funds. Executive Director, Lawrie Stanford explains, "WGGA has grown and taken on many important projects that benefit winegrape growers throughout Australia, and we are at the point where we need to make sure we have the funds to continue resourcing them".

With the assistance of the existing membership WGGA has been able to achieve numerous goals set for the 2013-14 period including that it:

- laid the foundations for national viticulture biosecurity arrangements,
- conducted direct negotiations with Chinese authorities on MRL's for Phos Acid residues in wine imports,
- created and promoted a WGGA Wine Tax Policy for the benefit of growers,
- promoted the benefits of changes in wine company to grower commercial practices,
- facilitated integrated thinking with the WFA on common grower/winemaker interests,
- created avenues for younger growers to have input into national issues, and
- demanded reforms to the Code of Conduct.

The WGGA Executive are excited to see that the organisation has been rapidly gaining credibility and the industry is sitting up and taking notice. According to, Lawrie, "It has been hard work, but we have some traction, so it's a positive, exciting time for us. With continuing support we will be able to expand on our achievements in 2014-15".

WGGA offers the following benefits to its grapegrowing members:

- Direct access to WGGA executive members
- The right the influence grower policy
- Access to Members' Only information on the WGGA website
- Advanced copies of our newsletter and e-Alerts

In addition, those who sign up before the 30 September 2014 will receive:

- 50% discount on subscriptions to Grapegrower & Winemaker magazine
- 30% off selected books from the Winetitles Bookstore
- 50% discount on a winejobs.com.au posting

PLUS, all members will go into the draw to win either a \$100 Winetitles Bookstore Voucher or a WGGA Umbrella!



### Your Vineyard Your Voice

#### Do you care about the future of winegrape growing?

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- Improve market conditions for winegrapes
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- Lobby the commonwealth government
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- Provide services to help run your vineyard more effectively.

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WGGA has a membership category for everyone (not limited to winegrape growers), each with its own additional membership benefits. Visit our website at [www.wgga.com.au](http://www.wgga.com.au) to learn more about which category best suits you and how you can join today.

Remember, it's your vineyard and it's your voice that will make the difference in seeing the winegrape industry be what we want it to be. Let WGGA help you be heard!



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## WGGA's program to improve grower returns

The article 'Winegrape discontent – why so virulent now?' in the May 2014 United Grower, generated feedback some supportive, some not so. An 'unsupportive' response, from a grower as it was, was resigned to the practices for which WGGA is advocating reform and asked the rhetorical question "why should grape growers be given special treatment by the winery's (sic)".

It is worth pointing out that WGGA is attempting to improve the commercial environment in the industry, for growers but not just this, for everyone in the industry. WGGA is about creating systems and safeguards to raise the standards of commercial practices, and to prevent uncommercial practices, that will in turn raise the standard of business done and the rewards available to everyone in the industry. Stated simply, WGGA advocates that a good deal is one where both parties win.

There are different forms commercial practices needing reform. The extreme, and thankfully infrequent behavior that is rejected by the majority of operators, is 'unconscionable behaviour'. This type of behaviour tends to be addressed in the regions where business-to-business dealings are more visible than at the national level. The other is that which WGGA tends to deal with. It is the more frequent behaviours and practices that occur, not out of malice or ill-intent, but because 'it is the way we have always done it' but it hasn't been called to account.

There are many practices that WGGA has identified that fall into this category and the organization intends to call them into account. It appeals to all industry members of goodwill, or with the interest of the whole-of-industry at heart, to be a part of the debate.

There are several direct ways WGGA is dealing with the issue of commercial practices.

**Reforming the Code of Conduct** The WFA has acknowledged that failure for the targeted number of wine companies becoming signatories in the four to five years of the Code's existence, is unsatisfactory. The combined WFA/WGGA Code Management Committee is therefore considering the ways and means of making the Code more meaningful and effective. Subjects being considered in this process include: the option of moving to a mandatory code, refining terms in the existing Code, active promotion of the Code, education in the form of templates (eg of a Code-compliant contract) and guidelines, audits of signatories and the form and usefulness (or otherwise) of indicative prices.

**Raising the standard of commercial practices in the industry** As referred to at the beginning of this article, many accepted practices in the industry lead to poor outcomes rather than an effective market that is profitable and sustainable for all. Good practices, (as opposed to the loose and sometimes unreasonable practices that often prevail), will create the 'market signals' that will allow the 'market to sort it' - concepts we are familiar with, but all too often are not practiced.

The practices in question have been identified by WGGA and can be seen at <http://wgga.com.au/archives/6771>. They are grouped under four headings: the vineyard investment dynamic, traditional winegrape price determination practices that pervert

market signals, traditional terms of trade for winegrape sales, and constrained business decision-making by growers.

WGGA has sought the assistance of the National Office of Small Business to assess, advise and to conduct a conversation with wine companies on these matters.

