



# The United Grower

November 2011

The newsletter of Wine Grape Growers Australia

The United Grower  
is produced by

**[w] winetitles**

LEADING PUBLISHER TO THE WINE INDUSTRY

WGGA proudly acknowledges its corporate members – Retallack Viticulture, Vitibit Pty Ltd and AHA Viticulture.



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## Winegrape price-setting framework back in focus

At the time writing this article, the signing of a revised Australian Wine Industry Code of Conduct (Code) was imminent. This event represents a renewed opportunity for the large number of Australian winemakers, who haven't signed onto the Code's benchmark business principles, to now do so. The Australian Wine Industry Code of Conduct sets out the basics of good commercial practice. This is the same thing as good business. Good commercial behaviour provides benefits to all parties in the business relationship, and because of this, the business benefits.

The Code was first launched in December 2008 after negotiations conducted in a spirit of goodwill

between the Winemakers' Federation of Australia (WFA), representing the majority of winegrape off-takers, and WGGA, the national association of winegrape suppliers. The Australian Wine Industry Code of Conduct establishes a national winegrape supply framework and a system for resolving disputes over price or quality assessments.

A review of the original Code has been conducted over the past two years and the Code's re-release incorporates new and revised elements agreed, once again, between WFA and WGGA. Despite the WFA involvement, a relatively small number of WFA members have signed up to the Code. On the behalf of its grower constituency, WGGA is concerned about this.

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In the area of price setting, WGGA works for growers in the following ways –

- negotiating and promoting basic commercial good practice via the Code
- negotiating trade measures that legitimately set standards for winegrape prices and give winegrape growers and winemakers the opportunity to partner in the production sustainable and appealing wine products
- facilitating winegrape access to the market through the negotiation of residue limits for chemicals like Phosphorus Acid in wine
- advocating in the Federal political sphere on policy and programs that affect growers
- providing a national winegrape grower voice in dialogue with the other national wine sector bodies (WFA, GWRDC and WAC).

In addition, resources being developed for the WGGA website include -

- on-line advice to growers on negotiating contracts
- on-line access to contracts templates
- on-line links to resources for negotiating contracts or executing a dispute.

## Your WGGGA executive committee's views



**VICTOR PATRICK (CHAIR)**

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

*"New season = new challenges, new entities = new opportunities or more of the same?"*



**JUSTIN JARRETT (DEPUTY CHAIR)**

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

*"The time to really work on your business is now. Is it the right variety? Am I selling it to the right market? Have I got the scale of my operation right and is this something I am going to be doing in the future?"*



**SIMON BERRY**

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

*"Minimal contraction of vineyard area through removal seen in cool climate SA, about to carry out a survey to understand drivers."*



**MIKE FITZPATRICK**

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

NA.



**BOB BELLATO**

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

*"I still believe that with some honest communication and negotiations between winemakers and growers we as growers can weather this industry storm."*



**KERRY SMART**

ksmart@westnet.com.au  
Electoral zone: Greater Western Australia (voting member)

*"With one of the highest taxed wine industries in the world, the Government is to be congratulated on not further interfering with the current arrangements."*



**DENNIS MILLS**

mww@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 mean any improvement will be tempered by very difficult Australian and export wine markets."*



**LAWRIE STANFORD  
(EXECUTIVE DIRECTOR)**

lawrie.stanford@wggga.com.au (non-voting member)

*"Another harvest approaches – negotiating and bedding down contracts will be important."*

Continued from page 1

Equally, it acknowledges the winemaker signatories to the original Code;

- Balnaves of Coonawarra
- Constellation Australia
- Henry Holmes Wines
- Orlando Wines
- Rusden Wines
- Treasury Wine Estates
- Tyrrell's Vineyards

To address both WGGGA's and WFA's concern about the low number of winemaker signatories, a new target for winemaker signatories has been agreed in the revised Code. Both organisations are committed to promoting the Code so that the new targets for winemaker signatories, set out in the revised Code,

can be achieved. These targets are for 25 per cent of the top 100 winemakers to sign up by December 2012 and 50% by December 2013. WGGGA sees the large weight of the promotional responsibility to fall on the WFA. At the same time, WGGGA urges its members to insist that their off-takers are signatories.

