



WINE GRAPES MARKETING BOARD SUBMISSION TO THE NSW DEPARTMENT OF PRIMARY INDUSTRIES REVIEW OF THE WINE GRAPES MARKETING BOARD AGAINST ITS REGULATORY FUNCTIONS

AUGUST 2017

Introduction

1. The Wine Grapes Marketing Board (Board) operates under the *NSW Agricultural Industry Services Act 1997*, the *AIS Act* and its regulation *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003 (2004-1)*, Part 2 Section 7 confers on the Board a specific range of agricultural industry services that it provides to all constituted MIA wine grape producers in the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.
2. The Board has been in operation in the region since 1933, originally under the *NSW Marketing of Primary Products Act* and most recently under the *Marketing of Primary Products Amendment (Wine Grapes Marketing Board) Act 1997 No 125*.
3. Following a NSW Government review that commenced in 2000 the Board moved to the *AIS Act* with the *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003* with the ability to set and enforce terms and conditions of payments for wine grapes that were not subject to a complying contract until it was repealed by section 10 (2) of the *Subordinate Legislation Act 1989 No 146* with effect from 1st September 2009 after having been extended a number of times.
4. The organisation is managed by a Board of seven persons, five of whom are elected from the constituted grower base and two of whom are appointed by the elected members. Currently all members are constituted growers. The Board holds regular monthly meetings on or close to the second Monday of each month. The Board also hold in accordance with its regulations an Annual General Meeting and a Budget Meeting each year at which all growers are invited to attend, members of the general public can also attend these meetings. All meetings of the Board are minuted, quorums observed in accordance with standard practice.
5. The Board engage staff to undertake the activities of the Board. Current staff consist of a Chief Executive Officer, Extension Officer and Office Manager. Performance of their duties are directed by the Board's regular monthly meetings, Annual General and Budget Meetings. All staff are contracted on an annual basis in line with the Board's financial year.

6. The Board currently charge a fee of \$3.90 per tonne fresh weight on constituted fruit only (2017 financial year January to December). Winery owned production is not charged. The amount charged is proposed by the Board based on budgeted expenditure and consideration of regional production levels. This is then subject to discussion and approval by a motion of the growers each year in attendance at the budget meeting. In past years some of the excess funds have been returned back to growers proportionately to the amount of tonnes produced, see **Table 1 below**.

Table 1: Statutory Charges Returned to growers since 2011

Charges Returned	2011	2012	2013	2014	2015	2016	2017
Amount per tonne	\$1.50	n/a	\$1.50	n/a	\$2.00	\$1.00	TBA
Amount returned	\$336,821	n/a	\$338,257	n/a	\$450,851	\$226,577	TBA
Surplus/Deficit	-\$21,872	\$108,665	\$26,417	\$265,906	-\$230,821	\$29,123	TBA

Source: Wine Grapes Marketing Board

7. All constituted growers receive notification of the Board's Annual General Meeting and Budget Meeting prior to 30 days of each meeting. Each grower entity receives a copy of the Annual Report and the Strategic Plan and Budget for the forthcoming year as per the *AIS Act*. Copies of these reports are forwarded to the NSW DPI for submission to the Minister for Primary Industries and the NSW Parliament.
8. In 2004 the Board undertook a wide range of consultations with members to develop its initial 5 year Strategic Plan 2005-2009. The activities members sought for Board attention **Appendix 1 – Draft Strategic Plan 2005-2009** formed the basis of the Board's planning and this was submitted to the NSW DPI as a draft for feedback to ensure it met the Statutory requirements of the *Agricultural Industry Service Act 1998*. The final plan was inclusive of individual task budgets as per instruction from NSW DPI, **Appendix 2 – WGMB Strategic Operations Plan 2005-2009 & Operating Budget 2006**. Subsequent plans have been made in consultation with local grower Associations and through meetings with grower members and Board discussion, see **Appendix 3 – WGMB Strategic Operations Plan 2017-2021**.
9. The Board operates within the wine geographical indication (GI) called "Riverina". While it acknowledges that there are vineyards within this GI that are not within the Board's area of operations they are small and possibly account for only a further 2,000 tonnes in the level of the Riverina regional production. The Board does not charge a fee and does not provide regulatory services to these winegrape producers, although many have paid to use the Board's laboratory services and attend nationally funded workshops coordinated by the Board.
10. There have been notable increases in winery owned wine grape tonnages in the region over the past years. Winery production over the period in **Table 2(a) following page** shows since 2011 winery production in the region has doubled. This is caused by farm purchases by wineries and an increasing number of growers processing their wine grapes into wine for sale. The material effect on the Board income level has not been apparent.

11. The Riverina region produces approximately 20% of Australia's wine grapes and 65% of New South Wales wine grape production. The entire region comprises of approximately 22,000 hectares of vines. In 2017 66% of production is derived from independent vineyards, see **Table 2(b) below**. Total regional production in 2017 was 358,000 tonnes a regional record in production.

Table 2(a): Riverina Winegrape Production

Winegrape Tonnes	2011	2012	2013	2014	2015	2016	2017
Grower Production	224,239	200,631	224,866	203,028	225,720	226,067	235,155
Winery Production	63,174	49,146	69,923	61,114	85,732	90,979	123,770
Totals	287,413	249,777	294,789	264,142	311,452	317,046	358,925

Source: Wine Grapes Marketing Board

Table 2(b): Riverina Wine Grape Production

% Winegrapes	2011	2012	2013	2014	2015	2016	2017
Grower Owned	78%	80%	76%	77%	72%	71%	66%
Winery Owned	22%	20%	24%	23%	28%	29%	34%

Source: Wine Grapes Marketing Board

12. **Table 2 above** shows that the possible income source for the Board has remained relatively stable for the past 7 years. However changes in operations within the Board have allowed it to provide to growers a return/rebate on a per tonne basis on occasion as per **Table 1 above**.
13. The ability of the Board to return Statutory Charges from growers is an important function as the forecasting of crops annually is difficult. The Board by September each year must predict the forthcoming crop from which to apply a rate. Even in December when fruit has set it is difficult to accurately predict within 10% of the final crop due to the possible impacts of weather. Therefore the Board picks a likely production amount for growers wine grapes and recommends an amount per tonne. This provides the Board with financial flexibility in the event of crop loss that it will meet its budget and the opportunity to return to its members' amounts over and above budgeted expenditure. In 2012 the Board proposed a motion that the rate of \$3.50 per tonne for the 2013 financial year be approved by member growers, growers voted against this and moved a counter motion that the Board retain the amount at \$3.90 per tonne, regardless of the forecast surplus. The rationale of growers at the meeting was that they would prefer that the Board provide a return of funds annually should these be available. Members stated that if the Board needed extra working funds increasing a reduce charge would prove difficult.
14. The Board has chosen to return rates in rounded amounts. It does however have the ability to accurately return to members' any and all surplus funds each year. It chooses to maintain a surplus in its accounts to allow it to maintain services in the event that the grape crop for a season is lost through natural disaster or disease which is entirely possible. The Board manages such excess funds in rolling term deposits with accredited financial institution.

15. Please find following the Board's review of the Agricultural Industry Services as per its foundation regulation in accordance with the Terms of Reference **Appendix 4 – Terms of Reference**.

(a) The development of a code of conduct for contract negotiations between wine grape growers and wineries

16. The Board has invested grower funds into the industry service functions (a), (b) & (c) as a single fund given the areas covered are highly relatable. The budget for these activities are set out in the Strategic Plan provided to growers each year as per the regulation. **Table 3** (below) shows the budget and actual funds spent on this function for the past 11 years. The percentage budget and actual amounts relate to the total budgeted and actual expenditure for each year as reported internally in the Board's management accounts. There was no actual expenditure in this category in 2016 as the Board is no longer a member of the federal growers' body through whom the Board can operate and project fund the management of the Wine Industry Code of Conduct on an annual basis.

Table 3: Industry Service Functions (a), (b) & (c) Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$73,687	\$57,508	7.32%	6.71%
2007	\$99,370	\$76,871	11.31%	9.13%
2008	\$49,042	\$20,894	5.66%	2.51%
2009	\$23,259	\$34,730	2.14%	3.62%
2010	\$44,014	\$37,621	3.57%	3.77%
2011	\$66,595	\$49,115	6.36%	5.80%
2012	\$75,864	\$41,541	7.78%	4.28%
2013	\$78,311	\$38,093	8.41%	4.54%
2014	\$60,649	\$30,718	5.33%	3.05%
2015	\$39,677	\$26,509	3.78%	4.05%
2016	\$32,105	\$0	3.33%	0.00%

17. The expenditure noted in **Table 4 & 5 below** was to undertake tasks proposed by the Board each year that were presented to the growers within the Strategic Plan and growers were able to review the individual costs of each task proposed. For example in 2006 the following functions, tasks and activities were proposed and approved by growers – budgets for each of these tasks were made available upon request and the Board managed these costs and tracked expenses including staff labour costs on an annual basis.

Table 4 – 2006 Activities proposed for Industry Functions (a), (b) & (c)

1	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$5,825
2	Participate in the Wine Industry Relations Committee (WIRC).	\$10,095
3	Participate in the WIRC Legal Metrology Working Group.	\$3,586
4	Development of training programs for producers.	\$9,495
5	Provide comment on current contracts for growers and industry.	\$13,709
6	Set and enforce terms and conditions of payment for wine grapes.	\$15,735

7	Monitor and report on payment issues within the region.	\$4,069
8	Publish industry agreed standard contract provisions (annually).	\$3,101
9	Monitor the adoption of wine grape contracts in the region.	\$4,776
10	Involvement in the WIRC training module for MOG assessment.	\$3,298

Source: WGMB 2006-2010 Strategic Plan and 2006 Budget

18. The functions, tasks and activities evolved over time and the Board adjusted its activities to suit the needs of its grower members. Each function, task or activity retained its own specific budget with the Board able to review the costs of each activity within its own internal management reporting.

Table 5 – 2016 Activities proposed for Industry Functions (a), (b) & (c)

1	Participate in the Wine Industry Code Management Committee (CMC).	\$6,708
2	Fund the management of the Aust. Wine Industry Code of Conduct.	\$25,397

Source: WGMB 2016-2020 Strategic Plan and 2016 Budget

19. Through the Board's membership with Winegrape Growers Council of Australia (the peak grower representative body at the time) it had representation on the Wine Industry Liaison Committee (formed in 2001) a joint committee between the peak grower's body and the peak winery representative body the Winemakers Federation of Australia (WFA) of which many of the Riverina based wineries are members of. As the industry is national it was deemed by the Board the most appropriate manner was to achieve this function to work collaboratively with the WFA and to do this the Board had to be part of the peak growers group. This committee has changed in name over the years and was for a few years called the Wine Industry Relations Committee and now is called the Wine Industry Code of Conduct Management Committee. Its principal function now is to act as a review committee for the Australian Wine Industry Code of Conduct.
20. The development of the Australian Wine Industry Code of Conduct commenced in 2003 with the Board and other industry groups working on a project supported by the Grape and Wine Research Development Corporation (GWRDC) with matching funds from the Federal Government titled **Appendix 5 - "Winegrape Assessment in the Vineyard and at the Winery"**. Its introductory passage states; *"this publication is a description and endorsement of current best practice in winegrape assessment. It describes and discusses those quality specifications that can be readily measured and ascribed a value. It has been developed by and for participants in the wine industry involved in the activities of buying and selling wine grapes, and is based on wide industry consultation. It should be seen as a tool to develop and improve relationships between buyers and sellers of wine grapes."*
21. Copies of the publication released in 2004, *"Winegrape Assessment in the Vineyard and at the Winery"* were made available to all growers nationally, grower associations and wineries and their associations. The Board posted copies to all growers and to the regional winemakers association for their distribution to wineries. The publication is still often referred to in contracts with regard to wine grape specifications and can be used as a reference point in disputes regarding wine grape specifications.

22. Following from the success and goodwill of the work undertaken collaboratively with the WFA and representative grower groups the development of a wine industry code of practice relating to market behaviour commenced with a targeted date of 2008 for its completion. The appropriately named Australian Wine Industry Code of Conduct went through a number of reiterations before being adopted by industry for the start of the 2009 vintage **Appendix 6 – Australian Wine Industry Code of Conduct**.
23. The Board through its association with the peak growers group funded the Wine Industry Code of Conduct Management Committee. The role of running the Code is now undertaken by the Accord Group an independent organisation that mediates and resolves disputes arising under the Code. As the Board is no longer a member of the current peak growers group funding for this is not supported by the Board and other grower groups are taking on the cost of review and dispute resolution currently.
24. Throughout the period of Code development the peak growers representative body changed to become Wine Grape Growers Australia (WGGA) following an Australian Government funded study by the Centre for International Economics that identified that a national growers body could play a significant role in improving the performance of the winegrape sector, by:
- *Contributing growers' perspectives to national industry policies and strategies*
 - *Providing better industry data and information for growers*
 - *Improving relationships between growers and wineries*
 - *Targeting viticultural research and development*
 - *Managing national vineyard biosecurity*
 - *Advocating for the grower sector with Government.*
25. The work undertaken by the Board through this peak wine grape grower industry body and with the WFA has been invaluable for the entire winegrape industry. Unfortunately for the regions grower there are no signatories to the voluntary code of conduct in the region with all wineries advising that they are not prepared to sign onto the code. The WFA have on a number of occasion's behalf of the regional industry met with the major wine purchasers in the region to promote the code and have been unsuccessful. The Board has also raised its importance with regional wineries.
26. The Board has written to Federal Members of Parliament and Senators in the past and the NSW Government seeking support to have the current Australian Wine Industry Code made into a mandatory instrument. While this approach has not been supported by other states growers groups as they continue to seek refinements it has been through a lack of its adoption by Riverina wineries that the Board seeks this form of regulation. For adoption of the Code to occur in the Riverina it needs to become regulation.
27. The 2010 NSW Upper House Inquiry into the winegrape market and prices recommended that in the absence of a mandated Australian Wine Industry Code of Conduct, which includes a terms of payment schedule, the Wine Grapes Marketing Board's terms or payment function continue, see **Appendix 7 – Upper House Inquiry Summary of**

Recommendations. In 2010 following a large number of submissions by growers and 2 hours of “in camera” evidence given by grower member the Inquiry members understood the problems faced by growers that are particular to this region and supported the continuance of regulation for the Board.

28. The Riverina Winemakers Association (RWA) while stating in the local media they would not be providing a submission to the 2010 NSW Upper House Inquiry used the opportunity to make disparaging comments about the Board while citing no awareness of the work undertaken by the Board to encourage the adoption of the code of conduct, this is despite having representatives from the region sit in on the Code of Conduct deliberations at the national level. Furthermore the RWA cited that a code of conduct exists amongst regional wineries and suggests that it (the development of a code of conduct) would be a project that the RWA could reasonably undertake which is an extremely confusing and misleading statement. To the Board’s knowledge no work toward a locally based code has been commenced by the RWA since this statement in 2010. **Appendix 8 – RWA Submission to Upper House Inquiry.** To the Board’s knowledge there is no formal or informal code in the region for the industry that is supported by wineries and known to grape growers.
29. The RWA have been made aware of numerous occasions of the Australian Wine Industry Code of Conduct by the Board at meetings regionally and through the local media. Awareness and subsequent adoption is needed to provide growers of the region a level of comfort that from winery to winery they are dealt with satisfactorily and appropriately.
30. The Australian Wine Industry Code of Conduct is for wineries to sign onto to show their intent. The Code is not an instrument that growers can adopt and be a part of due to its design. It is aimed squarely at the purchaser in the market, the winery and it sets out key processes and behaviour for resolving disputes around grape price and grape quality provisions. A lack of Riverina signatories is not a reflection on the quality of the Code which is endorsed by the WFA but a reflection on Riverina wineries willingness to adopt industry agreed resolution procedures that contain a level of fairness.
31. The recalcitrance of Riverina based wineries to sincerely consider and sign onto what is a voluntary code that has no penalty provisions is disappointing for the regional industry and leaves growers with little recourse by way of formal or informal dispute resolution. An agreed Code is warranted in this region when growers that dispute prices or grades with their wineries may readily be targeted and mistreated. The matter of winery retribution is a common and real occurrence in the region unfortunately and denials of this practice are hollow as evidenced by the WINTV interview with the RWA President Les Worland in 2010 – **Appendix 9 – Transcript of WINTV interview.**

Industry Service (a) conclusion

32. Development of a local code of conduct could have been achievable with appropriate goodwill on both sides of the industry which has not been apparent. While wineries in prior years supported the Board having statutory provision relating to terms and conditions of

payment their regional representative body the RWA makes formal decisions using a consensus model, therefore if one member is not in agreement then the matter is not acted upon making the retention of or introduction of regulations and any progress toward a national or regional industry code almost impossible and pointless to pursue.

33. The actions of local wineries to act against the best interests of growers, the industry and the Board stem entirely from the Board acting in accordance with its legislation. Wineries that did not pay in accordance with the *Terms and Conditions of Payment Order* were made to do so and with interest as per the *Act*. In the course of the Board undertaking its duty it has led in part to the development of a toxic relationship where anything undertaken or proposed by the Board was ignored. An example of this is the winery intake policy for overloading of wine grape transport trucks. The RWA have a policy for members that states that the RWA are committed to working with industry, regulators and enforcement agencies. To date this "Winegrape consignment Chain of Responsibility Code of Conduct" document, **Appendix 10 – Overloaded Vehicles for 2016** has never been discussed with the Board that represents growers. In fact the "*Riverina code*" is ultra vires to what these companies are able to do legally when compared with current mass limits and load management regulations. In many instances they advise that growers are able to deliver grapes over the Gross Vehicle Mass limits contrary to these regulations. Foreshadowed changes to the Chain of Responsibility regulations to incorporate current Workplace Health and Safety regulations that have been developed and being introduced by the National Heavy Vehicle Regulator states that a policy needs to be developed in consultation with all parties in the supply chain. The Board will monitor closely how Riverina wineries will undertake such consultation with their members given that there is no evidence of this type of activity occurring in the past.
34. Examples of the Board being ignored by wineries are evident time and time again from simple written communications seeking production information from all wineries to direct correspondence on regionally significant matters. The inability of some wineries to make time to meet with key members of the Board to discuss vintage matters and the constant derision of the Board that filters back to the Board when they are discussing industry matters with the growers that deliver to them is disappointing and frustrating. It is no wonder that growers find it extremely difficult to communicate and discuss matters relating to the industry when many of the region's wineries are not approachable or collaborative by their own actions.
35. With the regional environment not conducive to collaboration unless it was beneficial for wineries the Board resolved to work in the area of the Code at the national level where there existed more goodwill by corporate wineries that do not operate in the Riverina anymore (since the departure of Pernot Ricard) in 2014. While Pernot Ricard remains a signatory to the Code it is important to note that their efforts and those of other wineries nationally to seek greater adoption by wineries has been invaluable. The WFA in conjunction with the peak growers group in 2014 surveyed non-signatories of the code to determine why these companies were resisting signing up. Intriguingly it was reported to the Code Management Committee that in the Riverina wineries stated that there was no

need to sign as they already had their own Code of Conduct which as stated earlier in this document is not known to the Board. To progress the effort to increase adoption the wine industry developed a Frequently Asked Questions document to assist companies in making a decision regarding the Code, **Appendix 11 – Australian Wine Industry Code of Conduct FAQ's 2014**. In time it is hoped that more will see the benefit to their grower suppliers.

36. The WFA in its efforts continues to strive to achieve a better uptake of the Wine Industry Code of Conduct of its members always makes times to meet with the Board when in the region visiting its member wineries. The Board enjoys a positive relationship with the WFA and have in the past funded industry related project work that they have undertaken relating to production inputs and improved market access for Australian wines. To date only 41 wineries have signed onto the Code see:

<http://www.wineindustrycode.org/Signatories.html>

37. The code is rightly supported by the Federal Government's Department of Agriculture, Fisheries and Forestry. Its aim is simple *"to establish a common Australia wine grape supply contract framework and to provide an efficient, non-legal dispute resolution system to make for better long-term commercial relationships."* This aim sits comfortably within the Board's industry service functions.
38. In the absence of a Code of Conduct the Board has consistently and continually asked for NSW Government regulatory support to ensure that growers at minimum can rely on their wine grape payments being made on the due dates. Unfortunately with a history of poor payment practices by many wineries in this region it is not only essential but practical for the benefit of the local economy. Terms and Conditions of Payment regulations provide real benefits to the growers and the regional community, they also protect growers from any potential retribution that they may suffer if taking debt recovery action on their own. As one winery owner advised a grower once *"if you take me to court, at the end of the day I will still be here and you will be gone before you get your money."*
39. The 2010 NSW Upper House Inquiry announced 4 recommendations pertaining to the Wine Industry Code of Conduct **Appendix 7 – Recommendations 6, 8, 9 & 10**. While the recommendations were not adopted by the current Government the Board believes that the response by the Government to these were largely dismissive and were made without full knowledge of the problems that are unique to the Riverina region.
40. Growers that are being forced to wait for grape payments into the following year are highly disadvantaged by the actions of many wineries in the region. Poor business operations coupled with the real threat that the grower will not have a home for future year's production prevent growers from undertaking appropriate and required litigation. It is unfortunate that it remains the case that within the Riverina wine grape industry growers need an authority to act on their behalf to ensure that they can maintain their ability to supply a winery.
41. When notified of a breach of a payment by a winery and the Board's initial step is to confirm the matter is not isolated to one grower (which is achievable with the reports provided to

the Board). At times when the Board has contacted the winery to confirm this matter the question arises, *“which grower advised the Board of the payment breach?”* The winery in the opinion of the Board is not asking out of concern for the grower’s financial welfare, they are doing so that the grower can be identified so possible future retribution.

42. It is the experience of the Board that wineries generally do not to communicate to their grower base in the event that they are unable to make payments on time. It is up to the grower to check their account and make appropriate contact.

(b) The development of draft contract provisions with respect to the sale of MIA wine grapes to wineries (and subsequent provisions)

43. The Board developed a draft contract and sales agreement for the industry through its solicitor after reviewing a number of existing winery contracts. The availability of this template was promoted through our meetings with grower associations. It contained sufficient clauses to enable a grower to offer this to a potential buyer and have comfort that the contract forms a legitimate agreement. No grower or winery to date has used it as the buyer in the wine industry that traditionally offers the contract.
44. This industry service regulation has been of little value to the Board in the current context of a market where supply and demand for winegrapes that has remained in a relative state of balance. Therefore contract offers by wineries to growers have remained mostly unilateral, one contract type per winery. Contracts are commonly used to itemise the objective measurements that wineries consider appropriate for winegrapes to make sound commercial fruit. Therefore the content of a contract is likely to vary between wineries dictated by the abilities of that company’s winemakers and end use market for the resulting wine made from the winegrapes. Measures relating to pest and disease levels, fruit damage percentage (sunburn, wind or bird), fruit maturity (sugar levels) and in some contracts the colour requirements of the red wine grape can vary greatly from winery to winery. For example fruit that may be rejected by a winery in accordance with the provisions of the contract entered into may be sold to another winery that does not consider such matters as strenuously.
45. Many of the regions contracts are simply supply agreements that address matters relating to production and dates of payment and do not contain any form of consideration other than the fact that if the fruit is sound and merchantable they will purchase it at a yet to be determined price at their sole discretion. Growers signed into support agreements with no pricing information are not able to consider other arrangements or look to sell their production to other wineries or face litigation. Other contracts stipulate a minimum price to be paid which according to many wine grape growers is below current costs of wine grape production. Why do growers sign these? The answer is simple, if they don’t they won’t be able to deliver.
46. In relation to subsequent provisions, Terms and Conditions of Payment as managed at the time by the Board after consultation with wineries remained relatively stable following

closely the *South Australian Wine Industry Act 1991*, which stipulates 3 equal instalments at the end of May, June and September. The Board's standard terms of payment during this period was for three equal payments on the 14th May, 24th June and 14th October under the prior legislation. A degradation of payments to growers occurred following the introduction of the Board's 2003 legislation that allowed wineries with "*complying contracts*" to adopt their own alternative terms of payment and growers that were at the time subject to a reported market glut for winegrapes were not able to negotiate to retain the industry standard of three payments.

47. At the time these contracts were being offered the Board took steps to advise growers publically that signing contracts that did not have the industry standard three payment terms was not in the best interests of the industry. This action via a media release returned the threat of litigation from solicitors acting on behalf of the winery (Casella Wines) that at the time was offering a contract with 4 payments. While matters such as price should be negotiable the winery was not impressed in the Board suggesting to growers that such actions by growers would lead to a dissolution of payment terms and conditions across the region which is now evident based on the diluted terms of payment offers and subsequent payment breaches across the region.
48. In 2017 the payment terms to growers vary from 100% payment 30 days following the end of month after delivery to 9 equal instalments April until December. It is often reported to the Board that wineries have defaulted in their payments to growers with growers reluctant to address this. Wineries in question have acknowledged this matter to the Board when contacted but as growers are reluctant to act little change occurs. The Board has assisted over time a number of growers to pursue outstanding funds. In these instances the relationship with the winery is irreparable. One winery (Warburn Estate) that regularly defaults on its contracted payment dates to growers advises its growers that should they need money urgently whilst the winery is in default they should simply ask the winery and they will see what they can do. This winery stated to the Board on a number of occasions that it offers to speak with growers' financial institutions to confirm that it is the winery that is in default and not the grower withholding funds from the bank that are impacting on the growers ability to pay account and service debt. The economic flow-on effects of such occurrences to the region are immense and the Board has written to local business asking for their support in the matter and for them to advise the NSW Government of their concerns through this review process. One large local business advised that he had received the Board's correspondence in the matter and was concerned that in supporting the growers by writing a submission they could lose business with local wineries in the process. It shows that the issue runs deeper than just wine grape growers dealing with late payments by their customer winery.
49. Growers in effect are becoming lending institutions for wineries which is not in the best interests of the region. In some instances contracts state that how late a payment can be to a grower without any interest becoming applicable while most have no interest component stated with growers in one instance seeking this amendment to their contract where advised to take their fruit elsewhere. In the event of interest being owed growers have

reported to the Board that interest is rarely paid by wineries in default. Growers have been verbally advised by winery staff that if they expect interest on default payment then they should look to sell their winegrapes to another winery. Despite winery actions putting growers into default interest zones with their financial institutions there exists no recourse for them in a region devoid of appropriate regulation.

50. As the Board no longer deals with grape payment matters unless at the request of growers its only interaction and evidence in relation to poor payment practice from wineries is the payment of grower's statutory fees and charges. Under prior terms of payment legislation wineries were required to deduct and forward the payment to the Board in accordance with a Terms and Conditions of Payment Order set by the Board each year, See **Appendix 12 – Terms and Conditions of Payment Order 2011**. In the years since 2011 under formal advisement from the Minister for Primary Industries and NSW DPI wineries are now asked to enter into "Agency Agreements" with the Board to act as an agent of the Board in the collection and forwarding to the Board the charge each year, **Appendix 13 – Agency Agreement**. The Riverina Winemakers Association discussed the use of Agency Agreements and made a unilateral decision that those wineries that enter into an agreement should charge a rate of 5% plus GST for the service provided (approximately \$0.20 per tonne impost on growers). During this time a number of wineries have declined to act for the Board which has required the Board to undertake the invoicing of individual growers for the statutory fees and charges owing. **Table 6 below** shows the cost to the Board of the regions wineries not obligated via regulation to deduct and forward to the Board the charge that was set and agreed to by a quorum of grape grower members each year. Without any form of winery compulsion, only financial inducement, it has created an environment in which the withdrawal of this service of deducting fees and remitting to the Board by wineries can be used against the Board.

Table 6: Cost of Agency Agreements to the Board

Year	Wineries	Amount	Grower Tonnes
2012	22	\$30,664	200,631
2013	22	\$33,723	224,886
2014	26	\$42,310	203,027
2015	25	\$44,281	225,720
2016	18	\$46,168	226,067
2017	20	\$46,971	233,641
Total		\$244,177	

51. The Board has asked that growers provide to it written evidence of terms and conditions of payment abuse by wineries for the preparation of this submission and for their own submissions. Whilst it retained regulation in this regard the Board often was required to act to recoup outstanding funds for growers. Each year it seemed one winery would breach the payment terms and the Board would be required to then direct this winery to make payments to growers via the Board. This way the payment could be monitored and managed in an orderly fashion. It also allowed the Board calculate any interest applicable in accordance with the Act and extract from any payment the statutory fees and charges

owing to the Board. Many breaches have occurred in payments to growers in this region, most have been reported to the Board but in some circumstance wineries advise their growers not to inform the Board. One winery in the past even provided the Board with false documents that purported to show that they had paid in full when in fact what they had paid growers was only 75% of the total amount outstanding. It was not until growers alerted the Board to this fact that the matter was resolved and that took over 12 months to resolve due to the recalcitrance of the winery owner to pay growers the interest on the default payment.

52. The Board receives the payment of statutory charges in most instances directly from wineries. While these are paid via an Agency Agreement that sets out the date in which the winery will remit the funds in many recorded instances this does not occur. The following tables, **Tables 7 – 12 below** will show the level of tardiness as it relates to payments made to the Board. This is symptomatic of the problems that exist in this region. It should be noted that the statutory charge of the Board is deducted from grower payments made to the grower. The funds are therefore the growers' funds but are owed to the Board.

Table 7: 2011 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
21st Century Wines	\$4,771.18	105
Gum Creek Estate	\$850.79	11
JKR Management P/L	\$6,326.11	16
Mitchelton Wines	\$227.68	42
Nugan Estate	\$18,346.54	15
Red5 Wines Pty Ltd	\$1,163.76	6
Southern Highland Wines	\$2,610.97	49
Warburn Estate	\$47,095.58	8

53. Growers have on occasion had to be invoiced for the statutory fees owed to the Board directly by the Board after receiving the report of tonnes purchased by the winery. This process is costly to the Board and growers alike. The process of requiring wineries to make deductions and forward this to the Board was more effective than the current legislation.

Table 8: 2012 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
21st Century Wines	\$2,985.80	Growers invoiced
Accolade Wines (Hardy's)	\$8,679.29	47
Boorga Vineyards	\$1,684.80	202
DeBortoli Wines	\$187,239.86	Growers invoiced
Dee Vine Wines	\$185.45	106
Fame Estate Wines	\$1,593.98	19
Fion Estate Wines	\$201.40	118
GAP Farm Management	\$569.09	128
Graham Holdings	\$1,552.43	Growers invoiced
Gum Creek Estate	\$866.61	139

Marange Wines Pty Ltd	\$1,213.45	Growers invoiced
Mitchelton Wines	\$389.69	156
Nugan Estate	\$11,645.04	72
Harvey Fresh	\$9,303.14	20
Nugan Quality Foods	\$1,096.21	116
Pinical Estate	\$3,716.68	19
Piromit Wines	\$5,496.97	59
Platinum Vintage	\$77.22	11
Quarisa Wines	\$174.32	62
Red5 Wines Pty Ltd	\$1,506.63	46
The Wine Group (TWG)	\$57,176.88	27
Warburn Estate	\$38,610.77	61
Westend Estate	\$25,095.16	25

Table 9: 2013 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
21st Century Wines	\$2,950.90	227
Accolade Wines	\$3,192.70	11
Ascher Estate Pty Ltd	\$1,465.66	Growers Invoiced
Beelgara Estate	\$15,218.09	22
Benerembah Estate Pty Ltd	\$4,497.64	59
Boorga Vineyards	\$2,147.34	101
DeBortoli Wines	\$202,119.84	Growers Invoiced
De Marco Estates Pty Ltd	\$949.85	151
Fame Estate Wines	\$2,324.87	65
Gold Class Wines	\$656.24	136
Graham Holdings	\$2,383.52	Growers Invoiced
Joseph Wines Pty Ltd	\$6,420.36	60
The Little Fox	\$3,369.80	66
McWilliam's Wines	\$61,995.16	24
Miriwinni Wines Pty Ltd	\$1,558.99	24
Morandin, Belinda	\$1,557.68	24
Nugan Estate	\$19,537.31	Paid in 6 instalments
Pinical Estate	\$5,262.93	Growers Invoiced
The Yenda Wine Group	\$1,105.57	212
Three Sisters Wines	\$36.86	40
Toorak Wines	\$2,438.22	11
Yarran Wines	\$603.99	215
Warburn Estate	\$56,066.88	37
Westend Estate	\$26,615.20	Growers Invoiced
Wickham Hill	\$24,328.87	Paid in 3 into 2014
Willow Estate	\$3,577.18	38

Table 10: 2014 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
21st Century Wines	\$2,555.28	284 days (legal action)
Ascher Estate Pty Ltd	\$2,574.47	66
Australian Vintage Pty Ltd	\$116.88	45
Baratto Wines	\$23.40	45
Bartter, J & P	\$472.02	93
Boorga Vineyards	\$1,092.57	66
Dee Vine Estate	\$890.60	32
Fame Estate Wines	\$1,466.52	21
Joseph Wines Pty Ltd	\$6,211.98	52
The Little Fox	\$3,005.26	137
Morandin, Belinda	\$1,044.36	14
Nugan Estate	\$15,597.92	Paid in instalments
Pernod Ricard	\$15,685.52	10
Pinical Estate	\$5,782.44	36
Red 5 Wines Pty Ltd	\$479.19	65
Refine Wines	\$4,289.03	64
Sigurd Wines Pty Ltd	\$2,280.06	Growers Invoiced
The Yenda Wine Group	\$391.21	100
Toorak Wines	\$2,729.41	32
Valeri, Tony	\$4,298.97	36
Wickham Hill	\$10,412.75	169

Table 11: 2015 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
21st Century Wines	\$2,614.52	36
Alepat Taylor	\$5,135.38	49
Beelgara Estate	\$9,047.17	52
Fame Estate Wines	\$3,205.43	104
The Little Fox	\$4,250.03	123
Marang Wines Pty Ltd	\$4,103.42	73
Melange Wines	\$309.86	163
Morandin, Belinda	\$409.24	41
Nugan Estate	\$16,900.67	Paid in 8 instalments
Pinical Estate	\$8,445.69	31
Southern Estate Wines	\$892.79	Bad debt
The Winery (formerly Piromit)	\$2,001.37	13
Toorak Wines	\$2,274.06	48
Yarran Wines	\$651.96	13
Warburn Estate	\$46,055.30	38
Wickham Hill Holdings	\$30,388.45	Paid in 2 instalments

Table 12: 2016 Late Payments made to the Board by wineries

Winery	Amount Owed	Days Late
Berton Vineyards	\$17,894.36	12
Brown Brothers	\$443.37	29
Dee Vine Wine	\$5,186.97	60
Nugan Estate	\$17,267.75	Paid in 2 instalments
Pinical Estate	\$9,695.63	18
The Winery	\$2,723.76	126
Toorak Wines	\$1,177.44	12
Warburn Estate	\$52,929.71	124
Wickham Hill Holdings	\$22,777.13	44

54. In the current year 2017 the Board is already experiencing delays in payments made to it. De Bortoli Wines paid 3 weeks late and McWilliam's Wines are yet to pay with Nugan Estate simply paying an instalment without any contact to the Board requesting such a deferral. These late payments are a breach of the Agency Agreements signed by these wineries. McWilliams Wines contact person (as per the Agency Agreement) advised Board staff that he is not sure if they have the funds to pay (funds that have already been partially deducted according to growers). De Bortoli Wines were resolving some inaccuracies within their reports provided to the Board and Nugan Estate have to be contacted regularly to seek payment.
55. On occasion the Board has been required to pursue payments by wineries owed to it. The nature of this problem is similar to that of the growers. For the Board to reduce operational costs it cannot afford to initiate litigation for unpaid fees and charges each time a winery decides not to make payment. Initiation of such action will in the opinion of the Board damage the delicate business relationship between the Board and wineries and future year's fees and charges collection will be required to undertaken by the invoicing of individual growers (a costly exercise). As noted above in 2012 (**Table 8**) and 2013 (**Table 9**) a large number of wineries declined to deduct and forward to the Board the statutory fees and charges from growers, this is despite the fact that they are also required to do so for the federal research and development levy of \$2 per tonne each year (without receiving a fee).
56. In 2013 it was reported to the Board that a number of local wineries where not making payments on time to their growers and when these growers were approached them they advised that due to their concerns about retribution by the winery they did not wish to undertake any litigation to recoup funds. This matter and the outstanding fees and charges owed to the Board were handed over to the Retail Industry Ombudsman for mediation and the funds owing to growers and the statutory fees deducted by the winery for the Board were eventually paid in early 2014 in instalments by the two wineries, Warburn Estate and Wickham Hill Wines.
57. The Board has under this industry service provided the service to growers of reviewing contracts that they have been offered for consideration, which has been utilised occasionally by many growers. While not providing any formal legal advice the Board has been able to indicate to grower's areas in the contract that may be questionable and require

further discussion or clarification with the winery. Over the years a number of wineries have even sought the Board's input into the content and format of their contracts prior to these being made available to growers. This provided an invaluable opportunity for the Board to provide a growers perspective to the winery in relation to the contract clauses and this easily related to the work being done by the Board on the Wine Industry Code of Conduct Committee.

58. It is important to note that in the early part of this century contract usage in this region was not high as evidenced by a survey of the Australian growers conducted by Mr Iain Fraser La Trobe University in September 2002 – **Appendix 14 – 2002 Contract Survey of Growers**. The Board in acknowledgement of this promoted the use and adoption of contracts in the region by showing growers the advantages that written contracts had over other forms of contracting and at the time when the Board knew the prices to be paid to growers (under its now lapsed legislation) it was evident that growers with a written agreement were receiving on average a better return for their production per tonne than growers on the open market without written agreements.
59. The Riverina region is different to other regions in the terms of the size and scale of its producers. This perhaps has more to do with the available land space in the region in comparison to similar regions in the Murray Valley and Riverland that tend to be limited as they run adjacent to the Murray River. By percentage of total growers the Riverina is home to the highest percentage of large winegrape growers. While the makeup of the size of growers has changed over time with the 2017 vintage containing 34% winery owned fruit it is important to note the following points.
- The Riverina has a large percentage of small growers less than 25 hectares.
 - These growers have generally produce other commodities and have access to employment off farm.
60. In the Riverland the majority of producers (600+ of 945 growers) deliver winegrapes to one winery and this is undertaken via a cooperative that negotiates prices on their behalf. In the Murray Valley the make-up of wineries is also quite different to the Riverina with corporate structured wineries mostly in operation.
61. The Riverina is home to the largest family owned wineries in Australia, none are publicly listed entities and most are still managed by representative members of the families that own them. This region is unique in that the business dealings of these operations are more of a personal nature. Growers are also aware that wineries talk regularly to each other so if a grower was to undertake litigation to secure outstanding funds their concern that this action may impact on their ability to deliver grapes to another winery is not imagined.
62. The Board has since this regulation was introduced sought to educate its members with regard to what to look for in a contract. As early as Spring 2003 the Board published a newsletter (Vite Foro) outlining the critical items or checklist that growers should be mindful of when considering a contract relating to their production.

Table 13 – Publish dates of Contract Checklist

Vite Foro Spring 2003 – Contract checklist for growers
Vite Foro Autumn 2004 – Contract checklist for growers
Vine Chat March – April 2007 – Contract advice for all growers & Checklist for growers
Vine Chat November – December 2011 – Contract Checklist from WGGGA (following TOP expiry)

63. Copies of the check list have also been made available to growers upon request at workshops and is available online at the Wine Grape Growers of Australia website <http://wgga.com.au/winegrape-sales/winegrape-contracts-resources-for-growers>
64. A number of workshops have also been held which sadly have been poorly attended by members. Growers unfortunately can find little time to learn about their rights in accordance with contracts, particularly when the likelihood of them being willing to exercise these rights in the future is extremely low.

Industry Service Function (b) conclusions

65. The evidence that many Riverina wineries consistently delay payments to the Board shows that they are not able to manage cash flows effectively. The statutory fee comes from growers funds and is deducted by wineries prior to being forwarded to the Board in most instances under an agreement. These cash flow delays and the risk of the Board having to seek these funds directly from growers is not desirable and strains the relationship between all parties. While issues with cash flows may be thought to be a function of the wine industry it is important to note that within South Australia and Victoria this does not seem to be the case.
66. If the NSW Government is not able to provide sufficient assurances to growers that wine grape payments can effectively be managed by an industry body with experience and history in this area such as the Board then perhaps it could look to undertake the role itself. For example in South Australia the Department of Primary Industries manages the industry fund for the State grower representative body the South Australian Winegrape Growers Council. The fund is collected compulsorily and growers may seek to opt out by applying to have their funds returned within that year. This rolling fund is applied to industry services within the state and there are also examples of this type of fund management occurring on behalf of regions such as the SA Riverland. In the Riverland the fee is based on the value of production and not set on a per tonne basis. This in their opinion creates a better level of equity on a variety by variety basis. In the Murray Valley the Industry Development Committee (IDC) which is made up of growers, winemakers and government representatives manages the fund. The growers' representative body Murray Valley Winegrowers Inc (MVWI) derives funds from the IDC to undertake approved industry services as agreed by members. MVWI also receives a voluntary fund which is compulsorily acquired by the IDC on all fruit from which growers and winemaker growers can apply to have returned each year. These voluntary funds are applied to activities such as advocating on behalf of growers.

67. In the opinion of the Board there is a definite need for regulation that wineries are not able to contract out of. The industry standard 3 payments was a negotiated position based on the cash flow demands of wine business and that of growers. Growers acknowledge the long lead times and costs of wineries processing fruit into wine and then the sale of this product just as wineries acknowledged that growers need cash flow to produce the next wine grape harvest. In the Riverina via a lack of regulation wineries are using delayed cash flows to growers as a means of supporting their own business operations. This “free” system should therefore be beneficial to the regions wineries and allow them better cash flows and the potential to expand more readily into markets. Market expansion is evident by the regions wineries, for example Casella Family Brands and Dee Vine Wine. With a beneficial cash flow wineries should be in a position to pay more for wine grapes than that which is paid in other similar region, this in the Board’s experience is not the case. The Riverina in general terms returns the least per hectare than the Riverland and the Murray Valley in price per tonne weighted district average and in yields across all major varieties.

(c) The promotion of private contracts for the sale of MIA wine grapes to wineries by wine grape growers.

68. This agricultural industry service has been sufficiently covered in the above items. However the Board reiterates that many growers are not comfortable about signing a written agreement which can lock them into a buyer for a number of years. Many growers are required by the winery to sign an agreement before they are able to deliver grapes. This protects the winery.
69. Many growers are not in a position in which they can negotiate terms within contracts. Many contracts stipulate a minimum price to be paid with the final price not being know until after harvest (in the case of some red varieties) or until the winery has published a price list (mainly relating to white winegrapes). Some growers don’t know what they will receive until they arrive at the winery.
70. Contracts are often written to allow for the winery to make unilateral variations to the contract or stipulate parameters that fall outside of federal regulation. For example the use of colour as a way to set grape pricing in red winegrapes. As the equipment and processes used to determine colour are not ratified by a federal regulatory authority, the use of colour is prohibited under the *Trade Practices Act* but the Riverina it is common practice. This matter has been raised with the Australian Competition and Consumer Commission (ACCC) on behalf of growers and they have stated that they need growers to come forward in relation to this matter – none wish to regardless of the urging of the Board.
71. The Board is currently investigating the various processes and systems that are used in the region for measuring colour to ascertain if the systems align with the industry standard but most wineries are reluctant to provide information pertaining to this. Many wineries want to use colour in red winegrapes as a means of grading and are aware that this process is not legal but instead of working within the industry to ratify the systems and processes used to measure and quantify colour they close up shop. Such reactions indicates that it may not be

a fully open and transparent system. The NSW Upper House Inquiry **Appendix 7 - recommendation 2** was in relation to the colour grading of red winegrapes that still requires attention.

72. The Board has continued to monitor the payments by wineries to growers by request of growers that are regularly not paid on time by their winery. Regardless of the terms and conditions of payment listed in private contracts many wineries are still in the habit of not communicating to growers' any payment problems that they may be experiencing. It is a poor business practice in the opinion of the Board not to keep your supplier informed about such important matters. Reports to the Board that wineries do not provide sufficient paperwork to allow growers to reconcile accounts each year is disappointing. Remittances are made at times without notification to the grower and in many instances the excuse that a payment was not made due to incorrect information held by the winery, contrary to prior payments to the same account being made successfully should be of concern as it perhaps is just a way of stalling grape payments to growers.

Industry Service Function (c) conclusions

73. While a contract template would assist growers it is the wineries that are somewhat lacking in this area. Contracts have been designed with the sole focus of benefiting the purchaser. Most contracts offered by wineries do not provide for open and transparent processes of dispute. A number of contracts that the Board has sighted do not even advise how to notify the winery of a breach or the information contained as the contact email address are incorrectly spelled. One contract previously offered by McWilliam's Wines had a clause that advised growers that if they wished to dispute a price offer that the matter would need to be resolved via negotiation. In the event that negotiation was not acceptable the price to be paid would be equal to the prior years price for that wine grape variety. The clause also specified that it was at the wineries discretion that any grower disputing a price may be subject to release from the contract regardless of its duration and regardless if the dispute was in relation to one variety. Such a clause is intimidating and threatening to growers. For example a price offer may be extraordinarily low for one of say six varieties sold to the winery. If this is disputed the winery has the right to walk away from purchasing all winegrapes even if the grower had accepted the price offer for all other varieties.
74. Many of the regions wineries do not believe in written supply agreements believing that their word is their bond. However their word does not specify the factors of maturity, pest and disease and required baumé which wineries can alter each year arbitrarily with no regard to the grower.
75. Whether a grower is comfortable or not with a written agreement, word of mouth or a hand shake it is important to note that they are not in the least bit comfortable to dispute the price offer or the conditions even if the contract provides open and transparent provisions. If the Wine Industry Code of Conduct was operational in this area it would provide growers with a better framework within which to have the conversation with the winery. However after many years of being poorly treated growers feel that their actions are limiting their

future in the industry as there are many examples of poor practices and treatment by wineries in this region.

76. Terms and Conditions of Payment are a real problem in the region that can only be addressed by policy and regulation. The flow on effects into the local economy are real and the withdrawal of this provision has been felt within the local economy. Local business operators often make contact with the Board to confirm if in fact a winery has not paid its growers on time. Each time a winery defaults its payment to a grower it impacts on the credit rating of that grower as invariably it triggers a default interest rate on their overdraft.
77. With diminished desire by the NSW Government to look into this area the Board recently sought approval from its members to obtain the assistance of a Competition Lawyer at the recommendation of the ACCC to look at the options for growers in this region in forming a collective and seeking authorisation to collective bargain with some of the regions wineries. To assist the Board in this endeavour inclusion of these actions as an industry service would be highly desirable.

(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 Boards area of operation

78. This industry service function was split into two cost centres. Primarily **Table 14 below** the collection and dissemination of marketing and industry information. The second cost centre **Table 15 below** managed by the Board relates entirely to the production and publication of indicator prices for MIA wine grapes.
79. The collection and dissemination of marketing and industry information is a very important role of the Board. The Board use social media accounts Facebook and Twitter to promote events and activities and SMS service to advise growers of meetings and important workshops that they are invited to attend. The use of email is growing on a yearly basis but many of our growers report that the hard copy information that they receive from the Board is the most appropriate manner in which they wish to receive information pertaining to the industry.

Table 14: Industry Service Function (d) Collection and Dissemination of Marketing and Industry Information Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$128,593	\$133,094	12.78%	15.52%
2007	\$150,677	\$122,535	17.14%	14.55%
2008	\$208,009	\$207,098	24.02%	24.87%
2009	\$144,418	\$171,590	13.28%	17.88%
2010	\$164,013	\$154,524	13.30%	15.48%
2011	\$175,368	\$151,741	16.75%	17.91%
2012	\$299,149	\$211,117	30.69%	21.78%
2013	\$144,018	\$105,269	15.46%	12.54%

2014	\$149,333	\$129,093	13.13%	12.82%
2015	\$137,811	\$100,971	13.12%	15.42%
2016	\$138,825	\$63,828	14.41%	8.49%

Table 15: Industry Service Function (d) Price information and Communication with Wineries Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$25,993	\$11,036	2.58%	1.29%
2007	\$21,922	\$17,246	2.49%	2.05%
2008	\$12,126	\$7,276	1.40%	0.87%
2009	\$8,700	\$5,324	0.80%	0.55%
2010	\$9,139	\$4,719	0.74%	0.47%
2011	\$5,595	\$3,761	0.53%	0.44%
2012	\$14,829	\$7,962	1.52%	0.82%
2013	\$13,587	\$6,582	1.46%	0.78%
2014	\$3,433	\$1,423	0.30%	0.14%
2015	\$8,035	\$997	0.76%	0.15%
2016	\$7,564	\$4,347	0.78%	0.58%

80. Budgeted activities undertaken by the Board in 2006 **Table 16 and 17 below** and supported by growers relating to Information Collection and Dissemination and Transfer.

Table 16 – 2006 Activities Information Collection Dissemination and Transfer

1	Subscribe to industry publications for all constituted producers.	\$19,290
2	Production of regional industry newsletter (6 times per year).	\$13,042
3	Maintenance of a regional website for industry (ongoing)	\$3,423
4	Staff attendance at Regional Association meetings.	\$3,725
5	Maintenance of online regional wine grape sale index.	\$5,058
6	Attendance of NSW Wine Industry Association meetings.	\$8,823
7	Attendance of national industry committees.	\$19,135
8	Maintenance of regional GIS database on vine plantings.	\$6,048
9	Liaise with SA & VIC grower representative bodies.	\$3,066
10	Liaise with the AWBC Information Service.	\$2,220
11	Subscribe to ABARE and ABS	\$1,856
12	Publication of the Riverina Utilisation and Pricing Survey.	\$4,521
13	Liaison with NSW DPI (crop forecasting and vine health issues).	\$2,310
14	Attendance of industry conferences and seminars.	\$8,541
15	Subscribe to Australian Business Limited	\$2,358
16	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, etc).	\$3,406
17	Subscribe to industry journals, newsletters and magazines.	\$2,091
18	Publication of Annual Report	\$13,275
19	Conduct of grower meetings	\$6,407

Table 17 – 2006 Activities Pricing information and Communication with Wineries

1	Production of regional pricing guides for growers.	\$3,411
2	Fund the development of Riverina Utilisation and Pricing Survey.	\$9,826
3	Publication guide to grape picking prices.	\$2,721
4	Liaise with wineries regarding statutory price reporting.	\$2,990
5	Conduct of RIVIT meetings on a regular basis.	\$4,234
6	Investigate publication of guide to pruning prices	\$2,810

81. Budgeted activities undertaken by the Board in 2016 **Table 18 and 19 below** and supported by growers relating to Information Collection and Dissemination and Transfer and Pricing information and Communication with Wineries.

Table 18 – 2016 Activities Information Collection Dissemination and Transfer

1	Grapegrower & Winemaker subscription for all constituted producers (12 per year).	\$20,430
2	Vine Chat - industry newsletter production (6 times per year).	\$20,142
3	Maintenance of a regional website for industry including Facebook, Twitter (ongoing).	\$5,991
4	Regional Grape Grower Association support (Hanwood and Yenda).	\$2,856
5	Maintenance and management of online regional wine grape sale index.	\$8,788
6	Attendance of NSW Wine Industry Association meetings.	\$5,531
7	Attendance of national industry committees.	\$20,778
8	Attendance at Irrigation Meetings, regional, state and national and IREC meetings.	\$6,085
9	Liaison with Trade & Investment NSW - Primary Industries, Food and Water.	\$2,543
10	Attendance of industry conferences and seminars.	\$10,287
11	Subscribe to industry journals, newsletters and magazines for the Board office.	\$626
12	Publication of Statutory WGMB Annual Report.	\$7,491
13	Conduct of grower meetings (Annual General, Special and Budget meetings).	\$6,486
14	Maintain & increase the development of a functional contacts database for the region.	\$13,222
15	Monitor, report and respond to Wine Industry Issues, eg. WET rebate	\$7,570

Table 19 – 2016 Activities Pricing information and Communication with Wineries

1	Collate and disseminate winery price lists.	\$1,700
2	Conduct Regular Meetings with Regional Wineries	\$4,350
3	Publish regional price reports - Price dispersion report	\$1,514

82. As the above tables show that the tasks being undertaken by the Board have evolved over time. In relation to the Information Dissemination and Transfer the Board continues to subscribe on behalf of all growers to a relevant industry journal. In 2006 this journal was the Australian Vignerons that was also the vehicle used by the peak grower group to provide information to its member base. Following its amalgamation with another publisher the Board at a growers meeting proposed to move to a publication titled Grapegrowers and Vignerons a broadsheet publication. This publication is no longer being produced having closed down. The Board now sends out to all growers' monthly copies of the Grapegrower and Winemaker magazine published by Winetitles a South Australian publishing company

that the Board has strong links with. The Board relationship with the publisher also allows for growers to advertise farm equipment sales and grapes for sale for 30 days free of charge.

