The United Grower

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The newsletter of Wine Grape Growers Australia

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Trends and challenges facing winegrowers

The implications of the unexpectedly large 2011 harvest size continue to haunt us all. Two fundamental concerns coming from the apparent harvest size are that adjustment is evidently happening too slowly and that the national inventory may not have been reduced any further. The latter will have direct implications for prices next year and the former, for the longer term.

The WGGA executive committee has recently updated the foundation thinking behind its policy positions with a review of the trends and challenges winegrowers are likely to face in the next 5 or 10 years. As most signs point to continued pain into the medium term, it seems pertinent to relate our thinking on these trends so growers can think about their future in the industry.

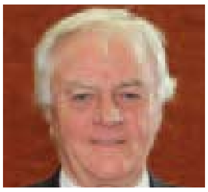
Note that all of the trends cannot be related in the limited space available here, and some is still a work in progress.

A key view is that within a smaller industry, some growers may have a greater opportunity to supply winemakers with grapes. This possibility follows from the view that the corporate winemakers will return to basics in their sourcing of fruit by focussing their own growing on regional signature varieties at the highest quality levels while out-sourcing popular premium production to minimise their agricultural and financial risk. This will favour warm-inland growing because of their fundamental cost advantage. Nevertheless, winemakers are expected to target fruit from non-traditional, cool-temperate regions for use in popular premium wines. Subject to cool-temperate production costs, warm inland production will continue to have cool-temperate competition in the market.

Key to accessing opportunity will be for winegrowers to know their numbers and to be able to assess their risks and options…

The latter is one reason, among several, that make it impossible to foresee whether

Your WGGA executive committee's views



VICTOR PATRICK (CHAIR)
victorpatrick@bigpond.com
Electoral zone: South Australia (voting member)

Building relationships, growing grapes for purpose, and understanding your numbers will be even more important in the immediate future.

JUSTIN JARRETT (DEPUTY CHAIR)
jarrettswines@bigpond.com
Electoral zone: New South Wales/Queensland (voting member)

The next five years will see grapegrowing change – large-scale commercial growers versus smaller targeted growers. Which one will you be?

SIMON BERRY
simon@berry2wine.com.au
Electoral zone: South Australia (voting member)

Winegrape growers and winemakers are recommitting this season to production in a very uncertain world and without a clear sense of the industry balance sheet in terms of merchantable wine stock from 2011 or vineyard removal information. We have not made enough adjustment to grape supply and wine stock to lift profitability for all.

MIKE FITZPATRICK
mikeandsandi@pettavel.com
Electoral zone: Greater Victoria/Tasmania (voting member)

Last year was another year of insufficient adjustment that makes trading difficult for all.

BOB BELLATO
rvb4@bigpond.com
Electoral zone: New South Wales/Riverina (voting member)

The new season is just around the corner but unfortunately the prospects of a profitable vintage for growers at this stage doesn't look promising.

KERRY SMART
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Electoral zone: Greater Western Australia (voting member)

Production fundamentals need to be reexamined by all stakeholders this season to ensure vineyards are moving towards profitability and sustainability (provided by Colin Bell, AHA, in Kerry's absence while on leave).

DENNIS MILLS
mvw@murrayvalleywinegrapes.com.au
Electoral zone: Murray Valley (voting member)

There are some signs of recovery for some varieties in 2012 but the difficulties in the world economy and the continuing strength of the Australian dollar (AUD) mean any improvement will be tempered by very difficult Australian and export wine markets.

LAWRIE STANFORD (EXECUTIVE DIRECTOR)
lawrie.stanford@wgga.com.au (non-voting member)

The observed drop-off in attendances at grower meetings doesn't auger well for the banding together and collective problem-solving that needs to be a part of getting to a better place.

Continued from page 1

fruit-sourcing behaviours will change the proportion of production sourced from warm-inland versus cool-temperate regions.

The market opportunity in the next five years will emphasise the importance of low-production costs. Many other trends reinforce the cost issue – including an expected strong Australian dollar (AUD) and increasing market power of the major retailers.