WGGGA understands that most winemakers are sound and ethical operators and appeals to these operators to sign up to the Code as well as apply pressure on those in the winemaking community who don't.

It needs to be recognised nevertheless, that the Code merely sets out the basics of good practice and additional

terms will inevitably exist in a contract. Understanding this makes it clear that a winemaker may be unreasonable in their contract stipulations, or a grower can either willingly, or through lack of awareness, sign up to conditions that are unfavourable to them.

Winegrape growers are encouraged to be wary of taking a business-as-usual approach to negotiating the terms of contracts with off-takers in the up-coming 2012 harvest. This warning comes on the back of recent WGGGA experiences in negotiating the industry framework for winegrape price-setting as well as reports of on-the-ground experience of growers negotiating contracts.

# WGGA research, development and extension policy

A review of WGGA policy on research, development and extension (RD&E) was motivated by the new GWRDC five-year strategic planning process and the broad consultations that were undertaken in this process.

A central concept in the new WGGA policy states that the GWRDC is the sole beneficiary of national grower levies (the Grape Research Levy paid by growers), and WGGA considers them to be entrusted for investment across the whole range of RD&E that is, research that benefits growers, development of growers and extension to growers.

Moreover, WGGA believes there should

be greater flexibility in the mix of investment between the R, D and E components. For example, in the current industry downturn, short-term (survival) needs should be addressed by a shift in the investment mix that favours research with shorter-term deliverables, grower development and research extension. On the other hand, a smaller share of the mix would retain core research that has longer-term deliverables; as well as essential, affordable research capability, in order to support longer-term positioning of the industry.

In accordance with the above position, the WGGA RD&E policy specifies desired investment under three main headings:

- addressing grower research needs – split into the categories of growing revenue, reducing costs and planting material
- addressing grower development needs – including biosecurity, a National Vineyard Database, national grower representation, business readiness of growers, market access for winegrapes and whole-of-industry development, and
- research extension and adoption by growers.

The full WGGA RD&E Policy will be available from the soon to-be-developed members section of the new WGGA website.

## What is WGGA doing for you

A snapshot of the splits in WGGA's budget for the current annual operating plan provides an at-a-glance overview of planned activity for 2011-12.

At a broad level, the budget is split roughly evenly between personnel funding and program content.

Of course, personnel are divided between administrative functions and program development and delivery with all administration costs (personnel and other) making up roughly a third of the total budget.

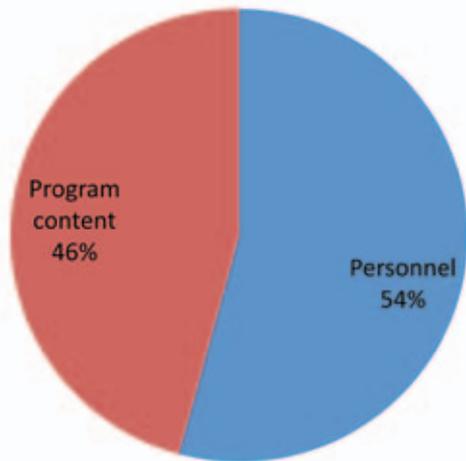
One of the six strategic aims of WGGA, 'Addressing critical national issues affecting winegrape growers', accounts for just over half the WGGA budget with the next biggest strategic component, 'Communications' accounting for 5%. Three issues account for almost 90% of the funds allocated to 'Addressing critical

national issues'.

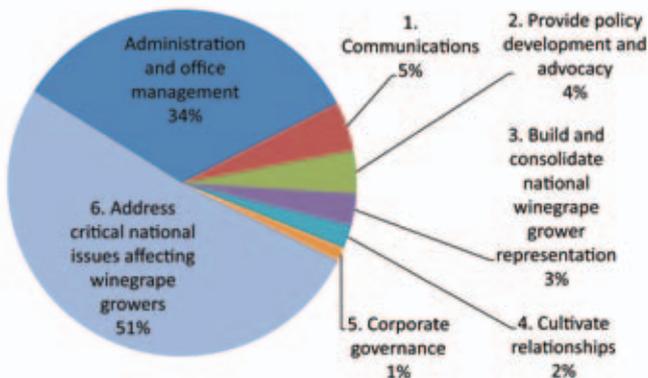
They are:

- market access for winegrapes (principally Phos Acid MRL negotiations, the Code of Conduct and trade measures definition)
- knowledge and capacity development (foundation data acquisition and VineBiz)
- biosecurity (which in 2011-12 will revolve around establishing the National Winegrape Biosecurity Committee and Technical Reference Group, bedding down funding arrangements, categorising winegrape pest and diseases for the Emergency Plant Pest Response Deed [EPPRD], and raising awareness of the requirements of the EPPRD).