83. The Board used to receive the publication in bulk each month, envelope and address these and send it to members. The Board had negotiated a financial credit from the publishers for having to post the publication ourselves. In a bid to reduce the postage costs more recently the Board has agreed to provide to the publishers clearing house on a monthly basis the mailing list for the purposes of sending out the publication to our members. We have realised a saving of labour (collating and packing) and postage (addressing and mailing) in this undertaking.
84. The Board has a regular in-house newsletter for its members which is also published online. Now titled "*Vine Chat*" the Board self publishes this 6 times per year and it generally contains 8 pages of information for members about current activities of the Board (derived from the minutes), upcoming events and activity reports on recent workshops and meetings attended to by the Board and its staff. It was originally a seasonal publication until 2006 when it commenced publication on a more regular basis. At the time the Board used to publish information in the local newspaper on a monthly basis. The newsletter is now the prime focus of the Board in getting information out to its members.
85. In an independent phone survey of the regions grape producers conducted for the Board by High Security Irrigators Murrumbidgee in 2011 it was found that 83% of our growers read the Vine Chat newsletter of the Board. This was a very pleasing result and a position that has been backed up by comments to the Board staff and members over the years. At the time readership of items such as newsletters within the agricultural industry at a level of 70% was deemed to be highly acceptable **Appendix 15 – WGMB White Paper**.
86. The Board is a major sponsor of the regional Riverina Field Day and has been for past 10 years. The Board originally developed its own viticultural field days and held them on farms and at local sporting grounds until moving to the Griffith Show Ground 2005. The cessation of the Murrumbidgee Farm Fair in Yanco was the catalyst in the Board partnering with the organisers of that Farm Fair and developing a truly regional event that could showcase not only to growers viticultural equipment and services but other commodities and activities of interest for growers and their partners and spouses. In 2017 over 15,000 people attended the event and the Board uses the opportunity to meet with growers at its marque to discuss industry issues of relevance.
87. The Board maintains a website, Facebook and twitter accounts and has used these as vehicles to keep members and those of the general public informed. Copies of publications can be found on it along with resources relevant to grower members. The Board also monitors the "hit rates" on this sight and note that it has minimal local "hits". However it is a source of information for persons interested in the region and as a point of contact for the Board. The Board has in the past used the website to list local fruit that is available for sale from growers that provide the Board with written permission to do so.

88. The Board is a member of the NSW Wine Industry Association (NSWWIA) and is written into their constitution as a foundation member from which the Chair of the Board must be appointed on their executive committee. From being a part of this state body we are able to share information coming from the state and federal governments. The NSWWIA is reported to by Wine Australia and it sits as a steering member on the National Wine and Grape Industry Centre management. The Board also uses the opportunity as a member to feed into the NSWWIA the research and development priorities of the Riverina growers. The NSWWIA is also heavily involved with promotions and tourism and the Board through its promotions function like to keep abreast of opportunities in this area that it could invest in.
89. This industry service provides the Board with opportunity to meet constantly at the national grower level as described in previous sections and to report to our members on matters affecting growers and to influence the research and development priorities. More recently our involvement in this national forum has enabled the Board to be privy to promotional activities being proposed federally for the nations wine industry. The Board's ability to participate in national committees has led to an expanding of the Board's role within the industry and a greater understanding of the industry.
90. The Board operates a Geographical Information Service (GIS) database. The system was setup in conjunction with Riverina Citrus in 2003 and has been updated and maintained on a regular basis at a cost to the Board. It provides a graphical overview of the entire region and is used primarily to service the Board's food safety program that it operates on behalf of the industry. The investment in this service has been significant and it should be maintained indefinitely for the benefit of industry. It would assist in the event of a biosecurity outbreak, assist state planning and development. The Board notes that Riverina Citrus had a similar system in operation when it closed operations – however no one from the NSW DPI was ever able to report what happened to it – this was despite the Board proposing to pay for imagery that was obtained by that committee that was at the time more current than the Board's imagery. Imagery is updated approximately every four years but the costs to the Board are high, approximately \$80,000 per update. Updates show increased development in the region and vineyard removals and the vineyard maps are made available to members free of charge for farm planning and their food safety systems.
91. Liaison with representative bodies and statutory authorities within the state and at the national level is important for the regional industry of this size. These liaisons are not done on our behalf by any other body and it is important in the role of information collection and dissemination that the Board can have firsthand knowledge. For example our liaison with the Roads and Maritime Services (RMS) has benefited our growers through the trail and introduction of the night movement of grape harvesters and equipment on public roads. Changes by the RMS to licencing and registration issues can promptly be explained to our members. Fatigue and chain of responsibility legislation have been a challenge for growers to adopt but having a relationship with key RMS staff has enabled them to present to our grower base at relevant meetings. For example a number of years ago it was noted that the widths of grape transport vehicles were outside the regulation of 2.5m. Most by an amount

of approximately 20mm. The Board negotiated with RMS and the then Minister for Roads for an exemption for our members until modifications to vehicles could be made that also needed to take into account the matters of Workplace Health and Safety at wineries.

92. The Board regularly uses the services of the Australian Wine Research Institute (AWRI) for the analysis of winery grape samples to confirm any maximum residue limits in winegrapes harvested under the Board Food Safety system, Hazards Analysis of Critical Control Points.
93. Other services noted in 2006 are rather quite self-explanatory in the role that they play, liaison with industry bodies regarding crop forecasting and vine health, subscribing to journals and magazines of relevance, publication of an annual report and the conduct of grower meetings. In 2016 this function area has been relatively maintained with the Board also looking at the development of social media applications and short messaging services for members (along with email) and the development of a functional contacts database for the region. Funds were also apportioned to monitor, report and respond to wine industry issues that are relevant to the Board and the Riverina region.
94. With regard to the dissemination of MIA wine grape prices this service has been rendered ineffective by the actions of the regions wineries. To glance at a current price list it is impossible to determine the price to be paid at some wineries until the wine grape has been assessed and colour tested and the season is completed. For example at Casella Family Brands the grade 3 price for Shiraz may be \$350 per tonne but until the season has finished and the winery has had sufficient time to assess all Shiraz colours received that year growers do not know what grade their fruit will receive. Growers in this instance need to rely on the minimum price which according to growers is not a sustainable amount per tonne. Wineries have moved away from providing price lists to growers and in a disappointing move many wineries do not notify the grower of the price to be paid upon delivery. This issue used to be regulated by the Board but since the legislation lapsed so did the willingness to operate in accordance with standard trade practices.
95. Some wineries provide growers individualised price lists that contain only the winegrapes that they grow. These growers are reluctant to share this information in case it has been personalised to an identifiable extent and they will get into trouble. A number of wineries believe that the price that they pay is of no concern to anyone other than the winery and the growers that deliver. However this stance does not take into account that an ideal functioning market should be aware of the supply and demand factors in relation to price. When operating within a vacuum of information it is difficult for growers to compare wineries as the price lists are varied and tend to take into account different factors in terms of maturing and disease penalties, not to mention the terms and conditions of payment.
96. The Board could use the prior year's pricing information to inform growers and under the prior regulation of terms and conditions of payment it could even look at the average price paid for each winery in the region. This data is no longer available as wineries are not required to report the price to be paid nor are they required to report the prices to be paid. In many instances it had been reported to the Board that wineries are not even notifying the

growers of the price that they will receive, with growers delivering on the hope that the price they will receive will be reflective of the market conditions.

Industry Service Function (d) conclusions

97. This service function is very critical for the regions grape growers. The Board sources, filters and delivers targeted information that is relevant to the region and the producer of the region. To source information it must be able to resource the attendance of meetings, conferences and actively participate in forums and committees.
98. The Board is confident that its activities in this area have been of high value to growers and over time the Board will be expanding this area into more direct ways of reaching out to our members in more tailored manner (direct messaging via email and SMS). The Board has partnered to a research project that is going to look at the ways growers adopt information. It is believed that with the aging population of growers in this region and currently disengaged youth coming into the industry it is now more critical to understand the needs of growers.
99. Wineries should be required to publish a price list that can allow a grower to compare the price that they receive from their winery to the price that is on offer at the other winery. In a similar way to that in which the notification of petrol pricing occurs within Australia, growers should be able to identify which winery has the better range or prices that suit the varietal mix that they are producing and once identified they can then approach then to sell their winegrapes. Such market information would also provide better market transparency than what currently occurs. Growers, even those subject to a complying contract would be able to review the prices and grades being offered by other wineries and then utilise this market information in pricing disputes should it be necessary. An informed market is a better functioning market. In the Riverina the lack of price notification is highly disadvantageous to growers.

(e) The conduct of research and development into plant health in relation to wine grapes

100. The following table shows the level of expenditure of growers fees and charges that the Board has applied in this function area. A large percentage of these costs can be attributed to Board staff labour and consultant costs.

Table 20: Industry Service Function (e) & (f) Research & Development and Education and Training - Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$243,008	\$195,824	24.14%	22.83%
2007	\$208,052	\$157,460	23.67%	18.69%
2008	\$210,328	\$192,346	24.29%	23.10%
2009	\$210,335	\$168,034	19.35%	17.51%
2010	\$385,271	\$248,829	31.23%	24.93%

2011	\$316,893	\$323,205	30.27%	38.15%
2012	\$420,435	\$353,382	43.13%	36.45%
2013	\$236,071	\$206,107	25.34%	24.54%
2014	\$291,235	\$230,570	25.61%	22.90%
2015	\$299,217	\$306,354	28.48%	46.78%
2016	\$295,830	\$170,303	30.70%	22.66%

101. The Board has maintained until the middle of 2016 a strong industry development role in the region since 1999. This commenced with the appointment of an Industry Development Officer (IDO) to look at areas of research that were required in the region and to undertake extension activities. The position resulted from an approach to the NSW DPI to co-fund a DPI Viticultural Officer in Griffith based on the knowledge that the incumbent Viticultural Officer Mr Harry Creecy would be retiring and the region needed to ensure that his experience and knowledge would not be lost, instead being transferred to another person. Unfortunately the joint funding proposal did not receive a positive response from the NSW DPI and the Board decided at the time that it would employ another member of staff of fulfil this role.
102. The role of IDO in the region allowed the Board to obtain federal grant funding for projects that could be undertaken regionally and managed by its new appointee. The role was also pivotal in organising regional workshops, field days and liaising with research providers regionally and nationally. The ability of the role to represent the region nationally at research and development priority meetings allowed the views of the regions growers to be heard at both a state and national level.
103. The IDO role continued to develop with the introduction of trial sites and on farm field days occurring regularly, post-vintage meetings and pre-vintage meetings. The Board IDO also partnered with NSW DPI to develop alternative workshops relating to other commodities that growers may consider.
104. The IDO role developed the laboratory capabilities of the Board initially for testing grape maturity for trial research and extension. The laboratory now is conducted primarily during the vintage season to test grape samples for grower members free of charge. Members use the service to compare the maturity and colour analysis also undertaken by wineries. Colour is currently used in this region by many of the regions prominent wineries to grade red winegrapes as it is perceived to be a measure of quality, although this perception is not supported by valid research that has been conducted nationally. Many growers believe that it is just another manner in which the end price can be manipulated for the benefit of the winery, therefore having the Board act in this area to confirm data is important. One winery even uses the Board's laboratory to check its own workings and the Boards results are often used in conjunction with theirs when growers choose to dispute a colour grading. Over the years the laboratory has also been a source of modest income (during the vintage) for the Board undertaking testing of wine grapes for wineries and growers further afield.
105. The position of IDO was pivotal in the Board developing its own food safety program at the request of Wineries. In early part of the century wineries were being asked by their wine

purchasers for food safety certification of the wine and henceforth the wine grapes. The Board negotiated with wineries and with their cooperation that still exists today close to 220 of the regions grape growers are involved in the Board's food safety program. This HACCP based system is a second party audited system that is managed by an independent person funded by the Board. The Board own and run the system for growers and each year an on-farm audit is conducted by the Board staff to ensure compliance with the principles and the program. The costs of training were born directly by participating growers initially and the ongoing costs are socialised by all grape growers, some of whom have a third party audit system as it suits them in to the extent that they produce other commodities requiring a greater level of audit and traceability. The Board, wineries and HACCP management meet regularly to ensure that the system is compliant. The system is also third party audited to ensure that it meets standards. Without the Board developing this and its continued operation growers would be required to undertake an annual third party audit. It should also be pointed out that not all wineries have gone onto the HACCP system as many are not required by their buyer to have this higher level of assuredness.

106. The following two tables **Table 21 and Table 22** show the activities and tasks that were proposed and accepted by growers in 2006 and 2016. Some of these items are budgeted to ensure that the Board has sufficient funding to undertake them if the need arises. Please note **Table 21 - item 11** in 2006 and **Table 22 - item 5** in 2016. While the need for such activities may not arise it is critical that a budget line item was noted for grower approval. Fortunately the Board has not been required to under these activities on a regular bases. Information obtained by the Board staff have been fed into the NSW DPI for disaster relief assessment at times.

Table 21: 2006 Research and Development and Education and Training activities

1	Installation of Phylloxera warning signs in the Riverina.	\$5,650
2	Liaise with NSW DPI on Phylloxera freedom for the Riverina MIA	\$3,094
3	Conduct wine grape laboratory sampling service.	\$19,703
4	Liaison with NSW DPI on R&D and vine health issues.	\$3,609
5	Attendance at NSW WIA meetings.	\$3,732
6	Liaison with regional irrigation companies on water matters.	\$1,933
7	Provide a weather station monitoring network.	\$6,914
8	Conduct of Light Brown Apple Moth monitoring and reporting.	\$3,208
9	Funding of and participation in research projects in the region.	\$25,504
10	Development of research proposals for the region.	\$3,091
11	Natural Disaster Assessment of vineyards (on a needs basis)	\$4,179
12	Conduct training for growers in professional & technical skills	\$18,951
13	Development and conduct of grower field days.	\$42,937
14	Research optimal wine grape maturity for harvest.	\$10,715
15	Participate in the AWIS	\$3,007
16	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	\$4,423
17	Development delivery and Management of HACCP based Food Safety system.	\$27,376
18	Production, publication and distribution of Spray Diary.	\$10,714

19	Provide grower viticultural advice and support.	\$7,996
20	Conversion Trial	\$36,273

107. It is important to note the change in this activity over time with the introduction of the federal funding opportunities individual research programs by the Board have been grouped into the fund Grassroots projects **Table 22 – Item 14 below**. While the development of the regional HACCP system has now turned mostly into maintenance, issues like developing and funding of regions research and extension has allowed the Board to apportion funds within its budget to enable it to be reactive to proposals from industry bodies and research providers seeking to undertake relevant research that the Board believes is having regional application and merit. The change in the manner in which the Field Days are conducted also realised a saving to the Board in terms of the budgeted allowance for this activity while providing greater opportunity for members to see exhibits.

Table 22: 2016 Research and Development and Education and Training activities

1	Conduct wine grape laboratory sampling service, grape maturity	\$12,019
2	Liaison with Industry on vine health, biosecurity & R&D issues, LLS liaison.	\$22,380
3	Attendance at NSWVIA meetings on R&D Priorities.	\$2,894
4	Maintain a regional weather station monitoring network service for growers.	\$3,456
5	Drift/Disease/Weather Assessment of vineyards (on a needs basis).	\$2,763
6	Development, sponsorship and conduct of grower field days.	\$17,069
7	HACCP Management	\$25,653
8	Development and Funding of Research and Extension programs in the region.	\$15,929
9	Production, publication and distribution of Riverina Spray Diary.	\$4,504
10	Provide grower support and advice	\$7,901
11	Assist in the management of regional Vine Improvement	\$5,255
12	Growers Extension services - Business/Marketing/Negotiation/Finance skills	\$13,658
13	GIS System Updates.	\$5,811
14	GWRDC Grassroots projects	\$156,538

108. **Table 22 - Item 14** in 2016 GWRDC Grassroots projects was a financial opportunity for the Board to undertake extension activities in the region with federal funding of up to \$125,000 per annum. This program commenced in the year 2009 and the Board undertook projects under this program up until 2016. Now due to staffing reductions at the Board the funds are diverted to the NSW DPI for the undertaking of activities proposed by the Board on behalf of growers. With the increases in opportunity for research, development and extension activities and the ongoing management of a grower HACCP program the Board employed a Technical Assistant in 2004 to assist the Industry Development Officer in the management of the vineyard trials, HACCP and the GIS mapping database developed by the Board. The Board engaged the services of a Technical Assistant/Officer until 2016 with the resignation of an employee whom took up a position overseas.

109. Since 2009-10 the following projects have been undertaken by the Board using federal funds and matched local funds. These projects have engaged consultants, researchers and viticulturists and have been of a high value to the regions grape growers and with consultation with and participation by the regions winemaker representatives. The projects were developed after consultation with growers in the region and their research priorities surveyed on a regular basis. This information was then discussed within the Riverina Viticulturist group – which comprised of the Board staff, Board members and representative viticulturists employed by the regions wineries. As the funding for these projects was mostly derived from grape producers and the regions wineries also grow grapes and pay the federal levy it was important that their input as stakeholders are taken into account. Important to note is that attendance at farm walks, field days, seminars and workshops by winery employees is often greater than that of wine grape growers.

Table 23: Projects and activities undertaken with federal funds

Year	Projects
2009-10	Irrigation Conversion extension activities
	Vine Balance research and extension
	Pest Identification workshop and manual for growers
	Veraison to Harvest Guide for growers
	Extension of the VineBiz – vineyard profitability program to growers
	Grower factsheets about the industry
2010-11	Alternative Varieties Workshop
	Tour to other regions
	Grapes to Wine publications to assist growers
	Petiole Analysis Reports for growers
	Post harvest vineyard management guide
	Soil analysis – undertaking and understanding the results
2011-12	Irrigation monitoring program
	Fertiliser efficiency project
	Spray Calibration workshops
2012-13	Fertiliser efficiency project year 2
	Grape Marc as mulch trials (NSWDPI)
	Irrigation monitoring program year 2
	Post vintage management seminar
	The Next Bunch program – youth development
2013-14	Brassica bio fumigation – NWGIC project
	Colour in red grape development trial
	Grape Marc as mulch trial year 2 (NSWDPI)
	Heat stress in grapes management tool
	Precision Viticulture project
	Fertiliser efficiency project year 3
2014-15	Under vine matting trial for increasing grape colour
	Brassica bio fumigation – NWGIC project year 2
	Precision Viticulture year 2
	Trunk disease remediation trial (NSWDPI)

2015-16	Brassica bio fumigation – NWGIC project year 3
	Mid-row management trial (2 regional sites)
	Precision Viticulture year 3
	Vineyard sunscreen trial
	Trunk disease remediation trial (NSWDPI) year 2
	Weed management workshop
2016-17	Mid-row management trail year 2

110. For the years 2009 through to 2011 a newsletter on local research and extension activities was published and sent to growers regarding the regional program. It was disbanded after only 8 editions being published and the outcomes were incorporated into the Board's ongoing Vine Chat newsletter.
111. In 2016 the Industry Development Officer (IDO) resigned to take on a local role with a winery as a viticultural technical officer. At the time the Board reduced the project activities that were being proposed for the 2016-17 year and the incumbent Technical Officer resigned some months later. The Board took the opportunity to review the Board's increasing role in this area and decided to scale back this area of activity and appointed an Extension Officer to focus primarily on the auditing of HACCP accredited growers and undertake workshops for growers. Unfortunately the timing of the vacancy occurred following the NSW Treasury announcement that the Board was to be reviewed with the likelihood of it being removed. The negative sentiment that this announcement provided had a direct impact on the position vacancy and reduced the number and quality of applicants for the role. Not one suitable replacement was found so the Board reviewed the position's role entirely.
112. Over the years the Board has continued to financially support research and development projects of merit and has provided assistance either in-kind or financial to the following relevant projects outlined in the table below.

Table 24: Research and Development projects funded by the Board

Year	Project
2001	Environmental Management Systems – CRC for Viticulture (in-kind work)
2002	Cost of Production Survey – Booth Associates
2003	Australian Grapevine Yellows research and extension work – with SARDI (South Australia)
2004	Irrigation and Draining system analysis – CRC for Viticulture (in-kind work)
2004	Restricted Spring Growth research
2005	MIA Vine Improvement – (cash and in-kind work and assistance)
2006	Matter Other than Grape (MOG) winery training program undertaken with Riverina TAFE
2007	Phylloxera Workshop for the region – with NSWDPI
2007	Grapevine Borer research and extension – with NSWDPI NWGIC
2008	Winegrape Into Ethanol research project – to assist oversupply issues
2008	CSIRO SMS Evapotranspiration project – SMS notification of water use requirement project
2011	Biological Control Methods project (NSWDPI)
2012	Biological Control Methods project (NSWDPI)
2013	Biological Control Methods project (NSWDPI)

2014	Rootstock Evaluation trail – MIA Vine Improvement Society
2016	Information Seeking and Adoption Assessing and Communications Strategies

113. The Board has also maintained and expanded a weather station network in the region since 2005. The network was primarily located in high density growing areas across the region with participating growers required to download the data on a weekly basis and forward this to the Board for analysis and extension to all growers. Analysis of the data was relevant to determine if the weather characteristics had enabled any disease spores to develop. The weather station network was eventually upgraded with new units containing remote access capabilities that allowed staff to dial in and obtain the weekly data, process this and send it to growers initially via facsimile but more recently by email.
114. The weather station network has since been upgraded again with higher tech systems identical to the one installed by the NSW DPI in the Riverina and across major production region state wide. The Board owned equipment now feeds into the NSW DPI website and adds value to the work being conducted by the NSW DPI in the area. In 2015 the Board signed with the NSW DPI an access deed that allows the NSW DPI to access our infrastructure and to present this data as a united source of invaluable information for growers. The system was initially hosted by the Australian Wine Research Institute (AWRI) but after issues with the frequency of updates and the delay in information being shown on their server the program has for the 2017-18 season been brought onto a NSW DPI server. The systems can also be accessed by any member of the general public.
115. The Board have hosted and provided financial and in-kind support to many workshops that have been either conducted by Board staff or third party providers. The Board's contact database is used to keep members informed of such events. The following table shows the number and type of workshops that have been conducted in the region that have been undertaken with the assistance of the Board.

Table 25 Workshops and Seminars conducted and promoted by the Board

Year	Workshop/Seminar
2008	Carbon Mythbusters – truth about carbon sequestration
2008	Chemical user training
2008	Climate Change Workshop
2008	Community Economic Development Workshop
2008	Riverina Field Day
2008	Grape tank paint application seminar
2008	Leeton and District Farm Family Gathering
2008	Spray Workshop
2008	Water and Vine Workshop
2008	Vitt Grower Meeting – update of research and extension programs in the region NWGIC
2009	Fruit Fly presentation workshop
2009	Carbon Trading Workshop
2009	Young Irrigators Network family fun day
2009	Fair Work Information Session
2009	Future Options for Farmers

2009	Irrigation Workshop
2009	Making Soils Productive
2009	Tractor Maintenance Breakfast – mental health awareness and assistance
2009	First Aid training for growers and their families
2009	Winegrowing Futures – Vine Health Workshop managing trunk diseases in vineyards
2009	Innovators Network workshop in the Riverina – ASVO
2010	Croplands demonstration field day
2010	Rural Landholder's Guide to Environmental Law in NSW workshop
2010	Water for the Future – Dept of the Environment, Water, Heritage and the Arts
2010	Diversification and Development Options for the Future seminar
2014	Agricultural Options Workshop – with NSW DPI
2015	Australian Wine Research Institute – regional workshop
2016	Agricultural Options Workshop – with NSW DPI
2016	Succession Planning Workshop – Business Enterprise Centre
2016	Understanding Contracts Workshop – Business Enterprise Centre
2016	Australian Wine Research Institute – regional workshop
2016	Durif Varietal Showcase
2016	Agricultural Options Workshop – with NSW DPI
2016	Weed Management Workshop
2016	Financial Planning Workshop – Business Enterprise Centre
2017	Australian Wine Research Institute – regional workshop
2017	Wine Australia Regional Program – NSW DPI

116. The Board staff contribute to the NSW Viticultural Development Program throughout the growing season providing fortnightly reports to the department for inclusion into their regular updates to industry subscribers across the entire state.
117. The Board also participated in the NSW DPI project reference group for the Wine Industry Strategic Coordination of Extension Activities (WISCEA) to address the current industry development and extension activities within NSW and the to talk about the priorities for research and development for NSW to ensure that these are incorporated in the state strategy for RD&E.

Industry Service Function (e) conclusions

118. The conduct of research and development into plant health in relation to wine grapes is an important aspect of the work that continues to be conducted by the Board, albeit on a reduced level. The outsourcing of much of the nationally funded projects activity provides the Board with the opportunity to focus on getting the right outcomes and projects undertaken. The Board is better placed to monitor the activities of a third party working on behalf of the regions producers in the current staffing circumstance. However that is not to say that the Board would not look to increase staff numbers in the future. Recently the Board engaged a contractor to work onsite working on the regional mapping system. This will ensure that mapping updates are maintained for the benefit of our members without the Board's reliance on seeking out extra permanent staff for the office.

119. Much of the research, development and extension work that has been undertaken has been driven primarily by the requirements and direction of growers through consultation, surveys and discussions at Board and local association meetings. For the most recent AWRI regional workshop/roadshow that was conducted in the region the topics were selected by the Board due to grower inquiry in wanting to know more about specific matters of relevance to the production and protection of winegrapes.
120. The Board under this industry service function has expanded in areas such as biosecurity monitoring and report, irrigation management, mid-row management trials, bird scaring, pest and disease monitoring and reporting, soil management, vine training and pruning workshops, vineyard spray calibration workshops, fruit fly management and reporting. While many of these activities may not strictly conform with, *“the conduct of research and development into plant health in relation to wine grapes”* they are important aspects of viticulture that the Board is required to undertake for the benefit of its members. The Board would like to see this industry service function expanded to encompass matters relating to all areas of viticultural management.

(f) The provision of education and training in relation to wine grape production and marketing

121. Expenditure in this service function was conducted into the areas of research and development and specific tasks and activities were budgeted specifically relate to this provision. For example in the **Table 22 above** for 2016 the activities listed that relate to education and training; HACCP Management **Table 22 - item 7**, Provide grower support and advice **Table 22 - item 10**, assist in the management of regional vine improvement **Table 22 - item 11**, grower extension services **Table 22 - item 12** and GWRDC Grassroots projects.
122. Through the provision of support and advice to members for their individual marketing needs the Board staff use the opportunity to talk growers through the process of approaching other buyers to sell their wine grapes or how to effective liaise and document discussions with their existing winery. Group sessions on this area are not well received as each grower has a different product mix, scale of enterprise and history with the regions wineries. Each business offer differs greatly and members generally are rightly not comfortable to undertake such personal business discussions in an open forum.
123. The Board (as noted in the prior section) conducted and assisted in the delivery or promotion thereof many workshops and seminars in the region. Unfortunately many growers see little worth in coming to a group session to talk about contracts or learn how to sell their wine grapes as this tends to be of a highly personal nature. To compliment the marketing of growers fruit the Board annually conducts a free index for members that are unable to place their wine grapes or are seeking an alternative home. In prior years of oversupply the index has worked well in ensuring that the regions production was cleared. The Board also used the opportunity to promote the available winegrapes to other regions in Victoria and South Australia. Marketing of the regions production via the Board has provided opportunities for many growers to obtain an alternative buyer for their wine

grapes, many tonnes are now sold out of the region. The index has also provided needed exposure to the growers of having to liaise with potentially new buyers. The index system has been refined over the years to reduce the negative impacts that a bulk amount of unplaced fruit could impact on the current market price. It has gone from simply getting growers to sign a release that allowed the Board to circulate the entire contact details to wineries and the tonnes that they had available to a system in which the Board gets either an email or online request from a winery seeking X variety and X amount of tonnes. The Board staff are then mobilised to call every grower with that variety listed on the private index and these growers are given the number at the winery to contact. The Board rarely talks to the winery about the price offer unless the buyer is looking at prices well below the market. It is up to the grower to make the contact and negotiate the sale of their fruit and Board staff offer guidance in this. However it is important to note that in an oversupplied market it is a buyers' market.

124. Through the Board's function of the provision of information to members the details of current domestic and international markets are often summarised. This information is often sent to members verbatim from report provided by Wine Australia the federal statutory authority charged with the research, development and marketing functions nationally. Growers are made aware of the development of international markets and activity within the domestic market and how this relates to the Riverina.
125. The Board has also promoted Mental Health workshops to members. While this area is not strictly within the limits of the Board's regulation it has been important to assist grower members in dealing with the problems caused by the downturn in pricing, disease pressures, natural disasters that have occurred in the region and the pressures of marketing their wine grapes. Many of the past and present staff with the Board have been trained in Mental Health First Aid to ensure we are well placed to assist our members.

Industry Service Function (f) conclusions

126. Education and training of wine grape growers is an important activity conducted by the Board that needs to be continued. Engagement with growers is often challenging in this regard as they are often reluctant to leave their properties for such training. The Board has recently been meeting with smaller groups of growers to ascertain the best process and opportunity for them to be engaged. Members have cited travelling to public venues as problematic in that it interferes with their working day. Others have recommended that the Board undertake regional roadshows using available growers sheds as venues. This idea is continually being developed and the latest round of NSW DPI presentations will be held in such venues.
127. The Board at the commencement of 2017 employed an Extension Officer whose role is to recommence that engagement with growers that has dropped off over the past years as the Board has had to manage the federal funded Grassroots regional projects. While the Board engages each year with growers on farm for their HACCP system auditing not all growers are covered by the program. The Extension Officers role will be to meet with all growers

following the current round of HACCP audits and talk to them about their education and training needs and what areas of research and development that they wish to see the Board fund or undertake for the benefit of the regions producers. As a Board we understand that it growers won't attend our meetings then we need to attend to them directly.

(g) The promotion (in association with wineries representing wineries) of wine made from MIA wine grapes

128. The promotion of the region has remained relatively static up until 2015 when the Board undertook the development of the Riverina Wine Collective:

www.riverinwinecollective.com.au

129. The Board also funded the bringing to the region of almost 40 persons from key wine market destinations to learn about the region. The Board continues to look for opportunities to partner with wineries in the region to promote the Riverina and MIA wine grapes.

Table 26: Industry Service Functions (g) & (h) Promotion of the region Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$33,607	\$29,582	3.34%	3.45%
2007	\$59,377	\$30,832	6.76%	3.66%
2008	\$31,157	\$33,062	3.60%	3.97%
2009	\$56,395	\$26,199	5.19%	2.73%
2010	\$57,742	\$44,235	4.68%	4.43%
2011	\$45,187	\$24,819	4.32%	2.93%
2012	\$35,752	\$28,195	3.67%	2.91%
2013	\$22,743	\$18,787	2.44%	2.24%
2014	\$66,435	\$58,515	5.84%	5.81%
2015	\$78,779	\$116,703	7.50%	17.82%
2016	\$78,944	\$31,507	8.19%	4.19%

Table 27 – 2006 Regional Promotion and increased GI labelling of Riverina Wines

1	Production of a Riverina based promotional DVD.	\$3,659
2	Finalise Production of growing promotional DVD for the region.	\$5,298
3	Fund Tourism Touchscreens (interactive information for visitors).	\$3,079
4	Maintenance of wine displays (Griffith Airport & Leeton Visitors).	\$3,187
5	Media releases (inclusion within industry publications).	\$3,806
6	Promote branding of Riverina wine grapes processed into wines.	\$3,523
7	Promotion of the region at industry functions.	\$2,511
8	Continue to gain and aim for increased media exposure.	\$2,673
9	Development regional website with linkages to wineries.	\$2,220
10	Liaison with wineries on collaborative promotional opportunities	\$3,650

Table 28 – 2016 Regional Promotion and increased GI labelling of Riverina Wines

1	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ).	\$1,007
2	Maintain and Develop Regional Wine Displays.	\$6,586
3	Promotion of the region at industry functions.	\$4,972
4	Develop media exposure of the region, eg short videos, print and social media.	\$13,508
5	Riverina Wine Collective programs and activities.	\$8,823
6	Regional Promotional Activities.	\$23,680
7	Invest in Australian Grape and Wine Authority (AWGA) promotional programs.	\$20,370

130. In 2000 and prior the Riverina Winemakers Association (RWA) and the Board funded a body called the Winemakers of the Riverina Promotions Committee (WORPC). The Board provided a modest level of funds to this committee and its representative would sit on the committee to discuss matters relating to promotion of the regions industry and the wines made. In 2002 the RWA citing rising costs of duplication in management decided with the tacit agreement of the Board to move the management of the WORPC under the RWA. Shortly afterward the Board wrote to the RWA President Mr Doug McWilliam citing concerns that the funds the Board was providing for promotion were now being utilised at the sole discretion of the RWA with no input or recourse from the Board. The RWA declined to allow a Board representative to participate in discussions. The catalyst for this correspondence was the RWA decision to fund a Riverina Botrytis Wine stand was funded at a cost of \$5,000 for the Wine Australia 2002 event. The Board was approached for further funding and at the time could only offer in-kind support of staffing at the event to which the RWA Secretary stated *“if that is all you wish to offer then forget it”*. This action and those of 12 months prior at which the RWA representatives threatened not to support the Board during the 2000-2002 legislative review of the Board if it did not financially contribute to promotions led to a breakdown in relations.
131. Also during this period while financial members of the WORPC the Board wrote to the RWA to advise that it found it difficult to support regional promotions when two of the local winemakers were publicly making negative comments in relation to the regions winegrape quality as being “poor” and “substandard”. Such negative comments were irresponsible and damaging to the regions reputation.
132. Without being able to direct or influence funding via a regional committee the Board in 2002 approached wineries for their support in the development of wine displays at the Griffith and Leeton airports. Wineries in general agreed to provide display products gratis and while the Leeton display cabinet ultimately ended up in the Leeton Visitors Centre these provided visitors to the region a better understanding of the brands and wine varieties on offer regionally. At the time 80% of in-bound air travellers were in the region for business so showcasing what was on offer in a collaborative manner made perfect sense. Commencing in 2003 with a bright Christmas display the displays presented products over 23 iterations across 7 years. Displays were themed by the Board staff to coincide with seasons, local, national and international sporting events.

133. The following images are for example of the various displays that were setup by Board staff with wines donated by wineries. The buy-in by wineries was easily achieved as many used the Griffith airport to attend sales meetings and if their wine was not displayed they quickly rectified the situation.

Image 1: Airport Display Griffith Christmas 2006



Image 2: Airport Display Griffith Easter 2010

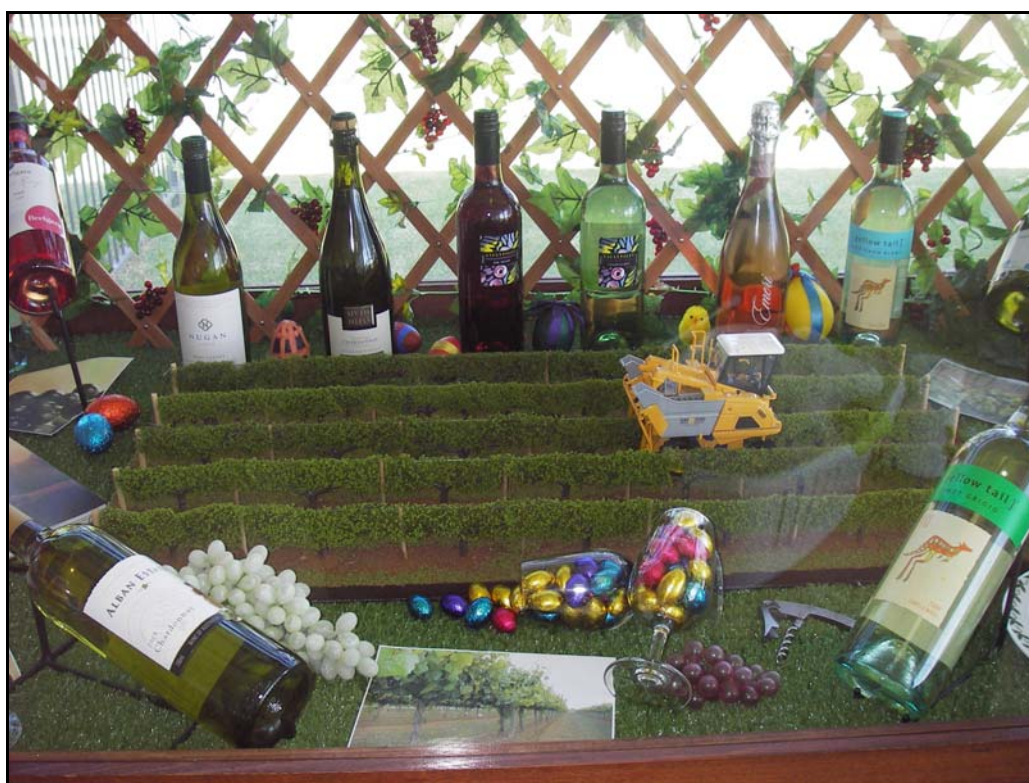


Image 3: Leeton Visitor Centre Display 2009 “Winter Warmers”



Image 4: Griffith Airport Display 2006 World Cup



134. The displays were disbanded in 2015 when the Griffith City Council renovated the Griffith Airport and were deemed not in line with the new décor and the Leeton Visitors Centre needed more space for other exhibits. The display cabinets were donated to the Griffith Pioneer Park Museum for display purposes (they no longer hold wines).

135. In 2014, 2015 and 2016 the Board participated in Taste Riverina via Riverina Regional Tourism promoting the wines and wineries of the region to the domestic market. In 2014 a desire to undertake more targeted promotion of the region led to the development of the Riverina Wine Collective website www.riverinawinecollective.com.au at which stories connecting winegrape producers and winemakers would form the basis of a united approach to marketing the region. This idea has the support of the regions wineries and on the site members of the public can view and learn about the varieties produced in the region and even go through to the winery Point of Sale websites. This site is still being developed and with the advent of the Growers Award at the Riverina Wine Show it is hoped that more growers can be recognised for the work that they do in the vineyard and its impact on wine quality and relatability to consumers. Unfortunately while the site was started in 2015 in 2016 a grower did not receive an award at the wine show the trophy was won by a regional winery that grows grapes and the Board's access to other nominees for the same category were denied by the RWA management. It is hoped that the new management of the Wine Show will provide the Board with a better opportunity to obtain examples of wineries and growers working to create wines from the region.
136. In 2014 and 2015 the Board hosted under the banner of the Riverina Wine Collective a number of tours in the region. 17th November 2014 representatives of the Asian Wine Media; 15th – 16th March 2015 Chinese Wine Media, 10th – 11th June 2015 Australia Trade Immersion Program and 14th - 15th November 2015 representatives of the United Kingdom and European Wine Trade were all shown the region, visiting wineries and restaurants alike with ample time given to them to meet winemakers and taste wines presented by them at collaborative events. The majority of the cost of these events were covered by the Board and interstate and international travel arranged by Wine Australia as the inbound guests also went to other regions within Australia. While the response to these was well received by participating regional wineries the program no longer exists via Wine Australia and the costs of locating suitable persons to bring to the region are insurmountable for the Board. Wine Australia advised that they are no longer focusing their promotional tours on low value regions such as the Riverina.
137. In 2015 the Board formally launched the Riverina Wine Collective website at a wine luncheon titled "*Lunch in the Vineyard*". It was promoted via Taste Riverina and was held adjacent to a local vineyard. The event was a food and wine experience for participants and was well supported by wineries. While the event held was extremely well received it came at a high cost to the Board and the following year's event had to be disbanded and bookings refunded due to the selected site being inundated due to the high winter rainfall. The 2017 event was also cancelled due to the Board's inability to negotiate a site adjacent to a vineyard that suited the purposes of being all weather and affordable. The event idea and name have been made available to more experienced event coordinators in the region.
138. The Board has always considered proposals on their merits either these being from Riverina Regional Tourism, Griffith City Council Economic Development office or other providers of magazine subscriptions. The Board has put funding toward the Griffith La Festa event and recently the Griffith Easter Party and any event that focuses on the region and the wines

that are produced. However gauging response and benefits of all the promotional experiences is difficult and to the Board's knowledge no increase in sales has been reported by wineries resulting from the Board's input. The input to date has created an awareness of the region locally and possibly in key domestic markets but how this has related to increases in farm gate values is impossible to know.

139. The Board more recently has focused on partnering with the Riverina Winemakers Association promotional coordinator and in 2017 a raft of events were formally presented to the Board for consideration as opposed to individual events as was the case in the past. The Board agreed to fund \$10,000 as a platinum sponsor toward the 12 month program of activities (including 2017 Vintage Festival, Wine & Food Twilight Markets, Ladies Wine Society dinner, Riverina Wine Show and many digital marketing events) and is finding that in providing funds to experienced persons based on a well presented and delivered plan is a more focused and appropriate use of growers funds.

Industry Service Function (g) conclusions

140. There remains a strong desire among the Board and its growers to ensure that the statutory charge can be applied to regional and domestic promotion of the regions wine and wine grape production.
141. The Board has included growers in the consultation process of promotion over the years and has presented to growers the major activities. At the Board's recent AGM the Riverina Winemakers Association (RWA) representative presented to growers the activities that are taking place this season. The new program has strong buy in from the regions wineries although to participate wineries are required to be a member of the RWA.

(h) The promotion of regional industry, including regional wine making, within the Boards area of operation

142. The Board chose to approach the regions promotions on a project by project basis and would consider specific projects from time to time from any relevant party. The Board has for the past 20 years funded a promotional article in the local Griffith and Leeton Visitor Centre Guides *see image 5 following page*. These have in the past been developed in consultation with winery representatives and the RWA staff. Most recently the Board funded the Griffith guide in 2017 and Leeton in 2016. These generally last for a 18-24 month period before being renewed by the local council.
143. For a number of years the Board sought the assistance of winery marketing personnel to assist it in developing material and text that highlighted the region in terms of what was available here and what visitors to the region could expect. Wineries also participated in this promotion by highlighting their cellar door sites.
144. The Board also considers that when it is out of the region undertaking meetings or attending to conferences it is promoting the region by its actions and statements. The Board CEO has often been asked to present a conferences in the past on investments, risk management

145. All formal functions held by the Board use local wines and invited guests to the region are often provided with a gift pack of local wines and Riverina branded glasses or other products.

Riverina Wines

The region exports more than **12 ½ million cases of wine** to more than 50 countries around the world every year (34,000 dozen per day!)

22,000 hectares of wine grapes grown producing **320,000** tonnes of specialist wine grapes

340 Individual grape growing businesses

Home of the largest family owned winery in Australia

Home of the fastest wine bottling line in the world capable of **36,000 bottles** an hour.

Riverina wineries produce **one in every four glasses** of great Australian Wine

The Riverina is home to **7 of the top 15** wine exporters

All Riverina wineries are **family owned**

100 x 1.1 M litre tanks can be found at Casella Wines

If you consumed one 750ml bottle of wine per day, it would take you **4,018** years to get through one tank!

The Riverina is **world-renowned** for its Noble Rot Botrytis Semillon

The Riverina has been producing wine for **over 100 years**

62 varieties of grapes in the region... and growing

The Riverina is the largest wine region by area in Australia

Word Cloud: SEMILLON, SAUVIGNON, PINOT GRIGIO, CABERNET, SHIRAZ, MERLOT, DURIFF, CHARDONNAY, etc.

146. The Board has also partnered with wineries to develop a regional map of the cellar doors available for visitors and locals. This helps with local tourism and benefits all within the community from accommodation providers, fuel retailers and restaurants.
147. The Board also funded a number of promotional videos of the region with the support of key winemaker personnel. In 2008 the Board put \$20,000 toward the creation of a High Definition DVD for the Aussie Wine Trail featuring the Riverina. Other regional wineries participated, Australian Old Vine Wines, Beelgara Estate Winery and Casella Wines. A number of key growers were interviewed the program was shown on an Asian pay per view and has also appeared in Canada and reports of this being shown in the United States have been received. The Board made multiple copies of the DVD and provided these to Austrade to assist in their efforts in promoting the region. The Aussie Wine Trail was a series produced in Australia to market our wine region to the world.
148. In 2014 and 2015 the Board undertook to make a series of short movies featuring the harvest and production of Riverina wines. These have been well received and also involved key personnel from the region's best known wineries. The production of these was undertaken in digital format and can be viewed online at our YouTube Channel Riverina Winegrowers.
- https://www.youtube.com/results?search_query=riverina+winegrowers
- Copies of the digital videos were provided to all visiting in-bound wine buyers, media and sommeliers via the Wine Australia program and are available for use by any person or business wishing to promote the Riverina.
149. In 2016 the Board developed a sign for grape transport trucks initially as means of educating local traffic to slow down around these slow moving vehicles to prevent spillage on the local roads. The design and messaging actually advertises the regional product, "Riverina Winegrapes On Board".
150. The Board through its membership of the NSW Wine Industry Association is a funding partner of all promotional activities coordinated by this state body. While it presently leaves the activity to marketing experts from wineries it does get the opportunity to discuss such matters within committee.

Industry Service Function (h) conclusions

151. This industry service function has been treated by the Board in conjunction with (g). The promotion of the region is important as are the wines made from MIA winegrapes. This industry service function could readily be amalgamated into one function.
152. The promotion of the regional industry and winemaking is important to grower members. Members hope that in doing so it will increase farm gate returns.

(i) The representation of the wine grape industry in relation to the matters referred to in (a) – (h)

153. The Board have represented the interests of wine grape growers at the regional, state and federal level in accordance with all the matters raised above. It has done so in the best interests of its members and that of the national wine industry.
154. The Board has acted as a point of information resource for the NSW DPI and state and federal government bodies as required as it is often called upon by authorities to provide relevant statistical information pertaining to the industry and its members. The Board has also worked locally with stakeholders in relation to matters pertaining to the Murray Darling Basin Plan, these activities were coordinated by the Griffith City Council and the Board provided a grape growers perspective and views on the matters of concern.
155. During the drought and the concern of limited water being delivered to some of its members the Board worked with Murrumbidgee Irrigation to identify opportunities to ensure that timely water was available to growers. Also in relation to Murrumbidgee Irrigation the Board coordinated a response to their draft member water contracts and assisted in the negotiation of an acceptable position for its members.
156. The following expenditure is in relation to this area.

Table 29: Industry Service Functions (i) Representation of the Industry in relation to (a) – (h) Budget and Expenditure 2006 - 2016

Budget	Budget	Actual	% Budget	% Actual
2006	\$115,890	\$96,957	11.51%	11.31%
2007	\$102,278	\$70,476	11.64%	8.37%
2008	\$33,081	\$38,756	3.82%	4.65%
2009	\$43,855	\$40,233	4.03%	4.19%
2010	\$47,874	\$48,881	3.88%	4.90%
2011	\$43,168	\$67,221	4.12%	7.93%
2012	\$38,671	\$32,533	3.97%	3.36%
2013	\$48,260	\$56,433	5.18%	6.72%
2014	\$40,698	\$58,869	3.58%	5.85%
2015	\$61,912	\$38,874	5.89%	5.94%
2016	\$49,872	\$25,589	5.18%	3.41%

157. The activities involved in maintaining an adequate representation on behalf of the regions producer involve writing submissions to governments in relation to matters of importance to local producers. The Board has in the past contributed to the following:

Table 30 Submissions written by the Board since 2010

Year	Issue
2010	Submission to the NSW Upper House Inquiry into the Wine Grape Market and Prices
2010	Submission to the Murray Darling Basin Authority (Feedback on the Guide to the Murray Darling Basin Plan)
2010	Submission to the House of Representatives Standing Committee on Regional Australia (Inquiry into the Proposed Murray Darling Basin Plan)
2011	Business Case to the NSW Government for the Reintroduction of Terms and Conditions of

	Payment.
2012	Submission to the Murray Darling Basin Authority Basin Plan
2012	Submission to the Standing Committee on State Development Adequacy of Water Storages in NSW
2012	Submission to the Senate Standing Committees on Environment and Communications, Inquiry into Water Amendment (Water for the Environment Special Account) Bill 2012
2013	Business Case to the NSW Government for the Reintroduction of Statutory Terms and Conditions of Payment
2013	Submission to the Review of the NSW Liquor Act 2007
2013	Submission to the Independent Pricing and Regulatory Tribunal LLS NSW
2014	Submission to the Agricultural Competitiveness Issues Paper
2014	Submission to the Agricultural Competitiveness Green Paper
2015	Submission to the Australian Grape and Wine Authority Strategic Plan 2015-2020
2015	Submission to the Wine Equalisation Tax Rebate Discussion
2016	Submission to the Wine Equalisation Tax Rebate Tightened Eligibility Criteria
2016	Submission to the NSW Treasury re Statutory Regulations
2016	Business Case to the NSW Government for the Reintroduction of Statutory Terms and Conditions of Payment.

158. The Board is a member of many representative organisations to enable it to find out information and transfer this to its member base. It also allows the Board to feed in relevant information pertaining to grape production issues.

Table 31 Committees and the Board is a member of

National Irrigators Council
NSW Irrigators Council
NSW Business Chamber
NSW Farmers Association
NSW Wine Industry Association
Irrigation Research and Extension Committee
Australian Society of Viticulture and Oenology (ASVO)

159. The Board staff have also undertaken roles in the past in relation to their functions. The following committees and sub-committees have had direct input from the Board and its staff

Table 32 Committees that the Board has participated in

Wine Industry Relations Committee
Wine Industry Code of Conduct Management Committee
AWRI Agrochemical Reference Group
Wine Industry Environment Committee
MIA Stakeholders Group (MDBP regional committee)
Winemakers of the Riverina Promotions Committee
Local Land Services Riverina Irrigation Sub-Committee
Wine Grape Growers Australia
Riverina Viticulturists
Riverina HACCP Group

Industry Service Function (i) conclusions

160. The Board through its activities to seek out information and provide this to members and to ensure that the views of its members are known has been quite active in joining representative bodies on all matters that relate to the status and wellbeing of the regions wine grape growers. The role of representation at these levels is critical in ensuring that the Board can represent growers in relation to the Code of Conduct, contracts and terms and conditions of payment, collection of information and its dissemination, research and development activities and promotional activities. Many of these activities are best undertaken in a coordinated state or national manner and the Board through this industry service function can appropriately resource the attendance and contribution to these matters.
161. Growers require the Board to represent their interests when meeting with state and federal governments and developing submissions relevant to the matter of grape production in the Riverina.
162. This agricultural industry service function is highly relevant and required for the benefit of the regional wine grape production industry.

Other relevant matters

163. The operational costs of being a NSW Statutory Authority are high. Managing the payment of fees and charges, preparing minutes and conducting meetings of the Board along with the maintenance of the Board office are expensive items. Complying with the statutory provisions of being a business, audit costs, annual reporting and strategic planning comes at a cost.