Therefore, the opportunity available will not be for everybody and the industry will get smaller. Key to accessing the opportunity will be for winegrowers to know their numbers and to be able to assess their risks and options, growers who are more informed about the market and who develop closer relationships with off-takers. These skill requirements go directly to the 'development' and 'extension' of RD&E.

In the current critically difficult operating environment, WGGA advocates for a greater weight of grower RD&E levies to be spent on grower development that assists with adjustment and survival for those who wish to continue in the industry, while retaining a core research program that supports longer-term viability for those who survive to enjoy the outcomes in 5 to 10 year's time.

Phos acid negotiations set to begin

Funding to negotiate maximum residue limits (MRLs) for phosphorous acid in wine has been established and negotiations will commence in the near future. These negotiations will be conducted with the relevant authorities in two of Australia's key markets, Canada and China.

In Australia, the MRL for phosphorous acid in grapes is 50 milligrams per kilogram. While there are many markets that have tolerances greater than 50mg/kg and are, therefore, not a concern for wine produced from grapes grown to Australian standards, there are 17 markets in which no tolerance or a default level of 0.1mg/kg exists. Australian wine made from grapes treated with phosphorous acid is highly likely to be excluded from these markets if agreements do not exist. Canada and China are the two most important to Australia of these 17 markets.

In a project facilitated and to be monitored by WGGA, grower contributions have been secured from the Riverina Wine Marketing Board ($30,000), Wine Grape Council of SA ($10,000) and the Murray Valley Winegrowers' Inc ($10,000) to conduct negotiations.

This funding will be combined with a $10,000 WFA budget and the in-kind services of the WFA general manager, strategy and international affairs Tony Battaglene who, in close association with the Australian government, is involved in international negotiations of MRLs on the behalf of the Australian wine sector.

To round out a broad industry approach to this task, the GWRDC will be funding research into technical background that is required for the negotiations – particularly the relationship between application rates and practices and traces left in grapes.

The larger part of the funds is required for compiling data, writing submissions and translation. At times, Australian-based activity needs to be complemented by travel to the respective market to exert influence. Any funds not used will be directed to negotiations on other chemicals and markets of interest. To this end, WGGA and WFA will undertake consultations with growers and winemakers respectively to establish the chemicals and countries of priority interest.

2011 AGM: Keep Friday 18 November 2011 free if you wish to attend the 2011 WGGA AGM. Notices will be distributed soon to advise the time, location and agenda.

Technical information at your fingertips

As levy payers, Australian grapegrowers can access the online records (>60,000) of the John Fornachon Memorial Library at www.awri.com.au/information_services/jfml/ at no cost.

The AWRI holds the largest collection of grape and wine technical resources in the world. The collection includes books, journals, reprints, newsletters, regulations, standards and statistics.

The service is located under the Industry Development and Support (IDS) tab of the AWRI website. Requested articles will be forwarded electronically, usually on the same day.

Support is offered in the following areas.
Agrochemicals

- an agrochemical search function
- electronic version of the 'Dog Book'
- access to past 'Agrochemical Updates'
- lists of current 'off-label' chemical permits relevant to viticulture
- access to our MRL database
- spray diary template, E-L growth stage chart and more.

Viticulture fact sheets in Viti-notes format covering:

- pest and disease
- irrigation
- nutrition
- grapevine phenology
- spray application

Research to Practice training

- managing grapevine nutrition in a changing environment
- integrated pest management in changing viticultural environments
- alternative varieties – emerging options for a changing environment.

The AWRI's viticulture staff members are happy to assist with queries. Contact Marcel Essling or Peter Dry on 08 8313 6600 or email to viticulture@awri.com.au

Time to change the conversation and share the load

It's time to start acknowledging there are two surpluses – grape and wine – and the responsibility of doing something about it must be better shared.

