

WET REBATE RORTS BEING INVESTIGATED

Many within the wine industry are concerned that the increased claims on the WET Rebate will see pressure to reduce or remove it. Many are claiming that the WET Rebate is leading toward price declines in the market as bulk wine sales are driving down the prices that bottled sales could achieve.

The Australian Financial Review recently reported (1st February 2014) that the Australian Federal Police are now investigating the alleged "Loopholes" within the taxation system:

"The WET and rebates have unusual quirks. Supermarket and liquor giant Woolworths, for example, legitimately claims a \$500,000 rebate each year. It is classified as a wine producer because it owns the Dorrien Estate winery, run by the Cellarmasters operations. It produces some of the many private label brands sold in its liquor stores, such as Dan Murphys and BWS, which sell more than \$7 billion in wine, beer and spirits each year.

In another quirk, under WET more than 200 New Zealand wine companies claim a combined \$25 million in rebates even though they are competing against Australian wine companies for sales to Australian drinkers.

ATO data shows the total rebates paid to local producers increased by 43 per cent from \$199 million in 2006-07 to \$284 million in 2011-2012.

In contrast, the net WET collected from these producers increased by only 11 per cent in the same period, from \$633 million to \$701 million.

Federal Treasury figures out this week reveal the cost to taxpayers of the WET rebate will rise to \$320 million in 2013-14 from \$300 million last year, and is expected to cost \$370 million a year by 2017.

The total WET collected in 2011-2012, including tax collected by Customs on imported wine, is \$729 million.

The Winemakers' Federation of Australia, led by former Australian Securities and Investments Commission chairman Tony D'Aloisio, also wants changes to the WET scheme but has initially trained its sights on having New Zealand wine producers cut out. They have been eligible for rebates since 2005 under a trade agreement.

The ATO is particularly concerned about what it calls "contrived" arrangements, where related entities are colluding to claim additional WET rebates, and are not proper wine producers.

It has warned that those artificial structures undermine the intent of the rebate to assist genuine small producers, who are then put at a serious -disadvantage in the marketplace. Some taxpayers under investigation have already repaid the rebate, and paid penalties and interest.

The ATO says its investigations have so far included formal interviews, third-party checks and detailed inquiries about growers, producers, wholesalers and brokers to the wine industry."

Background:

In July 2000 the 41% wholesale wine tax was replaced with the 10% Goods and Services Tax and the 20% wine equalisation tax (WET). WET is calculated as 20% of the wholesale sale value of wine (packaged or not).

The Winemakers Federation lobbied successfully to have a rebate of WET exempting producers from WET on the first \$1million of wholesale sales (\$290K). In 2006 the rebate is increased to \$500K maximum.

In the Riverina and other production areas large increases in the number of producers obtaining licences to manufacture and sell wine in order to obtain the rebate have occurred since 2004.

WHAT'S INSIDE

Page

WET Rebate Rorts being investigated	1
Board Activities Report	2
Project Ideas needed for GWRDC Regional Program	3
Petroleum Exploration Licence Applications	4
Wine Industry Unveils Blueprint to Lift Profitability	5
RWA Truck Weight "Code of Conduct"	6
Grape Harvest Management Scheme	6
NSW Smart & Skilled - Fully Funded Qualifications	7
Vineyard Sunburn Management Trial	7
2014 WGMB Laboratory Services	8