Table 33: Industry Service Functions Operational Costs - Budget and Expenditure 2006 - 2016

Year	Budget	Actual	% Budget	% Actual
2006	\$131,586	\$175,869	13.07%	20.51%
2007	\$306,501	\$164,971	34.87%	19.59%
2008	\$163,343	\$210,342	18.87%	25.26%
2009	\$230,656	\$239,034	21.22%	24.90%
2010	\$207,909	\$170,215	16.85%	17.05%
2011	\$271,380	\$249,268	25.92%	29.42%
2012	\$198,171	\$186,099	20.33%	19.20%
2013	\$251,631	\$382,094	27.01%	45.50%
2014	\$348,988	\$231,949	30.68%	23.03%
2015	\$297,155	\$295,292	28.28%	45.09%
2016	\$277,410	\$416,699	28.79%	55.46%

Table 34: Operational Items Budget 2006

1	Maintain Terms and Conditions of Payment.	\$12,796
2	Manage the payment of Board fees and charges.	\$13,701
3	Compliance with Statutory obligations.	\$9,133
4	Conduct and minute Board meetings.	\$12,070
5	Maintenance of current office facilities, assets and accounts.	\$74,674
6	Staff training provision.	\$9,212

Table 35: Operational Items Budget 2016

1	Manage the payment of Board fees and charges, authorised officers.	\$73,831
2	Compliance with Statutory obligations.	\$96,845
3	Prepare papers, conduct and minute Board meetings.	\$18,404
4	Maintenance of current office facilities, assets and accounts.	\$79,834
5	Board and Staff training provision.	\$8,497

164. Managing the function of ensuring that statutory fees and charges are paid in accordance with Agency Agreements is critical in ensuring cash flow to the operations of the Board. In 2006 the cost to the Board of undertaking this activity was reasonable but has risen sharply due to the use of external authorised officers and the 5% fee that most wineries charge the Board. The cost to the Board over the past years since this introduction is significant (close to \$250,000 *see Table 5*).
165. The budget provision for Board fees and allowances is shared across all jobs, in 2006 this was done in an equitable format, in 2016 it is done purely based on the percentage of labour attributed to each activity. The higher effort by member of staff the higher apportion of shared costs that are applied to it. In 2016 Compliance with Statutory obligations amounted to approximately 16% of all labour at the office (as this also includes annual and long service leave provisions). The cost of the Board elections were also in the 2016 financial year of the Board, making this cost centre higher than a normal year.
166. As noted above the office maintains management accounts and the office apportions shared costs across jobs based on the level of staff labour activity undertaken. For example the costs that are apportioned each year are made up of the following: audit fees, bank fees and charges, Board member fees and travel allowances, depreciation expense, fringe benefits expense, insurances, Board superannuation, Accountancy costs, Rates and Electricity (and other Point Of Access costs). This allows the Board to review the costs of doing business on each activity and can assist the Board in discussions with growers in the event an activity is not required or wanted the apportionment of these shared costs will be incrementally higher across other activities in the budget.
167. As stated on many occasions the Board believes that based on the poor payment practices of regional wineries there is a strong need for a reintroduction of statutory Terms and Conditions of Payment. This is highly desired by growers and the Board is confident that some wineries are now feeling the impacts of missing out of market opportunities through cash flow constraints when others that have delayed payment or breached their contract

remain liquid enough to expand. The Board wishes to provide its original submission to the 2010 NSW Upper House Inquiry into the Wine Grape Market and Prices, (**Appendix 16 – Wine Grapes Marketing Board Submission to the 2010 Inquiry**). Many of the points made in the document regarding the behaviour of wineries is still relevant today.

168. Biosecurity, pest and disease monitoring and management are roles that the Board currently undertake on behalf of the industry but these are not specified in the agricultural industry services of the Board. Issues such as Phylloxera management and regional exclusion maintenance can be coordinated by the Board. With its GIS system that has details regarding the extent of rootstock vines in the region the Board is well placed to serve the regions growers, including winery owned vineyards. Current know pests and disease such as fruit fly has become a problem for wine grape producers and the Board has not been able to direct funding toward this as it is not an approved function.
169. Food safety management via a regional HACCP program are undertaken as a service to consumers and assist wineries in obtaining access to markets domestically and overseas. This activity is also not specified and should form part of the agricultural industry service functions of the Board.
170. Laboratory analysis of winegrape maturity is an important and seasonal undertaking that allows wineries who use colour as a determinant of price to confirm that their systems are adequate. The Board uses this to provide a level of comfort for growers that testing of their fruit by their winery is done in approximate accordance with Australian standard operating procedures. This season the Board sought to confirm many of the wineries processes and background formula. Wineries are currently resisting the request to provide this detail to the Board. This is an area regarding grape pricing that the Board needs to remain active.
171. Irrigation representation is something that the Board takes seriously and with issues such as the Murray Darling Basin Plan, State Water Sharing Plans it is important that the Board can represent the interests of growers in the absence of any other irrigation representative body that support wine grape producers.
172. Climate Change issues are something that the regions growers are going to need to be made aware of such as suitable varieties and clones and managing heat stress and climatic variability. The Board should be provided with an agricultural industry service function that allows it to work in the area of Climate Change.
173. The 2010 NSW Upper House Inquiry recommendations were well received by growers and the Board when announced. As noted to the NSW DPI the Board were extremely disappointed in the response made to these by the government, most of which were dismissive. The actions taken by the current government were noted throughout the industry and the peak grower industry body by the then Executive Director Lawrie Stanford when asked by a University of New England Research Lecturer their thoughts on the response had the following to say in 2011. *"I agree with you that the response is dismissive. This is not only to the extent that it is perfunctory but more so, because it is incomplete or evasive or even worse, irresponsibly inaccurate."*

The most serious objection I have concerns the responses of the terms of payment recommendations (5 and 7). I do not feel that any provisions for payment of agreed monies for delivered fruit has anything to do with competitiveness (but rather sound and legal commercial behaviour) unless it is assumed that winemakers should be free to support their own businesses with growers' money, without the growers' agreement (to the contrary, rather) and to the exclusion of the growers right, based on contractual agreement, to maintain a viable businesses of their own. While through the NSW response, denial of terms of payment (Rec 5) is basically unsound, giving sanction to winemaker ability to purchase without having cleared debts from the previous seasons (Rec 7) borders on criminal. Isn't in some sense, an operator insolvent if they can't pay their debts?

Many of the recommendations deal with Codes of Conduct and the NSW government response defers any responsibility to pursue the recommendations because of the existence of the current voluntary Australian Wine Industry Code of Conduct. Moreover, the NSW government refers repeatedly to the review of the industry Code. Note that the review is complete and the revised Code is in now place.

The key reform to the Code attempts to deal with the key deficiency in the Code so far – that of only a small number of winemaker signatories. The target for signatories, as agreed by both growers and winemakers was upgraded to be 25% of the top 100 Australian wine producers (by tonnes processed) by 31 December 2012 and 50% of the top 100 Australian wine producers by 31 December 2013. It should be noted that this target is pleasing in its intent (to have the Code adopted by a significant numbers of winemakers) but it also reflects the absence of this - that is, it is disappointing to growers that winemakers have not signed up to the Code in numbers. To this extent, the Code still has to prove itself. Given that this point was made by the growers to the inquiry, a more proactive response by the NSW government would seem to be (sic) order.

Consistent with this major reform, WGGA believes that the release of a revised Code represents a renewed opportunity for the large number of Australian winemakers who have not signed up to now do so. While we believe the Winemakers' Federation is mainly responsible for encouraging winemakers to sign up WGGA nonetheless urges growers to assist with promoting the Code by asking if their off-takers are signatories and if they aren't, urging them to be so.

For your further information (and I will leave you to judge their materiality) the other revisions were:

- There would be no fee for an informal dispute resolution process.*
- Informal dispute resolution would be promoted by both the WFA and WGGA.*
- A prohibition was removed on parties going to the ACCC with a dispute when all avenues available under the Code had been exploited.*
- The primary obligation for fair and equitable treatment was stated in the Code (as an 'Intention' of the Code).*
- Provisions were made for more timely adoption of amendments to the Code that have been agreed between the WFA and WGGA.*

While two revisions that were supported by WGGA, but were rejected by the WFA Board (and therefore not adopted), were:

- *Allowance for group disputes (where all disputees in the group had exactly the same dispute).*
- *Removal of cost-recovery provisions*
 - *on a signatory where a breach is determined, or*
 - *on a grape grower or grape grower association where a breach is alleged but not upheld.*

Finally, the response to Rec 2 refers to research being undertaken by the NGWIC but it does not refer to any particular research into the analysis of red wine grape colour, as per the recommendation. I am not aware of any such research (this is therefore subject to further inquiry) and if there isn't any – the NSW government response can only be interpreted as evasive, even deceptive. WGGA is working with the National Measurement Institute, the government regulator of trade measures, and takes an interest in this area."

In the Board's view this third person opinion of the outcomes of the Inquiry and its recommendation and how these were dealt with by the NSW Government accurately reflects how many of the regions grape producers felt. The Board was more pragmatic at the time of the delayed response from Government and in its Jan-Feb 2012 edition of Vine Chat outlined to members what the Board would continue to undertake on their behalf, **Appendix 17 – Jan-Feb 2012 Vine Chat.**

Conclusion

174. The review of the Board's industry services has provided the opportunity for the Board to gauge the level of support from within its grower base in relation to these provisions. It took the opportunity to communicate about the review to all of its members and provide them with a template document that allowed growers to highlight the activities that they felt the Board was acting in appropriately. Growers were asked to score between one and ten on the Boards performance in these areas and provide further comment if required. This opportunity to engage with growers has shown to the Board that most growers want more regulation in the market for wine grape prices and payment terms reinstated.
175. The Board seeks more consideration to be given to the grape growers of the region. Terms and Conditions of Payment can provide a net public benefit to producers and in the absence of a mandatory code of conduct or support at the federal level NSW Government legislation is required.
176. Many of the activities currently being performed by the Board but are not specifically outlined in the regulation are in the best interests of the wine grape producers in the region and need to be included in the regulations as industry services as these provide valued services to growers and generally have the support of the local winemakers. This will require amendments to the legislation. The Board would also seek an amendment to the foundation regulations of the Board that specify how many members constitutes a quorum. Currently set at 30 constituted growers, it was developed at a time the Board has 650

members. The Board now has half that many wine grape growers on its roll and the quorum ideally could be brought down to 20 constituted growers which would ensure that the meetings can proceed.

177. The Board would also seek to amend the definition of a constituted grower in the regulation. The Board is constantly dealing with issues such as growers processing their own wine grapes into wine. These transactions allow them to take control of their own business and value add, albeit with a higher level of financial risk. These grape growers are then required to pay the federal research and development levy for wine grapes crushed. The sliding scale of cost burden (see link below) that this adds to the transaction inclusive of the Board's fees and charges makes this type of business transaction costly and the Board would look to remove its ability to charge a fee on this production.

<http://www.agriculture.gov.au/ag-farm-food/levies/rates/wine-grapes-levy>

The Board believes that the amendment sought above would be supported by the regions wineries.

178. The Board also hopes that this review process will serve to provide the NSW DPI an insight into the problems and issues that are facing the wine grape growers in the Riverina and the NSW DPI will provide its ongoing support to the Board and its members.

Authorisation

116. This submission has been written by Mr Brian Simpson Chief Executive Officer on behalf of the Wine Grapes Marketing Board representing the wine grape producers in the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.
117. This submission has been authorised by the Wine Grapes Marketing Board.

Bruno Brombal – Chair, Wine Grapes Marketing Board
[date] 2017

Appendix 1

2005 – 2009 Wine Grapes Marketing Board Draft Strategic Plan

Riverina Wine Grapes Marketing Board

Strategic Plan 2005 - 2009

Preface

The following strategic plan is written in accordance with the requirements of Section 15 of the *Agricultural Industry Services Act 1998*.

The Wine Grapes Marketing Board (Board) is constituted under the *Wine Grapes Marketing Board (Reconstitution) Act 2003* with its regulations from the *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003*.

The Board is constituted to provide the following **Agricultural Industry Services** to winegrape producers in the area covered by the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

- (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 the sale 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 regional 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).

This plan has been developed by the Wine Grapes Marketing Board in consultation with local wine grape producers at meetings held in Hanwood, Yenda, Leeton, Coleambally and Hillston during 2004 and 2005. Growers were presented with the above **Agricultural Industry Services** and listed current ongoing and possible future activities of the Board in accordance with these.

To fund these agricultural industry services the Board places a charge on all wine grape production on a per tonne basis. The charge is only applied to the class of primary producers for which the Board is constituted. The charge is set by producers at a properly constituted meeting convened for the purposes of approving the expenditure of the Board against the activities and services proposed in a detailed budget.

A copy of the approved budget for the 2005 financial year is attached to this strategic plan.

RIVERINA WINE GRAPES MARKETING BOARD STRATEGIC PLAN 2005 - 2009

Issue/Goal	Timeframes	Outcomes and Strategies	Activities and Services	AIS
Development of a Code of Conduct for contract negotiations and draft contract provisions.	Ongoing	<ul style="list-style-type: none"> • Increase the structure and professionalism between grower and winery business relations and the contracts within industry. • Work to reduce the level of litigation. • Empower growers with knowledge of items that they should negotiate for inclusion in contracts. 	<ul style="list-style-type: none"> • Liaison with winemakers through the Riverina Wine Industry Forum. • Liaison with winemakers through the Wine Industry Relations Committee on a code for the industry. • The Board will continue to seek the assistance of the Retail Grocery Industry Ombudsman for matters where wineries allegedly abuse their market power with growers. • Training and education courses for growers in negotiation skills. 	<i>a, b, c, f</i>
Information Dissemination and Transfer	Ongoing	<ul style="list-style-type: none"> • Informed wine grape producers in relation to regional, state and national research, production, promotion and marketing issues. 	<ul style="list-style-type: none"> • Provision of Australian Viticulture magazine subscription to all constituted wine grape producers. • Publish informative newsletter sent on a regular basis to constituted growers (Vine Chat – minimum 4 times per year). • Board website that contains digital versions of newsletters, information about the Board and calendar of activities. • Board attendance at industry meetings to keep growers informed of the Board's activities. • Attendance at state and national meetings, conferences and seminars to provide Riverina grower views on issues and to feed back information to growers. • Conduct of Viticultural Information and Technology Transfers Groups (VITT Groups) across the region. • Conduct of grower field days that are timely and relevant to production cycles. • Conduct of chemical applicators calibration workshops to educate wine grape growers. 	<i>d</i>
Supply Market Information	Ongoing	<ul style="list-style-type: none"> • Developed grower knowledge of production levels and industry plantings. • Developed grower knowledge of the market impacts on local supply and demand. • Smoothing in Supply and Demand cycles by more accurate plantings of wine grapes. 	<ul style="list-style-type: none"> • Continued development of a grower planting database (Geographical Information System). • Liaison with SA & VIC grower representative bodies to ascertain supply status. • Link in with the Australian Wine and Brandy Corporation Information Service regarding sales and stocks of wines. • Liaise regularly with Australian Bureau of Agricultural Research Economics regarding production forecasts. • Annual Publication of the Riverina Pricing and Utilisation Survey (survey of regional wineries). • Liaison with the NSW Department of Primary Industries for regional crop forecasting. • Attendance at industry conferences and seminars to gain information for wine grape producers. 	<i>d</i>
Price Information and Communication with Wineries	Ongoing	<ul style="list-style-type: none"> • More equity in the price offers by wine grape purchasers. • Provide pricing information to growers for financial planning. • Growers empowered to undertake individual negotiations with wineries. 	<ul style="list-style-type: none"> • Produce pricing guides from price list information provided to the Board from wine grape purchasers. • Liaise with wineries at the Riverina Wine Industry Forum about the need for equity in prices between wineries. • Publication of an annual guide to wine grape picking prices, manually and mechanically harvested. • Provide growers with opportunities to increase their skills through training in negotiation. 	<i>b, d, i</i>
Vineyard Financial Sustainability	Ongoing	<ul style="list-style-type: none"> • The introduction of CPI Increases in wine grape prices. • Standardised and/or regulated Terms of Payment for growers. • Grower's knowledge of true production costs developed. 	<ul style="list-style-type: none"> • Liaison with the local wine grape purchasers through the Riverina Wine Industry Forum. • Liaison with the Winemakers' Federation of Australia through involvement in the Wine Industry Relations Committee. • Work toward the introduction of an industry wide Code of Conduct for pricing, contracts and terms of payment. • Educate growers on the true costs of production information from the data obtained by the Board in its recent survey of producers in the Riverina. 	<i>i</i>
Grower Assistance	Ongoing	<ul style="list-style-type: none"> • WGMB developed as a one stop shop for growers and government departments in relation to Riverina industry matters. • Liaison with Government to ensure compliance with legislative requirements and growers interests and views are submitted in these forums. • Growers accredited in an acceptable HACCP based Food Safety System that is affordable and compliant with wine grape purchasers' requirements. 	<ul style="list-style-type: none"> • Liaison with legislative authorities and ensure Board compliance with all legislation and provide suitable education and training to growers on new legislative provisions, eg. Workcover and OH&S. • Roads and Traffic Authority liaison on truck widths, movement of harvesters, grape bin trailer widths and other matters. • Develop submissions to Government Inquiries as required to ensure that the views of the NSW Riverina are known. • Ongoing development and delivery of HACCP based Food Safety System for the region, through liaison with a working group of nominated wineries, growers and Board members and staff. • Liaison with wineries to ensure, increase and maintain professionalism in the treatment of growers. • Natural Disaster Assessment of vineyards on a needs basis. 	<i>i</i>
Regional Demographics	Long term	<ul style="list-style-type: none"> • Retention of wine grape producers in the region. • Reduction in the average age of growers • Implementation of succession planning by all growers. • Changed views of growers' attitude (from grape growers into winegrowers). 	<ul style="list-style-type: none"> • Develop linkages with local schools to educate students on the employment opportunities and benefits of the wine grape production industry. • Liaison with local Rural Financial Counselling Services to ensure the needs of growers are being met. • Highlight to wine grape growers the need to develop their business succession plans through liaison at meetings and via newsletters. • Work with regional wineries to get them to provide more feed back to wine grape producers on the quality of the wine made from wine grapes produced. Growers to be more informed about where their wine grapes are sold. 	<i>d, f, h</i>

Key: AIS – Agricultural Industry Service

Issue/Goal	Timeframes	Outcomes and Strategies	Activities and Services	AIS
Research and Development and Vine Health matters	Ongoing	<ul style="list-style-type: none"> • Maintenance of Regional Vine Health. • Retain Phylloxera area freedom and the exclusion zone. • Educated growers in vine health issues. • Growers alerted to weather incidences that may promote disease. • Research and Development applicable to growers' requirements. • Suitable water available for vines (quality and volume). • Increased participation of the Riverina in research projects. • Increased return of federal R&D levies to the region. 	<ul style="list-style-type: none"> • Investigation of the installation of checking stations (vine production equipment and tourism travelers). • Education of growers, local population and visitors to the region regarding the risks of Phylloxera. • Installation of suitable signage for the Geographical Indication of the Riverina region warning of Phylloxera. • Liaison with the NSW Department of Primary Industries and the NSW Wine Industry Association on research and development matters and vine health issues affecting the region. • Member of NSW Irrigators Council and Murrumbidgee Horticultural Council to ensure flows of information in relation to water policy, availability, quality and sustainability. • Liaison and communication with Murrumbidgee Irrigation and Coleambally Irrigation on water matters. • Provide a weather station monitoring network with cooperative growers and reporting service to growers. • Conduct of Light Brown Apple Moth monitoring and reporting to growers during the growing season. • Funding of and participation in research projects based in the region. • Development of valid research proposals for the region. • Communication to growers of research outcomes through publications and seminars. 	<i>d, e</i>
Vintage activities	Ongoing – seasonal	<ul style="list-style-type: none"> • Sale of all wine grapes grown regionally. • Optimal harvest scheduling (grape quality, delivery timing) • Safe Delivery of wine grapes to wineries. • Minimise risks to growers, contractors and the general public. 	<ul style="list-style-type: none"> • Continued support and development of the regional wine grape sale index, via the Board's website. • Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met. • Undertake research into optimal wine grape maturity annually to educate the industry on ideal harvest times. • Education of growers in the safe transport of wine grapes and compliance with Roads and Traffic Authority legislation. • Media announcements to the general public and growers about harvesting operations and machinery movement on public roads. 	<i>d, f</i>
Wine grape colour and quality assessment	Ongoing until adoption by industry of agreed practices or codes and measurable objective standards	<ul style="list-style-type: none"> • Increase the regions growers and wineries knowledge of colour assessment practices in the vineyard and in the laboratory. • Ensure that the assessment of quality (and subsequent financial bonus's or deductions) in the vineyard and at the point of purchase is consistent, objective and transparent. • Development of a code of practice for all assessment processes. 	<ul style="list-style-type: none"> • Annual Laboratory Research and analysis of red and white wine grape quality attributes. • Raise awareness of the Winegrape Assessment industry standard practices and procedures (through correspondence with growers, wineries and through the RWIF). • Involvement with the Wine Industry Relations Committee - Legal Metrology Working Group. • Involvement in the WIRC training module for MOG assessment. • Board development staff hold regular meetings with winery grower liaison staff to work toward a greater level of consistency across the industry in quality assessments. • Promotion of the use of wine grape quality dispute resolution clauses in contracts. • Grower advice and support for disputes with wineries. 	<i>a, b, e, f, i</i>
Legislative Assistance	Ongoing	<ul style="list-style-type: none"> • Regulated Terms of Payment for the entire region. • Contracts that comply with industry best practice. • Growers fully informed and compliant with impacting legislature, eg. Occupational Health and Safety, Roads and Traffic Compliance and Enforcement, Pesticides, etc. 	<ul style="list-style-type: none"> • Undertake a review of the current legislation of the Board to ensure that it remains relevant to the needs and requirements of wine grape producers. • Developed linkages with agencies that can monitor and report to the Board changes to or opportunities for review of existing and proposed legislation. • Publication and distribution of an annual spray diary that meets all legislative requirements. • Provide growers with information on compliance matters relating to industrial relations, eg. Award wages. 	<i>n/a</i>
Regional Promotion and increased GI labeling of Riverina wines	Ongoing	<ul style="list-style-type: none"> • Increased acknowledgement of the quality producers. • Increased awareness of regional wines. • Greater financial returns, recognition and demand. 	<ul style="list-style-type: none"> • Production of a Riverina based promotional DVD. • Contribution of grower information in regional Winery Trails brochure. • Contribution of grower information to regional Visitor Centre Guide. • Financial involvement in national Tourism Touchscreens (interactive information for visitors). • Continuation of development and management of wine displays (at the Griffith Airport and Leeton Visitors Centre). • Regional and national industry journal media releases (inclusion within industry publications). • Work to gain branding of Riverina grown wine grapes processed into wines. • Representation of the region at industry functions, regionally, state and nationally. • Continue to gain and aim for increased media exposure. • Development of a Riverina Board website with linkages to regional wineries. • Liaison with the Australian Wine and Brandy Corporation with regard to promotional opportunities. 	<i>g, h</i>

Key: AIS – Agricultural Industry Service

WINE GRAPES MARKETING BOARD - 2005 BUDGET

INCOME	\$
Charges	805,420
Interest	20,000
Proceeds from Sale of Assets	20,000
Research Funds	1,850
Sundries	10,000
TOTALS	857,270
OPERATING EXPENDITURE	
Audit Fees – statutory	15,200
Accountancy Fees	5,000
Advertising, Printing & Stationery	35,000
Bank Fees and Charges	1,000
Board Fees & Allowances	52,000
Office Cleaning	1,800
Laboratory	3,000
Computer Expenses	7,000
Conferences & Seminars	2,500
Consultancy Fees	2,000
Cost of Production Project	15,000
Depreciation	35,000
Donations	6,000
Fringe Benefits Tax	3,000
HACCP Project Management	10,400
Industry Functions	10,000
Insurances	18,000
LBAM Monitoring	2,000
Legal Fees	10,000
Leave Entitlements	14,000
Motor Vehicle Operating Expense	10,000
Office Expenses	5,000
Phylloxera Signs	4,000
Postage, Telephone & Facsimile	20,000
Promotions	40,000
Rates	2,200
R&D Grower Services	17,000
Research Payments	30,000
Salaries & Wages	205,000
Sponsorship	1,000
Subscriptions	42,000
Sundries	2,000
Superannuation	21,825
Training	2,500
Travel	25,000
Utilisation Survey Data Collation	7,250
Winegrape Database (Regional)	5,000
Weather Stations	200
Written Down Value of Assets Sold	25,000
SUB TOTALS	712,875
CAPITAL EXPENDITURE	
Motor Vehicle Purchases	60,000
Office Furniture & Equipment	1,500
Computer Equipment	5,200
Research Equipment	2,200
SUB TOTALS	68,900
SURPLUS AFTER CAP. EXP.	75,495

Appendix 2

WGMB Strategic Operations Plan 2005 – 2009 and Operating Budget 2005

STRATEGIC PLAN 2005 - 2009

**WINE GRAPES MARKETING BOARD
NEW SOUTH WALES RIVERINA**



**STRATEGIC OPERATIONS PLAN
2005 - 2009
OPERATING BUDGET
2006**



Riverina
WINEGRAPE GROWERS

WINE GRAPES MARKETING BOARD
STRATEGIC OPERATIONS PLAN
2005 - 2009
OPERATING BUDGET
2006



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10-11	2007 - Proposed Activities
12	2006 - Financial Year Proposed Operating Budget

BOARD OFFICES

Location: Riverina Winegrape Growers Centre
 Residential: 182 Yambil Street GRIFFITH
 Postal: PO Box 385 GRIFFITH NSW 2680
 Telephone: 02 6962 3944
 Facsimile: 02 6962 6103
 Email: board@wgmb.net.au
 Website: www.wgmb.net.au

BOARD EXECUTIVE

Chairman

Bruno Brombal
 Mobile: 0412 569 377

Deputy Chairman

Robert Bellato
 Mobile: 0408 477 210

Chief Executive Officer

Brian Simpson
 Mobile: 0438 388 828
 Email: bsimpson@wgmb.net.au

ACRONYMS USED IN THIS DOCUMENT

ACCC	Aust. Competition and Consumer Commission
APVMA	Aust. Pest. & Veterinary Medicines Authority
AWBC	Australian Wine & Brandy Corporation
AWRI	Australian Wine Research Institute
DPI	Department of Primary Industries
DVD	Digital Video Disc
EPA	Environment Protection Authority
GIS	Geographical Information System
HACCP	Hazards Analysis of Critical Control Points
MOG	Matter Other than Grape
NSW	New South Wales
NSWWIA	NSW Wine Industry Association
R&D	Research & Development
RIVIT	Riverina Viticulturalists
RTA	Roads and Traffic Authority
RWIF	Riverina Wine Industry Forum
SA	South Australia
VIC	Victoria
WGMB	Wine Grapes Marketing Board
WIRC	Wine Industry Relations Committee

NOTICE OF MEETING TO APPROVE PLAN AND 2006 BUDGET

2005 - 2009 Strategic Operations Plan Presentation

and the 2006 Operating Budget Meeting

Wednesday 14 December 2005

Yoogali Catholic Club Yoogali NSW

Commencing at 8pm

Apologies to the Wine Grapes Marketing Board

Riverina - Wine Grapes Marketing Board

Strategic Operations Plan 2005 - 2009

Preface

The following strategic operations plan is written in accordance with the requirements of Section 15 of the *Agricultural Industry Services Act 1998*.

The Wine Grapes Marketing Board (Board) is constituted under the *Wine Grapes Marketing Board (Reconstitution) Act 2003* with its regulations from the *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003*.

The Board is constituted to provide the following **Agricultural Industry Services** to winegrape producers in the area covered by the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

- (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 the sale 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 regional 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).

This plan has been developed by the Board in consultation with local wine grape producers at meetings held in Hanwood, Yenda, Leeton, Coleambally and Hillston during 2004 and 2005. Growers were presented with the above **Agricultural Industry Services** and listed current ongoing and possible future activities of the Board in accordance with these.

To fund these agricultural industry services the Board places a charge on all wine grape production on a per tonne basis. The charge is only applied to the class of primary producers for which the Board is constituted (according to legislation). The charge is set by producers at a properly constituted meeting convened for the purposes of approving the expenditure of the Board against the activities and services proposed in a detailed budget.

Comments on the 2005-2009 Strategic Operations Plan are encouraged. Growers should contact the Board offices during business hours or via email.

- 2005 CURRENT YEAR ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations and draft contract provisions	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$72,539
	Participate in the Wine Industry Relations Committee (WIRC).	
	Participate in the WIRC Legal Metrology Working Group.	
	Development of training programs for producers.	
	Provide comment on current contracts for growers and industry.	
	Set and enforce terms and conditions of payment for wine grapes.	
	Monitor and report on payment issues within the region.	
	Publish industry agreed standard contract provisions (annually).	
	Monitor the adoption of wine grape contracts in the region.	
	Involvement in the WIRC training module for MOG assessment.	
Information Collection, Dissemination and Transfer	Subscribe to industry publications for all constituted producers.	\$128,228
	Production of regional industry newsletter (6 times per year).	
	Development of a regional website for industry (ongoing)	
	Staff attendance at Regional Association meetings.	
	Maintenance of online regional wine grape sale index.	
	Attendance of NSW Wine Industry Association meetings.	
	Attendance of national industry committees.	
	Complete data entry of regional GIS database on vine plantings.	
	Liaise with SA & VIC grower representative bodies.	
	Liaise with the AWBC Information Service.	
	Subscribe to ABARE and ABS.	
	Publication of the Riverina Utilisation and Pricing Survey.	
	Liaison with NSW DPI (crop forecasting and vine health issues).	
	Attendance of industry conferences and seminars.	
	Subscribe to Australian Business Ltd re: industry industrial relations issues.	
	Publish cost of production information for producers in the Riverina.	
	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, ACCC, etc).	
	Subscribe to industry journals, newsletters and magazines.	
	Compilation and Publication of Annual Report for 2004.	
	Conduct of grower meetings (budget, annual, special).	
Price Information and Communication with Wineries	Production of regional pricing guides for growers.	\$22,608
	Fund the development of Riverina Utilisation and Pricing Survey.	
	Publication of guide to grape picking and pruning prices.	
	Liaise with wineries regarding statutory price reporting.	
	Conduct of RIVIT meetings on a regular basis.	
Research, Development and Extension in Vine Health and Environmental matters	Maintain Phylloxera freedom for the Riverina MIA	\$235,191
	Conduct wine grape laboratory sampling service.	
	Liaison with NSW DPI on R&D and vine health issues.	
	Attendance at NSW WIA meetings.	
	Liaison with regional irrigation companies on water matters.	
	Provide a weather station monitoring network.	
	Conduct of Light Brown Apple Moth (LBAM) monitoring and reporting.	
	Funding of and participation in research projects in the region.	
	Development of relevant research proposals for the region.	
	Natural Disaster Assessment of vineyards (on a needs basis)	
	Review training courses for growers in professional and technical skills.	
	Development and conduct of grower field days.	
	Research development into optimal wine grape maturity for harvest.	
	Participate in the Australian Wine Industry Stewardship Program.	
	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	
	Development of HACCP based Food Safety system.	
	Production, publication and distribution of Riverina Spray Diary.	
	Provide grower viticultural advice and support.	
	Conversion Trial development (to address furrow to drip process).	

- 2005 CURRENT YEAR ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Production of a Riverina based promotional DVD.	\$54,428
	Commence production of growing promotional DVD for the region.	
	Contribute to and fund Winery Trails brochure.	
	Contribution of grower information to regional Visitor Centre Guide.	
	Fund Tourism Touchscreens - an interactive guide for tourists.	
	Maintenance of wine displays (Griffith Airport & Leeton Visitors).	
	Media releases (inclusion within industry publications).	
	Promote branding of Riverina wine grapes processed into wines.	
	Promotion of the region at industry functions.	
	Continue to gain and aim for increased media exposure.	
	Development regional website with linkages to wineries.	
	Liaison with wineries on collaborative promotional opportunities	
Regional Representation (Specific) of wine grape growers and industry	Liaison with the NSW Roads and Traffic Authority.	\$96,053
	Develop submissions to Government (Federal, State and Local) as required.	
	NSW Irrigators Council membership (water issues).	
	Murrumbidgee Horticultural Council membership.	
	Murrumbidgee Valley Rural Financial Counselling Service membership.	
	Conduct media announcements to public and growers.	
	NSW Wine Industry Association membership.	
	Wine Grape Growers' Australia membership.	
Operational	Australian Business Limited membership and meeting attendance.	\$172,728
	Maintain Terms and Conditions of Payment.	
	Manage the payment of Board fees and charges.	
	Maintain compliance with Statutory obligations.	
	Conduct and minute Board meetings.	
	Maintenance of current office facilities, assets and accounts.	
TOTAL BUDGETED EXPENDITURE		\$781,775
BUDGETED INCOME		
Board Fees (\$3.90 per tonne - constituted growers)		\$805,420
Interest from Banks		\$20,000
Proceeds from Sale of Assets		\$20,000
Research Funds		\$1,850
Sundries		\$10,000
TOTAL INCOME		\$857,270
2005 SURPLUS (DEFICIT)		\$75,475
Comments: The 2005 Financial Year of the Board was a transitional year in terms of developing a Strategic Plan that was compliant with statutory requirements. The Board had to account for the budget that was already set and approved by growers and itemise the actual function-task-activities that the Board undertake and apportion funding into these. It should also be noted that the income of the Board will be greater than budgeted due mainly to research funding increases and the sponsorship funds received from the Vineyard Field Day.		

- 2006 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations and draft contract provisions	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$73,687
	Participate in the Wine Industry Relations Committee (WIRC).	
	Participate in the WIRC Legal Metrology Working Group.	
	Development of training programs for producers.	
	Provide comment on current contracts for growers and industry.	
	Set and enforce terms and conditions of payment for wine grapes.	
	Monitor and report on payment issues within the region.	
	Publish industry agreed standard contract provisions (annually).	
	Monitor the adoption of wine grape contracts in the region.	
	Involvement in the WIRC training module for MOG assessment.	
Information Collection, Dissemination and Transfer	Subscribe to industry publications for all constituted producers.	\$128,593
	Production of regional industry newsletter (6 times per year).	
	Maintenance of a regional website for industry (ongoing)	
	Staff attendance at Regional Association meetings.	
	Maintenance of online regional wine grape sale index.	
	Attendance of NSW Wine Industry Association meetings.	
	Attendance of national industry committees.	
	Maintenance of regional GIS database on vine plantings.	
	Liaise with SA & VIC grower representative bodies.	
	Liaise with the AWBC Information Service.	
	Subscribe to ABARE and ABS.	
	Publication of the Riverina Utilisation and Pricing Survey.	
	Liaison with NSW DPI (crop forecasting and vine health issues).	
	Attendance of industry conferences and seminars.	
	Subscribe to Australian Business Limited re: industry industrial relations issues.	
	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, ACCC, etc).	
	Subscribe to industry journals, newsletters and magazines.	
Price Information and Communication with Wineries	Compilation and Publication of Annual Report for 2005	\$25,993
	Conduct of grower meetings (budget, annual, special)	
	Production of regional pricing guides for growers.	
	Fund the development of Riverina Utilisation and Pricing Survey.	
	Publication of guide to grape picking prices.	
	Investigate publication of guide to pruning prices.	
Research, Development and Extension in Vine Health and Environmental matters	Liaise with wineries regarding statutory price reporting.	\$243,008
	Conduct of RIVIT meetings on a regular basis.	
	Installation of Phylloxera warning signs in the Riverina.	
	Liaise with NSW DPI on Phylloxera freedom for the Riverina MIA.	
	Conduct wine grape laboratory sampling service.	
	Liaison with NSW DPI on Research and Development and vine health issues.	
	Attendance at NSWWIA meetings.	
	Liaison with regional irrigation companies on water matters.	
	Maintain a regional weather station monitoring network service for growers.	
	Conduct of Light Brown Apple Moth (LBAM) monitoring and reporting.	
	Funding of and participation in research projects in the region.	
	Development of relevant research proposals for the region.	
	Natural Disaster Assessment of vineyards (on a needs basis).	
	Conduct training courses for growers in professional and technical skills.	
	Development and conduct of grower field days.	
	Research optimal wine grape maturity for harvest.	
	Participate in the Australian Wine Industry Stewardship Program.	
	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	
	Development, delivery and management of HACCP based Food Safety system.	
	Production, publication and distribution of Riverina Spray Diary.	
	Provide grower viticultural advice and support.	
	Conversion Trial (to address furrow to drip conversion process)	

- 2006 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Distribution of a Riverina based promotional DVD.	\$33,607
	Finalise Production of growing promotional DVD for the region.	
	Fund Tourism Touchscreens - an interactive guide for tourists.	
	Maintenance of wine displays (Griffith Airport & Leeton Visitors Centre).	
	Media releases (increase Riverina inclusion within industry publications).	
	Promote branding of Riverina wine grapes processed into wines.	
	Promotion of the region at industry functions.	
	Continue to gain and aim for increased media exposure.	
	Development of regional website with linkages to wineries.	
	Liaison with wineries on collaborative promotional opportunities	
	Liaison with the NSW Roads and Traffic Authority.	
	Develop submissions to Government (Federal, State and Local) as required.	
Regional Representation (Specific) of wine grape growers and industry	NSW Irrigators Council membership (water issues).	\$115,890
	Murrumbidgee Horticultural Council membership.	
	Murrumbidgee Valley Rural Financial Counselling Service membership.	
	Conduct media announcements to public and growers.	
	NSW Wine Industry Association membership.	
	Wine Grape Growers' Australia membership.	
	Australian Business Limited membership and attendance.	
	Join Federal Wine Grape Growers' representative body.	
	Maintain Terms and Conditions of Payment.	
	Manage the payment of Board fees and charges.	
Operational	Maintain compliance with Statutory obligations.	\$131,586
	Conduct and minute Board meetings.	
	Maintenance of current office facilities, assets and accounts.	
	Staff training provision.	
TOTAL BUDGETED EXPENDITURE		\$752,365
BUDGETED INCOME		
Board Fees (\$3.90 per tonne - 214,000 tonnes constituted growers)		\$834,000
Interest from Banks		\$22,000
Proceeds from Sale of Assets		\$40,000
Research Funds		\$103,779
Sundries		\$6,078
TOTAL INCOME		\$1,006,457
2006 SURPLUS (DEFICIT)		\$254,092
Comments: For the 2006 financial year the Board has budgeted for a moderate increase of 10,000 tonnes (although this increase may be unlikely) from the actual tonnes of 2005 of 204,000 tonnes. Capital expenditure will occur as the Board replaces some office equipment and a motor vehicle. A large increase in research funds is due to the higher level of activity being undertaken by the Board development staff. Overall expenditure is budgeted to decrease.		

- 2007 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations and draft contract provisions	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$73,981
	Participate in the Wine Industry Relations Committee (WIRC).	
	Participate in the WIRC Legal Metrology Working Group.	
	Development of training programs for producers.	
	Provide comment on current contracts for growers and industry.	
	Set and enforce terms and conditions of payment for wine grapes.	
	Monitor and report on payment issues within the region.	
	Publish industry agreed standard contract provisions (annually).	
	Monitor the adoption of wine grape contracts in the region.	
	Involvement in the WIRC training module for MOG assessment.	
Information Collection, Dissemination and Transfer	Subscribe to industry publications for all constituted producers.	\$130,730
	Production of regional industry newsletter (6 times per year).	
	Development of a regional website for industry (ongoing)	
	Staff attendance at Regional Association meetings.	
	Maintenance of online regional wine grape sale index.	
	Attendance of NSW Wine Industry Association meetings.	
	Attendance of national industry committees.	
	Update of regional GIS database on vine plantings.	
	Liaise with SA & VIC grower representative bodies.	
	Liaise with the AWBC Information Service.	
	Subscribe to ABARE and ABS.	
	Publication of the Riverina Utilisation and Pricing Survey.	
	Liaison with NSW DPI (crop forecasting and vine health issues).	
	Attendance of industry conferences and seminars.	
	Subscribe to Australian Business Ltd re: industry industrial relations issues.	
	Publish cost of production information for producers in the Riverina.	
	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, ACCC, etc).	
	Subscribe to industry journals, newsletters and magazines.	
	Compilation and Publication of Annual Report for 2007.	
	Conduct of grower meetings (budget, annual, special).	
Price Information and Communication with Wineries	Production of regional pricing guides for growers.	\$23,125
	Fund the development of Riverina Utilisation and Pricing Survey.	
	Publication of guide to grape picking and pruning prices.	
	Liaise with wineries regarding statutory price reporting.	
	Conduct of RIVIT meetings on a regular basis.	
Research, Development and Extension in Vine Health and Environmental matters	Utilise GIS database to search for possible Phylloxera sites in the Riverina MIA.	\$215,136
	Liaise with NSW DPI on Phylloxera freedom for the Riverina MIA.	
	Conduct wine grape laboratory sampling service.	
	Liaison with NSW DPI on Research and Development and vine health issues.	
	Attendance at NSW WIA meetings.	
	Liaison with regional irrigation companies on water matters.	
	Maintain a regional weather station monitoring network service for growers.	
	Conduct of Light Brown Apple Moth (LBAM) monitoring and reporting.	
	Funding of and participation in research projects in the region.	
	Development of relevant research proposals for the region.	
	Natural Disaster Assessment of vineyards (on a needs basis)	
	Review training courses for growers in professional and technical skills.	
	Development and conduct of grower field days.	
	Research optimal wine grape maturity for harvest.	
	Participate in the Australian Wine Industry Stewardship Program.	
	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	
	Development, delivery and management of HACCP based Food Safety system.	
	Production, publication and distribution of Riverina Spray Diary.	
	Provide grower viticultural advice and support.	
	Conversion Trial (delivery of outcomes to growers).	

- 2007 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Distribution of Riverina based promotional DVD.	\$58,119
	Distribution of growing promotional DVD for the region.	
	Contribute to and fund Winery Trails brochure (update brochure).	
	Contribution of grower information to regional Visitor Centre Guide (update info.).	
	Fund Tourism Touchscreens - an interactive guide for tourists (update info.).	
	Maintenance of wine displays (Griffith Airport & Leeton Visitors).	
	Media releases (increase Riverina inclusion within industry publications).	
	Promote branding of Riverina wine grapes processed into wines.	
	Promotion of the region at industry functions.	
	Continue to gain and aim for increased media exposure.	
	Development regional website with linkages to wineries.	
	Liaison with wineries on collaborative promotional opportunities.	
Regional Representation (Specific) of wine grape growers and industry	Liaison with the NSW Roads and Traffic Authority.	\$115,833
	Develop submissions to Government (Federal, State and Local) as required.	
	NSW Irrigators Council membership (water issues).	
	Murrumbidgee Horticultural Council membership.	
	Murrumbidgee Valley Rural Financial Counselling Service membership.	
	Conduct media announcements to public and growers.	
	NSW Wine Industry Association membership.	
	Wine Grape Growers' Australia membership.	
Operational	Australian Business Limited membership and meeting attendance.	\$134,139
	Maintain Terms and Conditions of Payment.	
	Manage the payment of Board fees and charges.	
	Maintain compliance with Statutory obligations.	
	Commence legislative review of the WGMB (Reconstitution) Act.	
	Conduct and minute Board meetings.	
	Maintenance of current office facilities, assets and accounts.	
TOTAL BUDGETED EXPENDITURE	Staff training provision.	\$751,064
BUDGETED INCOME		
Board Fees (\$3.90 per tonne 219,000 tonnes - constituted growers)		\$854,100
Interest from Banks		\$24,000
Proceeds from Sale of Assets		-
Research Funds		\$53,735
Sundries		\$6,587
TOTAL INCOME		\$938,422
2007 SURPLUS (DEFICIT)		\$187,359
Comments: The 2007 Financial Year is predicted to be a low income year for the Board with the majority of research funding having already been received in the previous year. Expenditure has also decreased marginally (down from \$756,365 in 2006). This drop is mainly attributed to a reduction in major capital expenditure by the Board.		

- 2008 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations and draft contract provisions	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$74,914
	Participate in the Wine Industry Relations Committee (WIRC).	
	Participate in the WIRC Legal Metrology Working Group.	
	Delivery of training programs for producers.	
	Provide comment on current contracts for growers and industry.	
	Set and enforce terms and conditions of payment for wine grapes.	
	Monitor and report on payment issues within the region.	
	Publish industry agreed standard contract provisions (annually).	
	Monitor the adoption of wine grape contracts in the region.	
	Promote MOG training module to wineries (pre-Vintage).	
Information Collection, Dissemination and Transfer	Subscribe to industry publications for all constituted producers.	\$130,253
	Production of regional industry newsletter (6 times per year).	
	Maintenance of a regional website for industry (ongoing)	
	Staff attendance at Regional Association meetings.	
	Maintenance of online regional wine grape sale index.	
	Attendance of NSW Wine Industry Association meetings.	
	Attendance of national industry committees.	
	Maintenance of regional GIS database on vine plantings.	
	Liaise with SA & VIC grower representative bodies.	
	Liaise with the AWBC Information Service.	
	Subscribe to ABARE and ABS.	
	Publication of the Riverina Utilisation and Pricing Survey.	
	Liaison with NSW DPI (crop forecasting and vine health issues).	
	Attendance of industry conferences and seminars.	
	Subscribe to Australian Business Ltd re: industry industrial relations issues.	
	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, ACCC, etc).	
	Subscribe to industry journals, newsletters and magazines.	
	Compilation and Publication of Annual Report for 2007.	
	Conduct of grower meetings (budget, annual, special).	
Price Information and Communication with Wineries	Production of regional pricing guides for growers.	\$23,398
	Fund the development of Riverina Utilisation and Pricing Survey.	
	Publication of guide to grape picking and pruning prices.	
	Liaise with wineries regarding statutory price reporting.	
	Conduct of RIVIT meetings on a regular basis.	
Research, Development and Extension in Vine Health and Environmental matters	Ground truth potential sites of Phylloxera across the GIS surveyed region.	\$219,040
	Liaise with NSW DPI on Phylloxera freedom for the Riverina MIA.	
	Conduct wine grape laboratory sampling service.	
	Liaison with NSW DPI on Research and Development and vine health issues.	
	Attendance at NSW WIA meetings.	
	Liaison with regional irrigation companies on water matters.	
	Maintain a regional weather station monitoring network service for growers.	
	Conduct of Light Brown Apple Moth (LBAM) monitoring and reporting.	
	Funding of and participation in research projects in the region.	
	Development of relevant research proposals for the region.	
	Natural Disaster Assessment of vineyards (on a needs basis)	
	Conduct training courses for growers in professional and technical skills.	
	Development and conduct of grower field days.	
	Delivery of outcomes re: optimal wine grape maturity for harvest.	
	Review environmental credentials of Riverina winegrape production.	
	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	
	Ongoing delivery and management of HACCP based Food Safety system.	
	Production, publication and distribution of Riverina Spray Diary.	
	Provide grower viticultural advice and support.	
	Conversion Trial (delivery of outcomes to growers).	

- 2008 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Distribution of a Riverina based promotional DVD.	\$33,966
	Distribution of growing promotional DVD for the region.	
	Fund Tourism Touchscreens - an interactive guide for tourists.	
	Maintenance of wine displays (Griffith Airport & Leeton Visitors).	
	Media releases (increase Riverina inclusion within industry publications).	
	Promote branding of Riverina wine grapes processed into wines.	
	Promotion of the region at industry functions.	
	Continue to gain and aim for increased media exposure.	
	Development regional website with linkages to wineries.	
	Liaison with wineries on collaborative promotional opportunities	
Regional Representation (Specific) of wine grape growers and industry	Liaison with the NSW Roads and Traffic Authority.	\$151,027
	Develop submissions to Government (Federal, State and Local) as required.	
	NSW Irrigators Council membership (water issues).	
	Murrumbidgee Horticultural Council membership.	
	Murrumbidgee Valley Rural Financial Counselling Service membership.	
	Conduct media announcements to public and growers.	
	NSW Wine Industry Association membership.	
	Wine Grape Growers' Australia membership.	
	Australian Business Limited membership and meeting attendance.	
	Federal Wine Grape Grower's membership.	
Operational	Maintain Terms and Conditions of Payment.	\$122,787
	Manage the payment of Board fees and charges.	
	Maintain compliance with Statutory obligations.	
	Implement New Legislation of the WGMB.	
	Conduct and minute Board meetings.	
	Maintenance of current office facilities, assets and accounts.	
	Staff training provision.	
TOTAL BUDGETED EXPENDITURE		\$755,384
BUDGETED INCOME		
Board Fees (\$3.90 per tonne - 220,000 tonnes - constituted growers)		\$858,000
Interest from Banks		\$22,000
Proceeds from Sale of Assets		\$41,000
Research Funds		\$43,535
Sundries		\$7,187
TOTAL INCOME		\$971,722
2008 SURPLUS (DEFICIT)		\$216,338
Comments:		
It is forecast that levies will also increase but perhaps not as significantly as forecasted by wineries in the Riverina Utilisation and Pricing Survey.		
Research funding will also reduce moderately as the staff complete their projects and begin the process of developing and delivering the outcomes for growers.		

- 2009 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations and draft contract provisions	Participate and manage the Riverina Wine Industry Forum (RWIF).	\$71,819
	Participate in the Wine Industry Relations Committee (WIRC).	
	Review of training programs for producers.	
	Provide comment on current contracts for growers and industry.	
	Set and enforce terms and conditions of payment for wine grapes.	
	Monitor and report on payment issues within the region.	
	Publish industry agreed standard contract provisions (annually).	
	Monitor the adoption of wine grape contracts in the region.	
	Promote MOG training module to wineries (pre-Vintage).	
Information Collection, Dissemination and Transfer	Subscribe to industry publications for all constituted producers.	\$132,939
	Production of regional industry newsletter (6 times per year).	
	Maintenance of regional website for industry.	
	Staff attendance at Regional Association meetings.	
	Maintenance of online regional wine grape sale index.	
	Attendance of NSW Wine Industry Association meetings.	
	Attendance of national industry committees.	
	Update of regional GIS database on vine plantings.	
	Liaise with SA & VIC grower representative bodies.	
	Liaise with the AWBC Information Service.	
	Subscribe to ABARE and ABS.	
	Publication of the Riverina Utilisation and Pricing Survey.	
	Liaison with NSW DPI (crop forecasting and vine health issues).	
	Attendance of industry conferences and seminars.	
	Subscribe to Australian Business Ltd re: industry industrial relations issues.	
	Publish cost of production information for producers in the Riverina.	
	Liaison with regulatory bodies (RTA, APVMA, EPA, AWRI, ACCC, etc).	
	Subscribe to industry journals, newsletters and magazines.	
	Compilation and Publication of Annual Report for 2008.	
Price Information and Communication with Wineries	Conduct of grower meetings (budget, annual, special).	\$23,431
	Production of regional pricing guides for growers.	
	Review the development of Riverina Utilisation and Pricing Survey.	
	Publication of guide to grape picking and pruning prices.	
	Liaise with wineries regarding statutory price reporting.	
Research, Development and Extension in Vine Health and Environmental matters	Conduct of RIVIT meetings on a regular basis.	\$214,727
	Ground truth potential sites of Phylloxera across the GIS surveyed region.	
	Liaise with NSW DPI on Phylloxera freedom for the Riverina MIA.	
	Conduct wine grape laboratory sampling service.	
	Liaison with NSW DPI on Research and Development and vine health issues.	
	Attendance at NSW WIA meetings.	
	Liaison with regional irrigation companies on water matters.	
	Maintain a regional weather station monitoring network service for growers.	
	Conduct of Light Brown Apple Moth (LBAM) monitoring and reporting.	
	Funding of and participation in research projects in the region.	
	Development of relevant research proposals for the region.	
	Natural Disaster Assessment of vineyards (on a needs basis)	
	Review training courses for growers in professional and technical skills	
	Development and conduct of grower field days.	
	Delivery of outcomes re: optimal wine grape maturity for harvest.	
	Review environmental credentials of Riverina winegrape production.	
	Liaise with winery staff to ensure optimal fruit harvest quality guidelines are met.	
	Ongoing, delivery and management of HACCP based Food Safety system.	
	Production, publication and distribution of Riverina Spray Diary.	
	Provide grower viticultural advice and support.	
	Conversion Trial (delivery of outcomes to growers).	

- 2009 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Review of the Riverina based promotional DVD.	\$80,047
	Update of growing promotional DVD for the region.	
	Contribute to and fund Winery Trails brochure (update brochure).	
	Contribution of grower information to regional Visitor Centre Guide (update info.).	
	Fund Tourism Touchscreens - an interactive guide for tourists (update info.).	
	Maintenance of wine displays (Griffith Airport & Leeton Visitors).	
	Media releases (increase Riverina inclusion within industry publications).	
	Promote branding of Riverina wine grapes processed into wines.	
	Promotion of the region at industry functions.	
	Continue to gain and aim for increased media exposure.	
	Maintenance of regional website with linkages to wineries.	
	Liaison with wineries on collaborative promotional opportunities.	
Regional Representation (Specific) of wine grape growers and industry	Liaison with the NSW Roads and Traffic Authority.	\$141,565
	Develop submissions to Government (Federal, State and Local) as required.	
	NSW Irrigators Council membership (water issues).	
	Murrumbidgee Horticultural Council membership.	
	Murrumbidgee Valley Rural Financial Counselling Service membership.	
	Conduct media announcements to public and growers.	
	NSW Wine Industry Association membership.	
	Wine Grape Growers' Australia membership.	
	Australian Business Limited membership and meeting attendance.	
	Federal Wine Grape Growers' membership.	
Operational	Maintain Terms and Conditions of Payment.	\$135,213
	Manage the payment of Board fees and charges.	
	Maintain compliance with Statutory obligations.	
	Conduct and minute Board meetings.	
	Maintenance of current office facilities, assets and accounts.	
	Staff training provision.	
TOTAL BUDGETED EXPENDITURE		\$799,741
BUDGETED INCOME		
Board Fees (\$3.90 per tonne - 223,000 tonnes - constituted growers)		\$869,700
Interest from Banks		\$24,000
Proceeds from Sale of Assets		-
Research Funds		\$32,535
Sundries		\$7,387
TOTAL INCOME		\$933,622
2009 SURPLUS (DEFICIT)		\$133,882
Comments: The 2009 Financial Year is an estimate of what will be occurring in this year. Board activities will depend on the legislation that is provided via the NSW Government. Capital expenditure is predicted to remain consistent with previous years levels. Research funding is also subdued due to similar circumstance as the previous year.		