**Desparately seeking supply and demand balance** The WGGA Annual Operating Plan places this item at the top of its list of priorities in 2014-15. Supply/demand balance is a big challenge and a solution has clearly proved elusive so far. Through the Expert Review in 2013, WGGA gained agreement with the WFA that an understanding of the drivers behind the intractability of the imbalance needed to be understood. After all, what you don't know, you can't fix. The case for funds to conduct research that will go beyond people's favourite theories is being prepared by the two organisations.

Providing information for effective decision-making is also being scoped out by WGGA and it is gratifying to note that in the latter part of 2013 – growers will be well-served by a number of conferences that will contribute to this goal.

Finally, WGGA will continue to do all it can to facilitate the creation of the Grape and Wine Data Base which will re-establish a national viticulture statistics collection that will replace the now defunct ABS Vineyard Survey. See more elsewhere in this newsletter.

**Other** All of WGGA's programs exist to improve the commercial well-being of growers, albeit that the remainder are a more indirect attack on the topic. For example: Phos Acid MRL negotiations (reducing costs), wine tax advocacy (responsible social contributions by the industry), biosecurity (managing financial risk) and so on.

### The Australian Grape and Wine Authority

This newsletter will be read in a new and important phase of the Australian wine sector's development. A whole-of-value chain statutory service body, the Australian Grape and Wine Authority, or AGWA, will be in place and will be overseeing a more unified strategic approach to the separate disciplines of research and marketing.

At the time of writing, in early June, it was of concern that neither the Chair nor Directors had been appointed and had therefore started planning for the commencement date of 1 July 2014. Nevertheless, the management and staff of the two merging bodies are to be congratulated on their diligence and dedication to the transition process that has been quietly happening in the background. They will have ensured that the transition will be seamless as possible.

The new Chair and Board will be welcomed by WGGA and they, together with the staff of the new organisation, carry the very best of WGGA's wishes for success in fulfilling the hope industry has for wisdom and support for the industry to meet the continuing challenges it faces.



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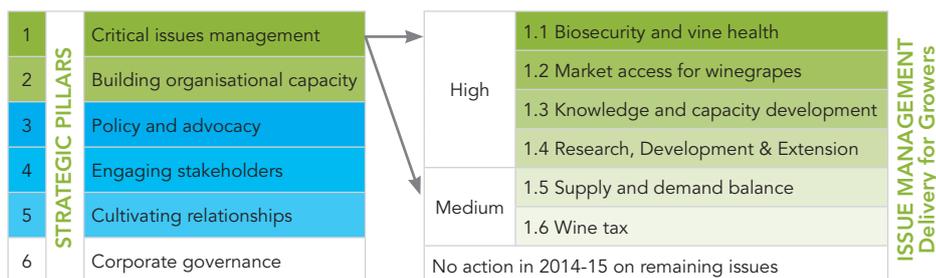


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## WGGA priorities set for 2014-15

Setting the priorities for WGGA action in 2014-15 commenced in April this year and by the time this newsletter is circulating, implementation will be underway.

The priorities for the organisation's Strategic Pillars leaves 'Issues Management' in top billing and a drilldown into the most important issues within this Pillar, is illustrated in the associated graphic.



Good progress was made in last year's number one priority, building industry's arrangements for biosecurity assurance and consolidating this work takes the highest priority in 2014-15. There are two primary tasks. First, to fulfill WGGA's obligations under the Emergency Plant Pest Response Deed to be proactive in preventing, and active in responding to, potential pest and disease incursions from outside Australia. Second, to progress completion of business plan that will ensure long-term, sustainable

arrangements are in place for viticulture biosecurity.

Improving the ability and conditions of winegrape access to the market continues to rate highly in WGGA's priorities. This includes work on the Code with winemakers and raising the standard of commercial practices in the industry. Continuing projects under this heading also aim to lower grower costs. Negotiations of Phos Acid MRLs in China will be wrapped up and a nationally acceptable delivery docket is being planned.

Knowledge and Capacity Development has been lifted higher in the priorities. Key to this item is information to assist grower decision-making.

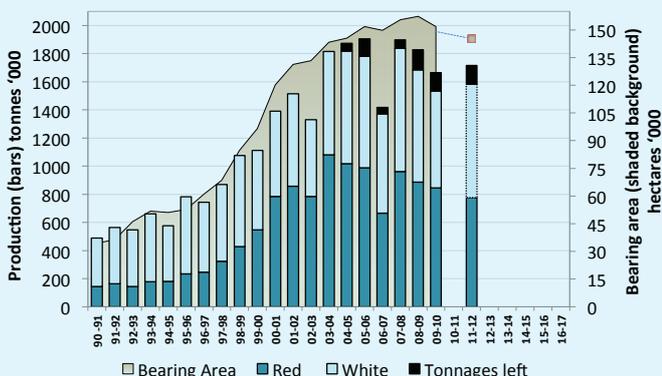
Building organisational capacity is an unceasing need and will be required if WGGA is to capitalize on its growing credibility and influence.

