



*Riverina*  
WINE GRAPES  
MARKETING BOARD

Riverina  
Wine Grapes Marketing Board

Submission to the  
NSW Treasury re Statutory Regulations

October 2016

## Introduction

The Wine Grapes Marketing Board (the Board) is the single largest representative body of independent winegrape growers in the state of New South Wales. It represents independent producers in the Southern NSW Riverina region, principally centred about the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

The region produces approximately 20% of the national crush supplying winegrapes to wineries based predominately in the Riverina region. In 2016 the production of winegrapes in the region was in excess of 314,000 tonnes which includes winegrapes produced on winery owned properties (independent growers make up approximately 75% of these tonnes). The majority of the regions production of wine from these winegrapes is exported with an estimated value of close to \$1 billion dollars FOB.

The Board is an Agricultural Industry Services Committee constituted in accordance with the *NSW Agricultural Industry Services (Regulation) 2009* and it provides industry services as prescribed in the regulation (listed on the following page). The Board derives the majority of its income from a service fee charged on its constituents at a current rate of \$3.90 per tonne, the amount is approved annually by its constituent members at a properly convened and recorded meeting. Other funding comes from interest on term deposits, publication sales and via competitive application to federal wine agencies for research, development and extension services that are delivered to our regional growers and wineries.

The Board was constituted in 1933 to represent growers and its representative role remains highly relevant to this day given the market forces of the regional wineries. The Board has undergone a large degree of change since its inception largely in 2000 a NSW Government review saw it lose its powers of vesting of the grape crop due to *National Competition Policy* provisions. More recently it lost the power to set and enforce Terms and Conditions of Payment for winegrape producers. Since this has occurred the region has seen a massive dilution of terms of payment to growers with a number of growers reporting not receiving their payments for prior years production. Producers rightly fear that normal legal recourse that is available to them will impact on their future ability to sell their produce locally.

The Board owns its own premises/office located at 182 Yambil Street Griffith NSW. It is currently staffed by a Chief Executive Officer, Technical Officer and Office Manager working Monday to Friday to undertake the activities in accordance with the strategic plan and administer the functions of the Board. It undertakes a regional food safety HACCP system for growers, conducts extension activities, promotions, operates a grape testing laboratory during vintage and a weather station network during the growing season in conjunction with the network owned by the NSW Department of Primary Industries.

The office of the Treasurer should be aware that most recently as August 2015 the Board's regulation was renewed by *Agricultural Industry Services Regulation 2015 [NSW]*. The Hon Niall Blair MLC Minister

for Primary Industries introduced the regulation under the *Agricultural Industry Services Act 1998*. It sets out the continuation of the establishment of the Wine Grapes Marketing Board as an agricultural industry services committee for certain growers of wine grapes within the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee for the next 5 years as per the *Subordinate Legislation Act 1989*.

### **Response to NSW Treasury – Eliminating Unnecessary Duplication**

The Wine Grapes Marketing Board as a statutory agricultural industry services committee formed in accordance with the *Agricultural Industry Services Act 1998* under the *Agricultural Industry Services Regulation 2009, Part 2*. The following Industry Services are ongoing and are not duplicated by any other provider, state or publicly owned entity.

#### ***Agricultural Industry Services of the Board***

- (a) the development of a code of conduct for contract negotiations between wine grape growers and wineries,*
- (b) the development of draft contract provisions with respect to the sale of MIA wine grapes to wineries, including provisions with respect to:*
  - (i) The prices to be paid by wineries, and*
  - (ii) The terms and conditions of payment to be observed by wineries,*  
*in relation to MIA wine grapes delivered to them by wine grape growers,*
- (c) the promotion of private contracts for sales of MIA wine grapes to wineries by wine grape growers,*
- (d) the collection and dissemination of market and industry information, including the production and publication of indicator prices for MIA wine grapes grown in the Board's area of operations,*
- (e) the conduct of research and development into plant health in relation to wine grapes,*
- (f) the provision of education and training in relation to wine grape production and marketing,*
- (g) the promotion (in association with organisations representing wineries) of wine made from MIA wine grapes,*
- (h) the promotion of region industry, including regional winemaking, within the Board's area of operations,*
- (i) the representation of the wine grape industry in relation to the matters referred to in paragraphs (a) – (h).*

The above services are funded by a charge on producers.

#### **Costs to NSW Government**

The Board reports to the NSW Department of Primary Industries formally twice per annum in accordance with the regulation. These reports are the provision of our *5 year Strategic Plan and Operational Budget* and our fully audited and compliant *Annual Report* for the operations over a calendar year. These reports are approved by our grower base and presented to the Minister and are required under the legislation to

be tabled in NSW Parliament. The NSW Government might wish to review or amend our governing legislation the *Agricultural Industry Services Act 1998* to exempt these reports from needing to be tabled each year. These reports (*Annual and Strategic Plan*) could simply be approved by the Minister for Primary Industries rather than costing the NSW Government in terms of them being tabled in Parliament.