- 2006 FINANCIAL YEAR PROPOSED OPERATING BUDGET -

BUDGETED INCOME	
Charges (\$3.90 per tonne on 214,000 tonnes)	\$834,600
Interest from Bank Accounts	\$22,000
Income from Operating Activities (Sundries)	\$6,078
Research Funds	\$103,779
Proceeds from Sale of Assets (motor vehicles)	\$40,000
TOTAL INCOME	\$1,006,457
BUDGETED OPERATING EXPENDITURE	
Accountancy Fees	\$7,915
Advertising Activities	\$11,050
Audit Fees - Statutory	\$16,500
Bank Fees and Charges	\$1,100
Board Fees and Allowances	\$52,000
Computer Expenses	\$11,485
Conferences/Seminars	\$6,900
Consultancy Costs	\$24,525
Depreciation Expense	\$37,000
Donations	\$5,000
Employment Expenses	\$1,050
Fringe Benefits Tax	\$5,000
Industry Functions	\$14,149
Insurance	\$21,024
Legal Fees	\$8,650
Motor Vehicle Operating Expenses	\$15,255
Point of Access Office Expenses	\$8,294
Postage	\$11,280
Printing and Stationery	\$26,765
Promotion	\$870
Rates	\$2,500
Research Payments	\$37,500
Salaries and Wages	\$218,479
Sponsorship	\$1,100
Staff Training	\$650
Subscription: Magazines Subscription for Growers	\$10,000
Subscription: Papers, Journals and Relevant Industry Groups	\$3,200
Subscription: NSW Wine Industry Association	\$11,000
Subscription: WGGA and Federal Body	\$65,000
Sundry Expenses	\$2,090
Superannuation	\$19,663
Telephone	\$8,085
Travelling Expenses	\$33,505
SUB-TOTAL	\$698,584
BUDGETED CAPITAL EXPENDITURE	
Building - 182 Yambil Street	\$250
Motor vehicles	\$31,000
Office equipment	\$15,000
Computer equipment	\$3,500
Research equipment	\$4,031
SUB-TOTAL	\$90,781
TOTAL EXPENDITURE	\$752,365
SURPLUS/(DEFICIT)	\$254,092

- NOTES -



**RIVERINA
WINE GRAPES MARKETING BOARD
REPRESENTING GROWERS
WITHIN THE CITY OF GRIFFITH
AND LOCAL GOVERNMENT AREAS OF LEETON,
CARRATHOOL AND MURRUMBIDGEE**

182 Yambil Street (PO Box 385)
GRIFFITH NSW 2680
Phone: (02) 6962 3944
Fax: (02) 6962 6103
Email: board@wgmb.net.au
Website: www.wgmb.net.au
Office Hours: 8:30am - 5:00pm Mon - Fri

Appendix 3

WGMB Strategic Operations Plan 2017 – 2021 and Operating Budget 2021

STRATEGIC PLAN 2017 - 2021

**WINE GRAPES MARKETING BOARD
NEW SOUTH WALES RIVERINA**



**STRATEGIC OPERATIONS PLAN
2017 - 2021
OPERATING BUDGET
2017**



Riverina
**WINE GRAPES
MARKETING BOARD**

WINE GRAPES MARKETING BOARD
STRATEGIC OPERATIONS PLAN
2017 - 2021
OPERATING BUDGET
2017



Riverina
WINE GRAPES
MARKETING BOARD

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6-7	2019 - Proposed Activities
8-9	2020 - Proposed Activities
10-11	2021 - Proposed Activities
12	2017 - Financial Year Proposed Operating Budget
13	Notes page

BOARD OFFICES

Location: Riverina Winegrape Growers Centre
 Residential: 182 Yambil Street GRIFFITH
 Postal: PO Box 385 GRIFFITH NSW 2680
 Telephone: 02 6962 3944
 Facsimile: 02 6962 6103
 Email: board@wgmb.net.au
 Website: www.wgmb.net.au

BOARD EXECUTIVE MEMBERS & STAFF

Chairman

Bruno Brombal
 Mobile: 0429 630 465

Deputy Chairman

Robert Bellato
 Mobile: 0408 477 210

Chief Executive Officer

Brian Simpson
 Mobile: 0438 388 828
 Email: bsimpson@wgmb.net.au

ACRONYMS USED IN THIS DOCUMENT

AGWA	Australian Grape and Wine Authority
AWRI	Australian Wine Research Institute
GIS	Geographical Information System
HACCP	Hazards Analysis of Critical Control Points
IREC	Irrigation Research & Extension Committee
LLS	Local Land Services
MIA	Murrumbidgee Irrigation Area
NSW	New South Wales
NSWWIA	NSW Wine Industry Association
NZ	New Zealand
PHA	Plant Health Australia
R&D	Research & Development
WFA	Winemakers' Federation of Australia
WGGA	Wine Grape Growers Australia
WGMB	Wine Grapes Marketing Board

NOTICE OF MEETING TO APPROVE STRATEGIC PLAN AND 2016 BUDGET

2017 - 2021 Strategic Operations Plan Presentation
and the 2017 Operating Budget Meeting
Wednesday 30th November 2016
Yoogali Club, Yoogali NSW
Commencing at 7:00pm

Apologies to the Wine Grapes Marketing Board

Riverina - Wine Grapes Marketing Board

Strategic Operations Plan 2017 - 2021

Preface

The following strategic operations plan is written in accordance with the requirements of *Section 15* of the *Agricultural Industry Services Act 1998*.

The Wine Grapes Marketing Board (Board) is constituted under the *Agricultural Industry Services Regulation 2009*.

Agricultural Industry Services

The Board is constituted to provide the following Agricultural Industry Services to winegrape producers in the area covered by the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

- (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 the sale 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 regional 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).

This strategic plan has been developed by the Board to enable growers the ability to view the activities and functions of the Board (cost \$4.40 plus GST per report, 400 printed). The budgets for each service listed has been developed by the Board and growers are able to view these individual budgets on request. To account for expense items that apply to all services listed in this plan (eg. Insurances, rates, Board allowances and superannuation, statutory audit fees, depreciation and fringe benefits tax) these have been apportioned across all tasks based on the percentage of labour/wages expense.

To fund the agricultural industry services the Board places a charge on all wine grape production on a per tonne basis. The charge is only applied to the class of primary producers for which the Board is constituted (according to legislation). The charge is set by producers at a properly constituted meeting convened for the purposes of approving the expenditure of the Board against the activities and services proposed in the detailed budget contained within this document. The Board is proposing that the charge remain at \$3.90 per tonne (fresh weight) on the sold production (wine, must, juice of wine spirit) of constituted growers.

Growers are invited to meet on Wednesday 30th November 2016 at the Yoogali Club, Yoogali commencing at 7:00pm to approve the plan. Queries or any apologies can be made to the Board.

- 2017 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations	Promotion of the Wine Industry Code to industry and Government	\$6,809
Information Collection, Dissemination and Transfer	Grapegrower & Winemaker subscription for all constituted producers (12 pa)	\$147,680
	Vine Chat - industry newsletter production (6 pa)	
	Maintenance and management of a website & social media for industry	
	Regional Grape Grower Association Support (Hanwood & Yenda)	
	Maintenance & management of online regional wine grape sale index	
	Attendance of NSW Wine Industry Association meetings	
	Attendance of national industry committees	
	Attendance at NSW Irrigators, National Irrigators & IREC Meetings	
	Liaison with Trade & Investment NSW - Primary Industries, Food & Water	
	Attendance of industry conferences & seminars	
	Subscribe to industry journals, newsletters & magazines for the office	
	Publication of Statutory WGMB Annual Report	
	Conduct of grower meetings (Annual General, Special & Budget meetings).	
	Maintain a functional contacts database for the region	
	Monitor, report and respond to relevant wine industry issues	
Price Information and Communication with Wineries	Collate and disseminate winery price lists	\$9,371
	Conduct regular meetings with regional wineries	
	Publish regional Terms and Conditions of Payment	
	Publish regional price reports for the Riverina region - price dispersion	
Research, Development and Extension in Vine Health and Environmental matters	Conduct wine grape laboratory sampling service & grape maturity testing	\$381,383
	Liaison with industry on vine health, biosecurity & R&D issues., LLS liaison	
	Attendance at NSWWIA meetings on R&D priorities	
	Maintain a regional weather station monitoring network service for growers	
	Drift/Disease/Weather Assessment of vineyards (on a needs basis)	
	Development, sponsorship and conduct of grower field days	
	HACCP Management	
	Development and funding of Research and Extension programs in the region	
	Production, publication & distribution of Riverina Spray Diary	
	Provide grower viticultural advice & support	
	Assist in the management of regional Vine Improvement	
	Grower Extension Services - business/marketing/negotiation/finance skills	
	GIS System Updates	
	Regional Grassroots projects - funding via AGWA aka Wine Australia	

- 2017 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ)	\$68,283
	Maintenance & Development of regional wine displays	
	Develop media exposure of the region, eg short videos, print & social media	
	Riverina Wine Collective programs and activities	
	Regional Promotional Activities	
	Invest in Wine Australia promotional programs	
Regional Representation of wine grape growers and industry	Develop submissions to Government (Federal, State and Local) as required	\$48,500
	National and State Irrigators Council membership (water issues)	
	Liaison with National Industry Bodies (WGGA, AGWA, AWRI, WFA, PHA)	
	Conduct media announcements to public and growers	
	Manage a Winegrape Water Committee to represent water issues regionally	
	NSW Wine Industry Association membership	
	NSW Farmers Association & NSW Business Chamber membership	
	Australian Society of Viticulture & Oenology meetings and membership	
Operational	Manage the payment of Board fees & charges & authorised officers	\$256,234
	Compliance with Statutory obligations.	
	Prepare papers, conduct & minute Board meetings.	
	Maintenance of current office facilities, assets & accounts.	
	Board & Staff training provision.	

TOTAL BUDGETED EXPENDITURE	\$918,261
BUDGETED INCOME	
Board Fees (\$3.90 per tonne 220,000 tonnes - constituted growers)	\$858,000
Interest from Banks	\$39,000
Proceeds from Sale of Assets	-
Regional Grassroots - restricted funds	\$125,000
Sundries	\$6,150
TOTAL INCOME	\$1,028,150
2017 SURPLUS (DEFICIT)	\$109,889

Notes: The Board is budgeting for a new fly over of the region for its GIS database. This will ensure that we hold the latest image of the regions vineyard plantings and be able to reconcile any removals that have occurred.

- 2018 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations	Promotion of the Wine Industry Code to industry and Government	\$7,000
Information Collection, Dissemination and Transfer	Grapegrower & Winemaker subscription for all constituted producers (12 pa)	\$148,000
	Vine Chat - industry newsletter production (6 pa)	
	Maintenance and management of a website & social media for industry	
	Regional Grape Grower Association Support (Hanwood & Yenda)	
	Maintenance & management of online regional wine grape sale index	
	Attendance of NSW Wine Industry Association meetings	
	Attendance of national industry committees	
	Attendance at NSW Irrigators, National Irrigators & IREC Meetings	
	Liaison with Trade & Investment NSW - Primary Industries, Food & Water	
	Attendance of industry conferences & seminars	
	Subscribe to industry journals, newsletters & magazines for the office	
	Publication of Statutory WGMB Annual Report	
	Conduct of grower meetings (Annual General, Special & Budget meetings).	
	Maintain a functional contacts database for the region	
	Monitor, report and respond to relevant wine industry issues	
Price Information and Communication with Wineries	Collate and disseminate winery price lists	\$9,400
	Conduct regular meetings with regional wineries	
	Publish regional Terms and Conditions of Payment	
	Publish regional price reports for the Riverina region - price dispersion	
Research, Development and Extension in Vine Health and Environmental matters	Conduct wine grape laboratory sampling service & grape maturity testing	\$282,000
	Liaison with industry on vine health, biosecurity & R&D issues., LLS liaison	
	Attendance at NSWWIA meetings on R&D priorities	
	Maintain a regional weather station monitoring network service for growers	
	Drift/Disease/Weather Assessment of vineyards (on a needs basis)	
	Development, sponsorship and conduct of grower field days	
	HACCP Management	
	Development and funding of Research and Extension programs in the region	
	Production, publication & distribution of Riverina Spray Diary	
	Provide grower viticultural advice & support	
	Assist in the management of regional Vine Improvement	
	Grower Extension Services - business/marketing/negotiation/finance skills	
	GIS System Updates	
	Regional Grassroots projects - funding via AGWA aka Wine Australia	

- 2018 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ)	\$70,000
	Maintenance & Development of regional wine displays	
	Develop media exposure of the region, eg short videos, print & social media	
	Riverina Wine Collective programs and activities	
	Regional Promotional Activities	
	Invest in Wine Australia promotional programs	
Regional Representation of wine grape growers and industry	Develop submissions to Government (Federal, State and Local) as required	\$51,000
	National and State Irrigators Council membership (water issues)	
	Liaison with National Industry Bodies (WGGA, AGWA, AWRI, WFA, PHA)	
	Conduct media announcements to public and growers	
	Manage a Winegrape Water Committee to represent water issues regionally	
	NSW Wine Industry Association membership	
	NSW Farmers Association & NSW Business Chamber membership	
	Australian Society of Viticulture & Oenology meetings and membership	
Operational	Manage the payment of Board fees & charges & authorised officers	\$330,000
	Compliance with Statutory obligations.	
	Prepare papers, conduct & minute Board meetings.	
	Maintenance of current office facilities, assets & accounts.	
	Board & Staff training provision.	

TOTAL BUDGETED EXPENDITURE	\$897,400
BUDGETED INCOME	
Board Fees (\$3.90 per tonne 220,000 tonnes - constituted growers)	\$858,000
Interest from Banks	\$39,000
Proceeds from Sale of Assets	\$38,000
Regional Grassroots - restricted funds from AGWA	-
Sundries	\$5,000
TOTAL INCOME	\$940,000
2018 SURPLUS (DEFICIT)	\$42,600

Notes:

- 2019 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations	Promotion of the Wine Industry Code to industry and Government	\$6,800
Information Collection, Dissemination and Transfer	Grapegrower & Winemaker subscription for all constituted producers (12 pa)	\$150,000
	Vine Chat - industry newsletter production (6 pa)	
	Maintenance and management of a website & social media for industry	
	Regional Grape Grower Association Support (Hanwood & Yenda)	
	Maintenance & management of online regional wine grape sale index	
	Attendance of NSW Wine Industry Association meetings	
	Attendance of national industry committees	
	Attendance at NSW Irrigators, National Irrigators & IREC Meetings	
	Liaison with Trade & Investment NSW - Primary Industries, Food & Water	
	Attendance of industry conferences & seminars	
	Subscribe to industry journals, newsletters & magazines for the office	
	Publication of Statutory WGMB Annual Report	
	Conduct of grower meetings (Annual General, Special & Budget meetings).	
	Maintain a functional contacts database for the region	
	Monitor, report and respond to relevant wine industry issues	
Price Information and Communication with Wineries	Collate and disseminate winery price lists	\$9,500
	Conduct regular meetings with regional wineries	
	Publish regional Terms and Conditions of Payment	
	Publish regional price reports for the Riverina region - price dispersion	
Research, Development and Extension in Vine Health and Environmental matters	Conduct wine grape laboratory sampling service & grape maturity testing	\$285,000
	Liaison with industry on vine health, biosecurity & R&D issues., LLS liaison	
	Attendance at NSWWIA meetings on R&D priorities	
	Maintain a regional weather station monitoring network service for growers	
	Drift/Disease/Weather Assessment of vineyards (on a needs basis)	
	Development, sponsorship and conduct of grower field days	
	HACCP Management	
	Development and funding of Research and Extension programs in the region	
	Production, publication & distribution of Riverina Spray Diary	
	Provide grower viticultural advice & support	
	Assist in the management of regional Vine Improvement	
	Grower Extension Services - business/marketing/negotiation/finance skills	
	GIS System Updates	
	Regional Grassroots projects - funding via AGWA aka Wine Australia	

- 2019 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ)	\$80,000
	Maintenance & Development of regional wine displays	
	Develop media exposure of the region, eg short videos, print & social media	
	Riverina Wine Collective programs and activities	
	Regional Promotional Activities	
	Invest in Wine Australia promotional programs	
Regional Representation of wine grape growers and industry	Develop submissions to Government (Federal, State and Local) as required	\$53,000
	National and State Irrigators Council membership (water issues)	
	Liaison with National Industry Bodies (WGGA, AGWA, AWRI, WFA, PHA)	
	Conduct media announcements to public and growers	
	Manage a Winegrape Water Committee to represent water issues regionally	
	NSW Wine Industry Association membership	
	NSW Farmers Association & NSW Business Chamber membership	
	Australian Society of Viticulture & Oenology meetings and membership	
Operational	Manage the payment of Board fees & charges & authorised officers	\$260,000
	Compliance with Statutory obligations.	
	Prepare papers, conduct & minute Board meetings.	
	Maintenance of current office facilities, assets & accounts.	
	Board & Staff training provision.	

TOTAL BUDGETED EXPENDITURE	\$844,300
BUDGETED INCOME	
Board Fees (\$3.90 per tonne 225,000 tonnes - constituted growers)	\$877,500
Interest from Banks	\$40,000
Proceeds from Sale of Assets	-
Regional Grassroots - restricted funds	-
Sundries	\$5,000
TOTAL INCOME	\$922,500
2019 SURPLUS (DEFICIT)	\$78,200

Notes:

- 2020 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations	Promotion of the Wine Industry Code to industry and Government	\$6,900
Information Collection, Dissemination and Transfer	Grapegrower & Winemaker subscription for all constituted producers (12 pa)	\$150,000
	Vine Chat - industry newsletter production (6 pa)	
	Maintenance and management of a website & social media for industry	
	Regional Grape Grower Association Support (Hanwood & Yenda)	
	Maintenance & management of online regional wine grape sale index	
	Attendance of NSW Wine Industry Association meetings	
	Attendance of national industry committees	
	Attendance at NSW Irrigators, National Irrigators & IREC Meetings	
	Liaison with Trade & Investment NSW - Primary Industries, Food & Water	
	Attendance of industry conferences & seminars	
	Subscribe to industry journals, newsletters & magazines for the office	
	Publication of Statutory WGMB Annual Report	
	Conduct of grower meetings (Annual General, Special & Budget meetings).	
	Maintain a functional contacts database for the region	
	Monitor, report and respond to relevant wine industry issues	
Price Information and Communication with Wineries	Collate and disseminate winery price lists	\$9,550
	Conduct regular meetings with regional wineries	
	Publish regional Terms and Conditions of Payment	
	Publish regional price reports for the Riverina region - price dispersion	
Research, Development and Extension in Vine Health and Environmental matters	Conduct wine grape laboratory sampling service & grape maturity testing	\$286,000
	Liaison with industry on vine health, biosecurity & R&D issues., LLS liaison	
	Attendance at NSWWIA meetings on R&D priorities	
	Maintain a regional weather station monitoring network service for growers	
	Drift/Disease/Weather Assessment of vineyards (on a needs basis)	
	Development, sponsorship and conduct of grower field days	
	HACCP Management	
	Development and funding of Research and Extension programs in the region	
	Production, publication & distribution of Riverina Spray Diary	
	Provide grower viticultural advice & support	
	Assist in the management of regional Vine Improvement	
	Grower Extension Services - business/marketing/negotiation/finance skills	
	GIS System Updates	
	Regional Grassroots projects - funding via AGWA aka Wine Australia	

- 2020 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ)	\$80,000
	Maintenance & Development of regional wine displays	
	Develop media exposure of the region, eg short videos, print & social media	
	Riverina Wine Collective programs and activities	
	Regional Promotional Activities	
	Invest in Wine Australia promotional programs	
Regional Representation of wine grape growers and industry	Develop submissions to Government (Federal, State and Local) as required	\$53,000
	National and State Irrigators Council membership (water issues)	
	Liaison with National Industry Bodies (WGGA, AGWA, AWRI, WFA, PHA)	
	Conduct media announcements to public and growers	
	Manage a Winegrape Water Committee to represent water issues regionally	
	NSW Wine Industry Association membership	
	NSW Farmers Association & NSW Business Chamber membership	
	Australian Society of Viticulture & Oenology meetings and membership	
Operational	Manage the payment of Board fees & charges & authorised officers	\$335,000
	Compliance with Statutory obligations.	
	Prepare papers, conduct & minute Board meetings.	
	Maintenance of current office facilities, assets & accounts.	
	Board & Staff training provision.	

TOTAL BUDGETED EXPENDITURE	\$920,450
BUDGETED INCOME	
Board Fees (\$3.90 per tonne 225,000 tonnes - constituted growers)	\$877,500
Interest from Banks	\$40,000
Proceeds from Sale of Assets	\$38,000
Regional Grassroots - restricted funds	-
Sundries	\$5,000
TOTAL INCOME	\$960,500
2020 SURPLUS (DEFICIT)	\$40,050

Notes:

- 2021 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Development of a Code of Conduct for contract negotiations	Promotion of the Wine Industry Code to industry and Government	\$7,000
Information Collection, Dissemination and Transfer	Grapegrower & Winemaker subscription for all constituted producers (12 pa)	\$152,000
	Vine Chat - industry newsletter production (6 pa)	
	Maintenance and management of a website & social media for industry	
	Regional Grape Grower Association Support (Hanwood & Yenda)	
	Maintenance & management of online regional wine grape sale index	
	Attendance of NSW Wine Industry Association meetings	
	Attendance of national industry committees	
	Attendance at NSW Irrigators, National Irrigators & IREC Meetings	
	Liaison with Trade & Investment NSW - Primary Industries, Food & Water	
	Attendance of industry conferences & seminars	
	Subscribe to industry journals, newsletters & magazines for the office	
	Publication of Statutory WGMB Annual Report	
	Conduct of grower meetings (Annual General, Special & Budget meetings).	
	Maintain a functional contacts database for the region	
	Monitor, report and respond to relevant wine industry issues	
Price Information and Communication with Wineries	Collate and disseminate winery price lists	\$9,600
	Conduct regular meetings with regional wineries	
	Publish regional Terms and Conditions of Payment	
	Publish regional price reports for the Riverina region - price dispersion	
Research, Development and Extension in Vine Health and Environmental matters	Conduct wine grape laboratory sampling service & grape maturity testing	\$288,000
	Liaison with industry on vine health, biosecurity & R&D issues., LLS liaison	
	Attendance at NSWVIA meetings on R&D priorities	
	Maintain a regional weather station monitoring network service for growers	
	Drift/Disease/Weather Assessment of vineyards (on a needs basis)	
	Development, sponsorship and conduct of grower field days	
	HACCP Management	
	Development and funding of Research and Extension programs in the region	
	Production, publication & distribution of Riverina Spray Diary	
	Provide grower viticultural advice & support	
	Assist in the management of regional Vine Improvement	
	Grower Extension Services - business/marketing/negotiation/finance skills	
	GIS System Updates	
	Regional Grassroots projects - funding via AGWA aka Wine Australia	

- 2021 PROPOSED ACTIVITIES -

INDUSTRY SERVICE	FUNCTION - TASK - ACTIVITY	COST
Regional Promotion and increased GI labelling of Riverina wines	Fund Tourism Touchscreens (interactive information for tourists Aus/NZ)	\$81,000
	Maintenance & Development of regional wine displays	
	Develop media exposure of the region, eg short videos, print & social media	
	Riverina Wine Collective programs and activities	
	Regional Promotional Activities	
	Invest in Wine Australia promotional programs	
Regional Representation of wine grape growers and industry	Develop submissions to Government (Federal, State and Local) as required	\$53,000
	National and State Irrigators Council membership (water issues)	
	Liaison with National Industry Bodies (WGGA, AGWA, AWRI, WFA, PHA)	
	Conduct media announcements to public and growers	
	Manage a Winegrape Water Committee to represent water issues regionally	
	NSW Wine Industry Association membership	
	NSW Farmers Association & NSW Business Chamber membership	
	Australian Society of Viticulture & Oenology meetings and membership	
Operational	Manage the payment of Board fees & charges & authorised officers	\$262,000
	Compliance with Statutory obligations.	
	Prepare papers, conduct & minute Board meetings.	
	Maintenance of current office facilities, assets & accounts.	
	Board & Staff training provision.	

TOTAL BUDGETED EXPENDITURE	\$852,600
BUDGETED INCOME	
Board Fees (\$3.90 per tonne 230,000 tonnes - constituted growers)	\$897,000
Interest from Banks	\$40,000
Proceeds from Sale of Assets	-
Regional Grassroots - restricted funds	-
Sundries	\$5,000
TOTAL INCOME	\$942,000
2021 SURPLUS (DEFICIT)	\$89,400

Notes:

- 2017 FINANCIAL YEAR PROPOSED OPERATING BUDGET -

BUDGETED INCOME	\$
Charges (\$3.90 per tonne on 220,000 tonnes) - constituted growers	858,000
Interest from Bank Accounts	39,000
Proceeds from Sale of Assets	0
Income from Operating Activities (Sundries)	6,150
AGWA Grants (Grassroots)	125,000
TOTAL INCOME	1,028,150
BUDGETED OPERATING EXPENDITURE	
Accountancy Fees	10,000
Advertising Activities	5,650
Agency Expense (Collection fee charged by wineries 5%)	42,900
Audit Fees - Statutory	18,500
Bank Fees and Charges	950
Board Fees and Allowances	52,000
Computer Expenses	8,100
Conferences/Seminars	2,515
Consultancy Costs (R&D Project work conducted by relevant consultants)	50,850
Depreciation Expense	42,000
Donations	2,000
Fringe Benefits Tax	4,600
Industry Functions	6,900
Insurance	16,700
Legal Fees	2,500
Motor Vehicle Operating Expenses (fuel, registration, etc)	18,850
Point of Access Office Expenses	10,500
Postage and Telephone	23,685
Printing and Stationery	10,905
Promotion	48,300
Provision for Annual Leave	4,000
Provision for Long Service Leave	2,200
Rates	2,200
Research Consumables	10,950
Research Payments	121,500
Return of Statutory Fees - charged on growers of less than 20 tonnes	2,000
Salaries and Wages	299,710
Sponsorship	10,000
Staff Training	1,500
Subscription: Magazines Subscription for Growers	9,770
Subscription: Irrigation Representation and Sundries	6,210
Subscription: NSW Wine Industry Association	10,000
Subscription: Papers, NSW Business Chamber, NSW Farmers	2,346
Sundry Expenses	250
Superannuation (includes \$2,768 of Board Executive Member super.)	31,240
Travelling Expenses	25,980
SUB-TOTAL	918,261
BUDGETED CAPITAL EXPENDITURE	
Motor vehicle	-
Office, Computer & Research Equipment	-
SUB-TOTAL	-
TOTAL EXPENDITURE	918,261
SURPLUS	109,889

- NOTES -



**RIVERINA
WINE GRAPES MARKETING BOARD
REPRESENTING GROWERS
WITHIN THE CITY OF GRIFFITH
AND LOCAL GOVERNMENT AREAS OF LEETON,
CARRATHOOL AND MURRUMBIDGEE**

182 Yambil Street (PO Box 385)
GRIFFITH NSW 2680
Phone: (02) 6962 3944
Fax: (02) 6962 6103
Email: board@wgmb.net.au
Website: www.wgmb.net.au
Office Hours: 8:30am - 5:00pm Mon - Fri

Appendix 4

Terms of Reference into the Wine Grapes Marketing Board Review

WGMB review - Terms of Reference

The Wine Grapes Marketing Board (WGMB) is constituted under the Agricultural Industry Services Regulation 2015 to provide a range of agricultural industry services to independent winegrape producers that produce greater than 20 tonnes of winegrapes within its area of operation, The City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee in NSW.

To better understand the role that the WGMB provides to the winegrape growers in its defined service area, the NSW Department of Primary Industries (DPI) Strategy & Policy Unit will undertake a review of the performance of the WGMB against its regulatory responsibilities.

1. Terms of Reference

The review will evaluate the function and performance of the WGMB against the following services as outlined in the Agricultural Industry Services Regulation (2015):

- a. the development of a code of conduct for contract negotiations between winegrape growers and wineries,
- b. the development of draft contract provisions with respect to the sale of Murrumbidgee Irrigation Area (MIA) winegrapes 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 winegrape growers,
- c. the promotion of private contracts for sales of MIA winegrapes to wineries by winegrape growers,
- d. the collection and dissemination of market and industry information, including the production and publication of indicator prices for MIA winegrapes grown in the Boards area of operation,
- e. the conduct of research and development into plant health in relation to winegrapes,
- f. the provision of education and training in relation to winegrape production and marketing,
- g. the promotion (in association with organisations representing wineries) of wine made from MIA winegrapes,
- h. the promotion of regional industry, including regional wine-making, within the Boards area of operations, and
- i. the representation of the winegrape industry in relation to the matters referred to in paragraphs (a)-(h).

2. Conduct of the Review

The review will be undertaken by the DPI Strategy & Policy Unit as follows:

- a. An Information Paper will be published online for all interested parties to read, calling for written submissions which will be considered and evaluated.

- b. DPI will undertake desk top research in conjunction with public consultations to review the performance of the WGMB in delivering Agricultural Industry Services to winegrape producers in the defined service region.
- c. DPI will consult closely with the WGMB in the course of the review; and
- d. The review will report to the Director General, NSW Department of Primary Industries.



www.dpi.nsw.gov.au

Appendix 5

Winegrape Assessment in the Vineyard and at the Winery



Winegrape Assessment

in the Vineyard and
at the Winery

Compiled by Wendy Allan

Prepared for and endorsed by the Winegrape Growers' Council of Australia (WGCA)
and the Winemakers' Federation of Australia (WFA) Liaison Committee.

Review Committee: Russell Johnstone, Orlando Wyndham; Richard Withey, Southcorp Wines; Chris Byrne,
Riverland Winegrape Growers Association Inc; Wendy Allan, Viticulturist; and Stephen Strachan, WFA.

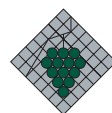


Winegrape Growers'
Council of Australia



Winemakers' Federation of Australia

For the Industry by the Industry



Grape and Wine
Research and
Development Corporation



Winegrape Assessment

in the Vineyard and at the Winery

1. Introduction

THIS PUBLICATION is a description and endorsement of current best practice in winegrape assessment. It describes and discusses those quality specifications that can be readily measured or ascribed a value. It has been developed by and for participants in the wine industry involved in the activities of buying and selling winegrapes, and is based on wide industry consultation. It should be seen as a tool to develop and improve relationships between buyers and sellers of winegrapes. The publication describes current best practice and therefore, by definition, will evolve over time.

The aims of this publication are to bring more clarity, transparency, commonality and certainty to the sometimes contentious process of winegrape specification, Quality Control and winegrape quality attribution in winegrape transactions.

It is the first publication endorsed and released by the Liaison Committee of the Winegrape Growers' Council of Australia (WGCA) and the Winemakers' Federation of Australia (WFA). The Liaison Committee was formed in 2001 to address best practice arrangements regarding grape specifications and winery/grower relationships. The Liaison Committee has identified three areas that require attention.

Those three areas are:

- Winegrape Assessment;
- Grape Purchasing Agreements; and
- Protocols and Supporting Behaviours.

Funded by the Grape and Wine Research and Development Corporation (GWRDC), this publication addresses the first of these three, and the Liaison Committee continues to work on the remaining areas.

The Liaison Committee recognises that its endorsement of best practice arrangements will be meaningless unless individual growers and wineries also adopt the recommended standards. In their dealings with each other, it is imperative that growers and wineries observe standards of ethical and fair behaviour. For this reason, the Liaison Committee regards the development of 'behaviour' protocols as a priority, and is targeting the 2004 vintage as the deadline for their completion.

2. Grape purchasing agreements and expectations

Grape purchasing agreements should provide security and reliability of supply and sale of winegrapes. At the same time supply arrangements should foster positive relationships between winemakers and growers to their mutual advantage.

Grape purchasing agreements should incorporate the Quality Control requirements and specifications of the purchaser. Winegrape maturity, purity and condition specifications and tolerances are commonly written into grape purchasing agreements so that both parties understand what is expected of each other and to have a commitment to ensure product tolerances are met.

A basic responsibility of growers of fresh produce, which includes winegrapes, is to abide by the code of Food Standards Australia New Zealand (FSANZ) and deliver grapes in a ripe, clean and cool condition. In addition, a grape purchasing agreement can specify tolerances concerning maturity, flavour, colour and purity. Purity and condition includes fungi, dust, matter other than grapes, or residue from agrochemicals.

Each winery will have its own tolerance levels with regard to specifications detailed in the agreement. It is important, then, for growers to be made fully aware of consequences of failing to meet tolerances. In some cases there may be a price penalty in proportion with the degree to which the grapes fail to meet tolerances. In other situations there may be downgrading to another category or even rejection.

Agreements should specify where risk and title transfers from grower to the winery.

Just as the winery is responsible for wine production, vineyard owners carry the responsibility and risks associated with grape production, harvest and delivery, including general effects of the season, frost damage and specific pests and diseases.

A summary of winery and grower expectations that relate to winegrape maturity, purity and condition specifications and tolerances follows.

Winery expectations:

- Growers will seek to understand the quality differentiation of the winery's products and the relationship of grape quality to those products;
- In general growers will strive to produce grapes of appropriate maturity, purity and condition as per the grape purchasing agreement;
- Growers will manage cropping levels to meet winery grape purchasing agreement tolerances;
- Growers will take reasonable steps to produce timely and accurate crop estimates;
- Grapes will be harvested at a targeted Baume set by the purchasing winery. Where the target Baume cannot be met, the minimum Baume must be met;
- The delay between the commencement of harvest and delivery to the winery should be minimised unless other instructions have been given by the winery;
- For machine harvesting, grapes will be harvested in the cooler part of the night to minimise spoilage, especially with white grapes;
- Growers will manage their vineyard with due care to the environment;
- Growers will manage their vineyard in accordance with quality assurance programs where required;
- Growers will comply with mandatory reporting requirements, such as reporting of agrochemical use in the form of a spray diary and submitting crop estimates when required;

- Growers are obliged to inform winery representatives of any information or change that could affect the expected grape quality or yield; and
- Growers will comply with winery grape sampling requirements.

Grower expectations:

- Wineries will reward growers appropriately and sustainably for a reliable supply of consistent quality grapes that meet the winery specifications and the designated wine style expected within a region;
- Wineries will work with their growers to make the quality linkage between grapes and end products clear and understandable;
- To receive quality, timely support from winery grower services and viticultural staff to assist with seasonal vineyard management;
- Winegrape specifications and tolerances will be written, clear, measurable and consistently applied, especially when downgrading occurs and pricing is affected;
- Winegrape specifications and tolerances will not be changed by the winery prior to harvest without reasonable notice and not so soon before harvest that the grower cannot take appropriate action;
- Assessment staff will be technically trained and competent in vineyard and/or load assessment and all blocks will be assessed prior to harvest. If a problem arises the grower is to be consulted to discuss and agree on an outcome;
- Where vineyard assessment results in disease detection, a formal assessment of the block is to be made as early as possible and growers are to be given the option to be involved in the formal assessment;
- Notification for possible downgrading, penalties or rejection will be as early as possible to allow the grower time to seek alternative arrangements and/or to prevent further loss; and
- Wineries will provide growers with constructive feedback (preferably prior to pruning) on the vineyard assessments and the resultant wine quality of their grapes along with any recommendations to assist with improvement.

3. Winegrape quality

Wines, and the grapes they are made from, are highly differentiated products. They are influenced by a myriad of factors including colour, variety, growing region, vineyard characteristics, vineyard management practices, seasonal vintage and winemaking influences. No other consumable product has such a degree of differentiation or identification with those factors. For this reason certain varieties, regions, vineyards, vintages, winerie, and wines can command significantly different prices.

For the sake of efficiency and harmony within an industry encompassing such highly differentiated products, clarity, common understanding and agreement on important characteristics is highly desirable. While seeking clarity and common understanding it must also be acknowledged that some characteristics of grapes and wine are not readily quantifiable, and it is often these less quantifiable characteristics, such as flavour, that make grapes and wines highly sought after by consumers.

A useful model with which to consider grape quality is the Quality Triangle which, for the purposes of grape transactions, groups all the factors that can influence grape quality into three 'legs' of a triangle.



The Winegrape Quality Triangle

Maturity, purity and condition

Maturity, purity and condition refers to those criteria that can be readily quantified or ascribed a value. They are commonly specified in grape purchasing agreements between growers and winemakers so that both parties understand what is expected and have a commitment to ensure product specifications are met. They are covered in detail further on in this publication.

Flavour and character

Flavour and character requirements, such as tannin structure, are determined by wineries according to their product requirements and their winemaking styles. These are often difficult to quantify, both as a specification and as an assignment. Nonetheless these characteristics are vitally important and, in situations where grape pricing will be influenced by flavour and character, wineries need to take particular measures to ensure growers can have faith in the process of assessment and assignment of these parameters. This process of assessment and assignment may continue well after the receipt point, as is the case of 'end-use' bonuses used by some wineries according to the ultimate end-use of grapes in the product portfolio of the winery.

The special measures wineries take could include:

- Ensuring growers appreciate product portfolios, possibly through structured tastings;
- Giving growers clear and realistic wine end-use expectations with reference to variety, region and vineyard;
- Having assessment and assignment protocols that are specified and adhered to with internal consistency; and
- Communication to growers of end-use outcomes.

Protocols and supporting behaviours

'Quality' is not only defined by criteria that are quantifiable and measurable. There are process and procedural elements that can be defined, but not easily measured. These elements would include:

- Communication;
- Notification;
- Timeliness; and
- Assessment.

For example, vineyard assessments by wineries are undertaken according to certain internal protocols. These protocols might cover the frequency of visits, procedures for communicating with the grower/owner, and decision procedures for downgrading or rejecting grapes. Other areas might include protocols for disease detection and response; a protocol defining minimum training and experience for personnel undertaking vineyard or load assessments; or dispute resolution mechanisms and facilities in respect of pricing or rejection.

These protocols and supporting behaviours provide direction on how the other aspects of the quality triangle should be implemented and communicated. These protocols and supporting behaviours would go even further towards limiting uncertainty among growers in particular with respect to the



outcomes of their grape purchasing arrangements with wineries. While protocols exist, there are no industry endorsed protocols and supporting behaviours. There is therefore scope to develop these through the Liaison Committee. So while there are many factors that constitute quality, only those readily assessable are dealt with in the remainder of this document.

4. Specification, criteria, tolerances and assessment

The above terms are widely used in this document and therefore require definition.

Specification: means the notation of the characteristics that distinguish one load of grapes from another. While that obviously includes characteristics such as the variety and vineyard block from which the grapes are sourced and when the grapes are anticipated at the winery, it also includes all the characteristics listed in Tables 1 and 2. For example, load temperature is one specification for a load of grapes.

NB: Krstic et al. 2003, '*Growing Quality Grapes to Winery Specifications*' refers to 'quality parameters' a term that is synonymous with the term 'characteristic' above.

Criterion: means the measure or rule by which a judgment or estimate is made. Using the above example, the criterion for load temperature is degrees Celsius as measured by a calibrated thermometer.

Tolerance: means the permitted variation. Again using the above example, the tolerance for load temperature at a particular winery may be that grapes need to be delivered at less than 30°C and that grapes delivered in excess of 30°C may be liable for penalty.

Assessment

Although vineyard and load assessment procedures in one form or another have been in use in the wine industry for many years, there has not been industry endorsement of methods and procedures which can be used universally in grape purchasing agreements. Furthermore, improved knowledge and innovation is providing growers and winemakers with new alternatives to assist them in ensuring that grapes more closely match winery requirements.

This publication identifies the important specifications commonly used by wineries in assessing maturity, purity and condition of grapes in vineyards and at the receival point. While it is a set of specifications used by wineries in grape purchasing agreements, it is not a set of standards, or a standardised approach towards defining assessment procedures.

Because most problems identified at the receival point can also be identified in the vineyard, emphasis is placed on assessment criteria in the vineyard, as well as at the receival point. An objective of growers and wineries should be to identify problems as early as possible, preferably in the vineyard, so that effective action can be taken to avoid grapes being downgraded or rejected. Grapes that are downgraded or rejected represent a missed opportunity for both the grower and the winemaker.

Ownership of the grapes passes from the grower to the winery at the receival point. It is at this point that final assessment to specification should take place.

5. Assessment in the vineyard

Vineyard assessment is a form of quality assurance in the vineyard and has become a critical step in the winemaking process. It enables the winemaking potential of the grapes to be identified prior to receival at the winery and more importantly, it prevents the delivery of unsound grapes to the winery.

Inspections during the growing season and especially during

ripening, allow the winemaker, or winemaker's representative, to follow progress and determine the time of harvesting that will result in the best combination and expression of flavours and other attributes. Although the focus is on berry development, the vineyard and vine characteristics may also be assessed.

In addition, vineyard and berry assessment enables wineries to batch similar parcels of grapes, optimise wine quality and optimise winery efficiency.

Assessment in the vineyard should be carried out by winery staff within 1-2 weeks of harvest to:

- Make an assessment as close to harvest as possible; and
- Give growers sufficient notice of harvest and notifications of concerns against specifications.

Formal processes of vineyard assessment involve measurements wherever possible and can help explain differences in quality between blocks. Some characteristics such as flavour, cannot be easily or quickly measured using a tool or laboratory test and require subjective assessment following specific guidelines.

Other vineyard characteristics that do not yet have criteria are indicated as various canopy and berry characteristics. These characteristics are assessed utilising some form of a score card and it is to be expected that the assessment will remain subjective for some time, for example, leaf condition, bunch exposure, berry size, berry shrivel, sugar/acid balance, skin chewiness/thickness and tannin intensity. These are assessed to help with batching and determining a potential product in the vineyard.

The vineyard assessment specifications for the vineyard are summarised in Table 1 (see page 14).

6. Assessment at the winery

The weighbridge or load assessment station is usually the winery's final and critical checkpoint against specification for grapes and is referred to as the receival point.

Load assessment verifies how well the grapes comply with specifications. The majority of the specifications assessed give results within 15 minutes to prevent delays in the production process. Growers need to feel confident that the methodology being applied during assessment of the loads is consistent and reliable, and that measurements are accurate.

Currently it is not easy to quantify an overall quality rating at the load assessment stage. For higher grades of wine, quality can sometimes only be finally determined after fermentation, particularly as post crushing processes can influence the expression of some quality factors in wine.

The specifications assessed at the receival are summarised in Table 2 (see page 15).

7. Maturity, Purity and Condition Criteria

The specifications used to assess grapes in the vineyard and at the winery can be split into three broad categories: maturity; purity; and condition.

7.1 MATURITY

To the winemaker, maturity is determined not only by 'sugar ripeness' but also by 'flavour ripeness' of the berries. A range of components may be considered.

7.1.1 Total Soluble Solids, pH and Titratable Acidity

The sugar in grapes is often used as an indicator of maturity and is sometimes used as a basis for pricing of grapes. The majority of wineries measure sugar as total soluble solids (TSS) in degrees Brix and converted to Baume units. One unit of Baume is equivalent to 1.8 degrees Brix. Baume gives a convenient

indication of potential alcohol content of the wine to be produced from the grapes. Grapes of 13 Baume, if fermented completely, produce a wine of about 13% alcohol by volume.

Titrateable Acidity (TA) and pH are commonly measured as well as with TSS to give an overview of grape maturity at harvest and are used for harvest scheduling. TA and pH are not commonly used as an element for pricing grapes. As TSS increases in the berries, the juice pH rises and the TA declines. TA indicates the total amount of organic acids in solution and the pH relates to the free hydrogen ions in solution indicating the alkaline/acidity balance.

As TSS, TA and pH can be measured, they are commonly used as specifications, but there are other influences on quality. These are discussed later.

Loss or risk potential

Not meeting the minimum tolerance can also affect the resultant wine quality as Baume is closely linked with other quality characteristics such as colour, flavour and alcohol. It is important for each parcel of grapes to reach a targeted maturity to maximise the quality potential at harvest. If the Baume is below the minimum tolerance set by the winery for a given variety, then penalties may occur resulting in a loss of income to the grower.

TA and pH are closely associated with Baume and can affect the resultant wine quality if out of balance. Acidity is important for flavour balance and a low pH leads to more stable colour and inhibits microbial spoilage.

Winemakers take into consideration the TA and pH values and their balance with the Baume level in deciding when to harvest. Bonuses or penalties are uncommon for these two specifications.

Predisposing elements (causes for loss)

Seasonal conditions greatly affect the maturity of grapes. Cooler regions tend to experience a slower increase in Baume and TA often remains high. In some years when temperatures remain cooler than average, the cool regions may struggle to achieve the targeted Baume. Warm to hot regions tend to show a faster increase in Baume and TA tends to drop away requiring adjustment in the winery.

It is commonly found that higher quality wines from a particular variety within a designated region are made from grapes that reach their targeted maturity earlier. Those that do not either are out of balance, younger vines, or are badly managed via inadequate management practices such as over cropping, over irrigating, inadequate pruning and poor canopy management.

High vineyard variability within a block of vines causes great concern as this can affect the maturity results if not taken into consideration when sampling the block.

Achieving a Baume below the minimum tolerance may result in poorer quality wines. Delivering grapes over and above the targeted Baume, on the other hand, can result in high alcohol wines that may not be allowable for export and which are not to style. Costs can be high to remove excess alcohol from a wine.

If TA is lower than required, then acid adjustment is required resulting in increased costs in the winemaking process.

Evaluation process

Measurement

Using juice samples (for both vineyard and load assessment), TSS, TA and pH are all measured with instrumentation that is calibrated to a standard solution.

TSS is usually measured by refractometry, giving a value expressed in degrees Brix. The Brix value is then converted to Baume.

TA is measured as free and bound hydrogen ions by titration with NaOH, expressed in g/L.

pH is measured using a calibrated pH meter and values are expressed in pH units.

Assessment and sampling for maturity in the vineyard

Sampling commences in the vineyard at around 8 Baume onwards for most varieties (once berries have reached full veraison). It is best practice to sample twice weekly if resources allow, or once weekly as a minimum.

Variability is taken into account by taking samples that are representative of the block unit to be harvested. Samples should be taken at the same time of day for each sample time and preferably in the cool of the morning.

There are many methods of vineyard sampling. The industry recommendation refers to the publication: Krstic et al. 2003 *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

Assessment and sampling for maturity at the receival point

Sampling devices used range from mechanical core samplers to smaller manual devices. Whatever tool is used, the aim is to obtain a core sample that is representative of the load. Training is therefore essential to ensure consistency of operation.

For loads delivered in grape bins it is recommended best practice to sample every bin twice and average the result. A minimum would be to sample at least 50% of the bins once. If there is discrepancy between the bins, then there is a need to sample further until variability is minimised.

For loads delivered in tipping trucks and/or trailers it is recommended best practice to sample each unit in three different sections and average the result.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted Baume (set by the winemaker) for each variety as required for the designated wine style.
- **Minimum tolerance**—Applies in many grape purchasing agreements and should be observed to avoid penalties or possible rejection.
- **Notification of results**—If results fall below the minimum tolerance, growers must be notified immediately (within 2 hours is acceptable), to discuss the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.1.2 Colour (red grapes)

In recent seasons, growers have been encouraged to undertake practices that will improve the intensity of colour of winegrapes, especially the varieties Cabernet Sauvignon, Merlot and Shiraz, and some wineries have given incentives through their grape pricing. The main goal, however, has been to raise regional colour performance (particularly in the inland irrigated regions) and to provide further scope for batching.

The means of measurement of colour and the correlation of colour with other quality attributes continue to be investigated. Like other specifications, colour is therefore best not to be used in isolation but in combination with other factors that make up the overall quality of the wine.



Growers need to be aware that wineries make commercial decisions about their products and may have varying colour tolerances for different varieties.

Loss or risk potential

For those wineries that have set tolerances, if the colour result falls below the minimum tolerance for a given variety, then penalties may occur resulting in a loss of income to the grower or possible rejection.

Not meeting the minimum tolerance could also mean a loss for the winemaker who might have planned for a certain level of colour for a particular product.

Predisposing elements (causes for loss)

Seasonal conditions and management practices influence colour development. The colour compounds, known as anthocyanins, have an optimum temperature range of 17 to 26 degrees Celsius (*Growing Quality Grapes to Winery Specifications*, CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement) for their formation. This means that intense colour tends to be more difficult to achieve in extremely hot and extremely cold regions. It also means that a warm region normally will have better colour intensity in a cooler than average season.

Excessive exposure as well as too much shading may also affect the rate and uniformity of colour development. Vines described as being in good balance and which have not been invigorated, are best equipped to produce grapes with good colour.

Excessive irrigation, excess nitrogen, calcium deficiency and botrytis are some factors that have been associated with poor colour.

Evaluation process

Colour measured in the vineyard will ideally be verified at the receival point, with sampling methods taking account of variability.

Measurement

Colour compounds (anthocyanins) form part of the phenolic make-up of wines and are predominantly found in the skins.

In the vineyard, visual assessment of colour can be made using a colour chart alongside a macerated sample of grapes. Although quick and inexpensive, this method is subjective.

Colour may be measured by the following techniques:

- a) Near Infra-Red Spectroscopy (NIRS)
- b) Spectrophotometry

Colour measurements are usually expressed as milligrams of anthocyanins per gram berry weight.

NIRS is a correlative technique that enables rapid analytical results. Assuming an NIRS calibration is available, routine testing is simple and can be performed in less than a minute. Representative sampling is crucial for accuracy of results and it has become evident that NIRS calibrations need to be specific to a grape variety within its region, considering vintage variations. Currently a laboratory colour reference is essential for calibration backup. The NIRS equipment is available as a bench-top tool, but remains expensive.

Wineries that specify colour by measuring milligrams of anthocyanin per gram of berry may have varying tolerances for each red winegrape variety. Tolerances may also vary between regions.



Assessment and sampling for colour in the vineyard

Refer to the publication *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

As for any sampling, it is crucial to understand vineyard variability prior to sampling and it has been shown that sampling for colour shows a greater variability than sampling for maturity.

Assessment and sampling for colour at the receival point

Refer to the publication *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

Obtaining a representative sample of whole berries from loads for a colour test can be difficult. Mechanical core samplers are used by some wineries to take a core of grapes and juice from a load and whole berries are sorted from that core sample.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted colour level for each variety as required for the designated wine style.
- **Minimum tolerance**—Grapes should be delivered at the minimum tolerance where a winery has indicated, and especially where this may affect pricing.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified as soon as results become available, to discuss the outcome.

7.1.3 Cropping level

The primary needs of wineries are supplies of grapes that have the potential to produce their intended wine styles.

Within the same region there can be a range of yields from different growers that will all meet specifications. There are, however, what appear to be the optimum yield ranges for achieving an individual winery's requirements. For this reason,

many grape purchasing agreements have upper tolerances to yields.

Often the relationship between winemakers and growers will enable a negotiation on optimal cropping levels and expected yields.

Loss or risk potential

If growers exceed yield tolerance, there is a risk the surplus may not be accepted by the winery. If quality expectations are achieved however, negotiation may allow the grapes to be accepted. Another potential risk of loss is that of regional integrity where a region is marketed and known as a premium producer of wines.

Vines that are continually over-cropped tend to use more resources such as water and nutrients, which may be costly and not sustainable.

Predisposing elements (causes for loss)

An over-cropped vine can be defined as one that: has a large crop and insufficient healthy, active leaves; cannot produce enough sugar to maintain all bunches and adequately ripen them; fails to produce grapes with the flavour profiles required; and has reduced reserves for the following spring.

Management practices such as over-irrigating and soil management techniques that promote high cropping and high vigour can greatly influence the vine balance and yield. In

addition, pruning to a high bud number that does not match vine capacity may result in over-cropping. Excessive leaf loss due to environmental stress, pests or diseases is another possible negative effect on the balance of the vine.

Over supply of nutrients, in particular nitrogen, will affect the cropping level and possibly decrease quality.