BOARD ACTIVITIES REPORT



- The WGMB recently held a meeting with Mildura based Murray Valley Winegrowers Inc (MVW) to discuss critical wine industry issues such as viability and profitability. MVW have experienced a sharp drop in prices to be similar to the prices the Riverina has received for the past 1-2 years.
- The WGMB and MVW will be working together to formulate appropriate strategy to assist winegrape producers. Representatives will be briefing federal government representatives shortly.
- The WGMB undertook liaison with Rice Growers Association and a number of other industry groups to better understand the five Petroleum Exploration Licence Applications that have been applied for across the local area. The WGMB on behalf of the industry will be writing a number of submissions to inform the state government of issues of concern regarding the Petroleum Exploration Licence Application in the area.
- The office received a strong level of interest in the recently advertised two forthcoming vacancies on the Board for appointed members of the Board.
- The Industry Development Officer recently represented the interests of the Riverina Producers to the Tender Evaluation Team for the NSW Department of Primary Industries investment of \$500,000 into extension services for NSW wine grape growers in partnership with the NSWVIA.
- The Griffith City Council is hosting a group of Chinese nationals in the region visitors in February and the WGMB will be conducting a short vineyard tour as part of their itinerary.
- The revised wine grape index has been very active with the main change this season is that wineries seeking winegrapes need to contact the WGMB via the website and the Board staff then telephone the growers. This allows the volume of available fruit in region to remain unknown and not impact on the market prices.
- The staff are continuing to conduct the laboratory services for growers to have an independent analysis of fruit. The office is also running a number of trials through the laboratory as part of the WGMB's GWRDC Grassroots project activities.
- Staff conducted numerous heat and sunburn damage assessments across the region following the heat wave of over 40°C for five days.
- Coordinating the collection of precision viticulture images to assist with understanding block variation for the regional GWRDC Grassroots project work.
- Continuing to liaise with the NSW Small Business Commissioner (NSWSBC) regarding outstanding grape payments from 2013 vintage. Following a number of confirmed reports from growers that several regionally based wineries had not made full payments during 2013 the Board following the advise of the Ministers office contacted the NSWSBC and lodged a complaint on behalf of the growers. This followed the NSWSBC obtaining new legislative powers that enabled it to act on formal advice from third parties of poor business behaviour with particular reference to payments. This avenue is still available to the Board in the forthcoming seasons.
- The WGMB will be actively liaising with Transport for New South Wales this season to try and work out a Harvest Management Scheme for the regions winegrape industry. Harvest transport of winegrapes is an ongoing issue for the region with the regional wineries each developing their own policy of management of the problem.
- As part of the 2013/14 GWRDC Regional Projects the WGMB development staff established and is monitoring a reflective matting trial site to observe and measure the effect on colour development.



Image: Reflective Matting trail for colour development



PROJECT IDEAS NEEDED FOR GWRDC REGIONAL PROGRAM

The Riverina annually is eligible for up to \$125,000 of project funds to conduct extension projects to the Riverina.

The objectives of the program are to encourage regional adaption and adoption of research findings. This can be done by conducting practical trials of research findings that are structured to encourage regional implementation of the innovation and improve regional competitiveness and sustainability. The program can also provide extension of research findings and other related information.

Options for regional programs include in-field/winery demonstrations or adaption trials, Workshops and demonstrations and the development of extension material.

This program has been conducted in the Riverina since 2009 and offers the region direct access to funding for regionally significant projects. Projects that have been conducted to date are:

- Drip irrigation conversion information packs
- Vine Balance workshop
- Spray application workshops
- Veraison to Harvest growers guide
- Post harvest vineyard management guide
- VineBiz vineyard financial management program

- Alternative varieties workshop
- Soil and Vine health workshop
- Grape quality role in production booklet
- Water use comparison between Riverina and Sunraysia; Drip and furrow
- Fertiliser monitoring using Solusampler network
- Alternative chemical trial
- Spray calibration guide
- 'Next Bunch' leadership training
- Vineyard mulch trial
- Colour development Trial
- Vineyard sunburn management trial
- Precision Viticulture application
- Weed control workshop
- Mid row crop selection for root disease mitigation
- Numerous industry factsheets

As we now embark on another annual application we need ideas from growers. Complete project ideas or a topic or issue that will assist industry are sought.

Growers are invited to discuss ideas with the Wine Grapes Marketing Board Industry Development Officer, Kristy Bartrop.



Image: Solusampler testing conducted by James Codemo



Image: Field Workshop well attended by growers

PETROLEUM EXPLORATION LICENCE APPLICATIONS

From December 20th to the 23rd 2013 five petroleum exploration licence applications were made for the Riverina area, with all parts of the winegrape growing region encompassed.

The applicant, Grainger Energy Pty Ltd has applied to the NSW Government for the licences that cover 33,000 square kilometres of land. Local Government Areas that are covered in the applications are:

PELA153 - Conargo, Wakool, Murray, Deniliquin & Jerilderie

PELA154 - Carrathool, Griffith City, Leeton, Lachlan, Murrumbidgee, Narrandera, Urana, Blend & Jerilderie