The Board also at times seeks the appointment of Inspectors to be engaged in accordance with *Agricultural Industry Services Act 1998, Part 4 – Enforcement*. The appointment of Inspectors is a necessary requirement since the Board's powers to set and enforce Terms and Conditions of Payment were removed by the NSW Government. Inspectors are a significant cost to the Board and are used to confirm the delivery information of constituted grape growers held at the various processing wineries that winegrapes are sold to. This allows the Board to be comfortable that it achieves completeness of revenue and satisfies the requirements set by the Audit Office of NSW.

The NSW Government is also required to maintain and review the legislation in accordance with the *Subordinate Legislation Act 1989*.

The NSW Government work with the Board when items such as general elections arise as these need to be formalised by the department and recommended by the Director General. The costs of elections are paid for by the Board in terms of the charges applied by the NSW Electoral Commission.

The NSW Government Department of Primary Industries may also be contacted from time to time in relation to the activities and functions of the Board. To date no fees have been charged to the Board for such actions and other administrative functions of the NSW Department of Primary Industries that have been performed have been done so in accordance with the administration of the legislation of the Board.

### **Funding of the Wine Grapes Marketing Board**

The Board is funded by a charge on constituted members at a rate agreed to by a formal motion of a quorum of growers undertaken at a meeting each year. This is done in accordance with the *Agricultural Industry Services Act 1998, Part 3 – Finance, Section 23*.

The rate per tonne is set to match the budget of the Board to fund the approved industry services as per *Agricultural Industry Services Act 1998, Part 3 – Finance, Section 23(1)(a)*. The current rate charged in 2016 is \$3.90 per tonne. In years where surplus funds are received (due primarily to crop forecast inaccuracies) the Board undertakes to return excess funds collected back to those constituted members from where it was derived.

The Board enters into Agency Agreements with purchasers of MIA winegrapes (local wineries) that its statutory fees and charges are deducted from the grape payments made to Board constituted growers and that these are forwarded to the Board in a timely manner. In prior years when the Board had the

statutory power to set and enforce terms and conditions of payment the deduction and remittance to the Board was undertaken in accordance with an *Order* made by the Board. Since the cessation of this legislation the Board's Agency Agreements allows for wineries to deduct a negotiated amount of 5% of the grower's funds (plus GST) as a fee for the service of forwarding these funds directly to the Board.

While the current system may work well in writing the Board is often left without payment in accordance with the agreement and without statutory terms and conditions of payment as it had previously has to negotiate with wineries to obtain the funds that they have deducted from growers payments and agreed to remit to the Board.

The Board also obtains funds from the Australian Grape and Wine Authority for approved extension activities regionally that benefit growers of winegrapes, which could also impact on winemakers whom regionally grow winegrapes. The application of these funds in educating our constituent members also preserve and enhance the offering of regional service providers to the industry. These funds which would otherwise likely be spent in South Australia (which produces slightly greater than 50% of the industry's crush) are applied in New South Wales, benefiting winemakers and growers alike and contributing the wealth and development of this state.

### **Board funding interaction with NSW Government entities**

Contrary to the assumption that the Wine Grapes Marketing Board has been or is a potential net cost to the NSW Government it should be noted that our organisation has been actively involved in research, development and extension activities, regional promotional work and administrative audits with the government. In the past 3 years of annual reporting the following funding amounts are noted:

- *Research, Development and Extension services*: payment to NSW Agencies a total of \$42,000
- *Tourism and promotion services*: payment to NSW Agencies a total of \$30,000
- *Administrative financial audit*: payment to NSW Audit Office a total of \$47,500

A total of \$119,500 of Riverina grape growers funds have been paid to the NSW Government over this period contributing to the grape industry development, the State's economic development via tourism and paying its way for financial auditing services that are well beyond and above the costs that a business of similar size would be required to pay.

### **Conclusion**

The Board represents 325 individual winegrape production business in its area of operations. These growers have since the constituting of the Board in 1933 supported it in its continued function and operation. The Board regularly meets with its constituent members and keeps them informed via email

and a regular newsletter about significant and relevant industry information that themselves as individuals would not be able to obtain.

The Board is generally self-funding by its own members (and is financially responsible to its members, returning excess to requirement funds on a regular basis) and needs to remain under the auspices of the NSW Government to allow it to continue to compulsorily collect its fees and charges preventing issues associated with free-riders that may occur.

To ensure completeness of revenues the Board must retain the services of Inspectors with powers under the *Act* to seek relevant information pertaining to the commodity of which the Board is constituted.

Without appropriate regulation the Board's ability to collect important production information and fees from its grower base would be significantly diminished.

Written by: Brian Simpson CEO  
Riverina Wine Grapes Marketing Board  
[bsimpson@wgmb.net.au](mailto:bsimpson@wgmb.net.au)  
Ph: 02 6962 3944 Mb: 0438 388 828