Poor combinations of variety and rootstock can result in a vigorous, dense canopy and overcropped vines. Placing a poor combination in an environment that does not suit can worsen the outcome.

Evaluation process

It has become increasingly important to estimate yield accurately in the vineyard prior to harvest to assist winery planning.

Accurate estimation will enable the grower to make informed decisions about their yield management.

Measurement

Visual assessments, using scorecards at critical phenological stages, including 10cm shoot growth, post set and veraison, can rate vine balance and give a general indication of cropping level. At the same time an inspection can be made for any vine health problems.

For more accurate yield estimation, a Yield Estimation Model should be applied. Industry recommendation refers to: Winegrape Crop Forecasting Module (Dunn, Martin and Dunston, DPI Victoria).

The future holds much promise for more accurate yield estimation using precision viticulture techniques such as yield mapping with a GPS system at harvest. Optical remote sensing is another tool undergoing research for assisting in yield estimation.



Assessment of cropping level in the vineyard

Accurate yield estimations can only be obtained when vineyard variation is taken into account and the sampling is representative of this variation. A Yield Estimation Model gives an appropriate estimation of final yield. The model is usually applied at six weeks after budburst, at veraison and again just prior to harvest.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted wine style for each variety as required, by maintaining good vine balance.
- **Maximum tolerance**—Deliver grapes within the tolerance where a winery has written the specification and especially where it may affect pricing.
- **Notification of results**—If yield falls outside tolerance, growers need to be notified as soon as results become available to discuss the outcome. In the same instance, growers must notify wineries as soon as they become aware of any change in their estimated yield.

7.2 PURITY

Fungal diseases, agrochemical residue and any Matter Other than Grapes (MOG) are detrimental in a load of winegrapes and while 100% purity can be difficult to achieve it must be the aim of every grower.

Grapes are classified as food and therefore have to be able to

comply with Food Standards Australia New Zealand (FSANZ).

7.2.1 Diseases—powdery mildew, downy mildew, botrytis and other moulds and rots

Diseases are detrimental to wine quality if they affect colour and flavour. They also can impart unpleasant taints. The percentage of disease that is acceptable can vary from winery to winery.

Monitoring of pests and diseases in the vineyard and assessment of damage or infection can minimise problems and enable notice to be given before arriving at the load assessment station.

Powdery mildew needs to be controlled as early as possible (preferably by veraison). Botrytis and other moulds and rots may only be evident close to harvest where moisture has affected grapes. Downy mildew is not an issue every year in most regions throughout Australia.

Although it can seriously affect grapes, loss of leaf function near harvest can have a major effect on quality by affecting the ripening process.

Loss or risk potential

Diseases can be detrimental to wine quality causing contamination and taints.

Botrytis (*Botrytis cinerea*) can cause severe problems in winemaking making it difficult to process the juice and wine. The presence of botrytis in wines can result in a loss of colour, flavour, off taints and reduced shelf life. In the vineyard crop loss can occur and secondary infections are common from yeast, other moulds and rots, bacteria and vinegar flies.

Powdery Mildew (*Uncinula necator*) can cause off taints in wine that are detrimental to wine quality resulting in reduced shelf life. Consequently processing time and costs are increased and taints can sometimes be impossible to remove. Losses in the

vineyard can occur due to restrictions of yield, maturity and uneven ripening. Splitting may occur resulting in secondary infections from other moulds and rots.

Downy Mildew (*Plasmopara viticola*) can cause severe crop loss and, more often, leaf loss resulting in sunburn and uneven ripening or failure to ripen the grapes.

Moulds and other rots can cause severe faults in wine that are not only detrimental to wine quality but may be unacceptable for export due to health concerns, for example, grapes affected with the toxin ochratoxin A (OA). The predominant species producing OA are *Aspergillus ochraceus* resulting from *Aspergillus carbonarius*.

There are a number of other bunch rots and moulds that can have undesirable effects on wine quality. For example, *Rhizopus*, *Aspergillus* and *Penicillium* in combination can result in sour rot. Sour rot is commonly found in Europe, the USA and in some parts of Australia and is caused by a variety of micro-organisms, including yeast and acetic acid bacteria.

Predisposing elements (causes for loss)

Unfavourable conditions during the growing season and near harvest present the primary cause for the onset of disease, resulting in crop loss or badly affected grapes if left uncontrolled.

Poor spray applications and poor timing of sprays can lead to an uncontrollable disease situation if weather favours development.



Some management practices in the vineyard can increase the risk of disease development. These include excessive use of nitrogenous fertilisers resulting in increased vigour and therefore excessive shading without adequate air circulation to dry out the canopy early in the day.

Not managing pest outbreaks can lead to secondary problems with disease such as lightbrown apple moth increasing the risk for botrytis, and mealy bug damage resulting in other moulds and rots.

Over use and poor timing of irrigation applications can produce thin skins and tight compact bunches increasing the risk for botrytis and other infections if splitting occurs.

Some varieties are more susceptible to disease than others, for example, bunch rot in Grenache and powdery mildew in Chardonnay.

Evaluation Process

While there are techniques available for quantifying disease incidence and severity in grapes, quantitative links to wine outcomes are not generally agreed.

Measurement

Currently, the degree of disease infection is determined by visual examination during vineyard assessment and during load assessment at the winery.

Quantification in the vineyard can be made using the Emmett and Wicks Disease Assessment Key. In this formal assessment process, a percentage incidence and severity rating of the disease is determined to assist in decision making.

Assessment of disease in the vineyard

Inspections for any vine health problems should start at the latest by veraison, or earlier if resources allow.

Assessment of diseases that may seriously threaten quality should be conducted in association with the winery. Assessors need to be trained in technical assessment of pests and diseases that can affect wine quality. It is important that the results obtained are statistically valid and the detail of recording needs to be accurate and consistent.

It is recommended that growers conduct random monitoring. If background information is available they may wish to undertake targeted 'hot spot' monitoring. If a disease is present in a 'hot spot' the remaining area can be assessed and compared. Thorough monitoring can involve 200 observations per 'hot spot' or block, stopping to assess 20 sites and assessing 10 bunches or leaves at each site by choosing one to five vines. Growers are advised, however, to consult purchasing wineries regarding their disease assessment protocols.

Assessment of disease at the receival point

It is difficult to accurately assess disease incidence and severity in loads, especially in machine-harvested red winegrapes at night. Consequently, some wineries place more people in the vineyard to ensure problems are recognised and assessed early.

When a load with disease-affected grapes arrives at the receival point, currently, assessment is visual, combined with sensory detection of odours and off taints in the grapes.

Results are recorded and acted upon according to individual winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with 0% disease.
- **Maximum tolerance**—Deliver grapes at the maximum tolerance where a winery has indicated, and especially where

it may affect pricing. Some general maximum tolerances used by wineries are:

- a) Powdery mildew—less than or equal to 3%
- b) Botrytis—less than or equal to 3%

Note that a measure at the receival point would be based on a visual or organoleptic (taste and smell) assessment. Measures of incidence and severity using the Emmett & Wicks Disease Assessment Key could only be made in the vineyard.

- **Notification of results**—Where grapes are above the maximum tolerance, growers and wineries need to be notified as soon as detected in the vineyard to discuss and agree on the outcome. Botrytis and other rots and moulds can develop rapidly, therefore, notification of rejection or penalties may only be possible immediately prior to harvest. Notification for powdery mildew should occur as soon as the disease is detected from routine vineyard assessments.
- If disease is detected at the receival point, the grower needs to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.2 Agrochemical Residue

Use of spray diaries has been common practice for some years now to help protect Australian wines from the risk of residue exceeding maximum residue limits (MRLs) for the export and the domestic market.

MRLs vary from one country to the next and for some markets they do not exist at all. It is the grower's responsibility to adhere to the withholding periods as recommended by their winery or The Australian Wine Research Institute (AWRI), and to use only those products listed that are registered for use in grapevines by the Australian Pesticides and Veterinary Medicines Authority.

Loss or risk potential

If growers do not adhere to the withholding periods recommended by their winery or The AWRI they run the risk of delivering grapes with residue that exceed MRLs. Such grapes can result in wines with residue exceeding MRLs in one or more markets. Residue contamination of Australian wine represents a major threat to the Australian wine industry.

Predisposing elements (causes for loss)

Common causes of excessive residue are:

- Poor spray calibrations resulting in a higher than recommended dose rate.
- Spraying vineyards with unregistered agrochemicals for grapevines.
- Spraying within the recommended withholding period.

Evaluation process

It is mandatory for accurate spray diaries to be maintained and returned to the winery prior to harvest. If this does not occur, grapes should not be accepted. Spray diaries are checked by wineries for discrepancies and monitoring for residue is carried out. Monitoring for residue is at the discretion of the purchasing winery and may occur in the vineyard, at the receival point or in testing the final wine blend.

Measurement

Samples of grapes, juice or wine are sent to the AWRI or other laboratories for testing. A delay of 10 days or more is to be expected for results.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with no agrochemical residue.
- **Minimum tolerance**—Deliver grapes within the acceptable MRL.
- **Notification of results**—Results are often not known until post fermentation and sometimes not until after the final wine blend. The winery should contact the grower to inform them of any results that do not meet tolerances if not for imposing a penalty, then for feedback so that vineyard practices can be improved.

7.2.3 Matter other than grapes (MOG)

With expanded use of machine harvesting since the late 1970s, MOG has become an issue as most contaminants (other than chemicals) are directly related to mechanisation.

MOG includes all other vine material such as petioles, leaves, canes and broken arms of vines. MOG also includes foreign objects such as stones, picking utensils, trellis parts, metal objects and irrigation components. These are often difficult to detect in loads until in the crusher and it is highly variable as to how much material or how big an object will cause damage.

It should also be noted that MOG could be present in hand-picked loads.

Machine harvesting technology has been changing in recent years to greatly improve harvesting techniques and to reduce the amount of MOG in loads. Improvement is still needed, however, and often the harvester operator can play a major role in the purity of the harvest.

Growers share the responsibility of reducing MOG in the vineyard. They should clean up the vines after machine pruning to remove potential MOG like brittle dead arms caused by Eutypa, ensure vine rows are clear of foreign objects, and control snails and other potential pests.

Loss or risk potential

Losses can occur through processing problems caused by MOG, downtime for repairs to equipment, and the cost of equipment replacement. In some situations wineries have written into their grape purchasing agreements that growers may be liable for the cost of repairs if fault is established.

MOG can be detrimental to grape quality because of skin and berry damage, especially for whites. Wine quality can be affected through too much leaf in loads causing unwanted herbaceous character. Excessive leaves in the load may increase the risk of agrochemical residue because of vineyard sprays.

With excessive MOG, wineries are paying for unwanted waste, all of which must be removed at the crushing site.

Predisposing elements (causes for loss)

Common causes of problems are:

- Poorly set up machine harvester units.
- Absence of or poorly maintained magnets on harvesters.
- Harvesting of vines late in the season when they may be stressed and grapes are difficult to remove.
- Frost damage resulting in dead shoots that easily break off.
- Stressed vines in general, where leaves fall easily and vine wood is often more brittle than normal.
- Harvesting in wet conditions where water weighs down leaves and sticks and the harvester fans are unable to remove them.
- Poor pruning techniques in the vineyard and especially where hand clean-up following machine pruning has been inadequate.
- Minimally pruned vines can increase the potential for MOG, as there is a considerable amount of dry and dead wood present where no pruning has occurred.

- Old vines that contain considerable amounts of dead wood (possibly due to Eutypa or other trunk diseases).
- Poorly re-trellised vines that have not had the old wood removed.
- Objects left in the vineyard to mark posts and sprinkler heads not removed prior to harvest.
- Failure to inspect bins and removal of foreign objects prior to use.

Evaluation Process

MOG can be quantified by extracting and weighing it out in samples taken from loads but this is inefficient, time-consuming and too complicated to be a practical measurement tool. Sampling would need to be representative of the entire load.

At the receival point, the current method for evaluating MOG is by visual assessment utilising the methods outlined in the *Australian Winegrape Load Assessment Manual* and posters.

Assessment of MOG at the receival point

A rating system of 0-5 utilising a series of photographs, has been established and winery tolerance may vary in relation to pricing penalties, if any. The visual assessment requires a thorough inspection of every bin, truck or trailer presented for assessment at the winery. Establish a rating with reference to the photographs. Core samplers may assist in detecting MOG that is not visible on the top of the load. Ratings are categorised below. Refer to the *Australian Winegrape Load Assessment Manual* and posters. Note that the percentage of MOG given is only a guide.

MOG 0

- These are loads with little or no MOG (less than 1%).
- They will not cause quality or processing loss.
- All growers should aspire to this benchmark.

MOG 1

- Leaves, petioles and small pieces of canes or sticks may be present in low levels (1-2% total MOG).
- MOG at this level does not cause quality and processing loss.
- This level of MOG is acceptable.

MOG 2

- Considerable amounts of leaves, petioles, canes and small wood (still less than 3% total MOG).
- MOG at this level has the potential for quality and processing loss.
- Loads border on being not acceptable and penalties may start to apply.

MOG 3

- Excessive amounts of leaves, petioles, canes and small to medium sized wood (at or greater than 3% total MOG).
- MOG present at this level will cause quality and processing loss.
- This level of MOG is not acceptable.

MOG 4

- Large vine debris such as trunks, arms, excessive canes and potentially damaging foreign objects.
- MOG at this level will cause major quality and processing loss.
- This level of MOG is not acceptable.

MOG 5

- Damaging foreign objects and large objects that cannot be processed, including excessive amounts of large vine debris.
- MOG at this level is not acceptable and if in excess, loads may be rejected.



Winery tolerances and timing of notification

- **Best practice**—Deliver grapes at MOG 0 rating.
- **Maximum tolerance**—Deliver grapes less than MOG 2.
- **Notification of results**—If results fall above the maximum tolerance, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.4 Contamination

Contamination of loads of grapes can come from many sources. For this section it mostly refers to loads that may be contaminated with soil, fuel, oil or other lubricants, non food grade materials, dilution with water, unwanted additives or animal matter including insect pests.

Some contaminants are more detrimental to the resultant wine than others and can be easily detected via distinct odours such as fuels and oils. Contaminants that are severe are not tolerated and can result in instant rejection. If contamination is caused by a known accident it is an expected courtesy that the grower will notify the winery immediately so that contamination to processing equipment and wine tanks is prevented.

In the event of an accident resulting in contamination of grapes, it is recommended that growers establish a value of the losses with the winery for the purpose of making an insurance claim.

Loss or risk potential

Contaminants cause taints and off characters in wine. Those posing greatest risks are fuels and oils used in harvesting and delivery equipment.

Excessive numbers of insects can cause taints and off characters in wine.

Contaminated winery equipment results in wine losses and increased cleaning costs.

Unwanted additives to grapes such as gibberellic acid in sultanas that were originally destined for table grape use can slow processing time, resulting in lower juice extraction.

Incorrect additions of potassium metabisulphite may affect wine colour in reds and the wider export potential for that wine.

Soil contaminants risk damage to winery equipment such as pumps and crusher parts and can contaminate red wine ferments. Soil carted on the bottoms of bins may be a potential source of phylloxera spread or unwanted diseases and pests.

Addition of water dilutes flavour, colour and sugar in the load.

Predisposing elements (causes for loss)

Machine harvesters and loading equipment may contaminate loads with fuels and oils when hydraulic hoses come loose or fuel spillage occurs.

Delivery vehicles such as tractors, trucks and trailers can be sources of fuel contamination if leaks occur.

Uncovered loads that have to travel considerable distances or traverse unsealed roads increases the risk of sand and dirt contaminants.

Harvesting and loading bins in wet conditions on unsuitable surfaces can contaminate bins and loads, because of soil collecting on the bottom of bins.

Leaving grapes to stand in rainy conditions can result in dilution with water if not covered.

Undervine straw mulching may increase the risk of unwanted pests in loads.

Evaluation process

There are no methods in place that can accurately measure contaminants in loads at the winery receipt point. Often the contaminant is accidental and known, so action can be taken to prevent further losses. If not known and contaminated loads arrive at the receipt point, visual and sensory assessment can guide decision-making.

Evaluation relies heavily on notification from the vineyard backed up by sensory assessment at the receipt point.

Assessment of contaminants at the receipt point

A thorough inspection of all trucks, trailers and bins is undertaken to detect possible contaminants. Outsides of bins are checked for excessive dirt.

Some contaminants such as fuels and oils have strong odours and do not mix well with grape juice, so are easily detected. Soil contaminants are obvious from discolouration of loads, while dilution with water will be detected by a lower than expected Baume.



Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with no contaminants as nil tolerance can be expected for serious contaminants like fuels and oils.
- **Maximum tolerance**—Fuels, oils and other serious contaminants, nil tolerance. Other contaminants within winery tolerances.
- **Notification of results**—If winery staff are not notified of possible load contamination and a contaminant is detected at the load assessment station, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.5 Varietal integrity

The presence of varieties other than the one expected to be in the load is not tolerated by wineries.

Consumers expect, and the wineries are obliged by law, to ensure that the wine in the bottle is true to label. Varietal substitution constitutes an act of fraud.

Loss or risk potential

It is detrimental to wine quality when the desired flavours and aromas are altered through the mixing of varieties.

Unwanted colour effects can occur in whites where red grape berries are present.

Label integrity is affected if a greater amount than the allowable percentage has been mixed, thus damaging the winery's reputation in the market.

The presence of malvidin diglucoside components, being an indicator of hybrid grapes (non-vinifera), is not acceptable in wine destined for the European markets.

Predisposing elements (causes for loss)

Inter-planting of varieties in vineyards combined with machine harvesting that cannot be selective raises the risk of varietal

integrity being compromised. Non-selective hand harvesting can also result in mixed varieties if not carefully monitored.

Rootstock shoots that have not been removed prior to harvest are a source of risk. Some can produce small coloured berries (e.g. Ramsey rootstock) and only a small amount will contaminate a load.

Harvesting and delivering the incorrect variety.

Poorly defined and identified harvest unit boundaries.

Evaluation Process

Visual assessment at the receival point is the only practicable method of ensuring varietal integrity.

Assessment of varietal integrity at the receival point

Check delivery records and paper work to make sure the correct variety has been delivered.

Conduct a thorough visual inspection of all trucks, trailers and bins to look for possible varietal mixing.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with 100% of the variety agreed.
- **Minimum tolerance**—Deliver grapes with 100% of the variety agreed.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.



7.3. CONDITION

Grapes that are evenly ripened, sound at the time of harvest and cool at delivery are in an ideal condition for winemaking.

7.3.1 Uneven ripening

Uneven ripening can present as bunches that contain small hard berries that remain green while other berries ripen. Bunches may have poor or uneven colouring.

Loss or risk potential

Unripe berries can lead to wines that are out of balance, with undesirable flavours, aromas and poor colour.

Predisposing elements (causes for loss)

- Harvesting too early before the bunches have reached their full maturity.
- Producing excessive crop that is too high for the functioning leaf area.
- Presence of a second crop because of frost damage or trimming shoots too early.
- Certain vine training methods that result in vertically separated fruiting zones can predispose to uneven ripening.
- Unfavourable weather conditions during flowering and remaining cool for prolonged periods.
- High variability within a harvest unit.

Evaluation Process

There are no simple tools for accurately measuring uneven ripening or immature berries at receival. Consequently assessments in the field or at the receival point are by visual means.

Assessment of uneven ripening in the vineyard

During routine vineyard inspections from veraison onwards, bunches are checked for signs of uneven ripening and immature berries. Options can be discussed among winery representatives and growers if there is a risk of not meeting minimum tolerances.

Assessment of uneven ripening at the receival point

A thorough visual assessment of the load can reveal uneven ripening and immature berries. However, it can be difficult to assess, especially in machine harvested loads. A lower than expected Baume may be an indicator of uneven ripening.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes that have fully ripened to meet the target Baume.
- **Minimum tolerance**—Deliver grapes with minimal immature berries and no second crop so as to meet the minimum Baume tolerance as per winery agreement.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.2 Temperature

In Australia, air temperatures can be high, for example greater than 35°C, during ripening and harvest. Deterioration of berries is possible if they are exposed to high temperatures for long periods. Managing vintage in hot conditions is therefore about good logistical management. This involves minimising the time from the commencement of harvest until the grapes are in tank where temperature can be controlled. Tolerances for temperature may vary from region to region.

Wineries should not reject grapes with a relatively high temperature where best practice has been applied but should provide guidelines to growers for harvesting. For example, harvest in the cooler part of the night for all varieties, then when conditions are cooler (below 25°C) reds can be harvested during the day.

Loss or risk potential

Processing hot grapes can require chilling, causing delays and increasing winery costs. Cold conditions can also increase processing costs due to having to heat up cold grapes to an adequate temperature for fermentation to commence.

Grapes harvested in hot conditions may be spoiled by oxidation, premature fermentation and may be excessively phenolic. Whites and sparkling wine styles require that grapes are harvested and maintained at lower temperatures.

Machine harvesting grapes in hot conditions can be difficult with high numbers of berries being left on bunches, resulting in a possible reduced tonnage for the grower. Attempting to remove the berries with the machine could result in a higher MOG rating, as the vines have to be shaken more vigorously to remove the berries.

Predisposing elements (causes for loss)

- Extended periods of hot conditions during harvest results in hot grapes.
- Harvesting grapes, especially whites, during the day in hot conditions.



- Carting hot grapes long distances and delaying delivery and the crushing process.
- Breakdowns that cause considerable delays in harvesting and processing, particularly if during the day.

Evaluation Process

Measurement

Temperature is measured at the receival point using a calibrated thermometer suitable for use in loads.

Sampling for temperature at the receival point

Measurements are taken for at least half the bins. If there is a discrepancy between the bins and the temperature is elevated, then there is a need to measure further.

For loads delivered in large vessels, it is recommended practice to measure temperature at three different points.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver white grapes with temperatures of less than 20°C and red grapes between 18 and 25°C.
- **Maximum tolerance**—Deliver grapes that have been harvested in daily maximum temperatures of less than 30°C to prevent possible spoilage.
- **Notification of results**—If temperature exceeds tolerance, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.3 Spoilage

Spoilage of grapes can occur for various reasons between harvest and crushing. This section refers to spoilage detected at the receival point, such as: premature fermentation, oxidation and acetification. All are considered highly undesirable and can result in rejection.

Fermentation is detected in loads by checking for elevated temperatures in a load that are considerably higher than the average of other load temperatures measured during the same period. The load may also show signs of bubbling and have a

fermentation odour. Foam or froth may be present on the surface of the load.

Oxidation appears in loads as browning of juice and brown berries on bunches.

Acetification in loads produces a vinegar-like odour caused by vinegar producing bacteria and is often associated with bird damage, mould, rotting berries and the presence of vinegar flies.

Loss or risk potential

Unwanted taints caused by spoilage are difficult to remove without affecting the wine style. Acetification in particular can greatly affect wine quality.

Wild yeast strains from premature fermentation can contaminate wineries.

Oxidation increases the loss of the natural varietal flavour and colour, altering the aroma of the wine. Although some wine styles require some oxidative handling this is preferred under controlled conditions.

Spoilage can increase the cost of processing the grapes and can lower the quality and value of the resultant wine. The extent of spoilage depends on the time spent in the delivery vessel, the temperature of the load at harvest and the condition of the berries prior to harvest.

Whites should be delivered within two hours of harvesting and preferably harvested/delivered in bins and not in bulk so skin contact is minimised. Reds are less at risk of spoilage and can handle longer delays of up to five or six hours.

Predisposing elements (causes for loss)

Where there are time delays, spoilage risks can increase. Causes are poor logistical management and breakdowns.

Harvesting during excessive temperatures can increase the risk of spoilage.

Berry splitting caused by rain, fungal infection or some other means represents a loss of condition in itself, but also opens up the possibility of further spoilage through secondary infections and damage by birds and insects.

Machine harvesting resulting in split berries, opens the way for spoilage.

Grapes without the protection of potassium metabisulphite during harvest may result in spoilage.

Evaluation Process

There are no methods at the receival point for accurately measuring spoilage. Visual and sensory assessments are able to detect major spoilage problems, however, laboratory tests on the juice once in tank can confirm assessment if required.

Assessment of spoilage at the receival point

Visual and sensory inspection of all trucks, trailers and bins includes looking for signs of spoilage, especially if the load temperature is elevated. Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Nil tolerance. Deliver grapes with no spoilage as penalties can be severe and may result in rejection.
- **Minimum tolerance**—Nil tolerance for acetification and fermentation. Winery tolerances vary for oxidation.
- **Notification of results**—If spoilage results in a pricing penalty or rejection, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.4 Damaged berries

Many things can damage berries during ripening. This section refers to those berries damaged due to sunburn, excessive shrivelling, splitting, general berry breakdown, bird and insect damage.

Damaged berries are assessed in the vineyard during routine inspections. The outcomes of berry damage are best addressed in the vineyard. Where berry damage is severe, the price for the grapes may be reduced or the grapes rejected.

Loss or risk potential

Secondary infections and reduced grape quality cause losses to growers while, for the winemaker, odours and off flavours in wine can be generated by severely damaged berries.

Sunburn results in undesirable phenolic characters and general loss of flavour if severe.

Processing can be difficult where berries are excessively shrivelled or dehydrated, increasing winery costs and loss of income to the grower through reduced weight.

Predisposing elements (causes for loss)

Unfavourable seasonal conditions, such as rain causing splitting and berry breakdown, or extended hot periods causing berry drying, sunburn and shrivel.

Premature stress resulting in considerable leaf loss and over exposure of bunches can result in sunburn shrivel or dehydration of berries.

Inadequate pest control of insects and snails may lead to damage and contamination of grapes and cause secondary infections.

Birds cause damage by puncturing the skin as berries are ripening. Isolated vineyards with no other food sources are at higher risk of bird damage.

Poorly set up and operated machine harvester units can split berries.

Inadequate or inappropriate canopy management can result in over exposure causing dehydration, sunburn or shrivel of berries.

Evaluation Process

Visual and sensory assessments are the accepted methods. Most berry damage occurs in the vineyard and should be prevented from arriving at the receival point unless otherwise agreed.

Assessment of berry damage in the vineyard

During routine vineyard inspections from veraison onwards, bunches are checked for signs of berry damage. Options can be discussed if there is a risk of not meeting the minimum specification.

Assessment of berry damage at the receival point

It is difficult to accurately assess berry damage in loads, especially in machine harvested reds at night. It is routine, however, for visual and sensory inspection of all trucks, trailers and bins for signs of berry damage.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes that are entire and unblemished (nil berry damage).
- **Maximum tolerance**—Deliver grapes with minimal berry damage that will not result in a pricing penalty.
- **Notification of results**—If results exceed the maximum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

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Table 1: Summary of vineyard assessment specifications.

Specification	Criterion/Current method of measurement	Timing of assessment prior to harvest	Recommended Grower/Winery Tolerances Best practice	Downgrade/Rejection
Maturity				
Baume	Quantitative- most commonly refractometry, densiometry and hydrometry. Based on representative sample.	Commences post veraison, usually on a weekly basis.	Achieve target Baume for a designated winestyle	Outside Baume tolerance range
pH	Quantitative- pH meter, units	As for Baume	Achieve target pH where defined	Where defined in winery grape purchasing agreements
Titratable Acidity (TA)	Quantitative- g/L as Tartaric Acid	As for Baume	Achieve target TA where defined	Where defined in winery grape purchasing agreements
Colour (red grapes)	Visual and Quantitative Based on representative sample	From veraison onwards Primarily used to assist grape intake and batching.	Achieve target colour level for a designated winestyle	Below minimum colour tolerance, where winery has indicated.
Cropping level (and yield Estimation)	Formal crop assessment and estimation	Throughout season, depending on method: 10cm shoot growth, post fruit set and veraison	Achieve within target range	Exceeds winery maximum cropping level.
Purity				
Powdery Mildew Downy Mildew Botrytis Moulds and rots (other)	Visual, quantitative assessment procedure.	Throughout the growing season	No disease	Exceeds winery tolerance
Agrochemical residue	Spray diary check. Random or targeted sampling of vineyards. Follow-up quantitative analysis by AWRI or other laboratory	Pre-receival	ompliance with winery spray diary and withholding periods	Non compliance with spray diary or exceeds export Maximum Residue Limit (MRL)
Varietal integrity	Visual and DNA	Pre-receival	100% expected variety	Nil tolerance
Condition criteria				
Uneven ripening	Visual	Veraison/post veraison	Even ripening	Below winery minimum Baume tolerance or exceeds winery tolerance for immature bunches
Damaged berries ♣	Visual, sensory and formal assessment procedure	Post veraison	No damaged berries	Exceeds winery tolerance
Other vineyard specifications that are not yet widely assessed (used to determine potential winestyle and assist with batching parcels of fruit)				
Various canopy & fruit characteristics ♦	Visual and sensory- recording details on a formal assessment sheet to score vineyard.	Post veraison onwards with final assessment near target baume.	Best practice: Provide growers with feedback on assessment prior to pruning to assist the grower with optimising quality for the following season.	
♦ Various canopy & fruit characteristics – characteristics assessed varies between wineries and can incorporate: shoot length, leaf condition, fruit exposure, berry size, berry shrivel, flavour intensity, sugar/acid balance, skin chewiness/thickness, tannin intensity, colour in red berries and phenolics in white berries.				
♣ Damaged berries: incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, bird & insect damage.				

Table 2: Summary of load assessment specifications.

Specification assessed	Criterion/Current method of measurement	Timing of assessment	Best practice	Recommended Grower/Winery Tolerances Downgrade/Rejection
Maturity				
Baume	Quantitative- refractometry densiometry and hydrometry	At receipt	Achieve target baume for a designated winestyle	Outside Baume tolerance range
pH	Quantitative- pH meter, units	At receipt	Achieve target pH where defined	Where defined in winery grape purchasing agreements
Titrateable Acidity (TA)	Quantitative- g/L	At receipt	Achieve target TA where defined	Where defined in winery grape purchasing agreements
Colour (red grapes)	Quantitative	Sample at receipt	Achieve target colour level for a designated winestyle	Below minimum colour tolerance, where winery has indicated.
Purity				
Powdery Mildew Downy Mildew Botrytis Moulds and rots (other)	Visual and sensory	At receipt	No disease	Exceeds winery specification
Agrochemical Residue	Confirmation of spray diary	Prior to and at receipt	Compliance with winery spray diary and nil residue	Non compliance or no spray diary
MOG	Refer MOG standards as per <i>Australian Winegrape Load Assessment Manual</i> and posters	At receipt	MOG 0 rating (< 1% MOG)	Exceeds winery tolerance
Contamination ♥	Visual and sensory (smell)	At receipt	No contaminant	Nil tolerance
Varietal integrity	Visual and DNA	At receipt (DNA measure delayed)	100% expected variety	Nil tolerance
Condition				
Uneven ripening	Visual	At receipt	Even ripening	Below Winery minimum Baume tolerance or exceeds winery tolerance for immature bunches
Temperature	Quantitative - degrees Celsius	At receipt	Meets winery seasonal and winestyle specifications	Exceeds winery tolerance
Spoilage	Visual and sensory (smell)	At receipt	No spoilage	Nil tolerance
Damaged berries ♣	Visual and sensory	At receipt	No damaged berries	Exceeds winery tolerance
Other				
Grape purchasing agreement tonnes	Quantitative - weighing	At receipt with prior notice of final delivery	Achieve target tonnage	Tonnage exceeds grape purchasing agreement tolerance
MOG = matter other than grapes and incorporates: all vine matter, or foreign objects such as trellis parts, stones, metal etc. ♥ Contamination = incorporates soil, oil, non-food grade material, fuel or any other lubricant, dilution with water, animal matter, unwanted additives or any other contaminant not acceptable by FSANZ. Spoilage incorporates fermentation, oxidation and acetification. ♣ Damaged berries- incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, bird & insect damage.				

Appendix 6

Australian Wine Industry Code of Conduct

Australian Wine Industry CODE^{OF} CONDUCT

December 2008

THE AUSTRALIAN WINE INDUSTRY CODE OF CONDUCT

The Australian Wine Industry Code of Conduct was officially launched on Friday December 19, 2008.

With the exception of Part 2 (Wine Grape Purchase Agreements), this Code takes effect on 1 January 2009. Signatories are only required to comply with Part 2 for all new Agreements entered into after 1 January 2009 in relation to the supply of wine grapes for vintage 2010 onward. With respect to existing Agreements, each Signatory agrees to offer to its winegrape growers to:

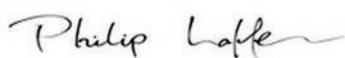
- apply the Code (with the exception of Part 2) with effect from 1 January 2009; and
- bring existing Agreements in line with the provisions of Part 2 of the Code at the time of any Material Variation to the Agreement or Associated Documents (as defined in the Code definitions).

This Code does not, by itself constitute, amend or replace any Agreement.

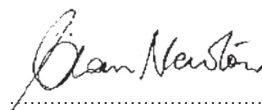
The aim of the voluntary Code is two-fold: firstly to establish a common Australian wine grape supply contract framework and secondly, to provide a dispute resolution system to manage disagreements which exist over price or quality assessments.

The Code has been developed by Wine Grape Growers Australia (WGGA) and the Winemakers' Federation of Australia (WFA) in the interests of a sustainable Australian wine industry and follows a recommendation by a Federal Senate enquiry in 2005. The research and development of the Code has been supported by the Federal Government's Department of Agriculture, Fisheries and Forestry.

Signed in Agreement on the 19th day of December 2008



Philip Laffer
President
Winemakers' Federation of Australia



Alan Newton
Chairman
Wine Grape Growers Australia



Mr Stephen Strachan,
CEO
Winemakers' Federation of Australia



Mr Mark McKenzie
Executive Director
Wine Grape Growers Australia

DISCLAIMER

WGGA, WFA, the Committee, their employees, officers and agents do not accept any liability for the results of any action taken in reliance upon, based on or in connection with this document. To the extent legally possible, WGGA, WFA the Committee and its employees, officers and agents, disclaim all liability arising by reason of any errors and omissions contained in this document.

LEGISLATION

All references to legislation are current at the date of the Code's release.

Capitalized words used in this Code have the meaning assigned to them in Appendix 1.

WINE CODE SECRETARIAT

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Part 1 — Preliminary

Title and Commencement of the Code

This Code is to be titled the **Australian Wine Industry Code of Conduct**. This is a non-prescribed, industry voluntary Code. Winegrape purchasers who elect to become Signatories will be governed by the Code in their commercial dealings with winegrape growers.

This Code has been developed for the Australian wine industry by the Wine Industry Relations Committee (WIRC), as a joint committee of the WFA and WGGA. The Executive Councils of WFA and WGGA have endorsed the Code.

With the exception of Part 2 (Wine Grape Purchase Agreements), this Code takes effect on 1 January 2009. Signatories are only required to comply with Part 2 for all new Agreements entered into after 1 January 2009 in relation to the supply of wine grapes for vintage 2010 onward. With respect to existing Agreements, each Signatory agrees to offer to its winegrape growers to:

- apply the Code (with the exception of Part 2) with effect from 1 January 2009; and
- bring existing Agreements in line with the provisions of Part 2 of the Code at the time of any Material Variation to the Agreement or Associated Documents (as defined in the Code definitions).

Except as expressly set out in this Code, the provisions of this Code are subject to all applicable Commonwealth, State and Territory laws and common law rights and obligations.

Intention

The intention of this Code is to set minimum standards for Agreements between winegrape growers and winegrape purchasers. The Signatories acknowledge that providing a clear basis for their commercial relations and an impartial, cost effective Dispute resolution scheme is important for harmonious relations between winegrape growers and winegrape purchasers.

Signatories to this Code acknowledge their existing legal obligations (for example, under the Trade Practices Act) not to engage in misleading or deceptive behaviour or unconscionable conduct.

Industry Endorsement

Signatories agree to be bound by the provisions of the Code in their commercial dealings with winegrape growers. Signatories commit to adopt the principles set out in the Code in their dealings with winegrape growers, and to provide the winegrape grower with a copy of the Code whenever a winegrape grower signs a new Agreement.

The register of Signatories will be maintained and available on the WFA and WGGA websites.

www.wfa.org.au

www.wgga.com.au

Signatories also commit to promoting the adoption of the Code.

WGGA and WFA agree to publicise and promote the Code and its Dispute resolution procedures, and to work to maximize its adoption within the industry.

Signatories to the Code

A winegrape purchaser may become a Signatory to this Code by providing a written notice to the Committee.

A winegrape purchaser may cease to be a Signatory by lodging a written notice advising the Committee they no longer wish to be a Signatory. In these circumstances, the winegrape purchaser will cease to be a Signatory on the date that their notice is received by the Committee, however, they remain bound by the provisions of Agreements entered into before that date which incorporate the Code either expressly or by reference.

Signatories to this Code agree that the Committee may publish their names as Signatories and may also publish the details of any Code breaches which the Committee has found applies to that Signatory at the time of the publication of the annual report and which have not been resolved by the Signatory. Signatories agree to release the Committee and each member of the Committee from any liability to the Signatory as a result of the publication of these details, provided all published information is accurate. However, details relating to any Dispute between a Signatory and a winegrape grower(s) which are notified to the Committee in accordance with Part 3 of this Code will remain confidential and may only be disclosed by the Committee in aggregate form (without the parties being named or specific details of the Dispute being disclosed).

Horticulture Code of Conduct

Some transactions in the winegrape supply industry are subject to the mandatory Trade Practices (Horticulture Code of Conduct) Regulations 2006. When Signatories to this Code participate in a transaction covered by the Horticulture Code of Conduct, the Horticulture Code of Conduct will prevail over this Code to the extent of any inconsistency.

Administration of Code

The Code will be managed by a Code Administration Committee (the Committee), comprising independent members jointly appointed by WFA and WGGA, in accordance with Part 5.

Review

A formal review of the Code will be conducted by the Committee after vintage 2010 by a suitably qualified person/s appointed by the Committee and thereafter the Committee will review the operations of the Code not less than every three years.

The objectives of the review of the Code shall be to:

- (i) Assess the extent to which the Code has reduced Disputes;
- (ii) Assess the effectiveness of the Dispute resolution system;
- (iii) Assess the performance of the industry against the performance targets contained in the Code, and recommend new performance targets as required; and
- (iv) Recommend any amendments to the Code required to address any problems or issues identified during the review process.

It is intended that this review will be completed by 30 June in the relevant year.

Performance Targets

Performance will be measured by the total numbers of Signatories, and the percentage of the national annual winegrape harvest purchased by those Signatories. The percentage-of-crush performance targets are:

- 75% of the purchased crush in first vintage after implementation
- 85% of the purchased crush in the second vintage after implementation

Code performance will be reported annually on a regional basis including number of Signatories, percentage of crush represented by the Signatories, the number of Disputes notified to the Committee and resolved under the provisions of the Code, as well as the number of breaches of the Code reported and resolved under the provisions of the Code.

Part 2 — Winegrape Purchase Agreements

As a minimum, all Agreements must:

- 1 be in writing, contain the elements set out in clauses 2.1 to 2.15. and be entered into and, if applicable, varied in accordance with clauses 2.16 and 2.17.
- 2 appropriately refer to any other important elements of the Agreement; and
- 3 be clear and concise and in plain English.

Minimum terms and conditions to be contained in an Agreement

2.1 Application of Code.

- 2.1.1 Each Agreement must contain a statement that the parties to the Agreement agree that it is governed by the Code and that, in the event of any inconsistency, the provisions of the Code in force on the date that the Agreement was entered into will prevail and will apply as if they formed part of the Agreement. If there is a change to the Code, each Signatory must make an offer to its winegrape growers to amend existing Agreements to reflect that change within three months of the date of endorsement of the change in accordance with clause 5.1.7.

2.2 Parties to an Agreement and Term of the Agreement

- 2.2.1 All parties involved in the winegrape purchase arrangements are to be identified in the Agreement including the winegrape purchaser, the winegrape grower and any landowner or lessee (if applicable).

All Agreements must specify the duration of the Agreement including commencement date and expiry date, or the termination mechanism (including applicable notice periods) where there is no fixed expiry date.

2.3 Pricing Methods

- 2.3.1 All Agreements must contain a fixed price and/or a clear statement as to how the final price payable will be determined.

2.4 Price Notification

- 2.4.1 Where the Agreement requires a price offer or a negotiation as part of the calculation of the price for the winegrapes, the winegrape purchaser must, unless prevented due to unforeseen and extraordinary reasons:

2.4.1.1 by 15 December each year - provide to its winegrape growers in the Hunter Valley, Riverina, Murray Darling/Swan Hill and Riverland regions Indicative Regional Prices for each variety of winegrape.

2.4.1.2 By 15 January each year – use its best reasonable endeavours to provide to its winegrape growers in all other regions Indicative Regional Prices for each variety of winegrape.

If an Agreement does not exist on the relevant date but is subsequently entered into prior to the vintage period (for example, an Agreement entered into in February), then the winegrape purchaser must provide the Indicative Regional Prices referred to above to the winegrape grower at the time the Agreement is entered into, unless the actual price offer is made at that time.

- 2.4.2 Notwithstanding clause 2.4.1, in all regions where the relevant Agreement requires the price to be agreed between the parties, any winegrape price offer required under the Agreement must be made:
- (a) if the winegrape purchaser undertakes a pre-vintage vineyard inspection prior to making a final winegrape price offer - as soon as practicable and, at the latest, prior to the anticipated harvest date for those winegrapes; and
 - (b) in all other cases – at least 10 Business Days prior to the anticipated harvest date for those winegrapes.

2.5 Price Adjustment

- 2.5.1 Any provision for price adjustment must be clearly spelt out and specify in a transparent manner any bonuses or penalties and the mechanism(s) used to determine bonuses/penalties.

2.6 Terms of Payment

- 2.6.1 The terms of payment are to be clearly stated and, unless otherwise agreed by the parties to the Agreement, shall be consistent with the industry standard of:
- 2.6.1.1 1/3 at the end of the month following the month of delivery;
 - 2.6.1.2 1/3 at the end of June; and
 - 2.6.1.3 balance at the end of September of the year that the first payment commenced.
- 2.6.2 The payment terms for any price adjustment or payments based on wine assessment shall be specified in the Agreement.
- 2.6.3 Any penalties for late payments shall be stipulated in the Agreement.

2.7 Tonnage and Vineyard Details

- 2.7.1 The Agreement must state whether the amount of winegrapes to be purchased is "area-based" or "specified tonnes" and must stipulate the area and/or the tonnes as the case may be.
- 2.7.2 The Agreement must clearly describe the winegrapes to be purchased.
- 2.7.3 Where relevant, the Agreement must specify the vineyard details such as patch/block number identification, identification of clones and rootstocks when required, or a vineyard map showing vineyard details for the vines to which the Agreement pertains.

2.8 Winegrape Standards, Assessment and Harvest

- 2.8.1 The Agreement must state any quality standards which apply to the winegrapes being purchased, including specifying any minimum requirements for maturity, purity and condition, relevant to the region and variety.
- 2.8.2 The Agreement must describe any assessment method for vineyard or weighbridge winegrape assessment which will apply under the terms of that Agreement if that method is directly inconsistent with the methods described in "Winegrape Assessment in the Vineyard and the Winery" (as amended from time to time and endorsed by WGGA and WFA).
- 2.8.3 The Agreement must specify the process for determining the harvest time(s) for the winegrapes.

2.9 Delivery and Freight

- 2.9.1 The Agreement must state the delivery point for the winegrapes and identify which party bears the costs and associated risks of freight.

2.10 Title in Winegrapes

- 2.10.1 The Agreement must state when title in the winegrapes passes from the winegrape grower to the winegrape purchaser. The Agreement must also specify the point at which the winegrape purchaser accepts or rejects the winegrapes.

2.11 Force Majeure

- 2.11.1 If there is a force majeure clause in the Agreement, it must be clearly specified.

2.12 Assignment and Sale of Vineyard

- 2.12.1 The Agreement must clearly specify any restrictions imposed by the winegrape purchaser on the rights to transfer possession or ownership of the relevant vineyard.
- 2.12.2 The Agreement must clearly specify any obligations on the winegrape grower upon the sale or disposal of possession of the relevant vineyard.

2.13 Professional Advice

- 2.13.1 An Agreement must contain a prominent statement that the winegrape grower signing the Agreement should seek independent legal, financial and taxation advice. This statement must appear just above the winegrape grower's signing provisions.

2.14 Dispute Resolution Clause

- 2.14.1 The Agreement must include a Dispute resolution clause that is consistent with Part 3 of this Code.

2.15 Reasonable Time

- 2.15.1 A Signatory may only enter into an Agreement with a winegrape grower after providing the Agreement and any Associated Documents to that winegrape grower and allowing the winegrape grower a reasonable period to read and understand the document and obtain independent advice before entering into the Agreement. For an Agreement which incorporates an obligation to buy and sell winegrapes from more than one vintage, a “reasonable period” is 15 Business Days from the date of receipt by the winegrape grower. For all other Agreements other than Spot Market Purchases, a “reasonable period” is 7 Business Days from the date of receipt by the winegrape grower. For Spot Market Purchases, a “reasonable period” will depend on the circumstances and may be a relatively short period (for example, less than one Business Day if harvest is imminent).

2.16 Variations

- 2.16.1 It is recognised that variations to Agreements from time to time may need to be negotiated. Any variation to an Agreement must be:

2.16.1.1 clearly specified, and

2.16.1.2 agreed, confirmed in writing and signed by all parties to the Agreement.

Agreements must not contain a provision which allows one party to unilaterally amend the Agreement without the other parties’ written consent to the specific amendment.

- 2.16.2 A Signatory may only vary an Agreement by providing that variation to the winegrape grower in writing and allowing the winegrape grower a reasonable period to read and understand the variation and obtain independent advice before signing their acceptance of the variation. For an Agreement which incorporates an obligation to buy and sell winegrapes from more than one vintage, a “reasonable period” is 15 Business Days from the date of receipt by the winegrape grower. For all other Agreements other than Spot Market Purchases, a “reasonable period” is 7 Business Days from the date of receipt by the winegrape grower. For Spot Market Purchases, a “reasonable period” will depend on the circumstances and may be a relatively short period (for example, less than one Business Day if harvest is imminent).

2.17 Failure to Comply

- 2.17.1 Failure to comply with clauses 2.1 through to 2.17, where applicable, will amount to a breach of the Code and may be referred to the Committee for disciplinary action.

Part 3 - Dispute Resolution

Purpose

Disputes in the main occur over the perceived inadequacy of the winegrape price, or over an apparent failure to comply with specifications for winegrape maturity, purity or condition resulting in either price adjustments or rejection of the winegrapes.

This section is intended to help resolve Disputes between the winegrape purchaser and the winegrape grower in a timely and cost efficient manner to preserve the ongoing commercial relationship.

The Code requires both parties to participate in the Dispute resolution procedure and to assist the Independent Expert by providing any information requested. Any Disputing Party who invokes the Dispute resolution process is agreeing to be bound by the Code in relation to the conduct of the Dispute, in particular, the clauses relating to defamation and to cost recovery.

The existence of a Dispute does not relieve any party of their obligations under the Agreement.

Powers of Independent Expert

Notwithstanding clause 2.1.1, the appointed Independent Expert will determine the Dispute by applying the terms of the Agreement and, where necessary, by applying the Independent Expert's own procedures, in the resolution of the Dispute, but only to the extent that the Independent Expert's resolution procedures are not inconsistent with the terms of the Agreement.

Subject to compliance with this Code, the decision of the Independent Expert is final and binding on all parties and cannot be appealed or challenged except in the case of a manifest error or proven misconduct.

Failure by a Signatory to comply with the determination of the Independent Expert will amount to a breach of this Code and the matter may be referred to the Committee for disciplinary action.

Information provided to the Independent Expert

All communications brought into existence in relation to the Dispute and provided to the Independent Expert shall be in confidence and without prejudice.

No documents brought into existence by a disputant for the purpose of consideration by the Independent Expert may be tendered in evidence by a party other than that disputant in any litigation of the Dispute.

3.1 Disputes over Winegrape Price

When a Dispute arises over a price offer made by a winegrape purchaser under clause 2.4.2 or, where no price offer is required to be made under clause 2.4.2, in relation to the calculation of the price in accordance with the Agreement, the parties agree to follow these resolution procedures:

- 3.1.1 Within 7 Business Days of:
 - 3.1.1.1 the determination of the price in accordance with the Agreement being notified to the winegrape grower (but only where no price offer is required to be made under clause 2.4.2); or
 - 3.1.1.2 the date of the price offer being made by the applicable party under clause 2.4.2;

the Disputing Party will inform the other party in writing of the background to the Dispute, the issue(s) in dispute and the outcome desired. This notice will be known as the **Notice of Dispute**. A summary of the Dispute (notifying the parties, the category of Dispute, tonnage and region) is to be supplied to the Committee by the Disputing Party at the same time.
- 3.1.2 Within 7 Business Days of receiving the Notice of Dispute, the other party will respond in writing, indicating whether the desired outcome is agreed, and, if it is not, whether that party wishes to offer another outcome, and inform the Committee in writing that a response has been provided.
- 3.1.3 The Disputing Party and the winegrape purchaser have 14 Business Days from the issue of the Notice of Dispute to negotiate a mutually agreed outcome. If these parties have not resolved the Dispute within this 14 Business Day period, they must jointly appoint an Independent Expert to make a determination of price. The Disputing Party and the winegrape purchaser must be satisfied that the Independent Expert is impartial and qualified to rule on the matter(s) under dispute.
- 3.1.4 If the Disputing Party and the winegrape purchaser cannot agree on the selection of an Independent Expert within 21 Business Days of the issue of the Notice of Dispute, the Presiding Member of the Committee (or other Committee Member appointed to preside in the event that the Presiding Member is unavailable) will appoint an appropriate Independent Expert from the panel of experts endorsed by the Committee upon application from either party, such application to be made within 28 Business Days of the issue of the Notice of Dispute.
- 3.1.5 The appointed Independent Expert will deliver a determination within 14 Business Days of the date of his or her appointment or, if the matter requires extensive research, submissions from the parties and/or investigation, will provide a reasonable timeframe in which to complete the task.
- 3.1.6 The Disputing Party and the winegrape purchaser agree to be bound by the determination of the Independent Expert in the absence of manifest error or misconduct and to share costs equally.
- 3.1.7 The Independent Expert will be engaged under their normal terms of engagement and in any event will be indemnified by the parties as to their costs and expenses.

3.2 Disputes over Downgrades and Rejections in the Vineyard

A Dispute may arise if a winegrape grower disagrees with an assessment by the winegrape purchaser that the winegrapes have failed to meet agreed specifications contained in the Agreement and a financial penalty is imposed or some or all of the winegrapes are rejected.

If a Dispute in relation to a field assessment occurs, the matter needs to be resolved quickly, ideally before the expected date of harvest, and may in some cases need to be resolved within a few days to avoid deterioration of the winegrapes.

A winegrape grower will advise the winegrape purchaser within a reasonable time prior to harvest, of any change in the condition of the fruit that could result in a downgrade or rejection of the winegrapes under the terms of the relevant Agreement. The winegrape purchaser will notify the winegrape grower of any decision by the winegrape purchaser to impose a financial penalty and/or reject the winegrapes in accordance with the terms of the Agreement.

When a Dispute arises in relation to the imposition of a financial penalty and/or rejection of the winegrapes as a result of a failure to meet agreed specifications contained in the Agreement, the parties agree to follow these resolution procedures:

- 3.2.1 The Disputing Party will, as soon as practicable, notify the winegrape purchaser in writing of the issue(s) in dispute and the outcome desired. This notice will be known as the **Notice of Dispute**. A summary of the Dispute (notifying the parties, the category of Dispute, tonnage and region) is to be supplied to the Committee by the winegrape grower at the same time.
- 3.2.2 The winegrape purchaser will respond in writing to the Disputing Party within 48 hours from the time of issue of the Notice of Dispute, indicating whether the desired outcome is agreed, and, if it is not, whether the winegrape purchaser wishes to offer another outcome, and inform the Committee in writing that a response has been provided.
- 3.2.3 If after 72 hours from the time of issue of the Notice of Dispute the Disputing Party and the winegrape purchaser have been unable to resolve the Dispute, the matter will be settled by an Independent Expert jointly appointed by them. They must be satisfied that the Independent Expert is impartial and qualified to rule on the matter(s) under dispute.
- 3.2.4 If the Disputing Party and the winegrape purchaser cannot agree on the selection of an Independent Expert within 96 hours from the time of issue of the Notice of Dispute, the Presiding Member of the Committee (or other Committee Member appointed to preside in the event that the Presiding Member is unavailable) will appoint an Independent Expert from the panel of experts endorsed by the Committee upon application from either party, such application to be made within 120 hours of the time of issue of the Notice of Dispute.
- 3.2.5 The appointed Independent Expert will deliver a determination within 48 hours of being appointed or, if the matter requires extensive research, submissions from the parties and/or investigation, will set a reasonable timeframe in which to complete the task.
- 3.2.6 The Disputing Party and the winegrape purchaser agree to be bound by the determination of the Independent Expert in the absence of manifest error or misconduct and to share costs equally.
- 3.2.7 The Independent Expert will be engaged by Disputing Party and the winegrape purchaser under their normal terms of engagement and in any event will be indemnified by the parties as to their costs and expenses.