PELA155 - Hay, Carrathool, Murrumbidgee, Conargo & Griffith City

PELA156 - Carrathool, Balranald, & Hay

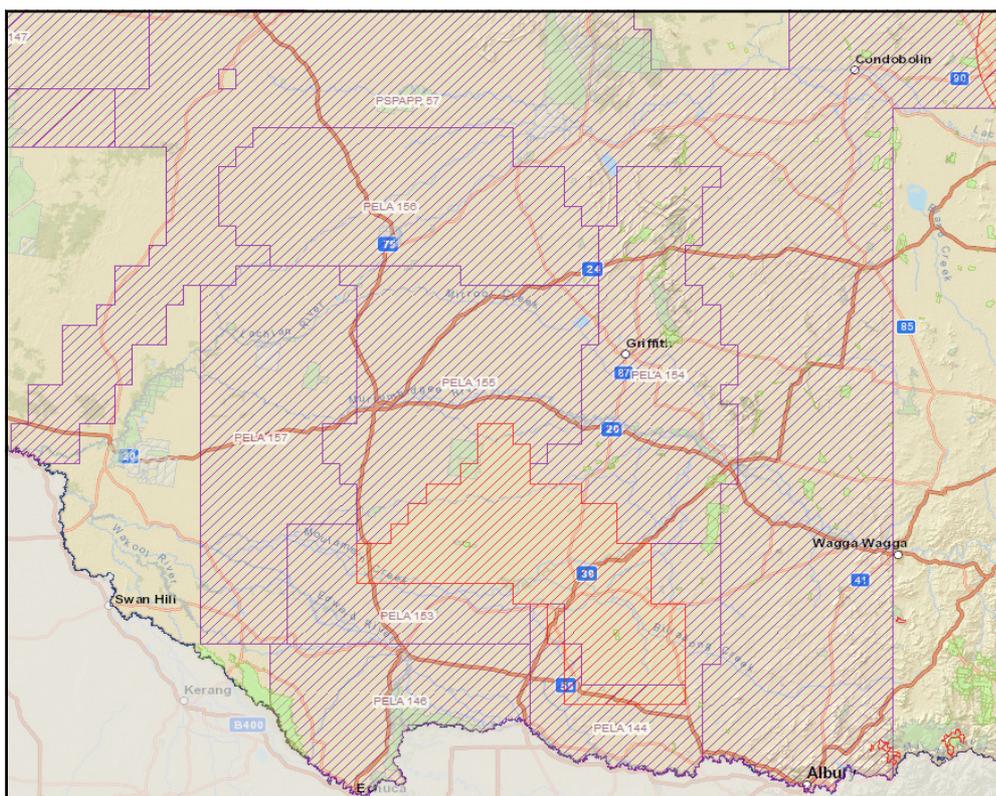
PELA157 - Balranald, Hay, Wakool & Conargo

If granted, these licences will enable Grainger energy exclusive rights for petroleum in the area. Petroleum includes all traditional gas and coal seam gas products.

In response the WGMB, along with other industry bodies have acted quickly to understand what this means for our area.

The NSW Farmers Assoc. (NSWF) held a meeting at the Southside Leagues Club on the 23rd January to inform all of the community of the process. NSWF have significant resources and knowledge that they have accumulated from their involvement in other parts of the state. They have numerous resources available for land holders on their website at nswfarmers.org.au. That growers can use to be informed of the land access issues and how to write a submission.

The WGMB has commenced taking steps toward having our grape producing area declared a Critical Industry Cluster (CIC) and will be writing submissions to the NSW Government to highlight the risks to our industry of the exploration activities.



The current legislation in regards to exploration and mining, requires that there is a:

- 2km buffer from a home in a residentially zoned area
- 2km buffer from future residential land as per council planning
- 2km buffer from rural village land
- 200m buffer from rural house
- 50m buffer from vineyard or orchard

There are a range of other limiting rules on where drilling can occur.

Among the initial concerns of the applications for the Riverina area is that the licence for exploration enables “all methods” to be utilised to determine where the resources might be. This effectively means that the licence holder is able to conduct drilling activities. This step requires access, and landholders need to be aware of their rights when access is requested for exploration.

All industries and councils are represented at the Murrumbidgee Valley Stakeholders Group which plans to meet in early February to ensure that all sectors are aware of what other groups in the area are doing.

For further information on the applications go to www.resources.nsw.gov.au.

WINE INDUSTRY UNVEILS BLUEPRINT TO LIFT PROFITABILITY



An action plan to lift the profitability of Australian wine businesses has been released by the nation's peak industry body for winemakers.