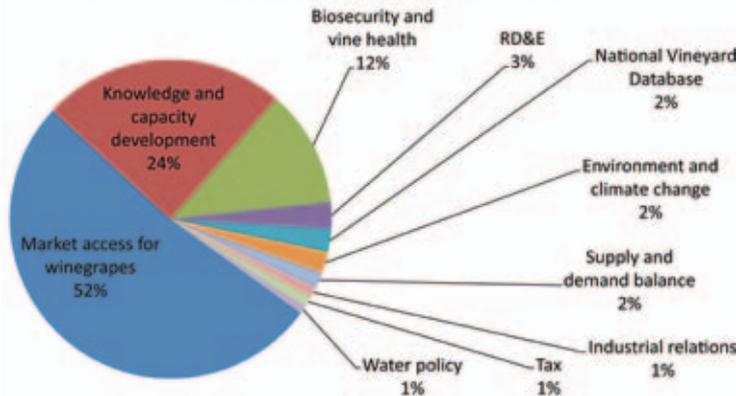
People and Programs (share of funds)



Strategies (share of funds)



Strategy 6: Address critical national issues (share of strategy 6 funds)



## New season, new entity, new opportunities

Change is a constant and most agree that the rate of change continues to accelerate. Recently, Australia's largest wine companies appear to be doing a lot of talking in-house about evolving structures and renewed wine focus.

Fosters has officially demerged its Treasury Wine Estates, Constellation has morphed into Accolade Wines, Pernod Ricard has created Premium Wine Brands and there's a new 'big' kid on the block, The Wine Group. They've presented their staff and stakeholders with new visions, new strategies and new structures. Now, it's time for them to act on these plans and create a sustainable future for themselves and the wider industry.

### A LITTLE BIT OF HISTORY

Company restructures are certainly not a new phenomenon in the wine industry. In the past, the industry has felt the effects of numerous company restructures and new visions.

The performance of the Australian wine industry was languid for two decades following the Second World War. In the second half of the 1960s an era of substantial change occurred. During the 1970s the introduction of the wine cask added to the impetus for growth. The mass marketing techniques employed by a

number of multi-national corporations, who had recently entered the wine trade, such as Heinz, Philip Morris, and Allied Breweries, also began at all new levels. Collectively these developments contributed to a large rise in domestic per capita consumption of wine. The industry entered a new phase again in the mid 80s, aided by a surplus of premium grape varieties and by ownership changes, brought on by the exit of the multi-nationals.

The industry turned to the export market. Spectacular increases in the export market followed, from 11 million litres in 1985-96 to 125 million in 1993-94.

Strategy 2025 was launched in 1996, which stated: "The vision is that by the year 2025 the Australian wine industry will achieve A\$4.5 billion in annual sales by being the world's most influential and profitable supporter of branded wine". Well we got the first bit right... Australia surpassed \$4.5 billion in 2005 (overall sales reaching \$4.7 billion, that financial year).

It was to be the end of the golden years. The industry had grown from 65,000 hectares in 1995-96 producing 883,000 tonnes of grapes to 158,000ha, producing 1.9 million tonnes in 05-06. The number of wine companies increased from 892 in

1995-96 to 2008 in 2005-06.

In 2007, Directions to 2025 was published and claimed to be: "a comprehensive blueprint for Australian wine to achieve a sustainable return for its 7000-plus grapegrowers and 2000-plus wine producers."

This is clearly proving a harder nut to crack, particularly when several large wineries choose to continue to export bulk wine at unsustainable prices.

It appears we have a lot of hard work still to be done to achieve this second part of the 2025 Vision and the sustainable returns in the Directions to 2025.

Growers want to see wineries concentrate on being the influential and profitable companies they aimed to be, under these strategies. As it's only then they will be able to pass on the sustainable returns to the 7000 growers whose future they also control.

