



STRATEGIC PLANNING AND BUDGET MEETING REPORT

The Strategic Planning and Budget Meeting was held on 29th November 2017 at the Yoogali Club with a dinner for all growers and their partners/spouses.

A good turn out of growers for the evening heard that the market is improving for winegrapes and the likelihood of a lighter crop in 2018 is high.

The Board advised growers that at the end of this financial year it would be returning to all members that paid their fees and charges to the Board an amount per tonne of \$1.50 which reduces the effective rate charged on members to \$2.40 per tonne for the 2017 vintage.

The 2018-2022 Strategic Plan and 2018 Operating Budget for the Board was approved by members and the statutory fee for 2018 was set at \$3.90 per tonne.

Jim Caddy Chair of the Inland Wine Regions Alliance (IWRA) a joint group formed between the Wine Grapes Marketing Board, Riverland Winegrape Growers Association and Murray Valley Wine Growers presented the growers with information regarding the national crush and the inland regions contribution to this.

The inland regions are made up of approximately 1,600 growers and produce 68% of the national grape crush and account for 75% of the nations exports by volume. The alliance works on shared items of interest on a shared cost basis. It has no office or staff and relies on the staff of its member organisations to operate.

Jim addressed his concerns regarding the marketing of Australian wines over \$10 per litre which does not account for much if any of the inland regions winegrape harvest. Of all bottled exports from Australia which is approximately 800 million litres (1,140,000 tonnes of winegrapes) 87% of these are under \$5 per litre. The majority of these exports are from the inland regions and are not being promoted through the national program. Bulk wine exports which have risen in the past 12 months to September 2017 and range up to \$1.49 per litre account for 579,570 tonnes of winegrapes. The inland regions are being under represented in marketing and promotions and the IWRA is going to try and address that for all growers benefit.



GRAPES IN GOOD DEMAND THIS SEASON

Growers are advised if you have excess winegrapes this season to complete the **Index Form** (located on the reverse side of the address paper with this edition of Vine Chat).

The Board has fielded a number of calls from local and out of town wineries for extra winegrapes this season. The volumes of demand are quite low at this stage but anecdotal evidence suggests that most wineries are looking to increase intakes this season so they are well placed to maintain existing and grow markets. The same process will occur this season with the Board contacting growers directly and providing you with the contact details of the winery that is seeking the fruit.

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BOARD ACTIVITIES REPORT



2017-18 Regional Projects

Funding from Wine Australia provided to the NSW DPI for Riverina based projects has yielded the following results:

- 4 regional workshops completed on 7-9th August 2017.
- Vineyard disease and weed resistance assessments at 5 vineyards and flowering and post harvest. Fleabane herbicide (glyphosate and paraquat) resistance monitoring at 30 sites across the region.
- Managing environmental extremes, Workshops held on 27-20th November 2017.
- Monitoring and managing seasonal fruit development, measuring EL growth stage every 2 weeks in 3 regional vineyards and comparing seasonal development to weather indices.
- Improving vineyard and winery energy efficiency looking at 3 vineyards and wineries.

The 2018-19 Regional Project planning occurring at the WGMB on 2nd November 2017 with a group of growers, local agronomists, winemakers and their viticulturists and researchers. This initial meeting looked at possible project ideas and formed a focus group to develop the project.

Riverina Field Day Sponsorship

The Board agreed to again sponsor the event for 2018 for the sum of \$12,000 plus GST. This will be the 11th year in a row the Board has been the major sponsor of the regional event. We hope grower come and visit.

Levy Return of 2017 Fees and Charges

The Board agreed to return to growers the sum of \$1.50 per tonne making the effective rate charged in 2017 \$2.40 per tonne.

Correspondence has been forwarded to all growers confirming their banking details as the transaction will be made **electronically - no cheques will be written to save costs to the Board.**

Please check your banking details promptly and advise the office of any changes needed or manifest errors.

NBN Problems

The Board office has over the past 3 months been transitioning the NBN. This process has seen it without internet and email for an extended period and no facsimile services working. Currently all land lines are in the process of being moved across to the latest technology and all calls into the Board are needing to be diverted through to mobile phones.

Growers are advised if and when you commence the process of moving to NBN you can inform the Telecommunications Industry Ombudsman (TIO) of any issues - this will ensure Telstra get the work done.