Almost everyone in the wine industry can and has acknowledged that we have an oversupply problem. In the past couple of weeks there have been countless articles and reports on this topic and the only thing most of you will again agree on is that change clearly is not happening fast enough.

So, perhaps it's time to change the conversation.

There's no doubt the first two steps to correcting the problem of grape oversupply is vine removals and mothballing unviable vineyards. Wine Grape Growers Australia acknowledges and advocates the necessary removal of unsustainable vines from overproducing regions, particularly in the cooler and temperate regions. It's a drastic plan of action and, once out, the vines will be very hard to replace – hence the apparent caution across many regions.

To facilitate sensible decisions about removal and mothball strategies, WGGA has created Vinebiz. It encourages all growers to consider applying this tool to their own growing practices. It provides a decision-making tool to ensure growers employ a strategic and sustainable business plan for those who still can move forward in this industry.

But there's two more steps that should now be considered and the onus is on the wineries to step up and take their share of responsibility. Step three is negotiating a mutually acceptable variable yield limit of tonnes per hectare, on all growers.

Wineries have been heard to say this cannot be achieved, as intake depends on quality and consumer trends. But if it works for the Champagne growers in France, why can't some negotiated growing limits be achieved across regions here as well. Recently, the Champenois upped the permitted yield of grapes for the upcoming harvest to cope with growing demand for Champagne. The new harvest limit was set at 12,500 kg/ha, by the region's trade body, the *Comité Interprofessionnel du Vin de Champagne* (CIVC), compared with 10,500 kg/ha in 2010 and 9700kg/ha in 2009.

Nowhere in the article announcing this change do they suggest these limits affect the quality of wine.

Step four is that wineries no longer buy what they shouldn't be selling. This will mean wineries must step up to the plate and acknowledge the cause and effect of the wine oversupply this industry is facing.

While it is the sole responsibility of wineries to refuse the intake, there's no doubt growers will feel the pain.

But as long as wineries continue to take grapes to produce wine made from grapes at unsustainable prices to feed a bulk wine market, the pain for this industry will continue.

It's an unpalatable truth for many but wineries can have more control over the wine glut – they don't need to buy it just because it's there.

It's time for everyone to decide: Do we want the pain to be short and sharp with the ultimate end brutal but complete? Or, do we want a long and protracted journey where the pain and battles continue for many more years?

If it's the first option – and for the sake of the industry, it should be – then dual responsibility must be accepted by both grower and winemaker and everyone must share the load and the pain.

VIC PATRICK
Chairman, Wine Grape, Growers Australia

When saying no comes into focus

It is getting past the time of the year when 2012 winegrape prices are needed to calculate how much vineyard expenditure is warranted. Appeals to off-takers for these prices have had little effect. Nevertheless, the emerging view from winemakers, which is starting to be communicated to contracted growers, is that prices – with the size of the 2011 harvest, the continuing strength of the Australian dollar and economic woes in key markets – are likely to be the same as last year.

WGGA notes that on the positive side for price prospects, bulk wine prices have been edging up and, while inventory may have been maintained from the 2011 crush, good quality inventory will not have – in fact, it is likely to be short. These factors offer some hope for the ability to argue higher prices than are likely to be offered by off-takers. Nevertheless, it will have to be argued and here is the rub – individual growers will have to assert their belief in the value of their fruit.

A bottom-line conclusion from the higher-than-expected 2011 harvest is that not enough adjustment has yet occurred. Clearly collective action (WRAA) hasn't done the job so rather than collective action, adjustment may come back to the decisions of individuals. In this situation, getting through the difficult times at the moment will mean being the 'last one standing'.

Wine processors seem to have an advantage in these circumstances. One theory for the higher-than-sustainable volumes being processed is that with the throughput being achieved, unit costs of processing are managed and, provided the fruit comes at prices that are usually less than cost, 'hanging on' becomes possible, although perhaps not lucrative for processors. The reputed boost to the 2011 crush from late takings of low-grade fruit and fruit for concentrate and distillation at knock-down prices is at the very least, consistent with this theory. Of course, for the grower, it implies a loss. Hence, the last one standing is going to be the processor.

