

ACCC INVESTIGATES WATER TRADE

Minister warns water rules may change as traders accused of sucking farmers dry

Source: <https://www.smh.com.au/politics/federal/minister-warns-water-rules-may-change-as-traders-accused-of-sucking-farmers-dry-20190909-p52pgc.html>

The federal government may change the rules of the water market to prevent big-money investors from hoarding billions of litres in water rights at the expense of farmers, Water Minister David Littleproud says, following new calls from farmers for urgent action.

The minister's warning to water traders comes after he was sent a letter from several peak horticulture groups calling for a temporary ban on non-water users purchasing water rights while much of regional NSW suffers through one of its worst droughts on record.

The letter accuses off-site water traders of illegally manipulating the water market - created in 2004 after water rights were separated from land titles - to limit available supply, taking advantage of increasingly desperate farmers who now must pay eight times more than usual for water.

However, Mr Littleproud said he would act only after the findings from the Australian Competition and Consumer Commission's investigation into the southern basin's \$2 billion water market are handed down at the end of 2020, despite pleas from industry groups to act sooner.

"It's important that we get this right and it's important that governments don't reach into markets unless there is a need and there is an imbalance," the minister told ABC Radio on Monday.

"When we have people sitting in high-rises in Melbourne and Sydney trading water, my intent would be to see that water used by family farms out here to keep their communities going in an economical way."

"The market's evolved."

The ACCC's 15-month investigation will examine market trends since 2012, including the demand for water, the changes in the location of use of water, the quantity of

water traded and sectors participating in the water markets.

According to Mr Littleproud, almost one in six water traders are corporations or individuals who do not own land.

One company singled out by some farmers for its water holdings is the ASX-listed Duxton Water, which had a water portfolio worth about \$262 million at the end of July. It has described itself as a long term investor in the water market.

Australia's high water prices, which have reached their highest levels since the millennium drought in the southern Murray-Darling Basin, are "a threat to everyone", according to Australia's biggest olive producer, Boundary Bend.

"There's not one mainstream crop, including olives, that's profitable at current temporary [water] prices of \$800 a megalitre," Boundary Bend chief executive Rob McGavin said.

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He backed an immediate moratorium that would stop "non-irrigators" without a consumptive use from buying allocation water, and called for a "use it or lose it" approach to non-irrigators, meaning that any water allocations that they now hold should be put on the market this financial year so that irrigators could buy

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BOARD ACTIVITIES REPORT



Riverina Wine Show Awards Dinner

Held on Friday 13th September 2019 the Awards Ceremony was well attended by members of the Board.

Bruno Altin undertook the presentation duties of the awards sponsored by growers.

The Best Riverina Durif was taken out by Aldi with its 2018 Venturer Durif. The Best Riverina Dry Red was taken out by Dee Vine Estate - Estate Range 2019 Shiraz Cabernet and the Most Successful Exhibitor of the 2018 Riverina GI Wine Show was taken out by Calabria Family Wines.



Spray Drift in Focus

The Board has agreed to sponsor an event to promote the safe spraying of vines. SOS stands for Stop Off-target Spraying - Riverina Valleys. An interactive workshop will be held at the Yenda Diggers Club on Monday 28th October from 8:30am until midday. RSVP's are required please see further details on page 7 of this newsletter.

Riverina Winegrape Growers HACCP System passes Third Party Audit

Growers using the organisations HACCP system are advised that it has passed its 3rd Party Audit. This provides a sound basis for its ongoing credibility within the industry.

Review of Members Fees

The Board have reviewed the amount paid to them as an annual fee and will be taking a motion to growers at the Budget meeting in November to seek approval.

Currently Board fees are \$50,000 which is divided as Chairman \$20,000, Deputy, \$10,000 General Members \$4,000 each (5 General Members). The Board will propose that this rises to a maximum of \$90,000 per annum with a minimum gross amount payable of \$55,000. The extra \$35,000 will only be payable based on attendance at meetings and representative duties of the Board members. The maximum payable shall be Chair \$25,000, Deputy \$15,000, General Members \$10,000 each. The motion if passed will need to be taken to the Minister for government approval.