Meetings with Wineries

The Board has met with a number of regional wineries and continues to do so to talk to them about grower issues. Important issues such as its concerns regarding the use of colour assessments for pricing, MOG training and regional promotion have been discussed.

Most wineries that it has met with (to date) are reviewing their intake requirements and contracts. Many are looking to take on extra fruit but each wineries intake requirement is different. Growers are encouraged to contact and discuss with your winery the opportunity for increased prices buoyed by strengthening demand. The news that international wine stocks are currently low due to reductions in production by many major players in the industry is a positive but Australia needs to capitalise on. If we can get good volume with value it is hoped that when production returns internationally Australia can retain these gaps in the market.

Riverina Winemakers Association changes

The RWA which represents the wineries the region have recently changed management with Andrew Calabria taking on the role of President. Recently they invited 3 representatives from the Board to attend their meetings to enable the Board to discuss matters relating directly to growers.

This new era is a positive step in building better relationships and understanding across both sectors within the wine industry.

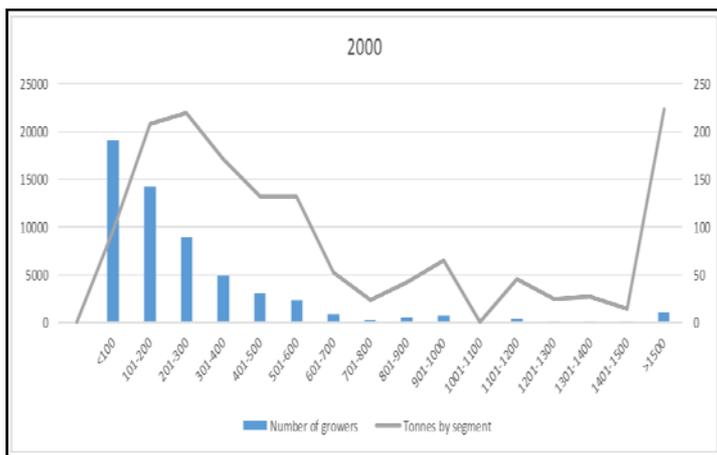
Review of the Board Update

The Board is still waiting on a written response by the NSW DPI on the review outcomes. The review closed in August 2017.

THE CHANGING GROWER BASE OF THE RIVERINA

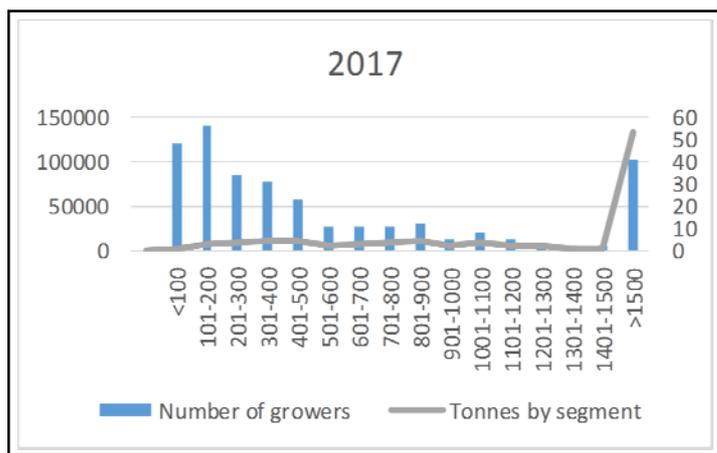
As is common within any industry it changes over time. This article looks at the dramatic changes across the past 17 years in the Riverina wine region.

In the year 2000 there were 568 independent growers producing 147,859 tonnes of winegrapes (the rest of the regions production is produced by many wineries). As little as 7 years later we had 526 growers producing 186,922 tonnes (7% decline).



The biggest change to the region is the most current, grower numbers have declined dramatically and production has spiked. Only 304 growers in 2017 remain producing 235,555 tonnes of winegrapes (46% decline in grower numbers since the year 2000).

The graphs show how many growers there are in each production segment in 100 tonne increments. In 2000 (as shown above) there were many smaller producers. Only 3.52% of growers (which equates to 20 growers) were producing greater than 1,000 tonnes (which represented only 22.72% of grower total production). Now in 2017 21% of the growers (62 of them produce greater than 1,000 tonnes (which equates to 67.27% of the regions grower production). Growers have purchased other farms and also have developed green field sites on which to plant winegrapes.