An increasing number of growers are saying that it is up to the growers to say 'no' to the unsustainable prices being offered. While it has been argued in this newsletter that winemakers also have something to lose from continuing to process large volumes (for example, undermining Australian wine's brand asset and prices in general) growers seem to have more to lose by selling at loss-making prices.

Saying 'no' should then come into focus to avoid mounting losses. One grower, who wished to remain anonymous, has said no in recent years and put it as follows. He said he would rather sell 50% of his grapes at $800 per tonne, harvest the remainder of grapes onto the ground and thereby maintain his brand, reputation, image and his self-esteem as a grower, rather than to sell 100% of his grapes at $400 per tonne resulting in the same income but drastically reducing these things. He also noted the additional downsides to selling at less than the cost of production; grower apathy, lower quality grapes being produced, devaluing the region's brand, directly contributing to the ongoing oversupply and poor grower/winery relations.

LAWRIE STANFORD
Executive Director, Wine Grape Growers Australia

BRENT FARNSWORTH

Occupation : Vineyard owner and viticulturist

Vineyards: Almost 81 hectares, based north of Mildura, in the western Murray irrigation system.

Varieties of interest: Chardonnay, Sauvignon Blanc, Verdelho, Cabernet Sauvignon, Shiraz and Merlot.

Destination of fruit: Contracts for Treasury Wine Estates, Zilzie Estate and McPhersons Wines, a smaller family-owned winery based at Nagambie.

Brief history of career in industry to date: I took over the family vineyard in 2005. We started growing winegrapes in 1985, having previously grown dried fruit. I did the two-year viticulture course at Mildura TAFE when I decided to take on the vineyard. Since then, I've been keen to get further involved in the grape industry – I think it needs all the young blood it can get these days and there's not enough of it. I joined the Mildura Regional Wine Growers' committee in 2008, and was elected to the board of Murray Valley Winegrowers in 2010.

How do you view the oversupply issue?

At the moment, with the end of the EC Exit Grant and the 4 per cent cap on water, I'd say the oversupply issue and difficulties facing growers is not over yet and will probably drag on for some time.
Unfortunately, and more out of bad luck than bad management, it's taken some growers just too long to realise they should be the ones getting out.
Those who choose to hang on beyond their financial limitations have and continue to drag the industry down with the low prices they have had to move fruit for. There's no silver bullet to this and there's definitely no single answer – except to say we need to start seeing more vines out of the ground in the right regions.

If you weren't involved in wine industry, what do you think you would like to do?

I'm not someone who could do the suit and tie, so I'd say I'd definitely be working on the land in some capacity.

Have you been receiving the WGGA E-Alerts?
WGGA E-Alerts are emails distributed by WGGA as it receives notices of events and opportunities you may wish to know about.
So far, Wine Grape Growers Australia ~ E-Alert 1,2 and 3 have been distributed and have alerted readers to things like:
ABARES Regional Conferences, waste chemical collections, certification and accreditation notices, government contacts, VineBiz training reimbursements through FarmReady, GWRDC workshops and leadership courses.
These notices are kindly forwarded through regional associations. If you haven't heard about them and you are interested, contact your local association or us at info@wgga.com.au

COMINGS and GOINGS

NEW OFFICE STAFF

Those of you who have become familiar with Carolyn Venuti's friendly voice on the WGGA phone will be disappointed to hear that she is moving on. Carolyn has served us well in the WGGA office and leaves us having achieved, among other things, highly organised accounts and an updated and re-organised contact database. Carolyn's hospitable manner has been appreciated by the executive committee at meeting times and her enthusiasm and approachability will be missed.
As of 15 August, Kelly Bonser has stepped into Carolyn's shoes. Kelly comes to us with considerable experience in service organisations and a wide range of administration skills. We welcome Kelly to the job and wish her a long association with us. Kelly is working hard to familiarise herself with the WGGA office systems and is keen to learn more about winegrowing. As a half-time employee, Kelly will be in the office on Mondays, Wednesdays and Thursdays.
If you are contacting us (08 8362 9802, info@wgga.com.au) you are reminded that the office is not staffed full-time. A small amount of patience may be required in receiving responses.