The Winemakers' Federation of Australia (WFA) has launched its "Actions for Industry Profitability 2014-2016" to position the country's wine sector for growth in both domestic and export markets.

The report comprises 43 specific "Actions" in the key issue areas for industry including capturing the demand opportunity for Australian wine internationally, the wine and health debate, and working with national wine retailers on growing the category locally among consumers.

WFA President Tony D'Aloisio says the Actions are underpinned by independent expert analysis on the state of the industry and were developed by a highly experienced and representative WFA Board following close consultation with other wine industry bodies and small, medium and large wine businesses.

"The Actions are all designed at improving industry settings to grow domestic and export markets and lift industry profitability," he said.

"This growth and lift in profitability is important for regional jobs and to attract the capital required to re-invest in infrastructure and in necessary innovation for the sector to retain and improve global competitiveness."

The Actions include initiatives to help wine businesses in entering and succeeding in key overseas markets such as the US and China; continue the sector's

commitment to responsible consumption and a balanced regulatory framework; bring the supply and demand for Australian wine into better balance; retain with some changes to the wine equalisation tax rebate; and develop a voluntary code of conduct with national wine retailers.

The Actions have been finalised after the release in August of suggested Actions and an independent expert review of industry dynamics followed by and with the benefit of an extensive consultation period with industry during September and October.

As part of the consultation period, WFA undertook 11 regional road shows and received more than 70 written submissions from winemakers, producers, retailers, wine associations and individuals. All comments made were captured and shared publicly through the WFA website.

"The invaluable input from the consultations has led to the Actions increasing from 33 to 43 and with modification of others. These changes have been clearly identified in the report so that those who participated can see that their views mattered," said the CEO of WFA, Paul Evans.

"We believe we have a solid and robust industry blueprint which has very wide support.

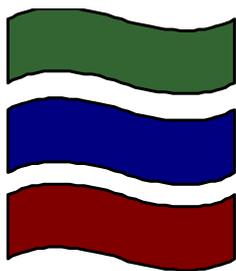
"We now look forward to maintaining the momentum and to continuing to work with our members, governments and other stakeholders to implement these Actions."

The expert review and development of the Actions were supported by funding from the Wolf Blass Foundation and the Grape and Wine Research and Development Corporation.

The actions and supporting documentation can be found at www.wfa.org.au



RWA TRUCK WEIGHT 'CODE OF CONDUCT'



RIVERINA
WINEMAKERS
ASSOCIATION

The Riverina Winemakers Association has developed a Code of Conduct for Chain of Responsibility (CoR) obligations relating to mass management, speed limits, fatigue, dimensions and load restraint which is to apply for the forthcoming vintage.

NSW Roads and Maritime Services has as an objective a reduction in the incidence of mass breaches over time. Riverina winemakers as consignees have a responsibility to comply with CoR Legislation and are seeking to take active steps to meet Chain of Responsibility objectives.

These steps include (but are not restricted to) ensuring Chain of Responsibility infringements are:

- investigated and corrective action taken to prevent a recurrence;
- not encouraged or rewarded;
- have appropriate penalties imposed; and
- notified to all relevant parties

The Code sets out the principles and practices upon which all members agree including offence trigger points, a three strikes policy, and providing an opportunity for an overloaded vehicle to safely correct the mass breach through normal processing procedures on site.

The policies of individual wineries in dealing with mass breaches have been appended to the Code.

While the primary objective of the Code is to meet chain of responsibility obligations, it has a secondary purpose of providing a clear statement to consignors that the industry has a clear and unambiguous approach to mass breaches.

GRAPE HARVEST MANAGEMENT SCHEME

The Board has been in communication with the Minister for Primary Industries, Katrina Hodgkinson in late 2013 seeking inclusion into the NSW Grain harvest management scheme.

Under the Scheme, eligible vehicles and combinations may exceed regulated total mass limits by up to 5% when delivering wheat, barley, rice, oats, canola and legumes from farms to participating grain receivers. There is no enrolment process or administration fee for vehicles and combinations to operate under the scheme. For further information on the grain scheme visit www.rms.nsw.gov.au/heavyvehicles/grain_transport.html.

Minister Hodgkinson denied the Boards request for inclusion as Transport NSW did not have sufficient evidence to determine the suitability for grape transport which is a significantly different product to grain.

The approach to having a Grape Harvest Management Scheme in place requires state and local government support, as well as industry input into the appropriate design of the scheme.