Strategic Plan 2020-2024 Approved by Board

Members have approved the draft plan to be sent to growers later this month ahead of the Budget meeting to be held Wednesday 27th November 2019 at the Yoogali Club. Please put this date into your diaries now and come along and have your say into the Boards operations and expenditure for the 2020 financial year (Jan-Dec). The Board is recommending that the

fee remain at \$3.90 per tonne.

Code of Conduct Review Committee

Following the final report from the ACCC into their market review of the winegrape industry the Board CEO Brian Simpson has been invited to participate in the review of the Code of Conduct.

The Code Review Committee is looking at the existing provisions within the Code and seeing how the current code can align with what the ACCC have recommended. There is a great deal of concern among wineries regarding the recommendations, particularly the view held that payment for wineries that crush greater than 10,000 tonnes of winegrapes should be 30 days following delivery.

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them for consumptive use.

Mr McGavin also called for the ACCC's investigation into the water market to be accelerated.

Mr Littleproud said any action taken before the ACCC investigation concludes could jeopardise farmers.

"There are farmers out there that own entities. That is their asset. That is the value that they go to their bank and lend against. So I've got to be careful not to overreach because there can be unintended consequences where farming families could find themselves in trouble," the minister said.

Labor water spokeswoman Terri Butler said the ACCC investigation would not yield solutions for a market failing to operate in the "national interest".

"Hiding behind the ACCC misses the important point: the question is not whether the market is sufficiently competitive, it is whether it is fair and designed to best suit the national interest," she said.

Tony Battaglione, chief executive of Australian Grape and Wine, said water was probably the highest costing input used by wine grape growers in the warm, inland growing regions.

"The thing is, the price of wine can't increase in line with the price of inputs, it's not one of those sort of products.

ACCC TAKES AIM AT POOR BUSINESS PRACTICE WITHIN INDUSTRY

The Australian Competition and Consumer Commission (ACCC) has released its final report in a market study into the Australian winegrape industry. The report and its recommendations are a significant step in the right direction for Riverina winegrape growers. The ACCC has found that bargaining power imbalances between growers and winemakers has resulted in growers agreeing to potentially unfair and uncertain contract terms. Riverina Winegrape Growers supports the majority of recommendations of the report and looks forward to working through these with our industry grower and winery groups.

Riverina Winegrape Growers is pleased that the ACCC has focused on the industry with particular reference to the Riverina that has been subjected to questionable practices since the lapsing of state regulations previously managed by the Wine Grapes Marketing Board. It must be stated that Riverina Winegrape Growers does not infer that any Riverina based winery has acted improperly or illegally whatsoever. The ACCC have raised many areas of concern in the business practices that are in operation within the Riverina and other regions across Australia and will now monitor the situation and the adoption of the recommendations from the market study.

Some of the key recommendations from the final report are:

- Industry needs to develop uniform national standards for testing and measuring grape sugar levels and colour. (this would need to take into account how and where grape

samples are taken, based on the size of the vineyard block to be harvested).

- Winemakers should use well documented and objective testing and sampling methods for quality assessments. (these should be specified in their contracts).

- Grower representative organisations should provide grower members relevant, timely and accessible information on market trends, particularly in the inland regions.

- Long term payment periods should be phased out of standard contracts. The ACCC will consider taking enforcement action against winemakers that do not remove long payment terms from contracts to which unfair contract terms law applies. Wineries that process greater than 10,000 tonnes should adopt a best practice standard of full payment within 30 days of delivery.

- The ACCC will consider recommending to Government that a mandatory code be introduced to industry if its final recommendations are not adopted and wineries continue to refuse to sign up to the voluntary code. It will monitor the industry over the next 12 to 18 months.