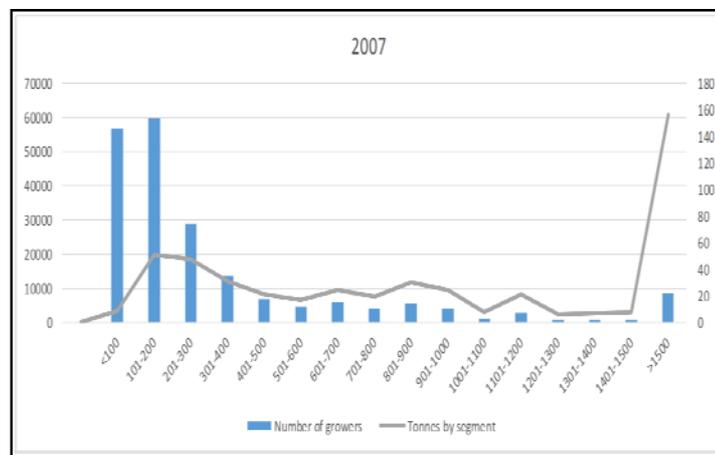


The industry has seen many of its smaller producers exit and/or retire from the industry and this has not slowed down which means that the departure of growers should be a cause for alarm by the regions wineries.

Table: The changing growers in the Riverina

Year 2000	Growers	Production
Less than 1,000t	96.49%	77.28%
Greater than 1,000t	3.52%	22.72%
Year 2007	Growers	Production
Less than 1,000t	92.77%	57.15%
Greater than 1,000t	7.22%	42.85%
Year 2017	Growers	Production
Less than 1,000t	79.61%	32.73%
Greater than 1,000t	20.39%	67.27%

Growers with larger a productive base technically should be able to hold a high level of market power when negotiating with regional wineries. A winery may not be able to afford to lose the production to another buyer.



The Board through its data collection annually has been able to review the information on grower numbers throughout the years. Declining numbers in trading business corresponds with the ageing population of growers in the region.

Concerns are now being raised about the availability of future generations to take over these family properties with the likelihood of these being sold to existing vineyard operators.

The age of current vineyards is also concerning with a review of the plantings currently being conducted in the office with the latest mapping update.

CHINESE POLICE FIND 14,000 BOTTLES OF FAKE PENFOLDS WINE

Beijing: Shanghai police have seized 14,000 bottles of fake Penfolds wine being sold by counterfeiters in China.



The fake Penfolds wine was being sold through Alibaba's online flea market Taobao, as well as pubs and karaoke bars. Bottles of counterfeit Penfolds wine being sold through Alibaba, shown at a press conference in Shanghai.

The three-month investigation followed a complaint to Alibaba by Australian wine company Treasury Wine Estates that suspicious retailers were charging "extraordinarily low prices" for Penfolds wine in its fastest growing market.

Alibaba called in police, who said at a press conference on Wednesday that 13 suspects had been detained, including Mr Dai, a wine dealer who was selling fake Penfolds for 200 yuan (\$40) per bottle online, while it should retail for 600 to 3000 yuan (\$120 to \$595).

Some boxes and bottles shown at a press conference had Rawson's Retreat and Bin 128 labelling, but many other labels were blocked out. The prices quoted by police suggest the haul may include premium wines, including top-of-the-range Grange.

More than 2000 bottles of wine were found in Mr Dai's Shanghai warehouse and another 10,000 bottles and 10,000 fake labels were found a fortnight later at two warehouses in Xiamen run by his supplier, a Mr Su.

Chinese reporters were given access to Mr Dai in detention, where he told them Mr Su had sourced red wine from overseas and re-bottled it in China, "so they are not fake wines, they bring no harm to the human body".

"I told customers the price is very cheap but the quality is not that good. They were willing to buy."

Penfolds Grange on The Bund, Shanghai, China, in 2011 *Photo: supplied*

Police seized another 2000 bottles when they arrested five online retailers selling to pubs.

Treasury Wine Estates is the top-ranked wine importer in China. Chief executive Michael Clark said in August the company can't keep up with consumer demand, where sales of Penfolds, Rawsons Retreat and Wolf Blass grew by 33 per cent last year.