3.3 Disputes over Downgrades and Rejections at the Weighbridge

Winegrape purchasers (or their agents/representatives) are encouraged to inspect the condition of winegrapes in the vineyard prior to harvest as a means of minimizing Disputes at the weighbridge.

A Dispute can arise at the weighbridge if winegrapes are downgraded (resulting in a financial penalty) or rejected if, in the opinion of the winegrape purchaser, they have failed to meet stipulated specifications. The matter needs to be resolved quickly, ideally within 12 hours of delivery of the winegrapes. The winegrape grower will be notified as soon as practicable of a downgrade or rejection of their winegrapes. The winegrape grower or the winegrape grower's agent/representative (in the event of winegrapes processed at a distance from the vineyard) should be given the opportunity where practical to inspect the rejected or downgraded winegrapes (within a reasonable time of delivery) and to try and reach agreement with the winegrape purchaser on the nature and extent of the downgrade and any resulting price adjustment to allow the continued processing of the winegrapes or the rejection of the winegrapes.

For the avoidance of any doubt but without limiting the other obligations set out in this clause, the Code does not require an Independent Expert to resolve disputes over downgrades and rejections at the weighbridge.

3.4 Legal Proceedings

The parties agree not to institute legal proceedings (except to obtain urgent interlocutory relief) or make any complaint to a regulatory authority in relation to a Dispute covered by Part 3 of the Code until all avenues open to them under Part 3 of the Code have been implemented and, where relevant, a determination made. The parties may institute legal proceedings (or take any other action that they consider appropriate) in relation to any other type of Dispute. Nothing in this clause affects or limits the operation of clause 3 relating to the powers of the Independent Expert.

Part 4 — Breaches of the Code

4.1 Complaints

- 4.1.1 A complaint of a breach of the Code by a Signatory must be referred to the Committee in writing.
- 4.1.2 Either a winegrape grower or a winegrape grower's association may lodge a complaint with the Committee.
- 4.1.3 A Signatory cannot lodge a complaint against another Signatory, unless the complaint relates to conduct that will bring the wine industry into disrepute.
- 4.1.4 The complaint must:
 - 4.1.4.1 State the name of the Signatory and the party bringing the complaint.
 - 4.1.4.2 Provide details as to the nature of the complaint by reference to this Code.
 - 4.1.4.3 Specify what outcome the Complainant believes will resolve the issue.
- 4.1.5 If a complaint alleging a breach of the Code is reported to the Committee, the Committee must take the following action prior to making a determination:
 - 4.1.5.1 notify the Signatory within 7 Business Days that a complaint has been lodged with the Committee;
 - 4.1.5.2 provide to the Signatory the details of the complaint and Complainant and the outcome the Complainant requires to resolve the complaint;
 - 4.1.5.3 allow the Signatory 21 Business Days to respond to the complaint in writing;
 - 4.1.5.4 provide the Signatory's written response to the Complainant; and
 - 4.1.5.5 in the event that the Complainant is not satisfied with the Signatory's response, allow the Complainant 14 Business Days to respond to the Committee.
- 4.1.6 If the matter has not been resolved in accordance with the procedure set out in clause 4.1.5, the Committee must sit and make a determination on the complaint.
- 4.1.7 A meeting of the Committee to rule on a complaint must occur within 30 Business Days from the date of the Complainant's final response.
- 4.1.8 If the Committee determines that no breach of the Code has occurred, the Committee is to write to the Complainant and the Signatory and provide its determination and reasons within 7 Business Days.
- 4.1.9 If the Committee determines that a breach of the Code has occurred then the Committee must write within 7 Business Days to the Signatory and provide the determination, reasons and remedy or penalty, if applicable.

- 4.1.10 If the Committee determines that a breach has occurred, the Committee may do any or all of the following:
- 4.1.10.1 notify the Signatory what steps it would be required to take to remedy the breach.
 - 4.1.10.2 warn the Signatory that they may be removed as a Signatory to the Code if they do not remedy the breach within a reasonable period (which must be specified in the notice) and/or if they commit future breaches of the Code; and/or
 - 4.1.10.3 subject to clause 4.2, remove the Signatory from the list of Signatories to the Code.
- 4.1.11 If, subsequent to a finding that a Signatory has breached the Code, that Signatory rectifies the breach in accordance with the Committee's instructions, then the Committee must write to the Complainant within 7 Business Days and advise the Complainant that the Committee considers that the Signatory is no longer in breach of the Code.
- 4.1.12 In all cases, the Committee's determination may only be challenged in the case of manifest error or proven misconduct.

4.2 Removing a Signatory from the Code

- 4.2.1 In determining whether to remove a Signatory from the Code, the Committee must take into consideration the following:
- 4.2.1.1 the nature of the complaint;
 - 4.2.1.2 the conduct of the Signatory and the Complainant;
 - 4.2.1.3 the conduct of the Signatory in responding to the Committee;
 - 4.2.1.4 the systemic nature (if any) of the complaint;
 - 4.2.1.5 the number of complaints referred to the Committee against the Signatory;
 - 4.2.1.6 whether the complaints made against the Signatory are the same or otherwise;
 - 4.2.1.7 any previous breaches of the Code by the Signatory;
 - 4.2.1.8 whether the conduct brings the wine industry into disrepute; and
 - 4.2.1.9 any other matter that the Committee considers relevant.

4.3 Cost Recovery

- 4.3.1 If the Committee determines a breach of the Code has occurred, the Committee may recover from the party in breach reasonable costs incurred by the Committee in determining the complaint.
- 4.3.2 Should a grapegrower or grapegrower association make a complaint alleging a breach that is subsequently found to be invalid then the Committee may recover from the grapegrower or grapegrower association reasonable costs incurred by the Committee in determining the complaint.

Part 5 — Administration of the Code

- 5.1.1 The Code will be administered by the Committee.
- 5.1.2 The Committee will comprise 3 independent members –including a Presiding Member and 2 other Members with appropriate commercial experience. All 3 Members will be jointly agreed by the Boards of both the WGGA and WFA.
- 5.1.3 The Committee will be supported by an independent secretariat jointly funded by WGGA and WFA.
- 5.1.4 All 3 Members will be appointed by a joint WGGA and WFA selection committee using selection criteria agreed by the Boards of both bodies.
- 5.1.5 A quorum shall comprise the Presiding Member and all other Members.
- 5.1.6 All decisions of the Committee must be made by way of simple majority.
- 5.1.7 Any recommendation to amend the Code must be unanimously agreed by all Members of the Committee and endorsed in writing by the Boards of WGGA and WFA. Any change to the Code which is endorsed between 1 January and 31 July in any year will take effect on 1 November in the same year. Any change endorsed between 1 August and 31 December in any year take effect on 1 November of the following year.
- 5.1.8 The Committee shall undertake the following roles:
 - 5.1.8.1 administer the Code, including the setting of reasonable fees to support the Dispute resolution system;
 - 5.1.8.2 manage the business operations of the Code including ensuring that suitable insurance arrangements are in place;
 - 5.1.8.3 produce an annual report to be published by 30 September each year, containing:
 - (i) a description of the nature and number of Disputes received and any other comments it wishes to make about conduct or trends in the industry; and
 - (ii) a report to the industry on the operations of the Code and the Committee and any matters requiring consideration by the industry arising from the activities of the Committee including the names of any parties removed from the Code;
 - 5.1.8.4 at the discretion of the Committee, maintain and publish a list of Code Signatories found to be in breach of the Code; and
 - 5.1.8.5 monitor the operation of the Code and, as appropriate, recommend any amendments to the Code that may assist in its operation, and consult with WGGA and WFA on any proposed amendments to the Code.

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APPENDIX 1

Definitions

“Agreement” means an Agreement between a winegrape grower and a Signatory for the supply of winegrapes.

“Associated Documents” means all documents that are incorporated by reference in or which form part or purport to form part of an Agreement.

“Business Day” means a day other than a Saturday, Sunday, public holiday or bank holiday in the State in which the vineyard to which the Agreement applies is situated.

“Code” means this Code.

“Committee” means the Code Administration Committee established to manage the operation of this Code in accordance with Part 5 – Administration Of The Code.

“Complainant” means, as applicable, a person, corporation or other body corporate:

- raising a Dispute for determination under the Dispute resolution procedures of this Code; or
- making a complaint to the Committee in accordance with Part 4 – Breaches of the Code.

“Dispute” means any disagreement between a Disputing Party and a Signatory which:

- may be referred by the Disputing Party for resolution in accordance with Part 3 of the Code; and
- is in relation to a matter which is permitted under the terms of the relevant Agreement to be disputed by the Disputing Party.

“Disputing Party” means a winegrape grower who initiates a Dispute resolution process under clauses 3.1 or 3.2 of this Code and/or any other party who is authorized or permitted under the terms of the relevant Agreement to do so on behalf of or in association with the winegrape grower.

“Independent Expert” means an independent, qualified person/s appointed by the parties to a Dispute or by the Committee to make a determination on Disputes notified to them under the terms of this Code.

“Indicative Regional Price” means, in relation to a variety of winegrapes, an indicative fair market price for that variety of winegrapes from that region for the next vintage which:

- is not winegrape grower or vineyard specific;
- is set by the winegrape purchaser acting reasonably;
- is not an offer capable of being accepted by a winegrape grower or binding on the winegrape purchaser; and
- is not a guarantee of the final price that will be offered to the winegrape grower.

“Material Variation” means any variation to an Agreement or Associated Documents whether as a unilateral variation permitted by the Agreement or by consent between the parties, other than a variation of the price or winegrape assessment methods already provided for in the Agreement. A Material Variation includes but is not limited to any variation of:

- The term of the Agreement including extensions;
- Terms of payment;
- Price adjustment criteria;
- Winegrape assessments including winegrape standards (other than as provided for in the Agreement);
- Specification of blocks, varieties and tonnages including production caps or quotas;
- Delivery and freight arrangements; and
- Dispute resolution procedures;

“Notice Of Dispute” means a formal written notification between the parties to a Dispute.

“Presiding Member” means the Independent Chair of the Committee.

“Signatory” means a winegrape purchaser who has notified the Committee that it will be bound by the Code.

“Spot Market Purchase” means an Agreement for the sale and purchase of winegrapes which is entered into between the parties less than 10 Business Days prior to the expected harvest date for those winegrapes (or, if there are more than one expected harvest date applicable to the Agreement, 10 Business Days prior to the earliest of these dates).

“WFA” means Winemakers Federation Of Australia.

“WGGA” means Wine Grape Growers Australia.

Australian Wine Industry
CODE^{OF} CONDUCT

Appendix 7

Legislative Council Standing Committee on State Development – wine
grape market and prices December 2010 Summary of Recommendations

LEGISLATIVE COUNCIL STANDING COMMITTEE ON STATE DEVELOPMENT

Wine grape market and prices

Report 35 – December 2010

Summary of recommendations

Recommendation 1

That Industry and Investment NSW and the Wine Grapes Marketing Board fund a consultant to provide targeted business advice for grape growers in the Riverina district to assist in responding to industry restructuring.

Recommendation 2

That the NSW Government consult with stakeholders, including other governments as appropriate, to determine the cost-effectiveness of scientific methodologies for analysing red wine grape colour.

Recommendation 3

That the NSW Government seek an amendment to the *Wine Grapes Marketing Board (Reconstitution) Act 2003* to require wineries to publish by 30 June each year an indicative price list for wine grapes for the forthcoming season.

Recommendation 4

That the NSW Government consult with the wine grape industry to determine the most effective safeguards to ensure that the indicative price list system provides an accurate source of information to wine grape growers.

Recommendation 5

That the NSW Government investigate the feasibility of requiring that all wineries offer the same terms of payment for wine grapes to growers.

Recommendation 6

That in the absence of a mandated Wine Industry Code of Conduct, which includes a terms of payment schedule, the Wine Grapes Marketing Board's terms of payment function continue.

Recommendation 7

That the NSW government investigate the most appropriate methods to ensure that a winery has paid in full for the previous season's vintage before it can accept any wine grapes from the next growing season.

Recommendation 8

That the NSW Minister for Primary Industries pursue the introduction of a mandatory Code of Conduct through the Primary Industries Ministerial Council, including reviewing the effectiveness of penalties for breaches of the Code.

Recommendation 9

That if the Wine Industry Code of Conduct is mandated, the NSW Minister for Primary Industries ask the Ministerial Council to review its dispute resolution process to determine its effectiveness.

Recommendation 10

That if the Wine Industry Code of Conduct remains voluntary, the NSW Government investigate the utility of forming an independent dispute resolution body to monitor and investigate complaints and disputes concerning price determination and contractual disputes in the wine grape sector.

Recommendation 11

That the Wine Grapes Marketing Board work with growers in the Riverina to develop a model for collective marketing of grapes.

Appendix 8

Riverina Winemakers Association Submission to 2010 Upper House Inquiry

INQUIRY INTO THE WINE GRAPE MARKET AND PRICES: SUBMISSION FROM THE RIVERINA WINEMAKERS ASSOCIATION INC

The Riverina Winemakers Association, which represents the joint interests of Riverina wineries, provides the following comments for the Inquiry.

Price formation, including factors affecting supply and demand

Grape prices in Australia reflect supply and demand condition prevailing in the Australian wine industry at all levels.

The Australian wine industry has been experiencing a prolonged period of over-supply. Structural surpluses of grapes and wine have been so large that they have caused long-term damage to the industry by devaluing the Australian brand, entrenching discounting and undermining profitability. This has flowed through the chain and is reflected in on-going low returns to grape growers (with the exception of the drought affected 2008 vintage).

Leading into the 2010 vintage, Australia was producing 20-40¹ million cases a year more than it is selling – roughly equivalent to total sales to our largest export market, the UK. Australia's wine exports had fallen by 8 million cases and 21% in value since their peak in October 2007. The decline had been greatest for higher value exports, and where there had been growth at lower price points it frequently has been unprofitable and thus unsustainable. Over the same period domestic sales of Australian wine had also fallen, while sales of imported wine in Australia had increased.

In response to this, the Winemakers Federation and Wine Grape Growers Australia issued a joint statement in November 2009 acknowledging that the Australian wine industry is enduring its toughest period in two decades, and that drastic action needed to be taken, principally through an acceleration of structural adjustment to reduce grape supply, and to change its product mix to refocus on sales that earn viable margins. While new market opportunities do exist, they will take time and significant, sustained investment to unlock. The key for a more rapid return to more profitable conditions is therefore through a sharp reduction in grape supply.

While anecdotal evidence suggests industry is now taking some steps towards reducing supply, the rate of adjustment appears quite small, suggesting a return to a more balanced and profitable supply and demand situation may take some time.

A meeting of the Riverina Wine Industry Forum, a joint committee of the Wine Grapes Marketing Board and the Riverina Winemakers Association, was called on Tuesday 15th

¹ Source- Winemakers Federation and Wine Grape Growers Australia

December 2009 to discuss the implications for the Riverina wine and grape industries of the current industry situation.

The Forum issued an agreed media statement noting the following:

- The Australian wine industry is in chronic over-supply relative to current market needs.
- The market for Australian wine is not expected to improve for the next 5-6 years given competition in the domestic market from imports – especially New Zealand - and the negative impact the high exchange rate is having on exports,
- Unless there is a contraction of the national vineyard area, current grape surpluses will continue for that period.
- low grape prices being indicated by some national companies for vintage 2010 are unlikely to improve until markets improve,
- The outlook for 2010 is made less certain given the imminent release of the Henry Review into taxation. Any recommendations of a volumetric tax will increase the risk environment for wineries and place further pressure on wineries to reduce grape intake. Any legislated changes to a volumetric tax could cut Riverina wine grape intake by one-third.
- With local wineries indicating a reduction in grape intake for the coming [2010] vintage, it is quite likely that there will be significant local grape surpluses.

The meeting further agreed that the situation is not likely to improve until such time as there is a reduction in the national vineyard area and wine sales achieve more profitable returns. Factors that will impact on the depth and severity of the Riverina industry's current problems include:

- How quickly the national vineyard adjusts to the lower supply requirement
- The strength and direction of any future exchange rate movements
- A continuation of current tax regimes.

The Forum statement advised growers to have a hard look at their future viability in circumstances that suggest certainly no improvement – and more likely a worsening – of the current industry situation in the foreseeable future. This was particularly important for smaller growers who lack the advantages of scale.

Since then, little has changed to suggest the grape over-supply situation has eased significantly. While the 2010 vintage was smaller than anticipated and there has been some recovery in sales, industry observers do not believe this signals an end to the current over-supply conditions.

The RWA refers the Inquiry's attention to a topical article by wine broker Mr Jim Moularadellis (copy attached) which provides an overview of factors affecting wine and grape prices. He concludes that while prices for bulk wine have firmed recently, this may be a "suckers rally" as:

- The short 2010 vintage was not *that* short – just fewer grapes were left on the vine
- There is a clear over-supply of dry-land bulk wine inventories which could squash any growth in inland bulk wines
- The 2011 crop is likely to be higher than 2010 placing downward pressure on price as soon as 2011 wine becomes available.

As a participant in the Forum and joint author of the statement, the Wine Grapes Marketing Board is well aware of the difficult trading conditions currently facing the industry.

The role the Wine Grapes Marketing Board has played in facilitating voluntary codes of conduct and sales contracts

The RWA is not aware to what extent the WGMB has encouraged wineries and growers to adopt a code of conduct or encourage the uptake of contracts. Rather it has relied on its statutory powers to vet the formation of contracts and payment terms.

It is the RWA's experience that instead of being proactive, the WGMB has tended to be retaliatory when wineries are perceived to be operating outside of the Board's powers. In other grape growing regions where grower bodies don't have statutory powers they seem to be much more proactive in promoting such codes of conduct.

In earlier reviews of the WGMB legislation, the Board's position was to institutionalise policies which encouraged spot sales with growers encouraged to shop around for the best price, rather than encourage longer term relationships between growers and wineries governing price and quality. As the market has shifted from under- to over-supply, the short-sightedness of that policy has been exposed with growers with contracts being in a more secure position than growers without.

It should be noted that wineries themselves are in a weak bargaining position given the high degree of market consolidation in the retail sector which now exists, and the willingness of the retail sector to exercise its considerable market power, as well as fostering the development of buyers own brands, which further erodes industry profitability.

Potential for collective bargaining and/or code of conduct to contribute to an efficient market.

The word "potential" implies that a code of conduct doesn't exist. The RWA rejects that view.

Winemakers are subject to competition law as administered through the Australian Competition and Consumer Commission. Whilst wineries therefore operate independently (and this is evidenced by the variation on pricing on offer to growers, a matter of some criticism by the WGMB), there is no doubt that a code of conduct exists amongst wineries as to how to behave in the market and as to how to set pricing, quality parameters, delivery structures etc.

Most of this comes from normal commercial practices, but some also comes from a sense of fairness and the relationship which wineries have with growers. While the wineries have not produced a formal code of conduct, this is project the RWA could reasonably undertake.

While ACCC constraints currently prevent dialogue among the parties in regard to pricing, it may be worth exploring whether some form of collective dialogue could be undertaken, and what might be the parameters for this.

Improvement of market signals.

The RWA believes that most grower discontent on grape pricing derives from the lack of real data from an independent source as to how the national crop is progressing, and an understanding of the dynamics of the grape market and how it affect them. There appears to be an entrenched expectation in some growers' minds that all purchasers of grapes should pay the highest price on offer, a view which is not dispelled by their representative body.

As noted in Jim Moularadellis' article, the 2010 crop is still listed as "estimated" at 1.53million tonnes - 5 months after its over - and there is no national data available to indicate the potential shutdown of vineyards that could be used to plan 2011. More importantly, there does not seem to be a reliable national crop reporting available during harvest when wineries are actually making decisions. Rather industry relies on individual research and anecdotal evidence.

Initially the RWA worked with the WGMB in order to have a better grasp of the supply dynamics for the region through a weekly vintage progress survey. After concerns over the integrity of the information published by the WGMB (which was collating the information), from the 2009 vintage the RWA undertook this work themselves to provide far greater transparency and reliability in the information provided.

The Riverina is the only area which does this and it is viewed as an important initiative. Unfortunately, being the only area which does this, the information needs to be taken in context. A national approach along these lines would give far greater Supply-Demand information to wineries and grape growers nationally.

It is noted that National industry bodies are currently working on the development of a national vineyard register, aimed at improving the industry's information on grape supply, improve forecasts and monitor rates of adjustment, which should go part way to addressing this area of weakness.

Any other matters

Australia's four national wine industry organisations, including Winemakers Federation of Australia and Wine Grape Growers Australia, have produced a package of initiatives to address a chronic oversupply of wine and wine grapes which is causing long-term damage to the industry by devaluing the Australian brand, entrenching discounting and undermining profitability.

That package has been rolled out over Australian regions in the last 6 months. Fundamental to this package is an acknowledgment that a significant proportion of vines are surplus to requirements and a significant proportion of vineyards are unsustainable on the basis of cost of production and scale of operations. To date, there is little evidence locally that growers accept that they too may have to exit the industry as part of the national re-adjustment. This underlines the importance of leadership from the grower bodies to be frank about industry prospects and not try to sugar-coat the pill.

Riverina Winemakers Association Inc

1 October 2010

2010 post-vintage bulk wine review



Jim Moularadellis

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This article reviews the Australian bulk wine market in light of the 2010 vintage, and discusses the major influences and uncertainties surrounding the current outlook for bulk wine. Key issues addressed include an analysis of a recent rally in the bulk wine market, discussion of how some major varieties are performing, and the nature and extent of vineyard removals. An analysis of the interplay between wines from inland-irrigated versus dryland regions is also presented. Finally, an extra value-added piece discusses how Australian grapegrowers and winemakers can do their bit to help save our precious vineyards from potential over-removal.

2010 vintage summary

The 2010 Australian winegrape crop was 1.53 million tonnes, down 12% on the 2009 crop of 1.73mt, which in turn was down a further 5% from the 2008 crop of 1.83mt¹. The top four varieties in the 2010 vintage weighed in as follows:

- Chardonnay tonnage was down by 24% from 414,000t in 2009 to 315,000t in 2010.
- Cabernet Sauvignon was down by 14% from 248,000t to 213,000t.
- Merlot was down 14% from 126,000t to 109,000t.
- Shiraz was down by just 4% from 406,000t to 389,000t.

The vintage was shorter than expected but during the course of harvest there was little competition for the fewer grapes. Result: A relatively muted price response despite the shorter crop. This may be due to financial

wounds that were still quite fresh in the minds of people who paid a lot for grapes in 2008 following the very short 2007 vintage. Many wineries ended up with big losses soon after as the bulk wine market subsequently drifted steadily downward. Unlike the short 2007 vintage, it may be that this year the market simply thought (correctly) that there were enough grapes to go around. Table 1 provides a neat summary and historical perspective of the size of the past eight vintages.

Had the 2010 crop been any larger, the volume left unpicked would have simply increased. As it was, there were a lot fewer grapes left unpicked in 2010 than last year, when somewhere in the vicinity of 150,000t⁴ were not harvested. During the 2010 vintage,

a few wineries lifted maximum cropping caps which they had set well before vintage to help manage down their intakes, although such action was a bit late for some growers. Growers encountered significant and genuine difficulties trying to sell their grape crops as no meaningful demand tension emerged in the grape market during vintage. Spot grape prices generally stayed below the cost of production.

Therefore, in summary, the 2010 winegrape crop was smaller, which generally manifested itself in fewer grapes left on the vine, rather than any meaningful upward pricing pressure for grapes.

Bulk wine market overview

As a result of the shorter crop, the bulk wine market in 2010 is showing signs of life. Specifically:

- The oversupply is not as great as it was after the 2009 vintage, and wineries are holding slightly lower inventory levels. Therefore, gaps are opening up in the domestic bulk wine market, mainly at the cheaper end, leading to domestic spot market demand.
- A floor in the market has developed, at least for red wines, at around the import replacement cost. Recent relative weakness in the Australian dollar may have contributed to this development, although no real floor has developed for white wine. The short 2010 Chardonnay crop may significantly contribute to a floor for white wine developing during the coming months. ▶

Table 1

Year	Tonnage crushed (millions)		Source
2010	1.53	Estimate	WFA ²
2009	1.73	Actual	ABS ³
2008	1.83	"	"
2007	1.40	"	"
2006	1.90	"	"
2005	1.93	"	"
2004	1.82	"	"
2003	1.33	"	"

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- Despite these positive developments at the cheaper end of the market, the market for higher priced dryland wines continues to remain weak and very patchy.
- Supply disruptions resulting from the earthquake in Chile⁵ causing buyers to demand alternative supply out of Australia and other countries.

Overall, prices are gently firming, especially for Cabernet Sauvignon and Chardonnay, but less so for Shiraz and Merlot.

Varietal report

Chardonnay is the variety with the greatest changes in both its supply and demand dynamic this year:

Supply: The 2010 crop was significantly less than 2009 – about 100,000t or 70m litres less. This is about a quarter down on the 2009 crop.

Demand: Large volumes of 2009 (and older) Chardonnay, perhaps in the order of 50-75mL, went to the United States at very low clearance prices during the 2009 calendar year. Due to the shorter 2010 Chardonnay crop in Australia and the larger 2009 Californian Central Valley Chardonnay crop, any possible arbitrage opportunity arising out of Chardonnay grown at opposite ends of the Pacific is now smaller. How much smaller will be a key factor in determining the volume of Australian Chardonnay shipped to the US this year which, together with the level of the Australian dollar, will drive Chardonnay's prospects this year.

After Chardonnay, Cabernet Sauvignon and Merlot production fell by the largest percentages in 2010, with both down by 14% on last year. Partly as a result of a lower 2010 crop and partly from several years of removal and grafting, Cabernet Sauvignon has the shortest supply position of the three⁶ major red varieties and prices are firming considerably. Consequently, many Cabernet Shiraz blends are being switched to Shiraz Cabernet and this is certainly the year to make such a change. Here are three reasons why:

- To take advantage of the generally higher quality Shiraz available this year (compared to Cabernet Sauvignon, which is generally not as good this year).
- To stretch the more limited volumes of Cabernet Sauvignon and to take advantage of the deeper supply options that Shiraz offers.
- To generate cost savings – 2010 Shiraz is currently between A\$0.10 to \$0.30/L cheaper than 2010 Cabernet Sauvignon.

Shiraz is now the biggest single item in our inventory at 32mL, easily surpassing Chardonnay at around 21mL. Therefore, on supply fundamentals, there is a risk of Shiraz prices softening later this year, despite an overall upward trend in the market during the first half of the year.

Risk of a suckers rally⁷

I think that the recent firmer prices being achieved (mainly by inland-irrigated bulk wine) so far this year might develop into a suckers rally. Three main reasons come to mind:

- The 2010 short crop wasn't that short – there were just fewer grapes left unpicked, and many wineries are still holding fairly large unallocated bulk inventories in their tanks, although much less than last year.
- There is clear oversupply of dryland bulk wine inventories, which could squash any price growth in inland-irrigated bulk wines. More on this key uncertainty in the next section.
- The 2011 crop is likely to be bigger than 2010, placing downward pressure on price as soon as 2011 wine becomes available. If not in absolute tonnes harvested, a larger crop 'per hectare' is even more likely in 2011 depending on the level of vineyard removals that may occur. This is another key uncertainty – read the discussion following.

Many international buyers continue to buy less than their full annual needs. Such a strategy may still be valid during 2010, but it comes with increased risk: there is clearly less depth in supply this year than last year, so should buyers cover their needs for longer during 2010? Yes, I think this is the most prudent strategy, especially if your requirement is greater than, say, 250,000-500,000L. For smaller volumes, there is less imperative to buy longer and, price aside, I expect smaller parcels of bulk wine to continue to be in relatively good supply.

Inland-irrigated / dryland supply dynamic – a key uncertainty

Generally speaking, the higher the price, the harder the bulk market gets. High paying buyers have become very scarce and very particular indeed, and the volumes they now demand have become very small. Nevertheless, parcels of less than, say, 24,000-48,000L of excellent quality wine from well-known regions can still command a good premium. However, there is a large pool of mostly good (but not great) wine from dryland regions that really has no home and this stock hangs over the market. In our inventory, this pool is in excess of 50mL and this is more than 40% of our listed volumes.

With the exception of certain vintages and regions that may have experienced short crops, dryland wines are generally in clear surplus and the prices of such wines have been on a gentle, but persistent downward trajectory since 2008 vintage. In the past six months, as prices for inland-irrigated wines firmed in anticipation

of the shorter 2010 crop, the structural oversupply of dryland wines has continued to place continued downward pressure on the market.

A lot of dryland bulk wine is made and marketed in small parcels, which is perfect for higher value sales as case goods. But trouble can arise when sales of case goods slow and wines need to be sold off in bulk: such wines are also typically stored in separate (and sometimes disparate) locations, are owned by wineries that are in touch with the bulk market less regularly, and can therefore be slower to respond to signals from the bulk market – simply because this is not their focus. For example, a lot of the 2008 vintage dryland bulk wine remains unsold and time is running out for many of these wines. Most of these wines will need to clear at or even below the inland-irrigated prices – not an exciting prospect for the sellers of such wines.

A key uncertainty therefore, is how will this inland-irrigated versus dryland wine dynamic play out? Will the inland price continue to increase this year or will the dryland volumes squash any pricing growth? The outcome is not at all clear and remains to be seen.

Number of hectares in production – another key uncertainty

How many hectares of vineyard are likely to be in production in 2011, given the current poor economics of the wine industry? This is another key uncertainty. The good folk at agricultural forecaster Australian Bureau of Agricultural and Resource Economics (ABARE) can't figure this one out, so they have simply assumed this away, and removed it as a variable from their forecasts¹⁰. On the somewhat unrealistic assumption of no vineyard removals, ABARE's forecasts for the next two years are set out in Table 2.

Table 2

Year	Tonnage crushed (millions)		Source
2012	1.79	Forecast	ABARE ⁸
2011	1.78	"	ABARE
2010	1.53	Estimate	WFA ⁹

The latest historical data¹¹ of vineyard area from the Australian Bureau of Statistics (ABS) is set out in Table 3. Anecdotally, it seems reasonable to suggest that no vineyard removals prior to the 2011 harvest is an unlikely outcome. So what level of vineyard removals is likely? There have been various estimates made by both regional and national organisations, and they all ►

tend to be in the range of several thousand hectares. Unfortunately, these estimates contain a mixture of vineyards already removed and vineyards likely to be removed. Further complicating this is that growers will continue making decisions to remove vineyards for a couple of months yet, which makes such estimates quite fluid and relying on them quite hazardous.

So let's take what we do know: last year's removals (see Table 3). On the assumption that vineyard removals really got underway last year and that vineyard economics are going to be roughly as bad next year as they were this year, let us assume three scenarios for vineyard removal prior to next vintage:

- About 50% less than last year;
- Same as last year; and,
- About 50% more than last year.

Table 3

Year ended 30 June	Vineyard (ha)	Added/ (removed) (ha)	Added/ (removed) %
2009	162,550	(10,126)	(5.8)
2008	172,676	(1100)	(0.6)
2007	173,776	5985	3.5
2006	168,791	2126	1.3

This gives scenarios of about 5000ha, 10,000ha and 15,000ha of vineyard removals.

These are all very significant areas and represent removals of 3%, 6% and 9%, respectively, of the current Australian vineyard area of about 162,000ha.

Depending on where these removals occur, the impact on a particular segment of the market could be very significant. It is likely that the inland-irrigated areas will incur most removals. For reasons why this might occur, see the discussion in the next section.

But overall, reductions in the order of 3-9% could be overshadowed by natural variations in vineyard crop size. Experience tells us that such variations could be in the order of +/-10-30% variance in crop per hectare. Significantly, barring the usual possibility of some agricultural calamity, the 2011 winegrape crop is likely to be bigger per hectare than the shorter 2010. My assertion here is subject to possible yield reduction due to reduced inputs by growers arising from several years of low grape prices. For example, growers may choose to cut back on water, sprays and fertilizers, and such actions may directly reduce yield or increase the risk of rejection by wineries if sub-standard grapes are delivered.

Experience also tells us that a larger than desired crop in 2011, whether through increased yield per hectare or lower vineyard removals, is most likely to be simply left

unpicked. However unpleasant, this is one certainty that we can confidently plan around.

Separately, but no less significantly, the 2010 winegrape crop was also shorter than expected in most Southern Hemisphere wine producing countries, therefore, their crops are less likely to be short again in 2011. So all things being equal, we should expect greater supply in 2011 from those countries, and hence more competition for Australian wines in 2011, whatever the outcome with our vineyard removals and our crop size.

Inland-irrigated vineyard removal – a false signal?

Inland-irrigated grapes are more prone to be left unpicked in times of oversupply. Does this mean that the market for wine from these regions has collapsed? No. When grapes are cheap, inland-irrigated grapes are cheaper still (but not that much cheaper) than grapes from dryland areas. In times of oversupply, the quality difference becomes greater than the price difference, and so inland-irrigated grapes become less attractive to buyers. Therefore, such inland-irrigated grapes are more likely to be left unpicked than dryland grapes.

Dryland grapes then end up contributing significantly to the blends that inland-►

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irrigated wines ordinarily go into, simply because they are available in the marketplace at well below sustainable price levels. And the resulting wines are usually very good.

In such circumstances, the dryland vineyards receive at least some income, albeit well below the cost of production, whereas the unpicked inland-irrigated vineyards receive none. Therefore, it is the latter vineyards, which receive no income (rather than at least some income), that are much more likely to be taken out of production than the former.

Furthermore, there is another bias favouring vineyard removal in inland-irrigated areas and that is the existence of various government-sponsored irrigation water license buyback schemes. Due to the higher intensity of irrigation water use in inland-irrigated areas, it is more attractive for inland-irrigated growers to exit because they receive more money per hectare of vineyard removed than growers from dryland areas.

The sum of the factors mentioned is that Australia effectively has a vine pull scheme by default biased toward the inland-irrigated areas. The irony is that wines from inland-irrigated areas exhibit less oversupply – at least in the bulk marketplace – than wine from the dryland areas. If this trend continues apace, where are the grapes going to come from to fill the commercial end of the market at a price that is sustainable for growers?

Henry Tax Review: now a certainty or just a definite maybe?

The Australian Government finally released the recommendations of the Henry Tax Review on May 2 this year, and for the Australian wine industry this meant no change to the existing taxation arrangements. The Government was quite emphatic in its response ¹² to the Henry Tax Review, saying that:

“In the interests of business and community certainty, the Government advises that it will not implement the following policies at any stage ...

- Change alcohol tax in the middle of a wine glut and where there is an industry restructure underway ...”

This statement removed significant uncertainty from the industry. However, about six weeks later¹³, due to its rapidly falling popularity, the Australian Government swiftly changed Prime Ministers in a party leadership *coup d'état*. This was the first time in Australian history that a sitting Prime Minister lost the leadership of their political party during their first term of office. Furthermore, national elections have now been called for August 21, and a change of government remains a possibility. Therefore, although it seems that the alcohol tax debate

in this country is settled following the release of the Henry Tax Review, I think it is reasonable to add: perhaps only for the time being ...

Water

Despite ongoing uncertainties with water allocations and water security in the Murray Darling Basin, Table 4 shows that water storages are currently at their highest level for several years. This is due to recent massive flooding in Queensland as well as good early winter rains in the Southern MDB. Therefore, grapegrowers are in a much better position for water this year, since resulting water allocations are likely to be higher throughout 2010/11. For example, opening water allocations have recently been announced¹⁶ in South Australia and are at 21%, which are considerably higher than opening allocations of 4%, 2% and 2%, respectively, during the past three years. This reduces the risk of growing a winegrape crop by reducing the possible financial outlay required for temporary water.

Table 4

Current storage as at mid-June	Gigalitres ¹⁴	% of full volume ¹⁵
2010	3839	36
2009	1456	12
2008	1936	21
2007	1130	12
2006	3724	40

However, the future outlook for water remains highly leveraged to winter rains in the southern half of the MDB, since most rainfall that is collected in storages each year is used in that year. Furthermore, since the 1950s, the quantity of water diverted from the rivers of the MDB increased substantially, and the Government is now reviewing the cap on diversions with a view to reducing them. This will inevitably mean less water for irrigation. Again, nothing is very certain at all.

Conclusion

The following observations are offered by way of conclusion:

- The 2010 Australian vintage was 1.53mt, down on each of the past two years.
- With few grapes left on vines, the bulk wine market showed signs of firming during the first half of 2010.
- Chardonnay is subject to major changes in both supply and demand. Cabernet Sauvignon is relatively short.
- There is a real risk that the small rally in bulk wine prices experienced so far during 2010 is a short-term phenomenon.
- Inland-irrigated wines are shorter than dryland wines, which overhang the bulk market.

- The number of hectares in production is falling as growers respond to unsustainable pricing by removing vineyards. The extent of vineyard removals is unclear and normal seasonal crop variation could eclipse the effect of removals.
- The inland-irrigated regions have experienced much higher levels of vineyard removals than dryland regions, despite dryland wines being in greater structural oversupply.
- The Henry Tax Review findings were not implemented, at least for the time being.
- Water reserves are at their best level in five years, although the longer-term outlook is much less certain.

Addendum – an extra bit for Aussie grapegrowers and winemakers

There has been much industry talk of removal of vineyards during the past couple of years and it has been suggested that somewhere near 20% of Australian vineyards might need to be removed¹⁷. Reducing supply is certainly one pragmatic and relatively quick possible solution to restore more favourable economics to our industry.

Currently, Australia's vineyard area is about 162,000ha¹⁸ and 20% is about 32,000ha. At a very rough development cost of \$50,000/ha, this might be up to \$1.6 billion in vineyards that might need to go! Gosh, this represents a massive investment write off – not to mention the many lost jobs and empty wineries that fewer vineyards also represent! As an industry, we have focussed in recent times on the area of vineyard to be removed, perhaps with excessive zeal. Why are we doing this? Might it have something to do with the fact that we can't get the price we want for our wine? Better to sacrifice a fifth of our vineyard than all of us go broke, right? Some would argue that the market will ensure that the weakest vineyards will be weeded out and that this is not a bad thing. However, given some of the distortions in the marketplace that I have described, I am not so sure that such a conclusion follows naturally.

Value = quality / price

Many of us would be familiar with the basic marketing formula: Value = quality / price. Instead of quickly surrendering perhaps up to \$1.6b of our precious vineyard investments to bulldozers, maybe we could turn this around and look at it another way: what value are we building in the marketplace for our brands and our business organisations beyond quality and price?

Sure, price is important, and as sellers ►

we are complaining that prices are too low, which they are, because the economics of production are currently not sustainable for many producers. And anybody can sell on price – after all, our industry is in the worst downturn for 20 years and many have felt the chilling wind of oversupply during the past decade that has led to decisions to cut price, get cash in, and hope to live and fight another day: perhaps you felt you had few choices at the time, so you did what you needed to do. But such actions may well have damaged your business and your brand in the longer term.

And sure, quality is also important, but the absolute quality of product is just one dimension of our offering to the marketplace. As winemakers and wine marketers, we tend to forget the other dimensions of our value proposition – what an opportunity we are missing!

Critically, we must ask ourselves: what value are we creating in the marketplace so that people will go out of their way to do business with us? Because almost regardless of the market, it is value, at almost every price point, that ultimately drives demand for one product or service above another.

So maybe we should be chasing this goal with the same zeal that we are currently chasing vineyard removal. Surely we can't achieve further market penetration without cutting our prices and further damaging our brands and prospects? I am not so certain about this, and to explain why, I have come up with 10 key metrics that have nothing to do with either quality or price, but everything to do with the value of your business organisation and your brands in the marketplace.

How's your value?

Ten key metrics to help save us from the bulldozers

1. First impression

What impression are you giving? Listened to your voicemail or called your business recently? Is the voice answering the telephone cheerful, energetic and helpful? Are you easy to get in touch with? Does your email inbox have enough room to receive new messages? Do you return your calls promptly? Do you answer your mobile phone calls, or do you screen them?

2. Integrity

What values do you and your company live by? Can you recall them? Do you believe in them? Would you fire someone for transgressing them? Do you stick by them when they cost you money? If not, you probably don't believe in them, so go and do something else – people will see through them and you.

3. Friendly

How friendly are you? How friendly is your business? Do you kiss up to your superiors/customers and kick down to your subordinates/suppliers? Everyone watches everyone else, so you better be nice. The bullies always get found out, and very quickly now in an interconnected world.

4. Easy to find, use or deal with

Ever tried using your company's website to buy something? Is it easy or hard? Where is your business or brand on Google, Twitter or Facebook? How are you portrayed? Where are *you* on Google, Twitter or Facebook? Are your production people sympathetic to (or even aware of) your salespeople's key problems, and vice versa? Overall, are your people energetic or are they energy vampires, sucking the energy from anyone they come in contact with?

5. Self-improvement

Ever asked your customers, suppliers, staff or workmates how you could improve and be a better business? Ever identified and spent time with a mentor to learn, and learn some more? Or do you know everything that you need to in order to do your job? Do you do your homework thoroughly, or do you turn up to meetings less than 100% prepared?

6. Customer growth

Ever enthusiastically asked how you can help increase your (business) customer's sales, efficiency or productivity? Or do you groan each time your customer asks for marketing or other support? Perhaps the exclusive availability of your brand to a customer is enough: of course, *your* brand over-delivers on quality at each price point – like no one else has thought of that one before ...

7. Reliability

How reliable are you? Are you there when things go wrong, or do you try and hide? Customers will find you! What's your attitude when a customer raises a problem with your product? Are you cheerful or grumpy, helpful or not? Ever had something returned to your business? Do you happily refund on a genuine problem? Do you happily investigate if there is a genuine problem, or do you hope that such problems will just go away?

8. Loyalty

How loyal are you to your suppliers, customers and staff? How do you treat your staff or suppliers if they have to be let go? ▶



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9. Partner or adversary

Do you treat your business associates as partners or adversaries? Or is your product (or service) really just an excuse to send your customer an invoice?

And the Big Daddy of them all ...

10. Trust

Does your behaviour, both as an individual and as a company, lead your customers, suppliers, staff and associates to easily trust you? And do you easily trust them? For example, if someone paid you twice in error, would you notify them and send it back promptly, or would you wait until when (or if) they realised their mistake?

To me, there are now two questions that spring to mind:

- Does every Australian grape and wine business *know* most or all of the information covered? Probably, yes.
- Does every Australian grape and wine business *do* most or all of the information covered? Probably, no.

Some people will ask, 'What has all this got to do with wine?' Absolutely everything because people do business with people and wine is just the product that happens to drive the human interaction in our industry. You may notice that none of the information mentioned has anything to do with the quality of wine that you make or the price that you sell it. The list is all about *how* we choose to present ourselves to the market.

Other people will say that they prefer to focus on building their wine brands. I say, 'Do all that, as well as all of the mentioned information and you will build yourself a great future, since doing both is better'. And guess what? Unlike getting into the grape and wine business, there are no barriers to doing both!

Finally, a third question to ask ourselves:

- Could every Australian grape and wine business score a 10/10 to the questions listed? Yes, I absolutely believe every business could – it is just a matter of attitude and work.

More grape and wine businesses doing more of the information listed means a more potent value proposition in the marketplace for Australian wine, and this surely means more profitable sales. In order to save our precious vineyards from the bulldozers, we have some work to do, no matter what market segment we choose to operate in, or what the current market conditions are. And for a single producing nation like Australia selling into large international markets, doing so is certainly not a nil sum game.

How many vineyards could we save by improving our collective value in the marketplace? How many vineyards could you save – maybe even your own – by improving your value in your marketplace?

Taking action has never been more imperative, so which do you choose: bulldozer or value improvement? ■

About the author

Jim Moularadellis is chief enthusiasm officer (CEO) of Austwine, Australia's bulk wine specialist. Established in 1993, Austwine celebrates 400 million litres of bulk wine transactions in 2010. Jim was named 2007 Entrepreneur of the Year, Services, for South Australia by Ernst & Young, and in 2008 Austwine was announced the winner of the Business SA Agribusiness Award. In 2007 and 2008, Austwine was in the top 25 Fast Movers for SA, an index of SA's Fastest Growing companies. Jim joined Austwine in 1998, is a Certified Practising Accountant and holds an Honours Degree in Law from the University of Adelaide. He can be contacted on (08) 8363 5188 or jim.moularadellis@austwine.net.au

References

- 1 Winemakers' Federation of Australia, May 2010: 2010 WFA Vintage Report.
- 2 Winemakers' Federation of Australia, May 2010: 2010 WFA Vintage Report.
- 3 Australian Bureau of Statistics, January 2010, Cat No. 1329.0.
- 4 Amount of grapes left unpicked in 2009: AWBC estimate is 143,000t; ABARE estimate is 157,567t.
- 5 On February 27, 2010, an earthquake struck Chile measuring 8.8 in magnitude.
- 6 The largest three red varieties in 2010 were Shiraz (389,267 tonnes), Cabernet Sauvignon (213,289t) and Merlot (108,514t).
- 7 A short-term rise in market prices that is part of an overall longer-term downward market trend.
- 8 Australian Bureau of Agricultural and Resource Economics. ABARE project 3409 Australian winegrape production projections to 2011-12, April 2010.
- 9 Winemakers' Federation of Australia, May 2010: 2010 WFA Vintage Report.
- 10 "Ideally, the area grubbed next year should be subtracted from the bearing area. However [given that] future decisions by growers to grub are too difficult to estimate with any objectivity, they were assumed to be zero and excluded from the projections model." Page 16: ABARE project 3409 Australian winegrape production projections to 2011-12, April 2010.
- 11 Australian Bureau of Statistics, January 2010, Cat No. 1329.0.
- 12 Joint press release May 2, 2010, by the (then) Australian Prime Minister and Treasurer.
- 13 On Thursday, June 24, 2010, Julia Gillard replaced Kevin Rudd as Australian Prime Minister.
- 14 MDBA: Includes dead storage. 1 gigalitre = 1,000,000,000 litres.
- 15 MDBA: Excludes dead storage.
- 16 SA Government news release dated July 1, 2010, by Paul Caica.
- 17 Joint media release dated November 2009: Winemaker's Federation of Australia, Wine Grape Growers' Australia, Australian Wine and Brandy Corporation, and Grape and Wine Research and Development Corporation.
- 18 Australian Bureau of Statistics, January 2010, Cat No. 1329.0.

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Appendix 9

Transcript of 16th September 2010 WINTV interview

Transcript GRIFFITH WIN TV News Broadcast

16th September 2010

Journalist: An inquiry into factors affecting the wine grape market and prices has been pushed along by the body representing growers. Chair of the Wine Grapes Marketing Board Brian Simpson concedes winemakers could form the opinion that they are being targeted.

Simpson: Possibly but the amount of stories that winemakers may come up with where they have been picked on by growers is probably balanced by the stories that grape growers have in regards to the behaviour of wineries.

Journalist: This war on wine and grapes could be a one sided affair though. Casella Wines employee Les Worland is President of the Riverina Winemakers Association. He said that growers concerns over retribution from wineries if they have complaints are unjustified.

Worland: Now if your somebody that has kicked up a fuss and done whatever and you haven't looked after your grapes and conformed to what the wineries want then maybe when your contract expires there might be some, I wouldn't say retribution but their might be something to say that you know we are still in an oversupply situation maybe we don't need your grapes.

Journalist: Mr Worland says factors including supply and demand and competition from supermarket chains which are flooding the market with cheap imports are all affecting grower prices.

Worland: There bringing in cleanskin wines, their own brand wines and they are importing more and more overseas wines and you can walk into any of these shops and see bottles on the shelf for two bucks a bottle. Now that's way below cost so yeah we are having to wear some of it as well.

Journalist: The industry is a two way street, growers need wineries and wineries need growers.

Worland: I know our company for one and most of the companies here, if the growers are straight up and down then they've been well looked after by the wineries.

Journalist: Submissions to the inquiry close on October first. Mr Worland says that his association does not intend to make a submission.

Worland: I don't see that sniping at one another backwards and forwards is going to achieve anything

Journalist: Rebekah Holiday WIN News

Appendix 10

Riverina Winemakers Association Overloaded Vehicles Policy 2016

RIVERINA WINEMAKERS ASSOCIATION (RWA)

Winegrape consignment Chain of Responsibility Code of Conduct Vintage 2016:

Chain of Responsibility – Mass Management, Speed Limits, Fatigue, Dimensions and Load Restraint

Riverina Winemakers are committed to working with industry, regulators and enforcement agencies to proactively engage in the practical management of Mass, Speed, Fatigue, Dimensions and Load Restraint in relation to Chain of Responsibility (CoR) laws now administered by the National Heavy Vehicle Regulator (NHVR) from 10 February 2014, whilst recognising the difficulties faced in achieving compliance. To support this common goal and as key members of the Supply Chain, Riverina Winemakers (detailed in Annexure A) have adopted this code of conduct.

Preamble

Under CoR laws, all parties are obligated to take reasonable steps to prevent a breach of the National Heavy Vehicle Laws (NHVL). CoR details the action, inaction or demands that can influence road transport and specifies the roles and responsibilities of the:

- Consignor (person dispatching)
- Consignee (person receiving goods)
- Packer
- Loader
- Heavy Vehicle operator (driver)
- Owner / Manager

Under CoR law, all parties involved (directly or indirectly) are guilty of an offence if they engage in conduct that results in or is likely to result in inducing or rewarding a breach of the following (regardless of *Intent, Recklessness, or Negligence*):

- Vehicle Mass, Dimension and Safety limitations
- Load restraint
- Speed, Driver Hours and Fatigue Management
- Documentation

Riverina Winemakers as consignees have a responsibility to comply with CoR Legislation and will take active steps to meet CoR objectives. These steps include (but are not restricted to) ensuring CoR infringements:

- are investigated and corrective action taken to prevent a recurrence
- are not encouraged or rewarded
- have appropriate penalties imposed
- are notified to all relevant parties (based on this Code of Conduct)

The NHVR and Roads and Maritime Services (RMS) have the power to request and seize weighbridge records and other documents relating to CoR, and establish if an offence (or multiple offences) has occurred. Further action may be taken including prosecution, possibly resulting in fines and possible jail term (refer to CoR laws for detailed information regarding this).

This *Code of Conduct* aims to communicate the active steps that the Riverina Winemakers association members (detailed in Annexure A) are taking to mitigate the risk of a breach to CoR law, and also the resultant actions that will be taken where a breach has occurred. Any party unsure of their obligations under CoR law should seek independent advice specific to their situation.

Vehicle Mass, Dimension and Safety limitations

'Legal Mass' and 'Higher Mass Limits'

All vehicles entering a winery site must declare their '*LEGAL MASS*' clearly and legibly on an appropriate delivery docket. Vehicles '*Legal Mass*' is defined as whichever is the **LESSER** of their vehicles:

- a) '*Legal Mass*' as per 'Prescriptive and Performance Based Standards (PBS) heavy vehicle combination fact sheet', or
- b) Axle Mass (Where measurement is practicable)
- c) Gross Vehicle Mass (GVM)
- d) Gross Combination Mass (GCM)

Any vehicle claiming Concessional Mass Limits (CML) or Higher Mass Limits (HML) must be registered under the '*National Vehicle Accreditation Scheme*', satisfy all requirements of the scheme and display a current accreditation sticker.

Declaring an incorrect '*Legal Mass*' limit is an offence, and prosecution under the Act may occur by the NHVR and/or RMS. Failure to correctly declare a Heavy Vehicle's '*Legal Mass*' limit constitutes a 'Substantial' breach under the *CoR Code of Conduct*, resulting in the appropriate action being taken by the individual winery site (refer to Annexure A).

To assist monitoring compliance, drivers claiming concessional or higher mass limits may be required to provide site representatives with the vehicles accreditation number. Failure to provide supporting evidence of membership to the scheme will result in the vehicle being treated as operating at the General Mass Limit (GML).