Chief Executive Officer of Riverina Winegrape Growers Brian Simpson stated, "This is the justification that growers in the industry were needing, there are problems within the winegrape market within Australia. Also it is not surprising that a particular focus within the report has been toward the Riverina given the ongoing variations in payment terms to growers and a distinct lack of Code of Conduct signatories. I now hope that Riverina wineries will engage positively and take on the recommendations or they may face regulation."

Growers wanting copies of the full report can call the Board office on 6962 3944.

WINE SET TO OVERTAKE BEER IN AUSTRALIA FOR TOP SPOT

How wine is set to OVERTAKE beer as Australia's most popular alcoholic beverage

- Australia's average beer consumption has fallen by 25 per cent since late 1999
- Wine consumption per litre went up eight per cent while spirits rose 14 per cent
- Official figures showed wine almost overtaking beer share of alcohol consumed

Beer is now 39 per cent of alcohol market compared with 38.6 per cent for wine.

Source: STEPHEN JOHNSON FOR DAILY MAIL AUSTRALIA
PUBLISHED: 17:31 AEST, 9 September 2019

Australia is no longer the beer-swilling nation it once was, with wine set to overtake the amber liquid as the most popular alcoholic beverage.

During the 1970s, beer made up more than two-thirds of the alcohol downed in Australia.

That has been slowly changing, with wine about to overtake beer as Australia's most popular alcoholic beverage if existing trends continue, official data showed.

Australia is no longer quite a beer-drinking nation with the amount consumed plunging by 25 per cent during the past two decades. Between 1999 and last year, the volume of beer drunk by every Australian has plunged by 25.5 per cent to 87.6 litres per capita

In 1979, beer represented 67.6 per cent of pure alcohol consumed in Australia, compared with 18.6 per cent for wine.

Almost 40 years later, beer remained the most popular alcoholic drink, but only just. It had a 39 per cent share of all pure alcohol consumed in 2017-18, putting it only marginally ahead of wine's 38.6 per cent share.

The Australian Bureau of Statistics defined 'pure alcohol' as a standard drink containing 12.5ml of pure alcohol.

By volume of liquid, significantly more beer is consumed compared to wine but its lower alcohol percentage accounts for that small and shrinking differential in the amount of alcohol consumed via beer than via wine.

Between 1999 and last year, the annual average volume of beer drunk by the average Australian plunged by 25.5 per cent to 87.6 litres per capita.

Meanwhile, the volume of wine consumed rose by eight per cent to 28.3 litres on average, with drinkers no longer required to keep them in the cellar for so long

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Spirits had an even bigger increase, rising by 13.9 per cent to 1.89 litres for every individual, when analysed for pure alcohol content.

The ABS did not have data on spirit volumes, as it did for beer and wine.

Veteran wine critic John Fordham, who still also drinks beer, said wine's popularity was due to it being complementary to eating.

'Wine with food. Full stop,' he told Daily Mail Australia on Monday.

'I move around in hospitality circles pretty often and from my observance, even in pubs now, a lot of people who go to licensed premises are drinking wine.'

While Rose is the fastest growing style of wine, Sauvignon Blanc continues to be the most popular white wine in Australia, thanks to the popularity of New Zealand imports from the South Island's Marlborough region.

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'The Australian marketplace has been flooded for the past 10 to 15 years with Sauvignon Blancs from New Zealand which has prompted producers in Australia to match that so they're able to get an adequate share of the market,' Mr Fordham said.

Shiraz is the most popular red wine, with its popularity increasing thanks to faster maturation.

'The red wines are being made to be able to access and drink much earlier than say 15, 20 years ago,' Mr Fordham said.

Previously, red wines required more time in the cellar or the wine rack 'to make them more palatable and easy to drink'.

'That is not the case now,' Mr Fordham said.

'Winemakers in Australia are making red wines ready to drink now.'

Wine grape sector contracts and pricing transparency must improve

Australia's winemakers should review their contracts with grape growers and immediately remove potentially unfair contract terms, including those imposing lengthy payment periods on grape growers, the ACCC says in a new report released today.