A Shanghai-based marketing consultant, Matthew McKenzie, who turned Weet-Bix into a hit in China, said fakes were "an absolutely critical issue" for Australian brands because they risked brand integrity.

"It is broader than just alcohol, it is anything from dishwashing liquid to infant formula. There are fake products in every channel," said Mr McKenzie, The Export Group's chief executive for Greater China.

Brands that are high in value and demand, such as Penfolds, are more likely to be a target.

"For brands we are looking at protecting, we suggest a unique QR code is put on the product before it comes to China, but this adds to the cost and complexity of the manufacturing process," he said.

Chinese consumers can then check the QR code before they buy, to test a product's authenticity.

Treasury Wine Estates began etching the glass on bottles of its most expensive wines this year, in an effort to deter fraud, which has become an increasing focus of its business as Chinese sales drive profits. In a statement, Treasury Wine Estate said it applauded the efforts of Shanghai police and Alibaba: "This is a significant step forward in helping combat illegal operators".

"Treasury Wine Estates China continues to increase our investment behind brand protection in China. Importantly, legitimate sales of TWE's quality wines remain be extremely strong.

Source: <http://www.smh.com.au/world/chinese-police-find-14000-bottles-of-fake-penfolds-wine-in-counterfeiting-scam-20171116-gzmnh3.html>

ROSÉ IS BECOMING A MORE POPULAR DRINK WITH AUSSIE MEN

Brush and polish you facial hair gents The Daily Telegraph reports on a new trend that is occurring in Sydney.

Forget your craft beers, instead a bottle of pink plonk is proving a hit for the guys.

Duane Roy, from Glandore Estate Wines, said rosé was definitely becoming a popular drop for men.

"Rosé is in now — all the labels are more neutral tones rather than brighter colours that are usually made to attract female customers," Mr Roy said.

And his own collections of rosé have also been proving a hit with the ordinary Aussie guy.



SYDNEY is seeing a rosé revival and for the blokes the glass is half full.

"We certainly see a change now from five or six years ago. These days men are more likely to try rosé when we sell it at the cellar door," he said.

"Just this year we'll be doubling our production of rosé."

Mr Roy told The Saturday Telegraph the drop was even popular with a game of footy.

"I went in [to my friend's house] with a bottle to watch the footy," he said.

"And next thing, you've got this true-blue guy sitting on his couch with a glass in hand, watching the TV.

"How times have changed."

In the 2015-16 financial year, domestic sales for Australian rosé and red wines recorded the strongest growth (from the previous year) at 4.5 per cent up by nearly 8 million litres to 183 million litres.

And exports of rose and red wines increased by 4.4 per cent, accounting for 59 per cent of export sales as compared to white varieties at 40 per cent.

Matthew Williams, founder of Vino Paradiso, a food and wine festival, says men were proving keen to try a drop of pink.

"I think in the past rosé has had a taboo representation with the sweet flavours and old school Aussie blokes saw it as a bit of a stretch from say their pilsners or lagers," he said.

"But rosé itself has dramatically changed over the past few years.

"They've become drier and more refreshing and now have different aromas and tastes."

Nigel Culshaw, wine supplier and taster at Dry Rose, agrees. He says the move from sweet varieties to drier ones have attracted men and women alike.

Georgia Hing, 18 Nov 2017

<http://www.dailytelegraph.com.au/news/nsw/ros-is-becoming-a-more-popular-drink-with-aussie-men/news-story/ce23d85971c48394e08982d57d313936>

CONTRACT REVIEWS

Growers in light of many wineries offering contracts this season it is relevant to advise that the Board can provide you with written analysis of these contracts. Simply call into the office or book an appointment with the staff and we can guide you through the clauses that you need to look out for and areas that you may wish to discuss or negotiate in greater detail with your winery. Growers should not be simply signing contracts without reading them - your livelihood is at stake..

Contracts need to articulate the terms of payment, the condition that fruit is required to be delivered and the price to be paid (or the mechanism that it is calculated). A good contract should clearly state how disputes are dealt with so that growers have a clear understanding of their rights and responsibilities.

Please feel free to call the Board office to discuss before you sign.