Overloading of Heavy Vehicles

All vehicles entering sites will be monitored, and, where vehicles are loaded in excess of their '*Legal Mass*' limit, an offence under the Heavy Vehicle (Mass, Dimension and Loading) National Regulation NSW has occurred. The breach of '*Legal Mass*' limit will be recorded on the weighbridge docket and all sites will provide an opportunity for the overloaded vehicle to safely correct the '*Legal Mass*' Breach through normal processing procedures on site.

In the event of a '*Legal Mass*' breach, the following will occur:

- **Minor Mass Breaches (0.01% to 2.99%) :**

Carriers will be given the "benefit of doubt" and no financial or other site penalties will apply. Breaches of legal mass limits still constitute an offence under the legislation. In these cases therefore the following will apply:

- A notification will be given to the following:
 - Carrier
 - Driver
 - Consignor (Grower)

Notification will most likely be written on the weighbridge docket and verbal notification to the truck driver

- **Minor Mass Breaches (3.00% to 4.99%):**

- A warning and notification policy will apply to the following:
 - Carrier
 - Driver
 - Consignor (Grower)

Penalties will be applied as per individual sites policies (Refer to Annexure A)

- **Substantial Legal Mass Breaches (5% to 19.99%):**

- A warning and notification policy will apply to the following:
 - Carrier

- Driver
- Consignor (Grower)

Penalties will be applied as per individual sites policies (Refer to Annexure A)

- **Severe Legal Mass Breaches (20% or greater):**
 - A warning and notification policy will apply to the following:
 - Carrier
 - Driver
 - Consignor (Grower)

Penalties will be applied as per individual sites policies (Refer to Annexure A) All penalties are effective from the first breach (no exceptions).

Load Restraint and Dimensions

It is the responsibility of a consignor (including packer, loader and management) to take reasonable steps to ensure a load is appropriately restrained (refer to the 'Load Restraint Guide, Second Edition 2004' for guidance) and is within the allowable dimensions. All sites have a responsibility to ensure contracted carriers have procedures in place to ensure loading, load restraint and dimension compliance under CoR laws. It is the driver's responsibility to restrain loads appropriately as per CoR laws and guidelines before entering any site. Before leaving site, drivers are required to oversee and inspect loads, and securing them appropriately. When sites are involved as the packers or loaders, appropriate details about the nature of the load will be passed on to the driver including (but not restricted to):

- Weight
- Dimensions (width x height x length)
- Hazardous nature of the goods consigned.

Where the information provided by the consignor is not deemed adequate to properly secure or transport the load, it is the responsibility of the driver, as the trained and competent person in loading and restraining loads to their vehicle, to notify the consignor and seek further information or clarification about the load Prior to leaving site.

Staff at each site will carry out random checks or audits to ensure load restraint guidelines are being adhered to. It is recognised that site staff are not experts in the load restraint and hence compliance monitoring will be limited to:

- Secure fixing of individual bins
- Straps, fasteners, gates or webbing in good condition
- No evidence of grape spillage over the side of bins or tipper sides

Where suspected breaches have occurred, a discussion with the truck driver will follow to clarify and discuss the highlighted issue.

Breaches will be noted on weighbridge docket (e.g. Load Restraint Breach: leaking tailgate, leaking tap) and may attract a penalty.

Penalties will be applied as per individual sites policies (Refer to Annexure A).

Speed, Driver Hours, Documentation and Fatigue Management

A consignor could be held legally responsible where by an expressed or implied condition of employment of someone requires them to breach speed limits or operating hours. In completing a job, Consignee will not (directly or indirectly) require nor intend to reward a vehicle transporting a load to or from a site to breach or exceed:

- Speed limits
- Safe operating speeds
- Driver operating hours

Penalties will be applied as per individual sites policies (Refer to Annexure A).

Consignee will take due consideration of these factors when liaising with all CoR parties when scheduling fruit to be delivered.

Consignees are responsible for unloading and loading vehicles in a timely manner. Where delays to normal processing will exceed normal time frames, the Consignee will notify as soon as practicable the affected parties. Drivers arriving or on site will be made aware of delays and given the opportunity to obtain a rest period and be woken at a pre-arranged time or when unloading becomes available (as directed by the driver).

Where the potential for a breach is identified, it is the responsibility of the driver or carrier to notify the Consignee at the earliest possible convenience. A representative of the Consignee will then work with all parties involved to ensure that a safe alternative is put in place that ensures a breach does not occur.

Transport companies are trained and competent persons to manage and administer fatigue management, based on the Fatigue Management accreditation scheme they are involved in. Additionally, it is expected that a process be in place to manage the use of drugs, alcohol and prescription drugs in the workplace, and that this be appropriately managed and documented. Depending on the relevant scheme, it is expected that appropriate and correct documentation will be maintained to satisfy CoR requirements.

Consignees will routinely monitor for signs of fatigue in drivers coming on site. Where a driver is deemed by a site representative to be affected by fatigue to the point of placing the driver and others at risk, the driver through their employer will be required to rest until adequately recovered. The vehicle will not be unloaded until appropriate rest has been obtained and the driver able to safely perform their duties or the driver is replaced.

Consignee Responsibilities

It is each Consignee's responsibility to provide a safe workplace and as far as practicable, free of risks to the health and wellbeing of employees, contractors and visitors under CoR laws and Work, Health and Safety (WHS) laws. As a part of CoR legislation, we are required to minimise the risk to the community by ensuring transport vehicles that leave our sites are in a safe state. The Riverina Winemakers Association members (listed in Annexure A) will be enforcing this CoR Code of Conduct to, as far as practicable, achieve this requirement and ensuring the documentation of any non-compliance and resulting corrective actions to achieve compliance.

Review

Wineries will review and notify updates to the schedule prior to 1 January each year, or as required to meet any legislative changes.

Stuart McGrath-Kerr
Secretary
Riverina Winemakers Association Inc
15 December 2015

Annexure A:

RWA participating wineries and schedule of penalties for CoR offences.

Winery	Speed, Fatigue, Dimension or Load Restraint Breach	Minor Breach (Benefit of Doubt) (Between 0.01% – 2.99% Above Legal Mass)	Minor Breach (Between 3.00% – 4.99% Above Legal Mass)	Substantial Breach (Between 5% - 19.99% Legal Mass)	Severe Breach (20% or Above Legal Mass)
Berton Vineyards	<p>Breach 1 - Grower & Carrier notified</p> <p>Breach 2 - Grower and Carrier given written notice of vehicle BAN.</p> <p><i>Written Application for re-instatement of vehicle may be made to the Chief Winemaker. Re-instatement if approved will be granted with a 5% reduction of GVM for the balance of the Vintage.</i></p>	<p>Minor Breaches are between 0.01% - 4.99% above legal mass. The first 100kg is given "Benefit of Doubt" Recorded on docket and no further action.</p> <p>Breach 1 – Minor breach exceeding 100kg recorded on Docket</p> <p>Breach 2 - Minor breach exceeding 100kg recorded on Docket. Grower & Carrier given written notice of 2nd offence.</p> <p>Breach 3 – Minor breach exceeding 100kg recorded on Docket and Grower and Carrier given written notice of vehicle BAN.</p> <p><i>Written Application for re-instatement of vehicle may be made to the Chief Winemaker. Re-instatement if approved will be granted with a 5% reduction of GVM for the next 5 loads.</i></p>		<p>Breach 1 – Recorded on Docket and Grower and Carrier given written notice of vehicle BAN.</p> <p><i>Written Application for re-instatement of vehicle may be made to the Chief Winemaker. Re-instatement if approved will be granted with a 5% reduction of GVM for the balance of the Vintage.</i></p>	<p>Truck refused entry to winery until mass is rectified. Grower and Carrier given written notice of truck BAN for vintage.</p> <p>RMS may be notified.</p> <p><i>No application will be accepted for re-instatement of the vehicle for the current vintage</i></p>
Calabria Family	<p>Grower & Carrier notified of issue in writing. Course of action implemented to prevent re-occurrence.</p>	<p>Benefit of doubt. Records provided to RMS upon request.</p>	<p>Driver and grower issued with an infringement notice stating the breach is "minor".</p> <p>After three infringement notices (minor and substantial) the truck is banned for the remainder of vintage.</p> <p>Application to have the ban lifted for minor and substantial breaches will be reviewed by CFW.</p>	<p>Driver and grower issued with an infringement notice stating the breach is "substantial".</p> <p>After three infringement notices (minor and substantial) the truck is banned for the remainder of vintage.</p> <p>Application to have the ban lifted for minor and substantial breaches will be reviewed by CFW.</p>	<p>Truck unloaded and banned from Calabria Family Wines for the remainder of vintage.</p> <p>Driver and grower notified by infringement notice "severe".</p> <p>RMS may be notified.</p>

Winery	Speed, Fatigue, Dimension or Load Restraint Breach	Minor Breach (Benefit of Doubt) (Between 0.01% – 2.99% Above Legal Mass)	Minor Breach (Between 3.00% – 4.99% Above Legal Mass)	Substantial Breach (Between 5% - 19.99% Legal Mass)	Severe Breach (20% or Above Legal Mass)
Casella Wines (Grower supplied fruit)	Grower & Carrier notified of Issue in writing. Course of action implemented to prevent reoccurrence. Load Restraint Breach: Where multiple offences are committed, a fine may be issued equivalent to RMS fine, payable by the Grower.	Benefit of doubt. Records provided to RMS upon request.	Minor Risk 3.00% - 4.99% Fine issued equivalent to RMS fine, payable by the Grower.	Grower notified. Fine issued equivalent to RMS fine, payable by the Grower. 3 x Substantial Breaches will result in any further Substantial Breaches treated as Severe Breach.	Truck refused entry to winery until mass is rectified. Grower & Carrier notified. RMS may be notified.
Casella Wines (Carrier supplied fruit)	Grower & Carrier notified of Issue in writing. Course of action implemented to prevent reoccurrence. Load Restraint Breach: Where multiple offences are committed, a fine may be issued equivalent to RMS fine, payable by the Carrier.	Benefit of doubt. Records provided to RMS upon request.	<u>Minor Risk</u> 3.00% - 4.99% Fine issued equivalent to RMS fine, payable by the Carrier.	Grower notified. Fine issued equivalent to RMS fine, payable by the Carrier. 3 x Substantial Breaches will result in any further Substantial Breaches treated as Severe Breach.	Truck refused entry to winery until mass is rectified. Grower & Carrier notified. RMS may be notified.

Winery	Speed, Fatigue, Dimension or Load Restraint Breach	Minor Breach (Benefit of Doubt) (Between 0.01% – 2.99% Above Legal Mass)	Minor Breach (Between 3.00% – 4.99% Above Legal Mass)	Substantial Breach (Between 5% - 19.99% Legal Mass)	Severe Breach (20% or Above Legal Mass)
De Bortoli	Grower & Carrier notified in writing (as soon as practicable).	Benefit of doubt. Records provided to RMS upon request.	Driver and/or Grower issued with an overload Truck Notice stating that the breach is minor.	DBW advises the driver and/or grower of the breach and issues an overloaded Truck Notice stating that the breach is substantial After fruit is unloaded DBW will ban the truck for the duration of the vintage. Applications to have the ban lifted from minor or substantial breaches can be made in writing to DBW's Vintage Manager. Only under extenuating circumstances will this be considered.	Truck refused entry to winery until mass is rectified. Grower and Carrier notified. RMS will be notified. Truck will be banned for the duration of the vintage.
McWilliam's Wines (MW)	Grower & Carrier notified in writing (as soon as practicable).	Benefit of doubt. Records provided to RMS upon request.	Grower and Carrier notified in writing (as soon as practicable). Three (3) x Minor Breaches will result in any further Minor Breaches being treated as a Substantial Breach.	Grower and Carrier notified. Delivery will be processed by MW standard procedure. Truck and driver are barred from delivering fruit to MW sites for the remainder of vintage. A subsequent Substantial Breach from a grower will result in the grower being barred from delivering fruit to MW sites for the remainder of vintage.	As per 'Substantial Breach'. Barred growers, drivers/trucks may send applications to remove a bar in writing to MW's Intake Coordinator. Only under circumstances where corrective actions have been put in place and can be demonstrated to prevent any further overloading will MW consider lifting a ban.

Winery	Speed, Fatigue, Dimension or Load Restraint Breach	Minor Breach (Benefit of Doubt) (Between 0.01% – 2.99% Above Legal Mass)	Minor Breach (Between 3.00% – 4.99% Above Legal Mass)	Substantial Breach (Between 5% - 19.99% Legal Mass)	Severe Breach (20% or Above Legal Mass)
The Wine Group	Where suspected breaches have occurred, a discussion with the truck driver will follow to clarify & discuss the highlighted issue. Breaches will be recorded.	Delivery form is stamped to acknowledge breach and Grower is notified. Breaches will be recorded and provided to the RMS upon request.	Driver and/or Grower is issued with an Overloaded Truck Notice stating that the breach is Minor. After 3 Minor Notices the truck is banned from all TWG sites for the duration of vintage.	TWG advises the Driver and/or Grower of the breach and issues an Overloaded Truck Notice stating that the breach is substantial. After fruit is unloaded TWG will ban the truck for the duration of the vintage. Applications to have the ban lifted from minor or substantial breaches can be made in writing to TWG's Grower Liaison Officer. Only under extenuating circumstances will this be considered.	TWG advises the Driver and/or Grower of the breach and issues an Overloaded Truck Notice stating that the breach is substantial. After fruit is unloaded TWG will ban the truck for the duration of the vintage. Applications to have the ban lifted from minor or substantial breaches can be made in writing to TWG's Grower Liaison Officer. Only under extenuating circumstances will this be considered.
Warburn Estate	If there is evidence that an offence has occurred. 1st Offence – Driver issued with a written warning, breach also recorded at the weighbridge. 2nd Offence – After truck is unloaded, the truck/carrier is then banned from Warburn Estate for the remainder of the vintage period. (Bans can be lifted only under instruction from the GLO or Chief winemaker).	Benefit of doubt. Records provided to RMS upon request.	1st & 2nd Offence – Driver issued with a written warning, breach also recorded at the weighbridge. 3rd Offence – After truck is unloaded, the truck/carrier is then banned from Warburn Estate for the remainder of the vintage period. (Bans can be lifted only under instruction from the GLO or Chief winemaker).	1st and only Offence – After truck is unloaded, the truck/carrier is then banned from Warburn Estate for the remainder of the vintage period. Truck/Carrier possibly referred to RMS for action/fines. (Bans can be lifted only under instruction from the GLO or Chief winemaker).	1st and only Offence – After truck is unloaded, the truck/carrier is then banned from Warburn Estate for the remainder of the vintage period. Truck/Carrier will be referred to RMS for action/fines. (Under no circumstances is the truck to be reinstated for the remainder of the vintage period).

Appendix 11

Australian Wine Industry Code Frequently Asked Questions 2014



Frequently Asked Questions about becoming a signatory to the Code

What is the purpose of the Code?

WGGA and WFA believe that a framework for fair and equitable grape purchase agreements and an impartial, cost effective dispute resolution scheme will help improve commercial relationships between wineries and winegrape growers. In turn, this will demonstrate to both consumers and retailers that the industry has sound and fair commercial practices in place.

Why should I sign the Code?

All wineries are strongly encouraged to sign the Code, to demonstrate an intention to deal fairly with suppliers. Signing the Code provides direct benefits to wineries, by

- providing protection in case of a dispute arising with a supplier, because there will be a written agreement in place with an impartial dispute resolution process,
- demonstrating that the business you run is fair and reasonable (WGGA and WFA promotes the Code as best practice for wineries),
- improving the ability of wine companies to negotiate similar arrangements with retailers, and
- the dispute resolution process creating the potential to resolve disputes without recourse to expensive and time-consuming legal proceedings that also undermine the grower-wine company relationship.

What happens if I don't sign?

There are no individual consequences or penalties for not becoming a signatory to the Code. Nevertheless, the more signatories there are, the more effective the code will be and the more it will deliver benefits to the sector.

What happens if I do sign – who will know about it?

WGGA and WFA promote the list of Code signatories on their websites. In addition, WGGA willingly advises all its members, as well as Federal and State Ministers for Agriculture and Trade and the major wine buyers (Coles and Woolworths) of the wineries that are signatories.

I know some WFA Board members that aren't signatories – why should I join if they don't?

The current signatories to the Code make up around 40 per cent of the Australian winegrape crush. Three of the largest wine companies in Australia; Accolade, Treasury Wine Estates and Pernod Ricard Australia (all WFA Board members) are signatories. Although we would like all wineries to sign up, every winery has to make their own decision. Remember, the more wineries that sign up, the more effective and beneficial the Code will be for everyone.

I'll revisit signing if more wineries in my region sign up

The Code Management Committee asks you to consider that by signing, your actions will encourage others in the region to sign the Code and the industry's standing in the community will be improved.

What if my payment terms are different from those described in the Code?

The Code allows alternative payments schedules as long as these are negotiated with the supplier.

The requirements for terms of payment are specified in clause 2.6 of the Code. More about these ...

The terms of payment are to be clearly stated and, unless otherwise agreed by the parties to the Agreement, will be consistent with the industry standard of 1/3 at the end of the month following the month of delivery, 1/3 at the end of June, and the balance at the end of September of the year that the first payment commenced.

The payment terms for any price adjustment or payments based on wine assessment shall be specified in the Agreement.

Any penalties for late payments shall be stipulated in the Agreement.

In South Australia, terms of payment are prescribed in legislation. However, for wineries in other states alternative payment dates may be negotiated with suppliers (as long as those agreed terms are stated in their contracts).

There is more about the flexibility in the Code's pricing requirements under the next question.

What if I don't want to give an indicative price?

Where an agreement provides a fixed price an indicative price is not required. Note that any provisions for price adjustment must be clearly spelt out in the Agreement.

Indicative prices are required where an agreement requires a price offer or a negotiation as part of the price calculation.

Where indicative prices are required, the Code states that they must be provided to growers in certain timeframes (depending on their region and when the contract is entered into).

Where an agreement requires the final price to be agreed between the parties there are other requirements. If a pre-vintage inspection is made prior to the final price offer, the offer must be made as soon as practicable and at least prior to the anticipated harvest date and in all other cases, at least 10 business days prior to the anticipated harvest date.

I am not comfortable with having a third party resolve a dispute between me and my supplier

The dispute mechanism is intended to help resolve disputes between the purchaser and the grower in a timely and cost effective manner and to preserve the commercial relationship between the parties. It may be useful to consider that other options for resolution may be more expensive and acrimonious.

More about the dispute resolution process ...

The Code sets out the dispute resolution process for disputes in relation to price or downgrades and rejections. It exists to benefit *both* parties and can help minimise the time and cost of resolving a dispute and allows for the appointment of an independent expert if necessary. Payment for the independent expert is shared equally between the parties and the independent expert's determination will be binding on all parties.

The first part of the dispute process requires a notice of dispute to be sent by the disputing party and a dispute summary to be sent to the Committee Management Committee ('the Committee'). The process then requires a response to the dispute notice to be sent to the disputing party by the purchaser (and a notification that a response has been provided to the Committee).

If through these actions, the disputing parties fail to resolve the dispute themselves (within 60 business days the notice of a price dispute, if the dispute is notified before April 30, or 14 days business days otherwise, or within 72 hours from the notice of dispute for a downgrade/rejection dispute), then an independent expert is chosen by agreement between both parties.

If the parties do not agree on an independent expert within a set time period (and if a party makes an application to the Committee for an appointment of an independent expert within a further set time period) the Committee will nominate an independent expert.

The Code requires the parties to share the cost of an independent expert equally and states that the determination of the independent expert will be binding.

The Committee also assists by providing a list of impartial and appropriately qualified experts.

This process is designed to be cheaper and quicker than long and expensive recourse to the legal system.

I don't need to have written contracts with my growers – we rely on good relationships

Congratulations – you and your supplier are in a good position. The Code Management Committee agrees that good relationships are a fundamental underpinning to effective commercial dealings. In an ideal world, that is all that is necessary.

Things can go wrong though, businesses can be sold or management changes, so a written contract will provide clarity and protect the buyer, the grower and the relationship between the two if anything does go wrong or circumstances change.

Keep in mind that even “handshake” agreements or “mutual understanding” are legally binding contracts the moment both parties agree to something, but, with no written record, it can be very hard to support a claim if there is a disagreement. A written contract also ensures that the parties have understood each other.

Good relationships are not ruined by written contracts. Contracts provide tangible evidence that grower and purchaser respect each other and value the ongoing relationship.

I've been advised not to sign because of our existing grape supply agreements

The Code provides for transition from old to new contracts. The Dispute Resolution elements of the Code will apply for signatories immediately after signing the Code and all elements will apply to new contracts as they are introduced. Signatories also commit to bringing existing contracts in line with Part 2 (Winegrape Purchase Agreements) when a material change is made to an existing contract.

I don't contract any fruit

Wineries that don't contract any fruit can still sign the Code to demonstrate support for the principles of good commercial practice in the industry. Doing so will also mean you will be prepared if the situation changes.

We already do everything in the Code so why should we bother to sign it?

Then, there is no real reason not to sign it. It is costless to sign-up to the Code, it takes minimal effort and will encourage others in the industry to sign it. The more signatories, the more likely the positive image for the wine sector with government, customers and consumers.

I don't need to sign the Australian Wine Industry Code of Conduct because our region has its own code?

The Committee is unaware of any formal, equivalent code in existence.

Appendix 12

Terms and Conditions of Payment Order 2011

WINE GRAPES MARKETING BOARD (TERMS AND CONDITIONS OF PAYMENT) ORDER 2011

under the Wine Grapes Marketing Board (Reconstitution) Act 2003

1. **Name of Order**

Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2011.

2. **Commencement**

This Order commences on 1st January 2011, by motion of the Wine Grapes Marketing Board.

3. **Duration**

This Order has effect for the 2011 calendar year only.

4. **Validity of Order**

(1) The making of this Order by the Wine Grapes Marketing Board under Section 5 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* is specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.

(2) The making of this Order does not limit or remove any obligations parties to this Order may have under the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

5. **Definitions**

In this Order:

Act means the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

Board means the Wine Grapes Marketing Board established by the regulations under the *Agricultural Industry Services Act 1998*.

Board's area of operations means the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee.

complying contract means:

(a) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year only, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into before the first Monday in December of the previous calendar year, or

(b) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during both the current calendar year and one or more future calendar years, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into at any time before the first delivery of MIA wine grapes under the contract, or

(c) a contract the subject of an approval in force under section 13 of the Act.

consignee means a person to or for whom a consignment of MIA wine grapes is delivered.

consignor means a person by or from whom a consignment of MIA wine grapes is delivered.

constituted grower means for any calendar year, the class of primary producers for which the Board is constituted includes all growers within the Board's area of operation who, during the previous calendar year, harvested more than 20 tonnes of MIA wine grapes, but does not include:

(a) in the case of a corporation:

- (i) a grower that is also a winery, or
- (ii) a grower in which a winery has a controlling interest, or

(b) in the case of an individual:

- (i) a grower who is also a winery, or
- (ii) a grower who is a director of a corporation that is a winery and who (as a grower)

supplies the winery with all of the MIA wine grapes that he or she harvests.

duly contracted delivery means a consignment of MIA wine grapes that is delivered pursuant to a complying contract.

EFT means electronic funds transfer.

MIA wine grapes means any variety of grapes grown in the Board's area of operations for use for processing into wine, must, juice or wine spirit.

6. Application of clauses

- (1) Clauses 7, 8 and 9 of this Order applies to the Terms and Conditions of Payment for all MIA wine grapes delivered to consignees by consignors that are not a duly contracted delivery.
- (2) Clause 10 of this Order applies to the Terms and Conditions of Payment for the rates levied by the Wine Grapes Marketing Board under the Agricultural Industry Services Act 1998, in relation to deliveries of all MIA wine grapes from constituted growers within the Board's area of operations.

7. Terms and Conditions of Payment for the calendar year 2011

- (1) The purchase price for MIA wine grapes purchased prior to 4th May 2011 shall be paid by consignees to the Board or as directed by the Board on the dates as noted in the timetables in this clause and in accordance with the Manner and Timing specified in Clause 9 of this Order.
- (2) For all deliveries of MIA wine grapes to consignees made after 4th May 2011 the payment of 66.66% of the purchase price is to be paid to the Board on 21st June 2011 or as directed by the Board to consignors on or before 24th June 2011.
- (3) Payments made by consignees directly to the Board pertaining to deliveries of MIA wine grapes delivered to consignees by consignors must be made in accordance with the following table.

Table 1: Payments made to the Board by Consignees

Timetable	Structure
10 th May 2011	1/3 total delivery value (33.33%)
21 st June 2011	1/3 total delivery value (33.33%)
11 th October 2011	1/3 total delivery value (33.34%) including all bonus payments

- (4) The Board may direct payments for MIA wine grapes to be made directly to consignors by consignees only upon completion in full of an "Application to Make Payment Directly to Growers" (available from the Board) made and received by the Board on or prior to 18th February 2011.
- (5) No fees or charges will be charged by the Board for processing applications.
- (6) Notification of Board direction will be made by 18th March 2011.
- (7) If a consignee fails to comply with any or all conditions of a Board direction made in accordance with this Order the Board may revoke the direction.
- (8) Payments made directly to consignors by consignees excluding all applicable levies for MIA wine grapes delivered to consignees by consignors under direction by the Board are to be made in accordance with the following:

- (i) All payments made to the Board by consignees on MIA wine grapes delivered by consignors will be paid to growers by the Board in accordance with Table 2 of this clause or in accordance with the provisions of Clause 5(i)-(iii).
- (ii) Payments made to growers by consignees upon the direction of the Board are to be made on or before the dates set in Table 2 of this clause.

Table 2: Payments Made to Consignors by Consignees and the Board

Timetable	Structure
13 th May 2011	1/3 total delivery value (33.33%)
24 th June 2011	1/3 total delivery value (33.33%)
14 th October 2011	1/3 total delivery value (33.34%) including all bonus payments

- (9) Payments made to consignors by consignees by direction of the Board can also be made in the following manner upon notice being provided to the Board within the *Application to Make Payment Directly to Growers* and notice being provided in writing to consignors prior to the purchase of any consignment of MIA wine grapes by the consignee.
 - (i) If a consignment of MIA wine grapes are delivered to a consignee prior to 1st April 2011, the consignee must pay to the consignor 33 and $\frac{1}{3}$ percent of the total amount payable for the MIA wine grapes by the end of the month following the month during which the MIA wine grapes are delivered, 50 percent of the remaining balance by 30th June 2011 and the balance by 30th September 2011.
 - (ii) If the MIA wine grapes are delivered to the consignee on or after 1st April 2011 but prior to 1st May 2011, the consignee must pay to the consignor 33 $\frac{1}{3}$ per cent of the total amount payable for the MIA wine grapes by 30th May 2011, 50 per cent of the remaining balance by 30th June 2011 and the balance by 30th September 2011.
 - (iii) If the MIA wine grapes are delivered to the consignee on or after 1st May 2011, the consignee must pay to the consignor 66 $\frac{2}{3}$ per cent of the total amount payable for the grapes by 30th June 2011 and the balance by 30th September 2011.

8. Default payments for deliveries of MIA wine grapes

- (1) Interest shall apply on all late payments made for purchased MIA wine grapes whether the consignee has been directed by the Board to make payments directly to consignors or not at the rate prescribed under section 95 (1) of the *Supreme Court Act 1970* for payment of interest on a judgement debt, plus 5 per cent.
- (2) Payments made in accordance with this clause shall occur in accordance with instruction of the Board.
- (3) Any money due to the Board, including any money that becomes payable as a consequence of the revocation of a direction under section 10 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* may be recovered as a debt.

9. Manner and timing in which payments are to be made

- (1) Notwithstanding any previous clause in this Order this clause applies to payment by all consignees accepting deliveries of MIA wine grapes from consignors otherwise than pursuant to a direction by the Board. Payments are to be:
 - (i) Paid as a valid bank cheque made out to the Wine Grapes Marketing Board and receipted by the Board by 12 midday of the due date, or
 - (ii) Transferred to the Board's nominated banking account by EFT so as to cause all funds to be cleared by the due date. A confirmation of the transaction must be forwarded by facsimile to the Board on the same day.
- (2) Notwithstanding any previous clause in this Order this clause applies to all payments made to consignors by consignees accepting deliveries of MIA wine grapes from consignors pursuant to a direction under the Act by the Board:
 - (i) Made available as a cheque made out to the consignor for pickup by consignors by 12 midday on the due dates, or

- (ii) Transferred by EFT to consignor's nominated banking account so that funds are cleared by the due dates. A confirmation of the transaction must be forwarded to the grower on the same day, or
 - (iii) Sent as a cheque made out of the consignor via Australia Post to consignors post marked on the date directed.
- (3) No payments made available for consignor pickup are to be retained by the consignee for greater than 24 hours, these shall be posted to the consignor.
- (4) Revocation of a Board direction may result from non-compliance of the manner within this Order.

10. Calculation and payment of Wine Grapes Marketing Board fees and charges

- (1) Fees and Charges are applicable on deliveries of MIA wine grapes on all constituted growers.
- (2) The rate for 2011 is \$3.90 per tonne (fresh weight) of MIA wine grapes.
- (3) In the case of a consignee receiving Board direction to make payments to consignors directly the Fees and Charges amount shall be deducted by the consignee from the payment for deliveries of MIA wine grapes and then remitted to the Board in the following timetables and structures.

Table 3: Payments of Fees and Charges to the Board

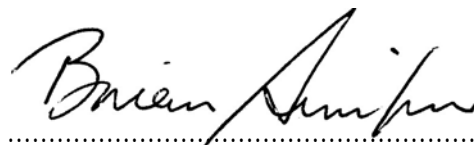
Timetable	Structure
13 th May 2011	\$1.30 per tonne delivered
24 th June 2011	\$1.30 per tonne delivered
14 th October 2011	\$1.30 per tonne delivered

Table 4: Alternate Payments of Fees and Charges to the Board

Timetable	Structure
30 th June 2011	\$3.90 per tonne delivered

- (4) Payments of Fees and Charges by consignees in accordance with *Table 4: Alternate Payments of Levies to the Board* are required to advise the Board in writing by 31st March 2011. No penalty or discount will be provided to the consignee for payments made in this manner.
- (5) Failure to remit Fees and Charges to the Board within the timetable, structure and the approved manner may cause a revocation of a Board direction made in accordance with this Order.
- (6) All Fees and Charges payable to the Board in accordance with the timetables in clause 10(3) of this Order are to be paid to the Board in the following manner:
 - (i) To the Board's nominated banking account by EFT on the due dates, including a confirmation of the transaction sent by facsimile to the Board on the same day, or
 - (ii) Sent as a business cheque made out to the Wine Grapes Marketing Board via Australia Post postmarked on the due dates.
 - (iii) Delivered to the registered offices of the Board on the due dates.
- (7) Interest (see AIS Act)

Dated 14th December 2010



Signed on behalf of the Wine Grapes Marketing Board by
Mr Brian Simpson
Chief Executive Officer

All enquiries in relation to this Order should be directed to:
Chief Executive Officer
Riverina - Wine Grapes Marketing Board
182 Yambil Street Griffith NSW 2680
PO Box 385 Griffith NSW 2680
Phone: 02-6962 3944 Fax: 02-6962 6103
Mobile: 0438 388 828 Email: bsimpson@wgmb.net.au

Appendix 13

2017 Agency Agreement document

WINE GRAPES MARKETING BOARD

2017 AGENCY AGREEMENT

EMAIL: board@wgmb.net.au FAX: 02 6962 6103 MAIL: PO BOX 385 GRIFFITH NSW 2680

This document signals the agreement of the company named below to deduct and forward the Statutory Fees and Charges of the Wine Grapes Marketing Board for the 2017 vintage, set at a rate of \$3.90 fresh weight on all production by constituted growers within the Board's area of operations.

WINERY NAME			
ADDRESS			
POSTAL ADDRESS			
CONTACT PERSON			
PHONE		FAX	
EMAIL			

Conditions of this agreement

- This agreement confirms that the company will deduct from growers and remit to the Wine Grapes Marketing Board statutory fees and charges at the approved rate of \$3.90 per tonne (minus an administration fee of 5% plus GST of the total).
- The total approved rate of \$3.90 per tonne (minus an administration fee of 5% plus GST of the total) shall be forwarded to the Board on or before 30 June 2017.
- Please note that the Administration Fee of 5% is plus GST.
- The winery has the right under this agreement to waive any administration fee for the collection and remit of the statutory fees and charges.
- The winery also agrees to provide, on or before 31 May 2017, a report to the Board that describes the grower (address and farm details), variety and tonnes purchased and/or processed of MIA wine grapes.
- Notwithstanding this agreement the Board reserves the rights the Board has under the *Agricultural Industry Services Act 1998, Part 4 – Enforcement*, as it relates to inspectors OR any other right available to the Board how so ever arising at law.

THIS SECTION TO BE COMPLETED BY BUSINESS NOT PURCHASING GRAPES

Wineries/Licencees Not Purchasing Winegrapes in 2017

- To be completed by wineries and licensees that are not purchasing winegrapes in 2017

Please tick the applicable box:

☐ Not processing winegrapes in 2017

☐ Processing own winegrapes only in 2017

(COMPANY REPRESENTATIVE) PRINT FULL NAME

SIGNATURE

DATE

Form to be completed and returned to the
Wine Grapes Marketing Board prior to 31 March 2017

Appendix 14

Contractual Survey between the wine grape growers and wineries in Australia 2002

Contractual Relations Between Wine Grape Growers and Wineries in Australia: Survey Results

Iain Fraser¹ (September 2002)

Key Findings

- Written contracts are far more common than oral/handshake arrangement.
- Bonus/penalty payments for Brix/Baume are common in all regions surveyed.
- Bonus/penalty payments for colour are only important in the three large inland regions.
- There is only limited explicit direction from wineries regarding the operation of vineyards.
- The most common form of price determination is Fair Market price.
- Few contracts provide a role for third party grape quality assessment.
- There is no dispute resolution process to resolve differences over price and/or grape quality in over half the contracts employed.

Introduction

The way in which independent grape growers and wineries coordinate the supply of grapes is an important part of the Australian wine industry as highlighted by Hall (2001), the executive director of the Australian Grape and Wine Research Development Council (GWRDC). He notes there is likely to be a shift from under-to over-supply of grapes and a shift from white to red bottle dominance. The over-supply of grapes presents the industry with a major challenge. At the same time the push for better quality grapes by wineries will need to be reflected in output from independent growers. As Hall acknowledges, wineries will therefore need to clearly signal to independent growers their input requirements so that grapes meet market specifications.

Central to achieving an increase in the quality of grapes to be supplied is the method of business coordination used by grower and winery. The coordination of grapes supplied by independent growers to wineries is typically achieved by the use of contracts of various types. Given the

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importance of the wine industry in the Australian rural economy one would expect there to be plenty of information available on coordination and contracts, however, there exists only minimal information on the use of contracts to coordinate wine grape production in Australia. The most comprehensive source of information is Scales *et al.*, (1995) who collected information on grape supply as part of a wide-ranging examination of the Australian wine industry. Unfortunately they provide very little specific information about contracts.

The need to extend our knowledge of the design and implementation of contracts is clear from the importance of non-winery sourced grapes to the Australian wine industry. The most recent information available from the Australian Wine and Brandy Corporation (AWBC) National Winegrape Crush Reports, 2000 and 2001 makes this point very clearly. In 2000, 81 per cent of white grapes and 77 per cent of red grapes were sourced from non-winery owned vineyards. In 2001 these figures have changed marginally to 76 per cent for white grapes and 73 per cent for red. Given this key role played by independent grape growers to the Australia wine industry, the state of the relationship between grape growers and wineries to facilitate and coordinate the supply of grapes is crucial.

The Survey of Independent Wine Grape Growers

During October and November 2001 a survey was conducted to examine the contractual relationships between independent wine grape growers and wineries. The survey was based on a questionnaire sent out to 2,500 grape growers. The survey was a single mail shot survey. The questionnaire was designed to be simple to complete.

The process of identifying the sample of growers to be contacted was not straightforward. In Australia there is no database that contains the names and addresses of independent grape growers. For this reason, two indirect approaches to the distribution of the questionnaire had to be employed. First, a large number of grape grower associations across Australia were contacted to ask if they would be willing to help distribute questionnaires. Some grower groups responded very enthusiastically, many did not respond at all. Of those grower associations that responded

positively, most did not want to provide direct access to the names and addresses contained on their distribution lists. They therefore distributed the questionnaires for us, either in conjunction with a newsletter or simply by posting it. Second, in South Australia, the Phylloxera and Grape Industry Board of South Australia (PGIBSA) does have a centrally administered database that contains the names and addresses of all grape growers with over half a hectare of grapes. The Phylloxera and Grape Industry Board of South Australia helped with the distribution of the questionnaire in South Australia in return for a small administrative fee. By providing basic descriptive statistics for all grapes grown in South Australia, it was possible to target the questionnaire at an appropriate mix of growers.

In total 566 returns were returned by growers and of these 524 were useable. A State and regional breakdown of questionnaires returned are presented in Table 1.

Table 1 - Distribution of Survey Returns By Region/State

State/Region	Number Returns	Percent in survey	Grape Crush 2001 (non-winery vineyards)*	Percent State	Percent Australia
Riverland	168	32	273,614	58	27
McLaren Vale	111	21	42,904	9	4.2
Barossa	45	9	43,989	9	4.3
Eden Valley	16	3	5,481	1	0.5
Langhorne Creek	19	4	30,821	7	3
Other South Australia	12	2	72,555	16	7
South Australia (Total)	371	71	Total = 469,364	100	46
Murray Valley	71	13	298,098	88	29
Victorian Alps	20	4	13,995	4	1.4
Central Victoria	9	2	9,954	3	1
Yarra Valley	21	4	9,020	3	1
Other Victoria	3	1	5,931	2	0.6
Victoria (Total)	124	24	Total = 336,998	100	33
Riverina	22	4	131,508	75	13
Other NSW	7	1	44,002	25	4.3
New South Wales (Total)	29	5	Total = 175,510	100	17.3
Australia	524	100	Total = 1,012,240		100

Note: *Source AWBC (2001)

Table 1 shows that 371 (71%) of returns came from South Australia, 124 (24%) from Victoria and 29 (5%) from New South Wales. To gauge how representative the distribution of surveys returned are we compare the percentage from a given region with the corresponding importance of that region in terms of the national grape crush for 2001 from non-winery vineyards. From Table 1 we see that the number of returns from some regions is small so no statistical validity can be attached to these figures e.g., Other Victoria. The number of returns from other regions (e.g., McLaren Vale) is greater than the importance of these same regions importance in national grape production. In general we view the survey as providing a reasonably representative coverage of the key grape growing regions in Australia.

Survey Results

The results of the survey are presented in tabular form. The information presented provides basic descriptive statistics. Results are presented for the survey as a whole and for the various regions covered. Because of the small sample size in some regions we do not present results for Other South Australia, Other Victoria and Other New South Wales.

General Information

Tables 2a and 2b provide general information on grower characteristics.

Table 2a – General Information

	Average Vineyard Size (Hec)	Qualifications in Viticulture*				Number Years Growing Grapes
		0	1	2	3	
Whole Sample	20.5	417	60	20	27	17.2
Riverland	20.3	147	16	2	3	19.7
McLaren Vale	17.3	81	20	7	3	12.1
Barossa	23.5	37	4	1	3	24.5
Eden Valley	11.6	14	1	0	1	17.9
Langhorne Creek	36.9	11	4	1	3	22.7
Murray Valley	26.4	58	6	1	6	17.5
Victorian Alps	15.5	18	0	1	1	14
Central Victoria	11.3	1	4	3	1	8.9
Yarra Valley	12.7	11	2	2	6	8.3
Riverina	24.1	21	1	0	0	21.3

Notes: * Qualifications 0= no viticulture qualifications; 1=TAFE course; 2=Diploma; 3=Degree or higher

Table 2a shows that the average vineyard size varies significantly between the regions. It is difficult to assess these results due to the lack of information about independent grape growers in Australia. The distribution of qualification type indicates that the vast majority of growers have no formal grape-growing education. The Yarra Valley has the highest number of growers with University education. In terms of years of growing grapes the results appear to correlate with prior beliefs regarding grape-growing regions. That is, longer established regions have growers who have been growing grapes for longer.

Turning to Table 2b the lowest use of consultants by grape growers is in the Riverina and the highest is the Yarra Valley. The percentage of growers who want to make their own wine is low in the Riverland, Murray Valley and Riverina and much higher in Central Victoria and the Yarra Valley. This result captures part of the motivation behind growing grapes in the various regions. Finally, the use of a management diary to keep records of important vineyard activities is as expected with almost all growers reporting yes for chemical use, a greater variation for irrigation use and even greater variation for phenological stages.

Table 2b – General Information

	Use of Consultants (%)	Intend Making Own Wine (%)	Management Diary (%)*		
			1	2	3
Whole Sample	39.4	24	99	79	45
Riverland	34	6	99	86	39
McLaren Vale	42	30	97	72	30
Barossa	31	44	100	69	24
Eden Valley	19	31	100	56	50
Langhorne Creek	53	37	100	100	79
Murray Valley	49	13	100	92	42
Victorian Alps	35	35	100	55	65
Central Victoria	44	78	100	100	78
Yarra Valley	67	67	100	71	67
Riverina	18	9	95	68	27

Notes: * Vineyard Management Diary - 1 = Chemical Use; 2 = Irrigation; 3 = Phenological Stages

Contract Type

Table 3 reports results on the type of contract used, the duration of the contract, whether a contract has always been used to coordinate with a winery and the length of time the current contract has been running.

Table 3 – Contract Type and Duration

	Contract Type (%)		Contract Duration (Yrs) (%)			Duration of Current Contract (Yrs)	Time Elapsed Current Contract (Yrs)	Always Used a Contract (%)
	Written	Oral/ Handshake	Less 1	1-3	More 3			
Whole Sample	85	15	8	9	83	6.9	5.2	65
Riverland	94	6	3	5	92	10.9	7.2	70
McLaren Vale	82	18	6	6	88	7.6	4.5	75
Barossa	84	16	0	13	87	6.3	6.5	47
Eden Valley	69	31	13	6	81	9.3	4.6	63
Langhorne Creek	100	0	0	5	95	7.3	6.5	68
Murray Valley	80	20	17	8	75	6.1	4.4	56
Victorian Alps	80	20	5	20	75	6	5.5	65
Central Victoria	89	11	11	22	67	5.7	4.1	88
Yarra Valley	62	38	24	38	38	3.7	3	61
Riverina	77	23	23	5	72	6.1	5.8	27

As we would expect written contracts are much more widely used than oral/handshake contracts. The highest incidence of oral/handshake arrangements is in the Eden Valley and the Yarra Valley both recording estimates of over 30 per cent. In relation to contract duration the typical contract is for more than three years. The exception to this is the Yarra Valley. When we examine average contract duration we find that the Riverland is by far the region with the longest contracts. This result can be traced to the length of contracts entered into by many growers with CCW, a grower-owned cooperative that sells grapes on behalf of its members.

In terms of the length of time that has elapsed under current contract arrangements we find that this is longest in the Riverland (7.2 years), Barossa (6.5 years) and Langhorne Creek (6.5 years). Finally, the percentage of growers always using a contract varies from as low as 27 per cent in the Riverina up to 88 per cent in Central Victoria. This result probably captures long-term cultural practices in each region.

Payment

Table 4a reports the type of payment used. Table 4b reports what the grower's payment is based on, whether there is discussion with the winery regarding payment and whether the price received is considered "fair". The most common form of payment type reported in Table 4a is fair market price. However, how fair market price is arrived at or what exactly "fair" means, is open to question. A specified maximum and minimum price was also found to be more prevalent in the Riverland and Riverina regions.

In Table 4b we find that growers in the Riverland, Murray Valley and Riverina report below-average levels of discussion with wineries regarding the price paid for their grapes. The same regions also yield results that indicate below-sample-average levels of satisfaction regarding the price received for their grapes. In terms of the basis of payment we find that a combination of grape quality measured either in the vineyard or at harvest accounts for over 70 per cent in the Riverland, Murray Valley and the Riverina. The percentage of growers who are paid according to a combination of elements is also quite high. What is interesting is the number of growers who report that the price they receive for their grapes corresponds to the retail price of the wine made. This practice is called residual claimancy in economics and is likely to become more common as the technology to identify parcels of grapes all the way from vineyard to bottle is refined.

Table 4a – Payment Type

	Payment Type (%)					
	Fixed	Reference	Specified Max/Min	Fair Market	Per Hectare	Other
Whole Sample	18	13	34	56	3	10
Riverland	16	8	52	57	1	11
McLaren Vale	14	18	24	58	3	8
Barossa	27	18	27	53	16	11
Eden Valley	6	25	25	63	0	0
Langhorne Creek	26	21	32	42	0	16
Murray Valley	17	15	28	56	3	4
Victorian Alps	15	10	20	55	0	10
Central Victoria	22	0	11	56	0	22
Yarra Valley	38	0	14	48	5	10
Riverina	0	9	55	50	0	5

Table 4b – Grape Price

	Discuss Price Received with Winery (%)	Grower Opinion - Fair Price (%)	Price Paid On (%)			
			Grape Quality in Vineyard	Grape Quality at Harvest	Quality of Wine Produced	Combination
Whole Sample	61	72	15	49	17	20
Riverland	57	67	9	66	12	13
McLaren Vale	74	89	19	35	25	21
Barossa	69	87	20	22	24	34
Eden Valley	63	88	6	38	25	31
Langhorne Creek	79	89	5	16	37	42
Murray Valley	39	48	17	63	9	11
Victorian Alps	65	90	30	30	5	35
Central Victoria	78	56	0	45	33	22
Yarra Valley	62	81	5	52	19	24
Riverina	55	32	36	45	5	10

Contract Specification

Table 5a provides information regarding the frequency and type of bonus/penalty payments included in contracts and ownership of risk if harvest is delayed even when grapes have reached the specified criteria. Table 5b details the inclusion of specific vineyard requirements and harvesting practices in contracts.

Table 5a – Contract Specification

	Bonus/Penalty Payments (%)							You Own Risk if Harvest Criteria Satisfied But Winery Delays Harvest
	Brix/ Baume	pH	Colour	MOG	Physical Damage	Disease Damage	Other	
Whole Sample	86	24	46	72	62	76	8	83.5
Riverland	96	20	78	82	65	81	4	89
McLaren Vale	84	21	19	64	60	72	12	73
Barossa	64	22	27	56	49	67	7	8
Eden Valley	88	44	31	56	75	88	6	81
Langhorne Creek	89	21	11	89	68	95	16	84
Murray Valley	83	27	49	76	63	75	10	93
Victorian Alps	85	25	55	85	65	80	15	75
Central Victoria	100	67	78	89	89	89	33	78
Yarra Valley	76	29	24	62	62	67	5	86
Riverina	82	18	36	68	64	82	0	91

Table 5b – Contract Specification

	Contract Content (%)					
	Block Location	Yield per hect	Time harvest	Method Harvest	Type Bins	Transportation to Winery
Whole Sample	80	41	26	24	24	41
Riverland	91	53	29	29	18	39
McLaren Vale	81	44	23	18	25	47
Barossa	89	36	29	20	22	22
Eden Valley	69	13	31	38	25	31
Langhorne Creek	84	21	5	11	42	68
Murray Valley	79	37	35	31	28	32
Victorian Alps	55	25	20	15	15	40
Central Victoria	56	56	22	11	33	56
Yarra Valley	52	29	19	38	38	71
Riverina	68	18	32	27	5	18

Table 5a shows that in terms of bonus/penalty payments included in contracts Brix/Baume, MOG, disease damage and to a lesser extent physical damage are uniformly important in all regions. Only the Barossa at 64 per cent appears to be a little below the sample average with respect to Brix/Baume. However, when we examine the use of colour we find very different results. Colour is important in the Riverland and Central Victoria, and to a lesser extent in the Victorian Alps and the Murray Valley.

Most growers appear to accept that they will bear the risk associated with delays in harvesting grapes required as a result of winery processing arrangements. The risk here will manifest itself in terms of the quality of grapes harvested and this in turn influences the price received. Not surprisingly a number of growers expressed a dislike of this practice in written comments accompanying the completed questionnaires.

Turning to specific vineyard information detailed in the contract in Table 5b we find that there is some variation between regions with regard to a clear identification of block location. This ranges from as high as 91 per cent in the Riverland to as low as 52 per cent in the Yarra Valley. In terms of specifying yield per hectare less than half the sample have this clause in their contracts. Turning to harvesting requirements on average these issues appear in less than a

quarter of all contracts with the exception being details regarding the transportation of grapes to the winery once they are harvested.

Grape Quality Assessment

Table 6a reports information relating to grape quality assessment and viticultural practice. Table 6b provides information regarding specific vineyard activities specified in the contract.

Table 6a – Grape Quality Assessment and Viticultural Practice

	Grape Quality Assessment (%)		Winery Buy Fruit if Quality Not Achieved (%)	Winery Buy Fruit if Contracted Yield Exceeded (%)	Dispute Resolution (%)	Viticultural Practice (%)	Chemical Use (%)
	3 rd party Before Harvest	3 rd party At Harvest					
Whole Australia	17	19	29	43	46	42	88
Riverland	17	17	26	49	43	45	98
McLaren Vale	14	15	30	51	64	49	81
Barossa	20	13	55	62	40	38	89
Eden Valley	19	19	56	50	44	50	94
Langhorne Creek	26	37	32	47	63	53	95
Murray Valley	23	27	17	14	30	34	89
Victorian Alps	15	20	15	60	45	15	85
Central Victoria	0	0	22	11	44	33	78
Yarra Valley	24	24	24	33	57	52	62
Riverina	18	23	14	55	41	23	82

Table 6b – Vineyard Practice Stipulated in Contracts

	Vineyard Practice (%)								
	Prune	Canopy	Trellis	Vine	Water	Fertiliser	Cover	Weed	Pest
Whole Australia	12	12	6	8	15	10	3	8	37
Riverland	13	18	7	12	15	9	4	9	46
McLaren Vale	13	7	7	7	15	10	3	5	20
Barossa	13	4	2	2	20	4	0	4	42
Eden Valley	19	6	13	19	31	19	19	19	56
Langhorne Creek	5	5	0	0	11	0	0	5	47
Murray Valley	11	15	8	11	13	8	6	13	42
Victorian Alps	10	0	5	0	15	10	5	0	10
Central Victoria	11	11	0	11	11	0	0	11	22
Yarra Valley	0	5	0	0	0	0	0	0	14
Riverina	18	27	9	9	36	32	0	5	50

In Table 6a we see that the use of a third party to measure grape quality before or at harvest is relatively low. This is somewhat surprising given current tensions in the industry relating to grape quality assessment and payment. Maybe the reason for these results can be traced to the fact that a significant percentage of growers believe that wineries will buy their grapes if quality is not achieved and if yield is in excess of that contracted. However, there is a significant degree of variation in these estimates that reflects differing regional cultural practices as well as variations in supply and demand.

Turning to the number of contracts that include a dispute resolution clause this is approximately 50 per cent for the whole sample that is lower than might be expected. It might be hypothesized that the relatively low number of contracts containing these clauses is because of the high input that wineries have into viticultural practice. However, only 42 per cent of contracts contain a clause that refers to viticultural practice. The high incidence of contracts that require details of chemical use before fruit is accepted is less surprising.

In terms of explicit vineyard activities included in contracts we can see from Table 6b that the most common is pest management at 37 per cent with water use being the next at 15 per cent. These findings indicate that wineries do not explicitly stipulate in contracts vineyard activities for the vast majority of grape growers. These findings are borne out in the many written comments provided by grape growers who returned the survey. Growers frequently explained that wineries provide advice in a number of forms such as newsletters, field days or visits by winery liaison officers. This advice, most growers presume, is to be followed. Interestingly, a number of growers also commented that they would like a greater degree of input from wineries so that they could improve the quality of grapes they grow.

Relationship with Winery

Tables 7a and 7b provide information regarding the relationship of growers with the wineries.