The final report of the ACCC's Wine Grape market study makes ten recommendations to improve the efficiency and fairness of wine grape markets in Australia's warm climate grape growing regions, where most of Australia's wine is produced.

"We remain concerned about harmful market practices we have uncovered during the past 12 months, which stem from the bargaining power imbalance that exists between winemakers and growers," ACCC Deputy Chair Mick Keogh said.

"Our final recommendations include measures to address this imbalance between grape growers and large winemakers, as well as ways of boosting price transparency in the market and improving grape quality assessment."

The ACCC has recommended all winemakers phase out long-term payment periods in their contracts with growers, and that large winemakers make payment within 30 days of grape delivery.

In addition, all winemakers should review their standard form contracts with growers to ensure they do not include other terms likely to be unfair, according to the legal standard.

"Some contract clauses we have seen, such as lengthy payment terms and unilateral rights for winemakers to vary agreements, clearly put growers at a significant disadvantage," Mr Keogh said.

"The ACCC will shortly initiate investigations into potential unfair contract terms in wine grape supply agreements. We may take enforcement action against traders whose contracts we consider contain unfair terms."

To address the lack of pricing transparency, the ACCC has also recommended a significant change to the way grape prices are reported in the industry.

Instead of the current 'indicative pricing' system which involves winemakers announcing their indicative prices in December, well after most grape growers have already signed contracts, the ACCC has recommended mandatory post-season price reporting by all major winemakers, with the prices paid to be publicly reported at the completion of each season.

"Under this proposal, grape growers will have detailed information available of actual prices paid by winemakers

over the previous season, to inform their decision about which winemaker to supply in the coming season," Mr Keogh said.

The ACCC's other recommendations include that:

- All winemakers sign the voluntary Australian Wine Industry Code of Conduct, and parts of this code be strengthened, including its process for dispute resolution.
- National uniform standards for testing and measuring grape sugar levels and colour be developed, to address concerns that current quality assessments lack transparency and can be manipulated.
- Warm climate grower representative organisations should publicly report market trends analysis, with support from Wine Australia.

"While our study focused on warm grape growing regions, several of our recommendations would benefit the entire Australian wine industry, and should be adopted more broadly," Mr Keogh said.

The ACCC will review the industry's progress in adopting its recommendations in 12-18 months, and will consider recommending a mandatory code for the sector if little progress is made.

"If the industry does not take this opportunity to act, we are likely to recommend introducing a mandatory code. This action must include, at a minimum, all large winemakers signing and complying with the strengthened voluntary industry code," Mr Keogh said.

The full report and list of recommendations can be found at <https://www.accc.gov.au/focus-areas/market-studies/wine-grape-market-study>

Background

The ACCC's market study of the wine grape industry was launched in September 2018, after feedback from participants during previous ACCC engagements with the industry. The ACCC held two public forums and other meetings in warm climate grape production regions. It also sought feedback and conducted extensive engagement with market participants following its June 2019 wine grape market study interim report. This market study focuses on what are referred to in the industry as warm climate grape growing regions. The three warm climate regions are the Riverland, Murray Valley (which includes the Murray Darling and Swan Hill regions) and Riverina.

About 1500 growers operate in these regions, which produce approximately two thirds of Australia's wine grapes.

WATER PLAYS IMPORTANT PART IN WINEGRAPE FUTURE

Irrigation water pricing remains the key to profitability for winegrape growers, providing them with a source of income and opportunity as winegrape prices predicted to stagnate. Riverina Winegrape Growers are encouraging its member growers to closely monitor their water budgets as dry conditions continue and use the opportunity now to communicate with their winegrape buyers to ascertain the grape prices for the 2020 Vintage.

Riverina Winegrape Growers has a number of excellent tools available for growers to look at the input cost of water and balance these against the price offers of regional wineries. This will allow growers to do their homework and understand their profitability for each grape block ahead of the 2020 vintage. Growers should contact our office to discuss the software that is freely available.