WINE EQUALISATION TAX REBATE SEMINAR

The ATO along with the Winemakers Federation held a series of seminars across the country to advise of the changes to the law regarding WET rebates. 22nd November 2017 in Griffith 38 local industry persons heard in detail about the changes and how it will effect them.

Guidance on the following key issues was provided

Demonstrating proof of grape ownership

To be eligible to claim the WET rebate, ownership of the grapes will mean that some form of contract must be in place at the weighbridge (prior to crushing). This may take the form of an exchange of letters, but a more formal contract is likely to provide more surety.

Required record-keeping

The ATO will require record keeping to demonstrate ownership of the grapes from the crusher through to the final product.

Implications for contractual arrangements

Retention of title clauses may mean that ownership does not pass to the grape purchaser at the weighbridge. Therefore, such clauses may not satisfy WET eligibility requirements.

Distributor model implications

Some distribution models will require different payment forms. For example, if a producer sells to a distributor, they can quote, but if that distributor on-sells to a further distributor, no rebate will be available, but WET will be payable.

Trademark requirements

Although the intention in the legislation is for 'parent' trademarks to cover all the associated trademarks for the eligibility provisions, this needs to be clarified in the ATO guidance.

Transitional arrangements

The transitional provisions are complex and require clear guidance on the treatment of existing bottled product and that in barrels, as well as the differences applying to table and fortified products.

Commentary

From a growers perspective nothing should really change and the reduction in the rebate amount and its

removal on bulk and unbranded wine products may limit the growth of new brands and buyers own brands (BOB) which should remove undue competition in the market for shelf space and allow winery brands to dominate. BOB is where a retailer gets a winery to bottle wine using their label. Previously this would allow a rebate claim but as the retailer does not own the grapes/wine from the outset it is no longer available.

Reducing the amount of bulk wines available to buy from that previously would have been WET Rebate applicable (subsidised) should mean that the impacts of these on the market are removed. The rebate will now not form part of the discussion in terms of the price wineries or retailers will have when negotiating to purchase wine from a bulk provider.

Contract Clause of Retention of Title (RoT)

The Board has been keen to see contracts include RoT clauses. These ensure that until the grower has received full payment for their winegrapes the title of the wine remains with the grower. In these instances should a winery enter financial difficulty the grower can recoup any unpaid monies via wine stocks (that have been made from their grapes).

The new ATO rules will now unfortunately limit the use and application of RoT clauses as wineries need to own the fruit prior to crushing (at the weighbridge) to claim ownership and make a claim for the rebate.

The Winemakers Federation of Australia representative was very vocal at suggesting Riverina wineries look at and adopt the Wine Industry Code of Conduct as good practice. The Code has an excellent framework for developing a contract that will ensure compliance with the WET Rebate provisions for ownership. The Code also has a well drafted and functional dispute framework and a Code management committee that can act for growers.

The Code is for Code Signatories

Growers should be aware that when a contract refers to the Code of Conduct but the winery that is offering the contract is not a signatory is the dispute framework in the contract valid?

The Board is currently seeking a response to this question from the Code Management Committee.

HAIL DAMAGE TO PARTS OF HANWOOD REGION

On Monday 16th October 2017 a small but damaging hail storm occurred in a region South-East of the Hanwood Village. Initial assessments made by the Board indicate that as much between 1,000-1,500 tonnes were damaged. There was a range of damage levels with vines rows running North to South showing far greater damage to the western side of the vines.

Unfortunately for the affected growers the extent of the damage would not cause a triggering of exceptional circumstances relief.

Growers and wineries are monitoring the situation and regrowth that has been occurring as there is a problem that damaged vines may reshoot and throw extra bunches which will have a different maturity date to existing production already on these vines.

Reports also of restricted spring growth (RSG) in many vineyards is being brought to the Board's attention. Board staff has visited many vineyards across the region and has noted very patchy development of vines in some varieties. RSG can impact on the development of vines with uneven ripening of berries a possible outcome.

Shiraz is appearing as the most affected variety with reports from growers that the crops are patchy and a lot lighter than 2017. Time will tell if these vines and bunches develop properly.

Anecdotally it has been suggested that the regions crop in 2018 will be a lot lower than the 360KT in 2017 even with the chance of rainfall during the final stages of the growing breaking this record is not likely.

Damaged vineyard stripped of most leaves and bunches on the western side of the vine.