CO-LOCATION DECISION

The arrangements that were required between WGGA and the other national organisations, in order to for WGGA to make a commitment to co-locating, are complete. WGGA is, therefore, pleased to announce that it will be co-locating with WFA, the GWRDC and Wine Australia in Industry House at the National Wine Centre, in Adelaide.
Subject to timelines not slipping, the changes required to the building are scheduled to occur over the next few months and all organisations will be in-house by the end of the year. The immediate benefits will include greater ease of communication between the organisations and a more commonsense purpose is anticipated.

Your 2011-12 membership subscription now sought

Australian winegrowers lead the world in vineyard management practices and, given the right conditions, have a good chance of securing future success, despite the current conditions in the industry. WGGA is working to create the right conditions for Australian winegrape growers.

There are major issues that affect winegrowers, over which they have no direct control and with which we assist. They include:

- vineyard biosecurity including contingency planning for exotic pest or disease outbreaks
- investment decisions for research, development and extension to support winegrowers
- market intelligence
- access to the marketplace for winegrapes, including codes, standards and regulations
- oversupply and the industry restructuring agenda
- Commonwealth allocations of water for irrigation

WGGA attended the recent Murray Valley Winegrowers' forum 'Where to from here', helping deliver the region's growers the latest harvest figures and business advice to prepare them for another tough season. Photo: Sunraysia Daily News.

Examples of how WGGA works for you includes:

- setting industry policies and strategies to benefit growers
- lobbying the federal government on tax reform, policy direction and the allocation of grants
- representing growers at the national table with the Winemakers' Federation, the GWRDC and Wine Australia
- delivering market information and specially developed products and programs to help growers make informed decisions about their business options
- improving business relations between independent winegrape growers and winemakers.

This is not an easy time to find money for levies and association fees, but this is the time when you most need associations to go in to bat for you. Regional, state and national associations each play a role in giving you the best business environment to operate in. As a team, we can take Australian winegrape growers forward to a better future.

Membership of WGGA for 2011-12 costs only 50c per tonne – based on the 2011 harvest. That's not even one-tenth of one per cent of the average grape selling price even at current low prices.

For this fee, you will know that your interests are being canvassed and represented to government and other wine industry associations in addition to having direct access to information and services that can assist your business.

Of course, to be effective, WGGA needs to have resources and, to be taken seriously, it needs to represent the majority of growers. The more growers that join, the better the results we can achieve for you.

All membership categories get direct access to WGGA officers for advice or influence on policy or programs, as well as direct benefits such as cheaper rates for programs like VineBiz, delivery of electronic copies of the newsletter and a reduced subscription rate for the *Grapegrower & Winemaker*.

Please consider joining WGGA for 2011-12. A membership application and payment form, plus more information on WGGA are available through our website www.wgga.com.au or contact the office on 08 8362 9802 or on email info@wgga.com.au.

A reminder about the membership categories

General membership:	all independent winegrape growers or winemakers who grow grapes $0.50/tonne – all benefits, voting rights and eligibility for executive committee membership.
Affiliate members:	state or regional grower and/or winemaker associations $1000 per annum for ≤50 grower members and $2000pa for >50 grower members.
Student members:	any student with an interest in winegrape growing :$25pa.
Associate members:	any other person or entity with an interest in winegrape growing $250pa.