So change is constant... that's nothing new. I trust that these 'new entities' will assist in achieving the sustainable goals and set the industry back on the path to achieving the targets of Strategy 2025 and Directions to 2025.

**VIC PATRICK**

Chairman, Wine Grape Growers Australia

## So what exactly is a winegrape grower?

WGGA regularly revisits the question of how to best represent winegrape growers. Each time, the obvious question is 'who are we representing' – but the answer is elusive. It is remarkable how little is known about what is the nature of a typical winegrape grower.

It is not just the question of representation that the issue of 'who are the winegrape growers' touches on, but the vexed question of industry adjustment leads to the same need to know. The two most cited reasons for the inadequate amount of observed adjustment in the industry are firstly, off-farm income and secondly, that winegrape growers have a portfolio of agricultural enterprises. Both of these factors are thought to shelter, or offset, the down times in winegrapes and reduce the incentive to adjust. But once again, we don't really, that is factually, know.

WGGA attempts at scouring existing data sources (mainly the ABS and the SA Phylloxera Board (PGIBSA) have yielded some understanding about the nature of

winegrape growers (see article on page 5). Nevertheless, for the data collected the exercise is not complete and in some instances it will not be complete because

**Knowing the answers to these issues will help clarify the drivers of adjustment and will guide WGGA in how to best resource itself and also who best to support.**

some of the data is simply not obtainable from existing sources. Two things that have proved to be unattainable for example are off-farm income and the distinction of what is grown by winemaker-growers as opposed to independent growers. Nevertheless, some data available to us is starting to provide some insights.

Understanding from numbers like these cut to

the issues of who has the greatest investment in the wine sector, who makes the greatest contribution to it and who has the greatest incentive to support it in good times and bad. Care needs to be taken not to suppose that these are all the same questions – they are not necessarily the same thing. A smaller economic contribution to the industry can have a larger impact on it, and vice versa. Knowing the answers to these issues will help clarify the drivers of adjustment and will guide WGGA in how to best resource itself and also who best to support.

The picture is far from clear at this time but we will continue work on it. It is notable of course that rather than have to adopt the patchwork approach that is required at the moment, an industry-owned National Vineyard Database would provide the clarity, and direction, we seek.

**LAWRIE STANFORD**

Executive Director

## PETER CREYKE



### Occupation:

Vineyard owner and operator

### Vineyards:

About 7 hectares of irrigated vineyards, alongside a further 7ha of irrigated Cherry orchard and a further 14ha of mixed pasture and cropping in the GI Hilltops, based on the south-west slopes of NSW.

### Varieties of interest:

I've planted just the one, Cabernet Sauvignon. When I made that decision, it was pretty unusual as everything I read recommended growing small parcels of several varieties. But in my experience, I felt it was better to focus on the one variety, so I could offer the volume I

felt wineries would be looking for. This helped me to differentiate myself and my product from other smaller producers and it keep overheads to a minimum.

### Destination of fruit:

It's contracted to a Riverina winery.

### Brief history of career in industry to date:

My background is in agriculture economics, analysis and commodities. I bought the vineyard and orchard in 2001, and having no previous viticulture experience I relied very much on the advice if of Liz Riley from Vitibit and Brian Freeman, from Freeman Vineyards.

### How do you view the oversupply issue?

My professional background meant that I entered this market fully aware of the cyclical nature of agribusiness and commodities, such as grapes. Just as sure as I was that the highs of the late 90s weren't going to continue forever, I know that the industry will swing back up. It's not just environmental factors and oversupply keeping us hurting, the other factors such as high interest rates and high Aussie dollar haven't helped. But I truly believe, as a national industry we can not compete with overseas markets on the cheap and bulk market - there

will always be someone who can do it cheaper and bigger than us. We need to aim higher to the premium end of the market, as well as to develop and consolidate new export markets - grow our reputation in these new markets and the rest will follow. I'm also a firm believer that everyone should have a formal business plan. Not one set in cement... but one that provides a solid footing to be making future decisions and allows you to plot a course of action when the unexpected invariably happens, such as a disaster vintage like last years.

### Why become a member of the WGGA?

I've always been a member of the union or industry association that I've worked in, so joining the WGGA was second nature. I know, some people in the cool climate regions, feel the association speaks more for the warmer inland areas but I can't knock it as a source of relevant industry information and advice. I try and get to as many workshops and roadshows as I can, as there's nothing better than talking to others dealing with the same pressures in person. But I also read as much as I can, so I appreciate the subscription deals that come with the membership and I think at least someone from the region is joining in and represented – the more the better.