WINE GRAPES MARKETING BOARD

OFFICE CLOSURE FOR CHRISTMAS AND NEW YEAR

Growers are advised that the Board premises will close safe and happy Christmas and New Year period. for the Christmas and New Year period from Friday 22nd December 2017 until Monday 8th January 2018. The 2018 season is looking promising in terms of a price recovery and although the crops may be lighter in yield than 2017 the change shows promise for the industry.

The Board and staff of the Wine Grapes Marketing Board would like to wish all growers and their families a

CHINESE MARKET GROWTH CONTINUES BUT VALUE DECLINE

While exports into China of wines labelled as coming from the Riverina have continued to grow in volume from the prior year the price of these wines has declined.

Selling more for less isn't a great position for our region to be in.

Wine Australia reports show the story but we also need to be mindful that this reflect only a small portion of the wine leaving the region that is labelled Riverina. Most of the exported wines from our region would be branded as South Eastern Australia (SEA) due to blending with other regions.

Wine labelled as SEA has risen steadily in this market to over 21 million litres which equates to approximately 30,000 tonnes of wine grapes.

Other notable markets for SEA wine include:

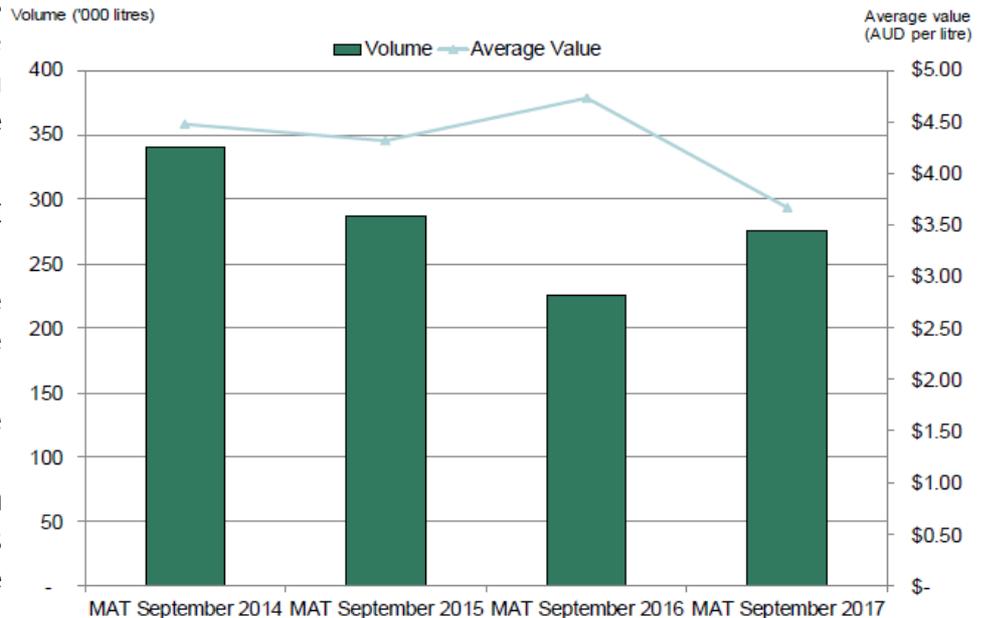
USA - 71 million litres;

UK - 21 million litres;

Canada - 13 million litres;

Netherlands - 6 million litres;

Information source: Wine Australia 2017.



		MAT September 2016	MAT September 2017	Change
Red wine	Volume (litres)	202,318	213,261	5%
	Value (AUD)	\$947,100	\$786,540	-17%
	Average value	\$4.68	\$3.69	-21%
White wine	Volume (litres)	22,547	59,003	162%
	Value (AUD)	\$118,148	\$216,899	84%
	Average value	\$5.24	\$3.68	-30%
Total wine	Volume (litres)	224,864	275,864	23%
	Value (AUD)	1,065,249	1,013,358	-5%
	Average value	\$4.74	\$3.67	-22%

FOOT NOTE: The Board Laboratory will be operating from early January 2018 for Baume and colour testing. Colour sampling must be received by 10am for same day results.

PRODUCTION HELP: Weather station information can be obtained from going to the Board's website <http://www.wgmb.net.au/index.php/products/weather>

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