Agricultural commodity comparisons

Two ABS publications on Australian agricultural production in 2009-10 have been released in recent months – Cat No 7121.0, Agricultural Commodities and No 7503.0, Value of Agricultural Commodities Produced. Compared to other crops, grapegrowing (winegrapes, tablegrapes and drying) looked as follows:

- There were 5536 businesses in Australia that rated their main activity as grapegrowing in 2009-10. This represented almost 15% of all cropping (main activity) businesses.
- The number of grapegrowing businesses ranked second to grains (including wheat, oats, barley, sorghum, rice and other) which were the stand-out leader with just over a third of the total number of cropping businesses.
- Businesses that were mainly grapegrowing had a turnover of $1.1 billion in 2009-10. This was 35% down on turnover in 2007-08.
- A decline in turnover in 2009-10 compared with 2007-08 was more common than not for the range of cropping businesses. Of the 14 listed cropping commodities, gross value of production (GVP) grew for only five (rice, cotton, sugar cane, canola, fruit and nuts). Overall, the crop GVP declined 11%.
- Nevertheless, grape GVP declined at a greater rate than cropping overall, and grapes fell two positions in the commodity rankings by GVP, from sixth to eighth.

Grape growing businesses		
NSW	1113	20.1%
Vic	1678	30.3%
Qld	102	1.8%
SA	2106	38.0%
WA	478	8.6%
Tas	49	0.9%
NT	5	0.1%
ACT	4	0.1%
Austr	5535	100.0%

	Number of businesses, 2009-10	GVP[1], 2007-08	GVP, 2009-10	Change
	No.	$m	$m	
Grapes	5,536	$1,694	$1,110	-34.5%
Crops	37,497	$23,818	$21,260	-10.7%
Grape share	14.8%	7.1%	5.2%	-1.89
Grape ranking	2	6	8	-2

1. Gross Value of Production - the value of production at wholesale prices realised in the marketplace

Do you have any comments about us?

WGGA welcomes your responses and suggestions about anything you read in this newsletter (or generally). Let us know at info@wgga.com.au

What if I… ?

With another year of low prices in prospect, VineBiz can be used to test ideas that will enable you to survive the year or to monitor important parts your business affecting your viability or profitability.

VineBiz can be used to:

- Calculate the minimum price you are able to accept and the effect of incremental price increases.
- Calculate the cost and benefit of a new project to improve your prices.
- Identify the blocks that aren't paying their way.
- Calculate the net benefit of retiring or restructuring non-paying blocks.
- Calculate the time it will take to bring restructured blocks back io positive revenue.
- Identify the big-ticket costs and those that aren't worth saving on.
- Calculate to effect of making achievable savings in the big-ticket costs.
- Calculate the effect of leasing versus owning plant and equipment.
- Calculate the net benefit of shared ownership of plant and equipment.
- Calculate your projected cash flow on a month by month basis to ensure you are solvent.
- Identify the months when cash flow will be tested so you can take early action.
- Calculate the net benefits of reducing debt.

For more information about VineBiz contact WGGA on (08) 8362 9802 or Mary Retallack, WGGA's preferred provider, on (08) 8339 3324.

A special offer available with 2011-12 WGGA membership

As a way of adding value to WGGA membership for our subscribers, any new or renewed membership before 30 September will receive a 50% discount on an annual subscription to Australian & New Zealand Grapegrower & Winemaker – the official carrier of the WGGA newsletter. This represents a saving of $38.75 on the normal full subscription price.

The Grapegrower & Winemaker magazine also carries the GWRDC newsletters on alternate months to the WGGA newsletter. A Grapegrower & Winemaker subscription also gives access to an online searchable archive of over 600 articles previously published in the magazine, and the electronic news service Daily Wine News.

Anyone wishing to take advantage of the discounted subscription to Grapegrower & Winemaker, should tick the appropriate box on the WGGA membership form and WGGA will forward your name and phone number to Winetitles, who will contact you to arrange your subscription. If you already have a subscription, you can renew for another 12 months at the special price, provided you do so during the promotion period. South Australian members, who pay a voluntary levy rather than a subscription, will be asked to register with WGGA, providing evidence of their levy payment, in order to take advantage of this offer.

See www.wgga.com.au for more details.

Axiom® Plus

Metalaxyl 150 g/kg + Copper Oxychloride 350g/kg

Staying ahead of Downy Mildew.

Farmoz