### 2011 AGM

Friday, 18 November 2011 is the appointed date – notices have been widely posted and the RSVP date was 4 November 2011. Please get your RSVP in soon if you are running late. The AGM will be held at the Australian Wine Research Institute Seminar Room, Wine Innovation Central Building, Waite Campus, University of Adelaide, commencing at 10.30am. See more on [www.wgga.com.au](http://www.wgga.com.au)

## Winegrape growers - by numbers?

As explained in the associated opinion piece, there is remarkably little known on this topic. Nevertheless, WGGA has been scouring existing data sources to understand more. Some insights, although far from complete, are emerging.

For example, the Phylloxera and Grape Industry Board of South Australia (PGIBSA) data on areas and businesses on the SA Register provides some insights. Assuming that properties with areas of winegrapes less than 24 hectares are part-time viticulture or mixed agricultural enterprises, just over 80 per cent of the SA winegrowing operations are just this. By contrast, this 80% of winegrowing operations account for 30% of the SA vine area. Early read-outs from ABS data pulled together from a number of collections, suggests that

there are 7561 businesses in Australia that grow winegrapes but of these, 5326 can be classified as 'mainly winegrape growing businesses' based on earnings. It also says the businesses that are mainly winegrape growing businesses, account for 84% of the winegrape growing area.

If the PGIBSA numbers are translatable to the ABS numbers, then there are something like 4260 to 6050 businesses that do not have an investment in the industry's future that is fully committed and 1060 to 1500 that have some kind of pretention to wanting to be viable winegrape growing businesses in themselves. An excruciating torture of the numbers then suggests that the latter produce something like 1.3 million tonnes (ie 70% of the current national crop potential). This sounds

like the number that people talk about being a sustainable national crop?

Following up on the 'mixed' nature of businesses that grow winegrapes, the ABS tells us the following. Of the 5326 businesses that are 'mainly winegrape growing businesses', a high proportion also grow other horticulture, 10% run sheep, 8% run cattle and 6% grow either cereal or non-cereal crops (the latter excludes horticulture). Conversely, there are 202 mainly specialist beef businesses that grow winegrapes as an aside, 174 citrus growing businesses that grow winegrapes as an aside, 148 specialist sheep businesses, and a whopping 1293 non-agricultural businesses that grow winegrapes as an aside.

Note that these observations are preliminary at this stage and subject to further verification.

## ‘Extreme makeover’ for the WGGGA website

Have you checked out the WGGGA website lately? If so – we hope you were impressed with the new look and faster, easier navigation. We have updated the structure, appearance and content on the site, so now would be a great time to visit if you haven’t before.

You will find:

- information on current WGGGA activities, policies and programs
- recent articles, press releases and news organised into categories like industry information, industry policy and organisation news. You will easily be able to see which items are of interest to you
- copies of the latest WGGGA e-Alerts – providing topical information snippets, industry updates and events
- useful industry information and links – for example, how to access the AVWRI online viticultural library
- An overview of the VineBiz financial program, specially developed for vineyards and available to all WGGGA members for a nominal fee

- an “at a glance” summary of the wine industry Code of Conduct (for grape supply contracts) as well as all the details if you need them
- summaries of major projects that WGGGA has been involved in since 2005 – including the WRAA project, “Taking Stock and Setting Directions” and the “Capacity Building for Growers” project – all of which provide extremely relevant resources for growers
- details of our upcoming AGM on 18 November 2011
- past issues of the United Grower going back to 2009 ..... and lots more!

Our aim has been to make the site as easy as possible for growers to navigate around and find relevant information. Generally there are on-screen summaries of each topic, with the option to download more detail in PDF format if desired. We are still working on the site, trying to improve it as we receive feedback and keeping it up-to-date to maximise its usefulness. We would be very pleased to receive your comments on the site and suggestions for other

information you would like to see included. Our plans for the near future include developing a “members only” section on the site, giving WGGGA members privileged access to statistical analysis, WGGGA strategies and policies and latest news items.

Watch this space ...