Transport NSW will now conduct evidence collecting activities throughout vintage 2014 and aim to develop a system to gain regional acceptance before implementation in 2015 vintage.



Image: Unloading of winegrapes

NSW SMART AND SKILLED - FULLY FUNDED QUALIFICATIONS



The NSW state government has developed the NSW Skills list which defines the subjects

eligible for full government funding under 'smart and skilled' program. It covers all qualifications ranging from Certificate II to Advanced Diploma.

The state government has identified these key learning areas after analysis of the shortage of skilled workers for jobs that are available now and into the future. The training options are broad encompassing agriculture, automotive, business, community services, irrigation, engineering, viticulture, food processing. The entire 2014 NSW Skills list can be sought at training.nsw.gov.au/smartandskilled. This is an excellent opportunity for people to gain skills and qualifications for no cost. For further information contact the Board.



Image: vineyard development

VINEYARD SUNBURN MANAGEMENT TRIAL

The Wine Grape Marketing Board in consultation with Jason Cappello, NSW DPI Viticulture Development Officer at Griffith, have been applying sunburn management products in vineyards to evaluate the fruit loss to sunburn during veraison to harvest.

For the project - a program of regular applications are applied about every 18 days to Chardonnay, Shiraz and Durif using products – Screen™ Duo, Seasol® and a newer product - Photon™ as per label recommendations. Program applications commenced in the middle of October around flowering.

Screen Duo and Photon have also been applied on other vines but only 5-6 days in reaction to an upcoming heatwave.

Testing is currently being done on the fruit for maturity analysis to identify any affects to ripening and red colour development. Results for this will be analysed and published at the end of the vintage.

Sunburn has been identified only in the Durif across all treatments to varying levels. Quantification of the amount of sunburn between treatments will occur just prior to harvest.

Treatment	Season Applications till 5th Feb 2014	Label Application Rate/Ha	RRP \$/Ha per application	Season Product Cost per Ha
Control (water only)	7	0	\$0	\$0
Dicarboxylic Acid blend program (Photon™)	7	20g/Ha	\$20	\$140
Dicarboxylic Acid blend heat event reactive (Photon™)	4	20g/Ha	\$20	\$80
Kaolin Clay program (Screen™ Duo)	7	12.5kg/Ha*	\$85	\$595
Kaolin Clay heat event reactive (Screen™ Duo)	4	25kg/Ha*	\$170	\$680
Seaweed Extract program (Seasol®)	7	5L/ha	\$37.50	\$263

*Based on recommended product rate/100L and a water rate of 1000L/ha for a full sprawl canopy

To date, 7 applications have been made as per the program routine and 4 applications have been made prior to the major heatwaves. From this work Photon is a much easier product to handle and apply with other spray applications, particularly in comparison to Screen Duo. Seasol has the added benefit of its nutrient content when used throughout the season.

For further details contact Jason Cappello 0457 842 874

WINE GRAPES MARKETING BOARD

2014 WGMB LABORATORY SERVICES

The vintage laboratory of the Wine Grapes Marketing Board has opened for winegrape sampling, free to all constituted growers (those that pay the statutory fees and charges). A charge will apply to grape producers that are not constituted growers of the Board.

Analysis is available for **winegrape colour, Baumé, pH/TA and average berry/bunch weight.**

Each sample will need to contain a minimum of 12 bunches, but optimum of 20 bunches as this gives much better accuracy, especially when testing for colour. Bunches should be taken from across your block and from all locations on the vine to ensure a representative sample. When samples are dropped off, growers that have not used the service in 2013 previously will be

required to complete a registration form. This is essential to enable the Board to report the results back to the grower.

The Board is able to supply Baumé measuring kits at the cost price of \$65 (inc GST). Each kit contains the equipment and instruments to test samples in the field reliably and quickly. The Board can also supply hand-held WINE - 2 A T C Baumé refractometers (Pictured below) at \$137.50 (inc GST).

For further information regarding any vintage analysis services contact Kristy Bartrop, Industry Development Officer



Grapes should be delivered to our Yambil Street office after **8:30am and before 11am** for results to be available by the end of that day.

Should you have **more than two** samples to be tested please book your samples in by phoning the Board before you collect your samples to ensure that these can be accommodated. If grape samples are delivered at other times or in large numbers (without bookings) then results may not be available so promptly.



WINE GRAPES MARKETING BOARD - proudly serving winegrape producers since 1933

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