For the full WGGA 2014-15 Annual Operating Plan go to the WGGA website.

## This is serious

The associated figure illustrates that the standard of information available on Australian winegrape supply has been eroded to the point that, as of harvest 2013, the industry has no official, national statistics on viticulture. It is fair to say the industry has lost the status of having a world-benchmark standard in such data. Rather, it goes into the future blind.

The figure illustrates just some of the gaps, at the highest level, of not having the Australian Bureau of Statistics (ABS) Vineyard Survey to provide this data.



The last Vineyard Survey was conducted in 2011-12 after a gap year in 2010-11, and there is no provision at this time for the collection to occur again. As a consequence, industry does not have national statistics on planting, removals, or tonnages produced. Also missing is an indication of the tonnages left hanging or dropped at harvest. The latter has been consistently collected since this information was introduced in 2004-05. Anecdotes that there were fewer tonnages left out there in 2014, cannot be confirmed. If it could, a heartening indicator that things were improving would exist.

Also missing is all of the above by region and variety.

Back in 2009, the GWRDC decided not to fund the Vineyard Survey and the Wine Australia Corporation (then AWBC) volunteered to test the idea that industry could own the collection itself rather than outsource it to the ABS. The fact that the former was decided, and the latter hasn't occurred, is regrettable in WGGA's view.

So why are the years 2012-13 to 2016-17 blank? The reason is that it might take that long to replace these statistics. That's about the only Australian viticulture forecast that can be made at this time.

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# What membership category best suits you

## GENERAL MEMBERSHIP

Open to all Australian winegrape growers, or winemakers who grow grapes.

Note that SA growers who pay into the state levy do not have a joining fee because a part of the levy is received by WGGA. Please still register with us so the membership benefits can be delivered.

## AFFILIATE MEMBERSHIP

Open to all State and Regional grapegrower and/or winemaker associations and is an excellent way for associations to ensure national representation of local growers who may not take out individual membership.

For 2014-15, WGGA is extending its Affiliate Membership to include the association's members also. This means that the direct benefits of General Members will be awarded to the Affiliate Member's grower members, in exchange for their contact details.

## ASSOCIATE MEMBERSHIP

Open to any person or entity with an interest in winegrape growing.

Associate members also receive recognition of their support for growers in all WGGA communications, including a profile on the WGGA website.

## STUDENT MEMBERSHIP

Open to any student of viticulture, winemaking, wine marketing or wine business.

Student members interested in grower networking or leadership can also apply to become a part of the Decision Support Network.

Visit our website at [www.wgga.com.au](http://www.wgga.com.au) to view all membership benefits and this year's special offers! You can also join then-and-there via our new Online Membership Application Form.

# Is growing overseas demand an opportunity for Australia's oversupply of mid-range wines?

Analysis of events in world wine markets over the past decade, points to potential opportunities opening up on world markets for Australian winegrape growers. The opportunity arises out of both demand- and supply-side events and it is suggested in a paper produced by WGGA, that a major part of the opportunity is for mid-range wines that draw on lower-C, D and E-grade fruit. A detailed examination of the drivers of this opportunity leads to questions about what it would take for Australian wine growers to be able to exploit the identified opportunity.

The analysis of international demand for wine over the last decade demonstrates increased opportunity through growth in world wine consumption. While the Global Financial Crisis (GFC) is likely to have wound back this growth, it did not wind it back altogether.

The analysis provided in the paper highlights the growth of bulk wine shipments of new world wine that has accompanied the identified growth in world demand. It is suggested that this form of trade should be viewed as a structural change in demand and a new opportunity, rather than just the opportunistic trade it used to be for new world producers.

Key drivers of bulk wine trade include greater accessibility of wine to a wider demographic over a wider geographic spread, the evolving practice of bottling proprietary-branded wine in-market as opposed to the place of processing, and two players in the marketplace that are exerting a greater influence on market fortunes – retailers and their own-brands, and consolidators of bulk wine for global distribution.

Although qualified by the challenge of poor data quality, supply analysis

suggests that over the last decade world wine inventory has wound back to some extent thereby providing more opportunity (in addition to the growing demand already noted).

The paper notes that a growth in opportunity for bulk wine trade of mid-range wines matches Australia's oversupplied wines. Hence, is it a solution to Australia's oversupply?

There are some positives in Australia's circumstances that encourage the belief it can successfully tap into the growing world opportunity in bulk-traded, mid-range wines. However, as a high-cost producing nation, it is not competitive on price. To profitably access the identified opportunity there will need to be an improvement in competitiveness.

To view the full paper, got to [www.wgga.com.au](http://www.wgga.com.au)



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