### Do you have any comments?

WGGGA welcomes your responses and suggestions about anything you read in this newsletter (or in general about WGGGA). Let us know at [info@wgga.com.au](mailto:info@wgga.com.au)

## SA winegrape growers invited to register with WGGGA

WGGGA is keen to deliver the additional privileges being made available to all WGGGA General Members in 2011-12 but in the case of its South Australian members, it needs to know who they are, and how to contact them, in order to do so. SA members are therefore asked to ‘register’ with WGGGA.

Additional privileges, beyond the standard membership rights, were triggered by subscribing to be a WGGGA General Member in this year’s membership round. However, because South Australian winegrape growers become members by paying the voluntary levy into the SA Grape Growers Industry Fund (SAGGIF), WGGGA does not get the contact information of these growers. Rather, this information is held by the agency collecting the levy, Primary Industries and Resources SA.

To gain access to the special privileges of being in WGGGA, SA members are asked to register as a member with

WGGGA by downloading a ‘2011-12 WGGGA membership application’ form from [www.wgga.com.au](http://www.wgga.com.au) (under the menu item ‘Membership’), complete it and post or fax it to the WGGGA office without any payment which is asked for on the form. Proof of payment to the SAGGIF is required instead of a subscription. If providing this proof presents any difficulty, this should be indicated on the form and we will attempt to verify the levy payment on the grower’s behalf.

The additional privileges being made available to all WGGGA General Members includes

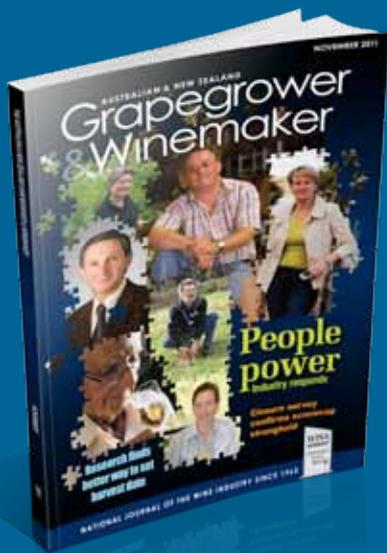
- a 50% discount on a *Grapegrower & Winemaker* subscription (representing a saving of \$38.75)
- personal, advanced delivery of information including WGGGA’s newsletter (*the United Grower*), e-Alerts of events and opportunities you may wish to know about, data analysis and articles produced by WGGGA

- access to WGGGA programs and workshops at a discounted price
- direct access to WGGGA staff and executive committee members for influence on policy and programs
- privileged access to a WGGGA member’s section of [www.wgga.com.au](http://www.wgga.com.au) (soon to be developed).

Memberships for 2011-12 are still open. The membership categories are;

- general - to all winegrape growers and winemakers who grow grapes
- affiliate – state or regional grapegrower and/or winemaker associations
- associate – any other person or entity with an interest in winegrape growing
- students.

The WGGGA Executive Committee encourages you to apply today. For more information on WGGGA activities, information, programs and products, see our website or contact the office on 08 8362 9802 or through [info@wgga.com.au](mailto:info@wgga.com.au).



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## The United Grower now available bi-monthly in *Grapegrower & Winemaker*

Inside the November 2011 issue, just a few of the must-read news items are:

- The new AWRI boss who's ready to show the dollars and sense of wine research
- What options are left, beyond the exceptional circumstances exit grant
- New research which offers better way to predict harvest dates
- The role of undervine management on soil and fruit temperatures
- What were some of the 'best practice' disease management methods during 2010-11

...And in winemaking, sales & marketing and business & technology there's:

- The latest AWRI advice on stopping bad smells in the cellar
- Results from winery wastewater research in New Zealand and Australia
- A wrap of current filtration methods
- Jeni Port talks wine shows
- The latest trends in closure use in Australia and on the export market
- A look at how 'apps' are promoting wine regions

This issue also includes the regular features: local and international news briefs, regional round-up, MyView, export snapshot, calendar of events, Marketplace and people and places... have you been snapped out and about?

Not a subscriber? Over 600 key *Grapegrower & Winemaker* archived articles are now included with each subscription. As a WGGGA member you are eligible for a 30% subscription discount which includes online access.

Contact the WGGGA for further details on 08 8362 9802 or via email [info@wgga.com.au](mailto:info@wgga.com.au).