Riverina Winegrape Growers Chief Executive Officer Brian Simpson stated, "Staff in our office can assist members with the software program that is available and very easy to use. The water budgeting tools were developed during the millennium drought and are even more relevant today, particularly for those growers that need to purchase water. Importantly it can be a tool if winegrape prices are known growers can see what the opportunity cost is of growing winegrapes or reducing yields and trading water on the market."

Temporary water prices are again on the rise within the region as many general security irrigators struggle with low starting allocations. Riverina Winegrape Growers are concerned for the many winegrape producers that do not hold sufficient allocation to grow a viable crop and must enter the water market to purchase their allocation to bring a crop in. Early knowledge of the viability of doing this will assist the industry come to terms with its profitability. Winegrapes are no longer the most profitable crop in the region.

In the Riverina average water use in winegrapes remains around 4.5 megalitres

per hectare which is among the most efficient across the inland regions. Mr Simpson said, "At a modest temporary purchase price of \$500 per ML the cost per hectare of growing grapes for water alone is around \$2,250 per hectare. At a regional average yield for 14 tonnes per hectare it equates to around \$160 per tonne in water alone and then you need to add in costs of pumping the water and the fixed and delivery charges it could be well over \$200 per tonne. When you line that up against winegrape prices for some white varieties last season it is greater than half the value. We want to ensure that growers do the sums and remain profitable and not just produce grapes and lose money."

Riverina Winegrape Growers is encouraging wineries to announce prices early so that growers can better managed their financial situation and outlook.



Image: Disease resistant vines at NSW DPI Murray Road



VITICULTURE SPRAY DRIFT WORKSHOP

Stop Off-target Spraying - Riverina Valleys

Invite you to join us for an interactive workshop on
Spray Drift in the viticulture industry

With guest speakers **Brett Mawbey, Harry Pickering & Dave Farmer**
from **SOS Macquarie Valley**

Brett Mawbey- how SOS started and where it is now

Harry Pickering - technical update on preventing spray drift

Dave Farmer- practical demo of spray qualities and tips for setting up boom sprays

When: Thursday 31st October, 2019
Where: Yenda Diggers Club, Yenda NSW
Time: 8.30 – 12.00 noon
Breakfast: provided



Irrigation
Research &
Extension
Committee

RSVP by Monday 28th October, 2019

IREC: 02 6963 0936 Iva: 0402 069 643

Email: irec@irec.org.au

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National Renewables in Agriculture™ CONFERENCE AND EXPO

14TH NOVEMBER 2019

9am - 4.30pm / Networking drinks 4.30 - 6pm

The Range Function Centre
308 Copland Street Wagga Wagga

This unique event invites you to find out everything you need to know about renewables, including;

- > What options are right for me?
- > What steps should I take?
- > Who do I work with to make it happen?

Hear from farmers successfully using renewables, why they did it, and what they've learnt. Industry experts will discuss:

- > Feasibility and working out the business case for renewables.
- > Understanding grid connections.
- > What's on the horizon for energy and agriculture.

On-farm renewables are a valuable opportunity for farmers to cut costs and emissions.

The Expo offers farmers the chance to speak to credible renewable energy suppliers about opportunities for their property.

Post Conference, network with a glass of red or white produced by SeeSaw Winery using solar.

DON'T MISS THIS FIRST TIME EVENT. PLACES LIMITED. REGISTER ASAP.

SPONSORED BY



Growers are invited to attend this event in Wagga. If you are interested and have registered please contact the Board office and let us know as we may be able to assist in transportation to the event.

To register and for the full program visit
RENEWABLESINAGCONFERENCE.COM.AU

WHO SHOULD ATTEND: Farmers, ag and energy consultants, Peak body representatives, Government decision makers and agribusiness.

Cost \$75 pp (lunch provided)

If you are a business interested in exhibiting,
please email hello@renewablesinagconference.com.au

Riverina Winegrape Growers 182 Yambil Street Griffith NSW 2680 Phone: (02) 6962 3944 Fax: (02) 6962 6103
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