Table 7a - Relationship with winery

	Years Dealing with Winery	Relationship With Winery (1 Poor/5 Excellent)	Relative Importance Of Contract
Whole Australia	10.9	4.2	50.7
Riverland	13.2	3.9	63
McLaren Vale	7.4	4.1	44.1
Barossa	15.6	4.1	40
Eden Valley	10.8	4.5	37
Langhorne Creek	14.4	4.6	43.7
Murray Valley	8.5	3.6	52
Victorian Alps	12.6	4.3	41.5
Central Victoria	6.3	3.9	40
Yarra Valley	3.9	4	43
Riverina	16.4	3.4	34.3

Table 7b - Relationship with winery

	Frequency Of Visits (0-5 = 1) (6-10 = 2) (>10 = 3)	Involvement (1= No Involvement) (5 High Involvement)					Quality Assurance Program (%)
		Pruning	Canopy	Water	Fertiliser	Chemical	
Whole Australia	1.7	1.7	1.7	1.9	1.7	2.7	67
Riverland	1.4	1.7	1.7	1.9	1.7	2.9	87
McLaren Vale	2.1	1.9	1.8	1.9	1.8	2.7	49
Barossa	1.7	1.5	1.5	1.9	1.6	2.8	67
Eden Valley	2.1	1.9	2.1	2	1.6	3	38
Langhorne Creek	2.2	1.9	2.1	2.2	1.6	2.4	74
Murray Valley	1.4	1.6	1.5	1.5	1.5	2.4	79
Victorian Alps	1.7	1.7	1.6	1.4	1.4	1.9	50
Central Victoria	1.8	1.6	2.2	2.4	1.3	2.8	67
Yarra Valley	2	1.8	1.9	1.8	1.7	2.6	33
Riverina	2.1	1.6	1.6	2.5	2.3	3.2	68

Table 7a shows that the number of years dealing with the winery tends to be higher in the older growing regions. For example, 15.6 years in the Barossa and 3.9 years in the Yarra Valley. Somewhat surprisingly, given the current problems being expressed in terms of the relationship between grape growers and wineries, in general growers appear to have a reasonably high regard for their relationship with the winery with a sample average of 4.2 out of 5. However, those

regions reporting a below-average score in terms of the relationship corresponds with those regions that are currently the focus of difficulties as reported in the rural media i.e., Riverland, Murray Valley, and Riverina. Finally, growers were asked to indicate the relative importance to themselves of their contract compared to their reputation for growing quality grapes. Equal importance implies 50:50. Hence, a score greater than 50 in Table 7a indicates that growers assume that contracts are more important than reputation. Our results show that in the Riverland and the Murray Valley growers place a high degree of importance in their contract compared to their reputation for growing quality grapes. The low importance attached to the contract in the Riverina is likely to be a result of existing cultural practices underpinning the coordination of grape supply.

In Table 7b the frequency of visits by liaison officers is lowest in the Riverland and Murray Valley. However, the results need to be treated with caution as many growers indicated that visits might be made without notifying them. Also some growers indicated that they are not resident at their vineyard. In terms of involvement in vineyard decisions by the winery this is relatively high for chemicals and slightly less so for water use. Again, as with the need to detail chemical use before fruit is accepted after harvest, this reflects winery concerns regarding chemical residues. Finally, as part of the ongoing development of the business relationship between growers and wineries there is widespread adoption of Quality Assurance Programs (i.e., HACCP). Many growers indicated that they already have Quality Assurance Programs. Other growers stated that wineries will require Quality Assurance Programs in the near future. The use of Quality Assurance Programs can be linked to the way in which wineries do not explicitly become involved in vineyard operations but implicitly attempt to ensure appropriate vineyard practice on the part of growers.

Summary

There are several interesting findings provided by this survey. First, a grower is much more likely to have a written contract compared to an oral/handshake arrangement. Second, the inclusion of bonus/penalty payments for attaining particular levels of Brix/Baume is common in

all regions. However, colour is only important currently in particular regional areas. Third, in general most growers are subject to only limited direct direction from wineries regarding the operation of a vineyard although from the comments included in the questionnaire returns it is clear that there is extensive information and guidance offered by wineries. Fourth, in terms of price determination the most common form is Fair Market price. Fifth, despite the uncertainties attached to assessment of grape quality only a small percentage of contracts provide a role for third party grape quality assessment. Finally, it is also surprising to find no dispute resolution process to resolve differences over price and/or grape quality in over half the contracts examined.

As with all surveys the results presented in this paper need to be treated with some caution. The survey appears to be relatively representative of the population of independent grape growers in Australia. However, to improve the validation of the survey and future research of a similar nature we encourage the GWRDC to consider providing basic production statistics of independent grape growers. To this end the GWRDC are encouraged to fund the development of a grape grower database for future industry research and information dissemination.

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Appendix 15

Wine Grapes Marketing Board – White Paper 2011



Riverina
WINE GRAPES
MARKETING BOARD

Riverina Winegrape Grower Survey

August 2011

**Survey Conducted &
Prepared by
High Security Irrigators - Murrumbidgee**



Introduction

High Security Irrigators – Murrumbidgee (HSI-M) were contracted to conduct a survey on behalf of the Wine Grapes Marketing Board (WGMB). This survey outlines the difficulties in addition to growing trends in the industry within the Riverina grape growers. It highlights issues from poor prices for the wine grape crop, to the decreasing equity within the grower's business enterprise and the performance of the WGMB as a representative industry service body.

The survey contained many facets and highlighted the increasing financial stress under the present depressed prices for the crop. Last year's difficult harvest has put a number of growers under financial and personal stress.

The survey contained various sections to access the following areas in relation to Riverina growers; financial situation, winery status, emotional and off-farm income situation, views on the WGMB.

The WGMB believed that by seeking actual grower responses to a range of questions it would be better positioned to represent growers in the region when responding to media, winery or government inquiries. The use of HSI-M to conduct the survey provided the independence that the WGMB required to ensure that growers could appropriately respond to the questions with anonymity.

Scope of Work

The WGMB supplied a grower list, with names, home phone and mobiles numbers.

A total of **378** growers' names and phone numbers were supplied. These comprised of the entire grower base of the WGMB constituents. Fifty two (52) numbers were rejected for various reasons;

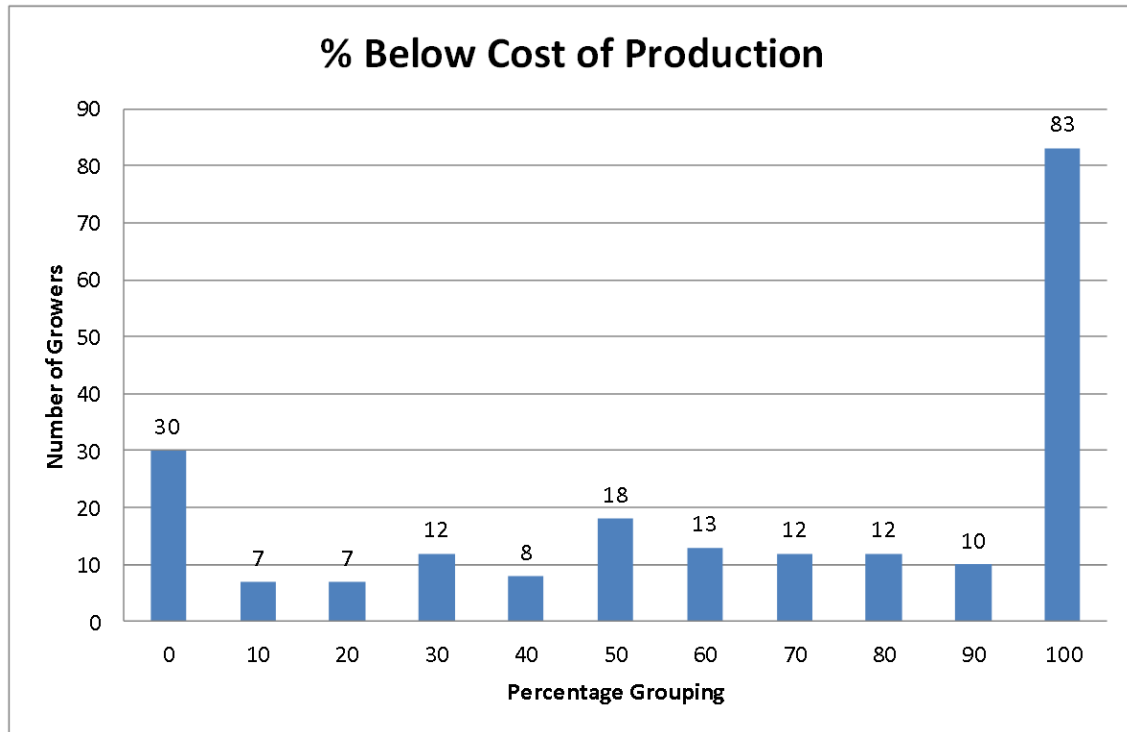
- 9 growers had retired or no longer grow wine grapes.
- 19 growers were either too busy or not interested.
- 2 away on holidays or overseas.
- 11 numbers were incorrect.
- 11 were duplicate with a father and son partnership.

All growers have been contacted, at least three times (3) to see if they would participate in the survey.

A final count of the survey resulted in **212** growers taking part in the survey, which is a participation rate of **65%**. Some growers refused to answer certain questions and in particular questions regarding financial equity and winery arrangements.

Question 1:

What percentage of your 2011 harvest did you sell at below cost of production?



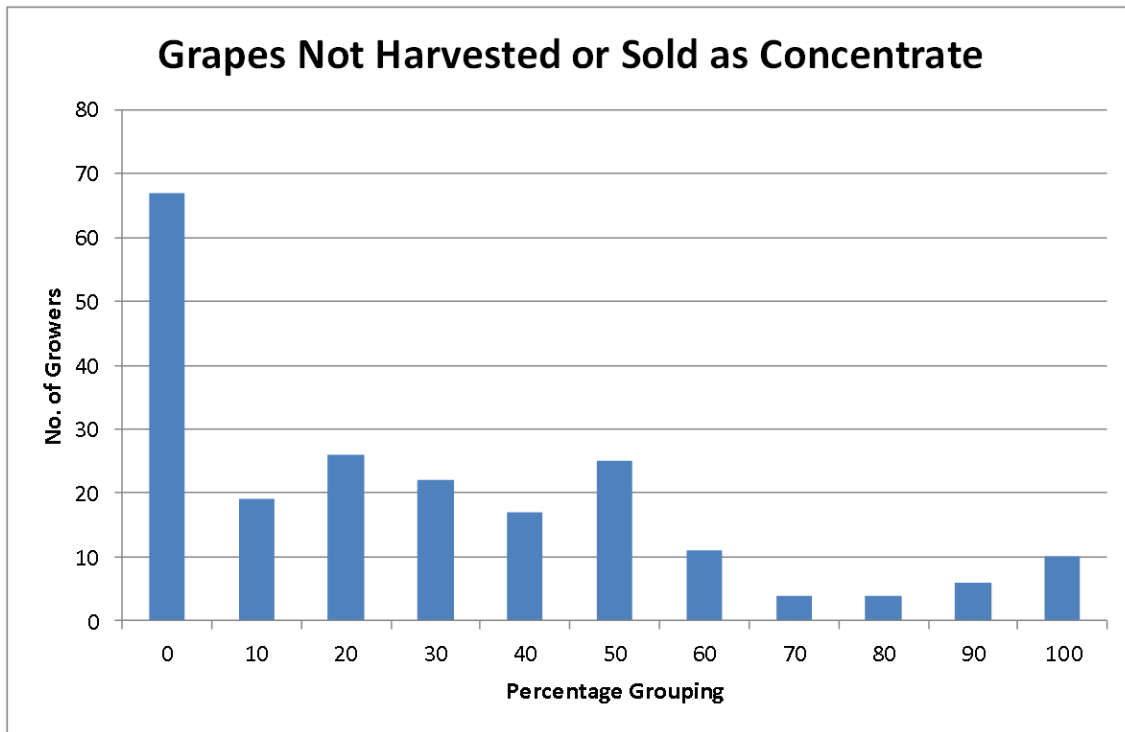
- *Responses:* **212 growers.**
- *Average:* **64.01%** of growers sold below the cost of production.
- *Median:* **70%**

Comments:

The majority of the growers from the 2011 harvest sold their grapes under the cost of production. HSI-M doubt whether the growers were taking into account the cost of the own labour or that of family members within the farming enterprise. A majority of the responses from growers were unable to identify the actual cost of production.

Question 2:

What percentage of your 2011 harvest was not sold as (i.e. sold as concentrate or left unharvested on the vine)?



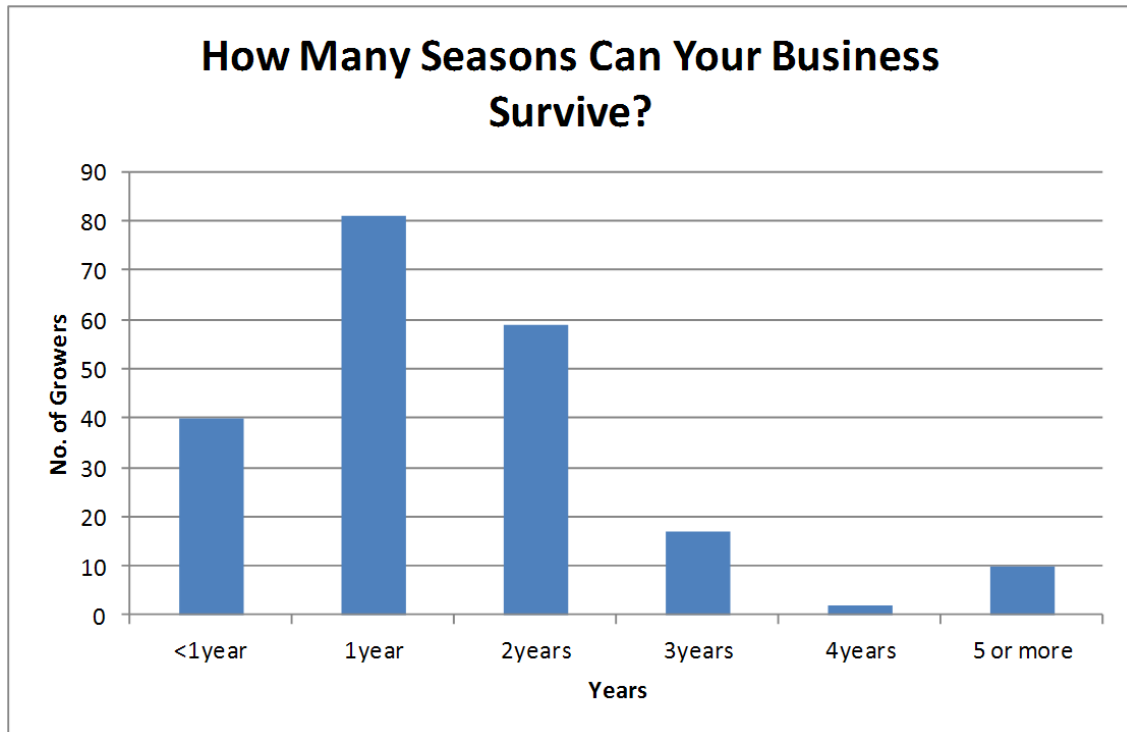
- *Responses:* **212 growers.**
- *Average:* **29.08%** of grapes were either not harvested or sold as concentrate.
- *Median:* **20%**

Comments:

Almost one third of last year's harvest was either not harvested or sold as concentrate.

Question 3:

If the prices for wine grapes do not recover sufficiently how many seasons, can your business survive for?



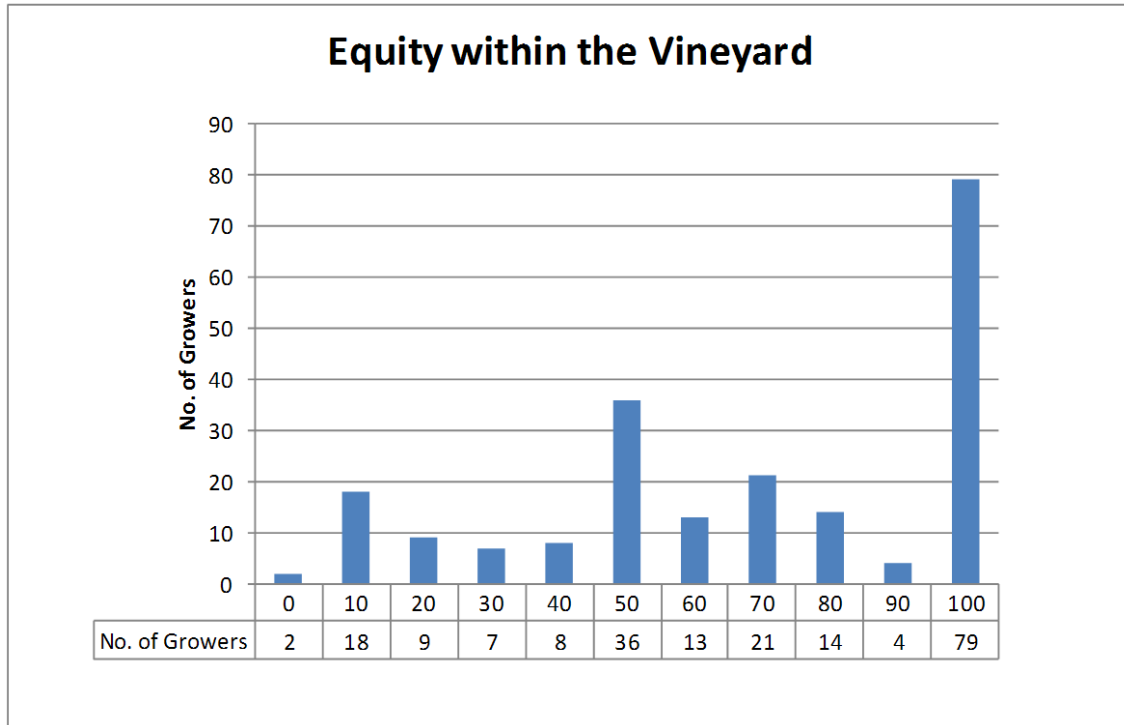
- *Responses: **209 growers.***
- *Average: **1.53 years,** before their businesses are unsustainable.*

Comments:

HSI-M believe most of the growers surveyed answered this question correctly or within their capacity. The responses to this question are **more accurate**, HSI-M believe than the responses to Q4. Growers understood the question and the concept of the responses required. A number of growers indicated they have another enterprise supporting their vineyard operation.

Question 4:

What percentage equity do you have in your vineyard? (Percentage)



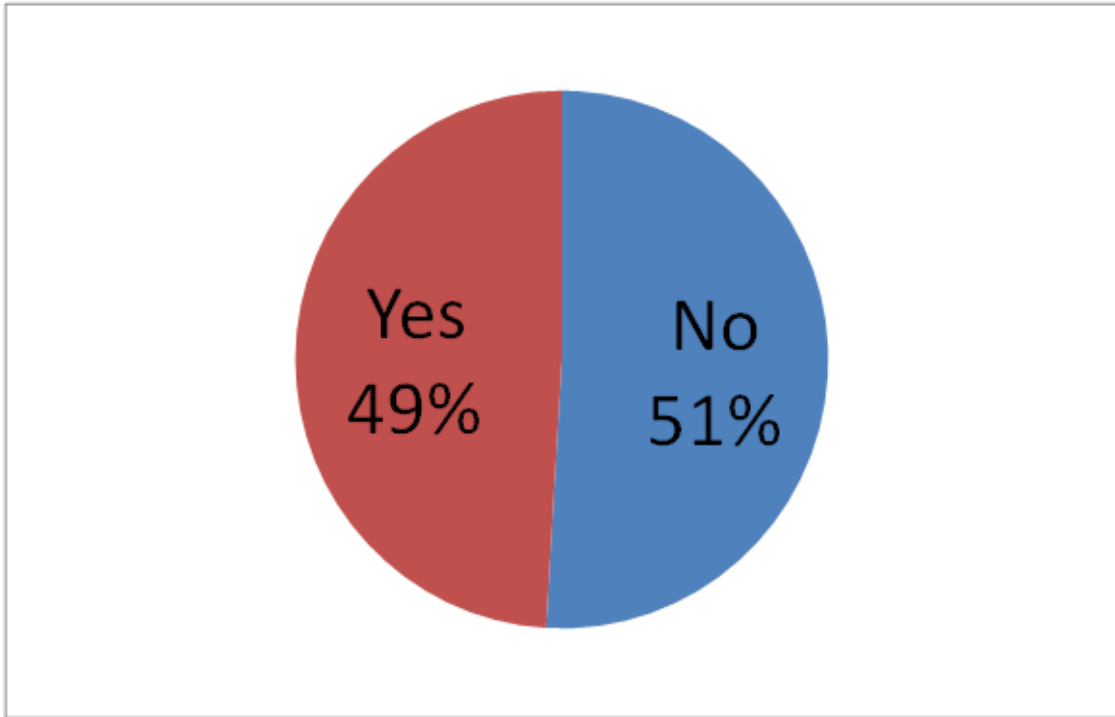
- *Responses:* **211 growers**
- *Average:* **67.87% equity within the vineyard.**

Comments:

Most growers were reluctant to answer this question. Eighty growers have less than 50% equity within their farming enterprise. Q4 regarding the equity within the vineyard this was difficult to gauge. Most growers did not take into account leases of equipment, irrigation or other loans against the property (HSI-M believe).

Question 5:

If the industry does not turn around will you look to remove vines and invest in another commodity (No/Yes)?



- *Responses:* **212 growers**
- *No:* **108 growers**
- *Yes:* **104 growers**

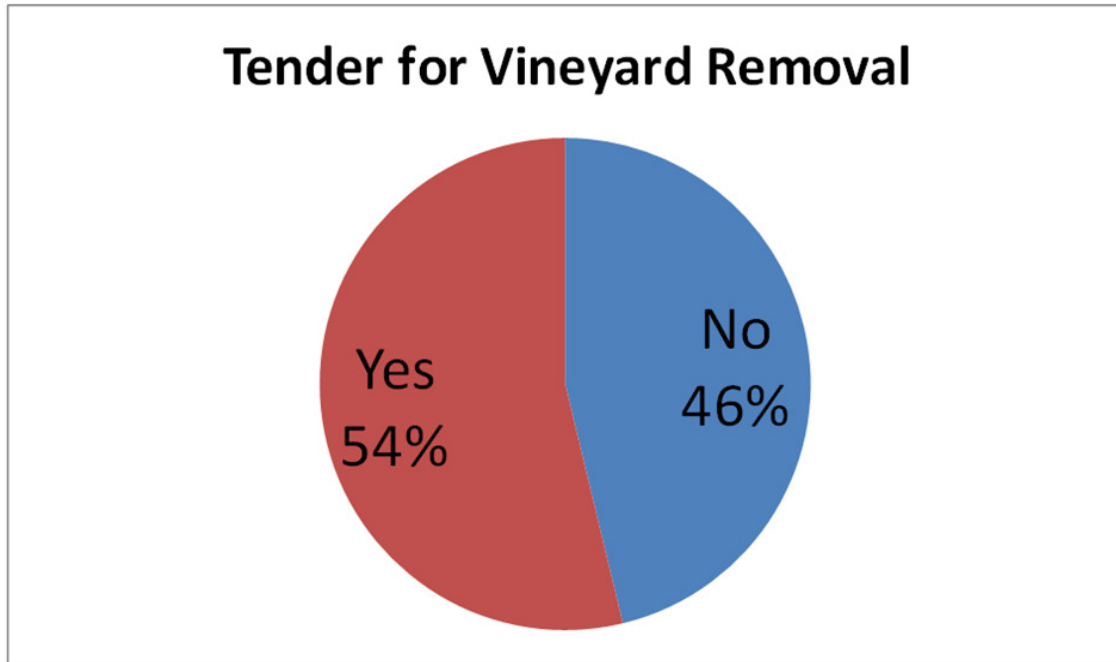
Comments:

Yes, responses would not replant, just leave the ground bare.

No, responses would not remove, but would not discontinue farming the vineyard.

Question 6:

Would you be interested in the WGMB coordinating a tender for any vineyard removal? (No/Yes)



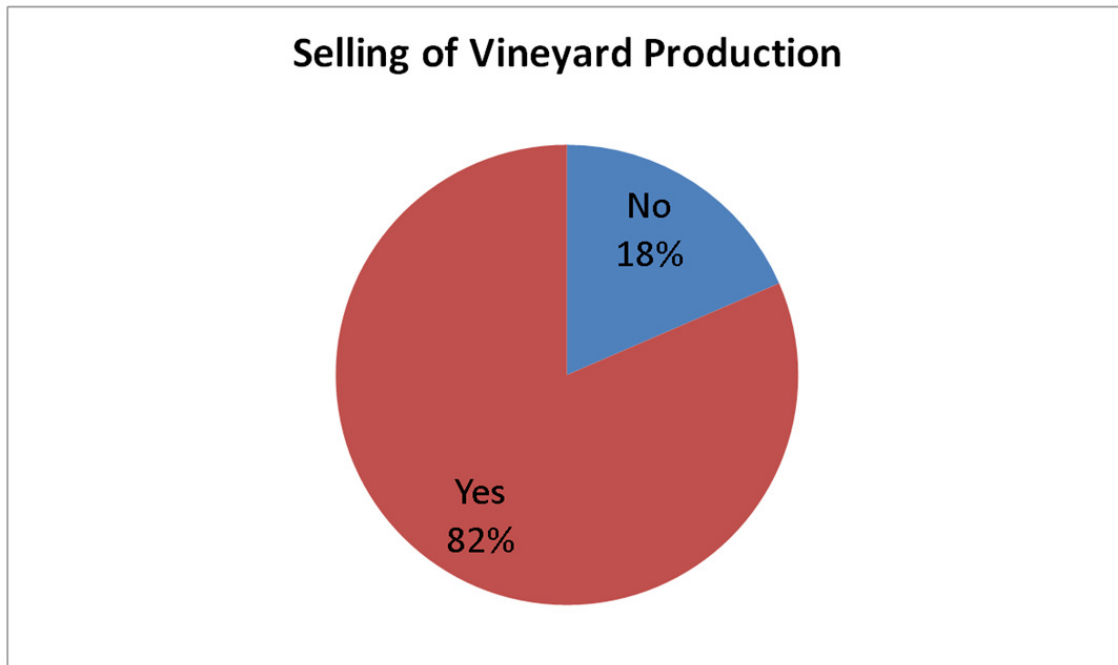
- *Responses: 106 growers*
- *No: 49 growers*
- *Yes 57 growers*
- *No Answer: 2 growers*

Comments:

Yes, responses were more interested in listening to the proposal of the WGMB, rather than actually participating in the actual removal. Several growers indicated that WGMB should not be in that sphere.

Question 7:

Do you have a home for all or some of your production in 2012 (No/Yes)?



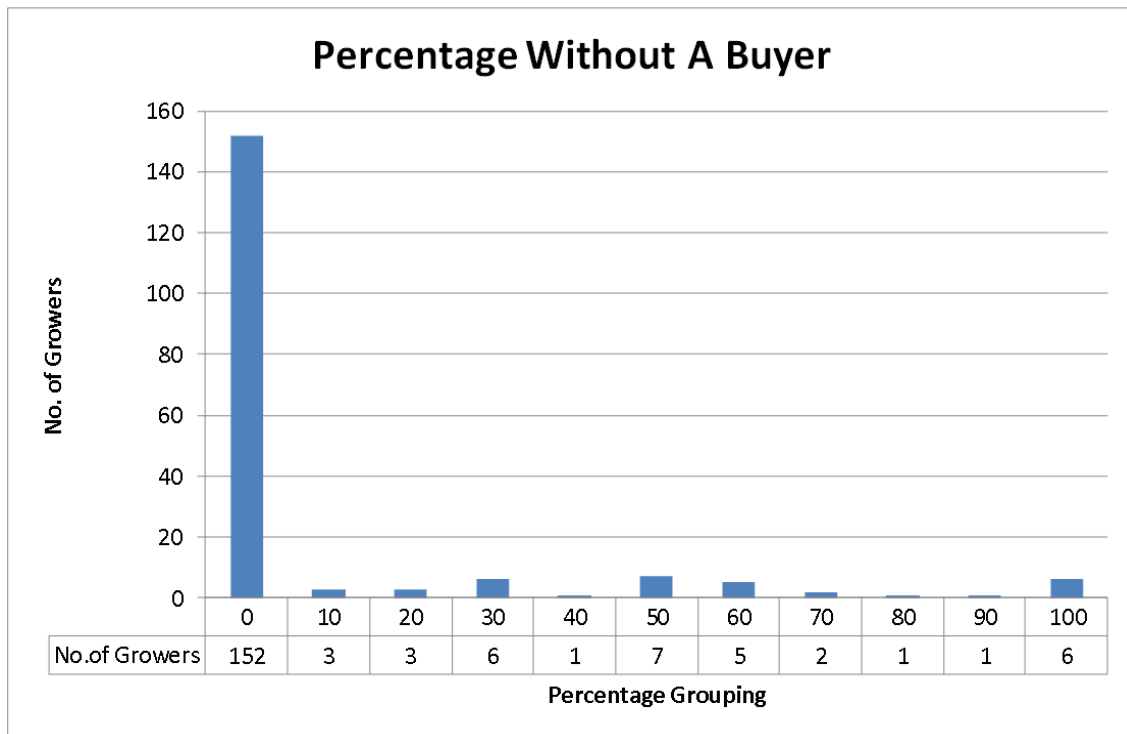
- *Responses:* **211 growers**
- *No:* **39 growers**
- *Yes:* **172 growers**
- *No Answer:* **1 grower**

Comments:

Yes, responses assumed the winery will take only the contracted tonnage amounts. HSI-M experienced some reluctance from growers to answer questions regarding their wineries or the activities of their wineries.

Question 8:

What percentage of your grape crop is currently without a buyer? (Percentage)



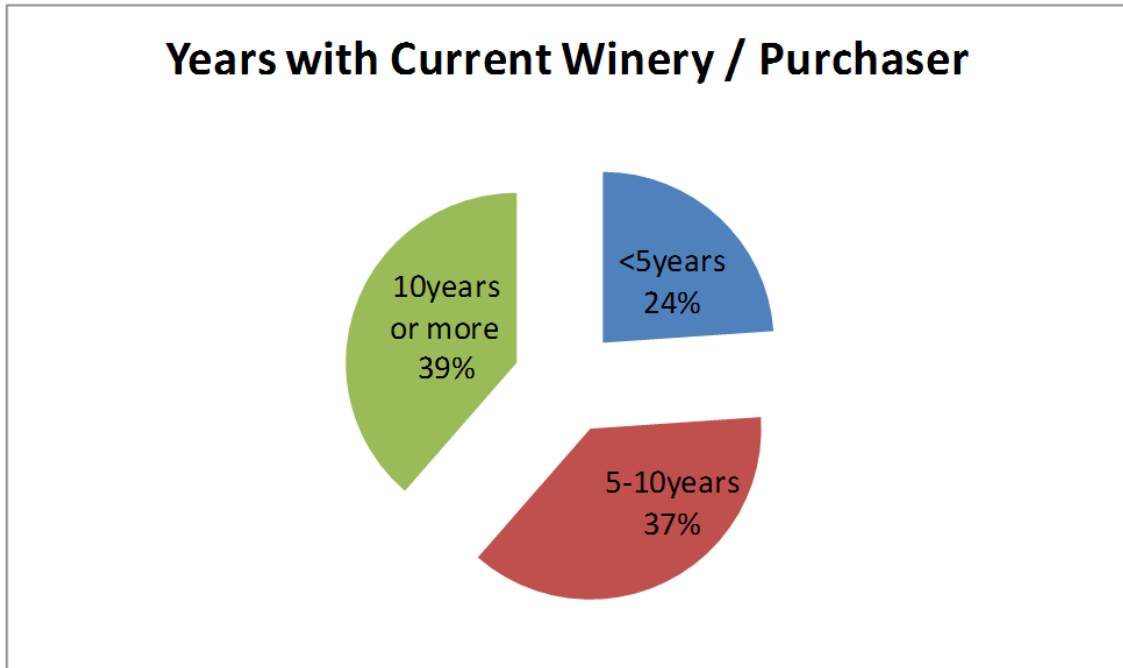
- *Responses: **188 growers***
- *Average: **10.04%** of next year's harvest (2012) is without a buyer or winery.*

Comments:

Twenty-four growers refused to answer this question; HSI-M cannot qualify, but would suggest that these growers do not have either a contract or arrangements with a winery.

Question 9:

How many years have you been with your current winery(s)?



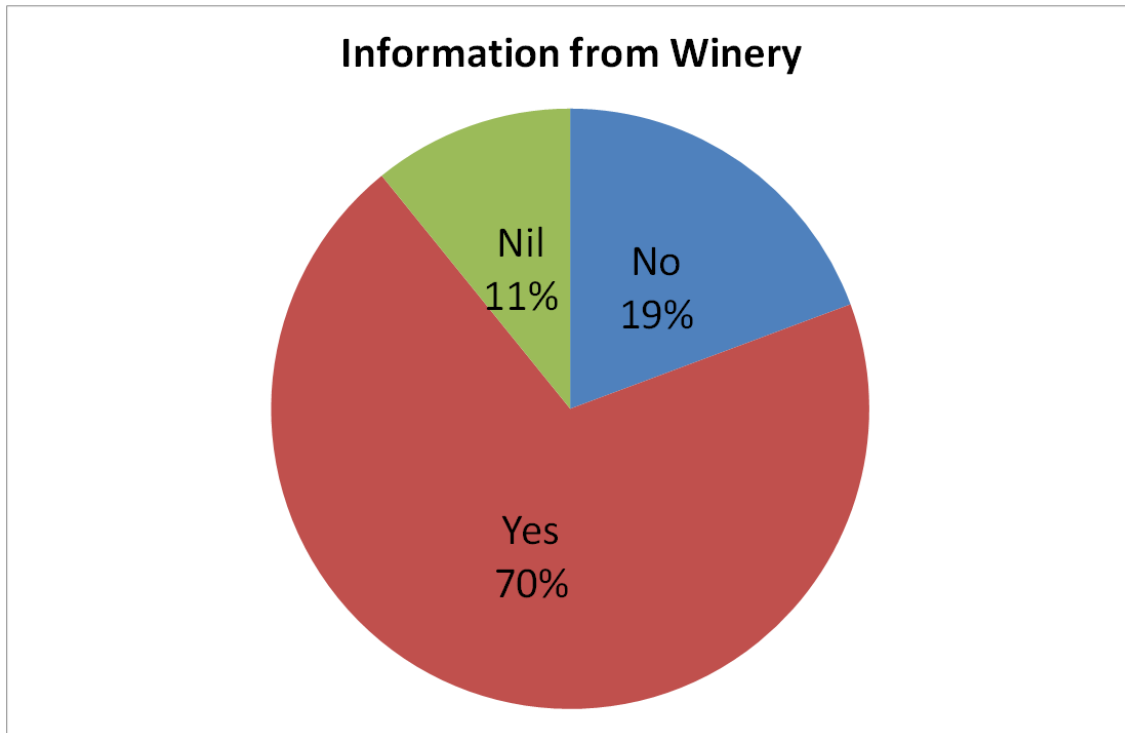
- *Responses:* **184 growers**
- *Average:* **13.74 years**
- *Five years or less:* **44 growers**
- *Five – Ten years:* **69 growers**
- *Ten or more years:* **71 growers**

Comments:

Some growers are supplying two wineries; HSI-M recorded only the winery supplied for the longest period. The closure of wineries may have distorted the outcome, however, to what degree HSI-M are unsure.

Question 10:

**Are you happy with the information and assistance provided by your winery?
(No/Yes).**



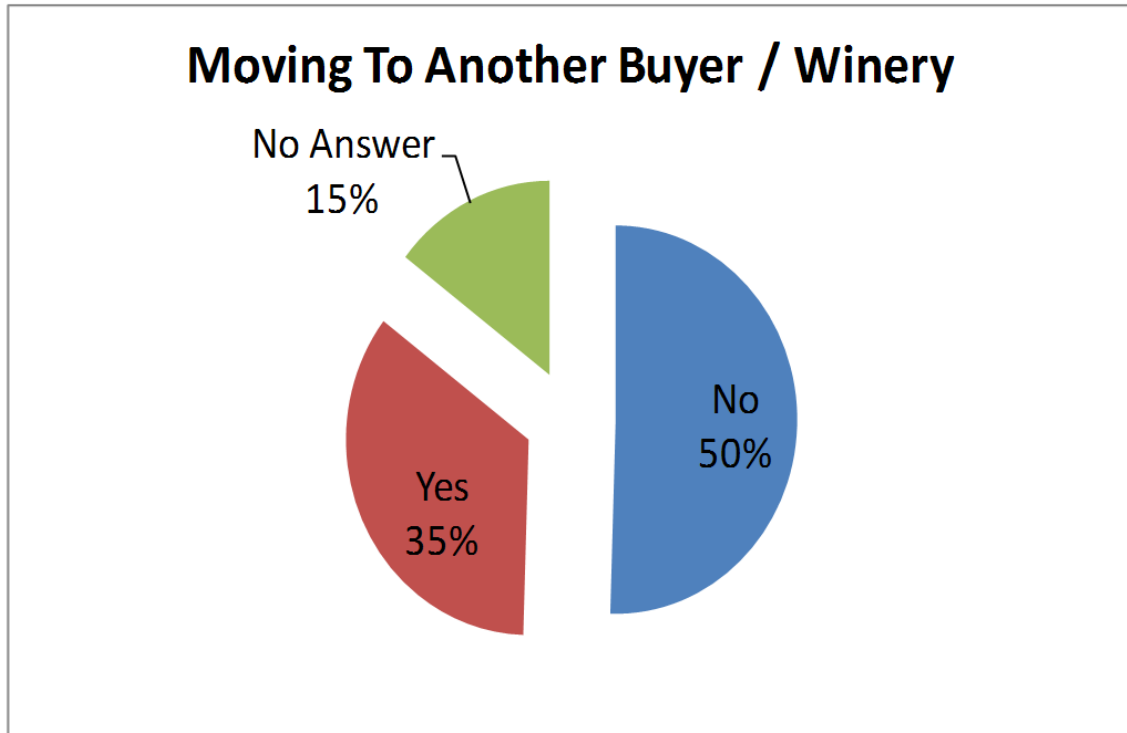
- *Responses:* **212 growers**
- *No:* **41 growers**
- *Yes:* **148 growers**
- *No Answer:* **23 growers**

Comments:

Again reluctance from growers to answer question regarding wineries or their activities with wineries.

Question 11:

If you could take your grapes to another buyer / winery would you? (No/Yes)



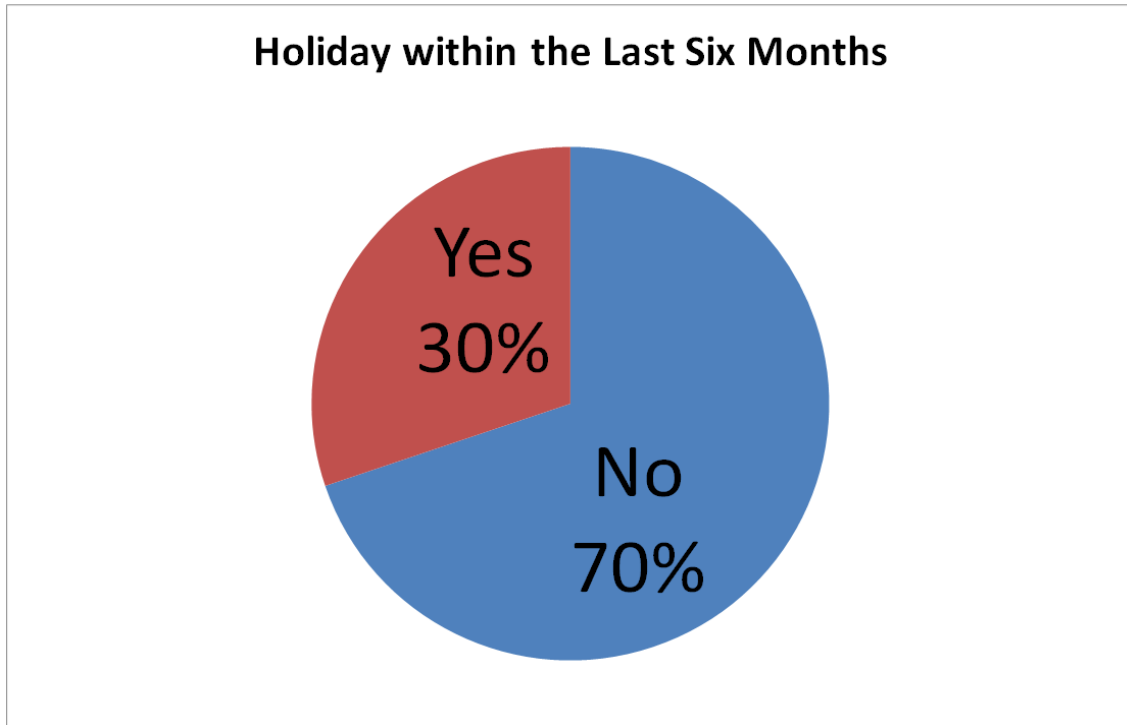
- *Responses:* **212 growers**
- *No:* **107 growers**
- *Yes:* **74 growers**
- *No Answer:* **30 growers**

Comments:

Yes, only if the grapes are contracted and a better price. Again, reluctance from growers to answer questions regarding wineries or their activities with wineries.

Question 12:

Have you had a break from the vineyard in the past 6 months (other than weekends & public holidays)? (No/Yes)



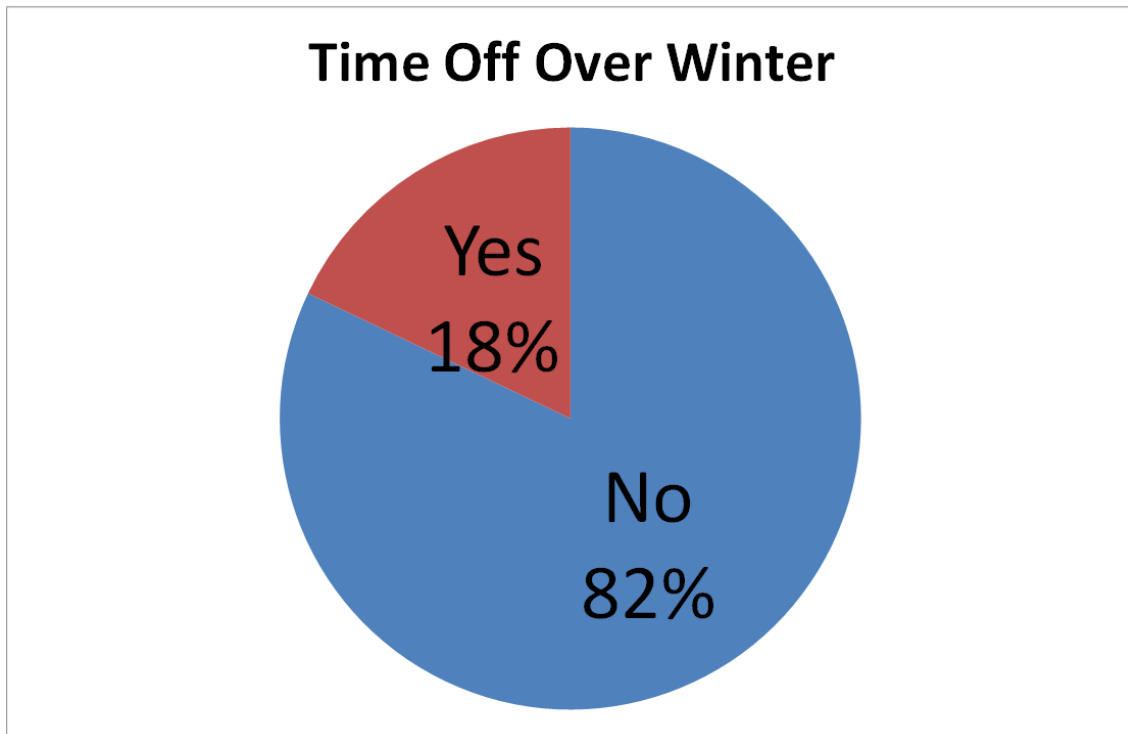
- *Responses:* **212 growers**
- *No:* **148 growers**
- *Yes:* **64 growers**

Comments:

No additional comments.

Question 13:

Are you planning to take some time off over the winter months? (No/Yes)



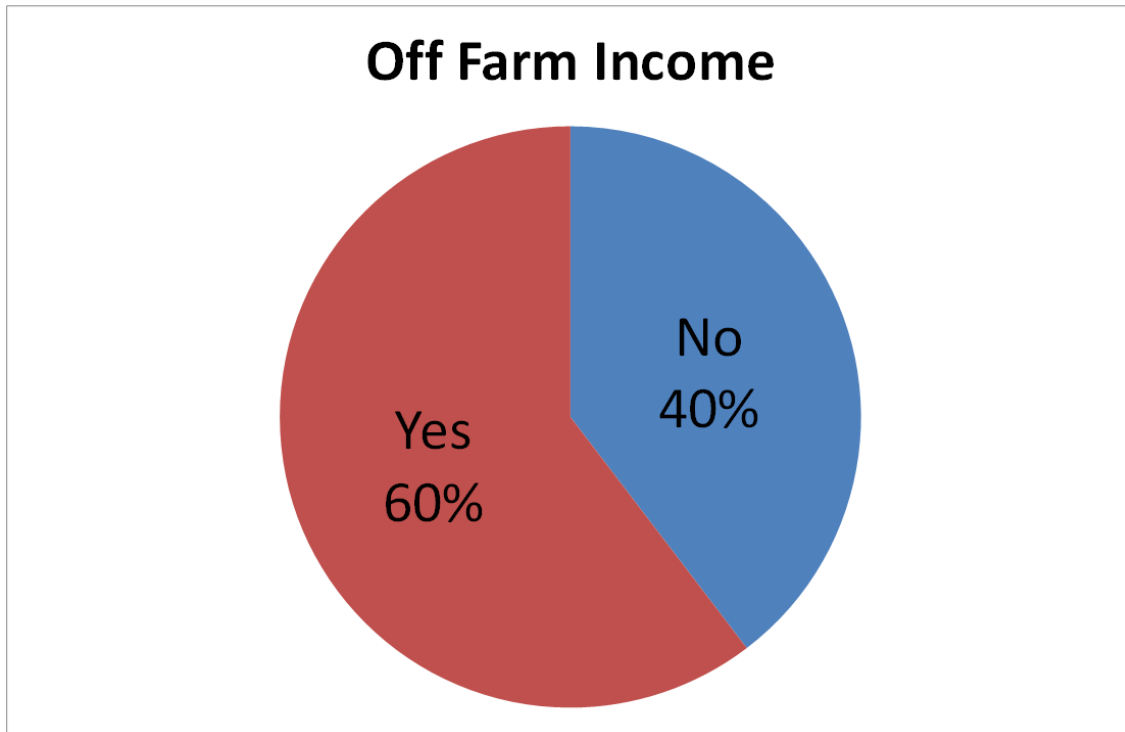
- *Responses:* **212 growers**
- *No:* **174 growers**
- *Yes:* **38 growers**

Comments:

No additional comments.

Question 14:

Do you and or your wife/spouse/partner have off farm work/income? (No/Yes)



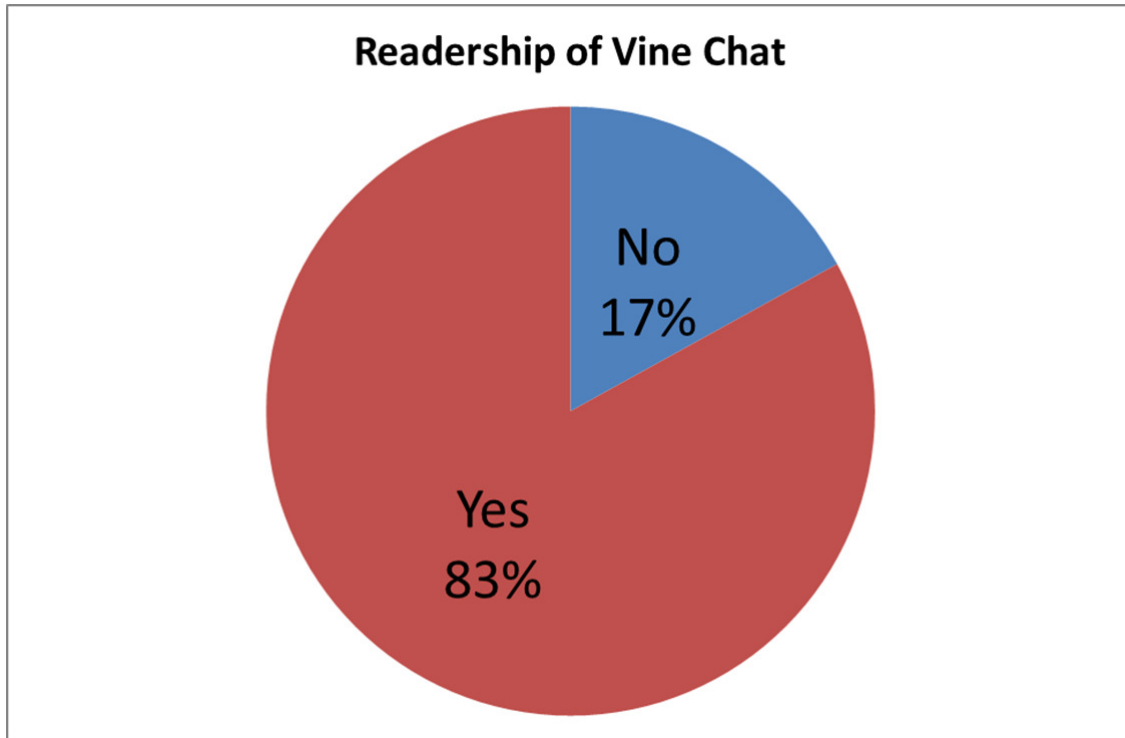
- *Responses:* **212 growers**
- *No:* **84 growers**
- *Yes:* **128 growers**

Comments:

Yes, responses included growers who contract their services to other growers or farmers, includes working part-time and their partners / wives. HSI-M did not take in account growers who indicated income from other investments, such as rental properties or shares.

Question 15:

Do you or a member of your family; read the newsletter published every 2 months by the WGMB - called Vine Chat? (No/Yes)



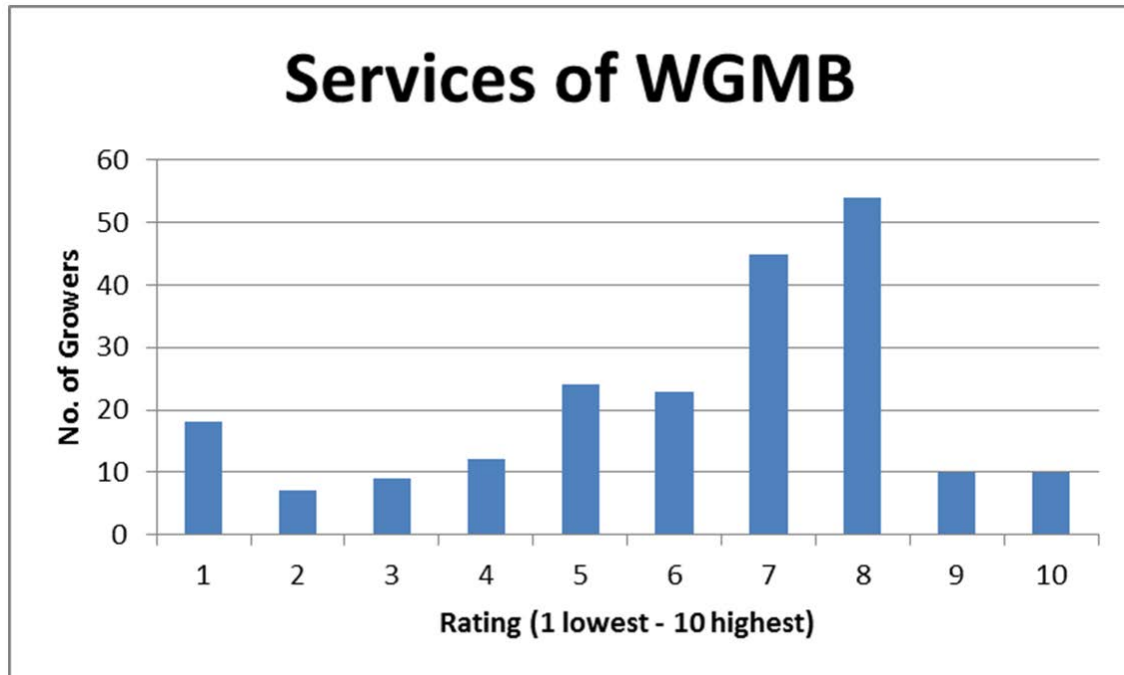
- *Responses:* **212 growers**
- *No:* **34 growers**
- *Yes:* **176 growers**

Comments:

This is a very high readership of any industry publication. The average for industry magazines is under 70%.

Question 16:

On a scale of 1-10 (1 been lowest & 10 the highest) how do you rate the services provided by the WGMB? (Numerical value)



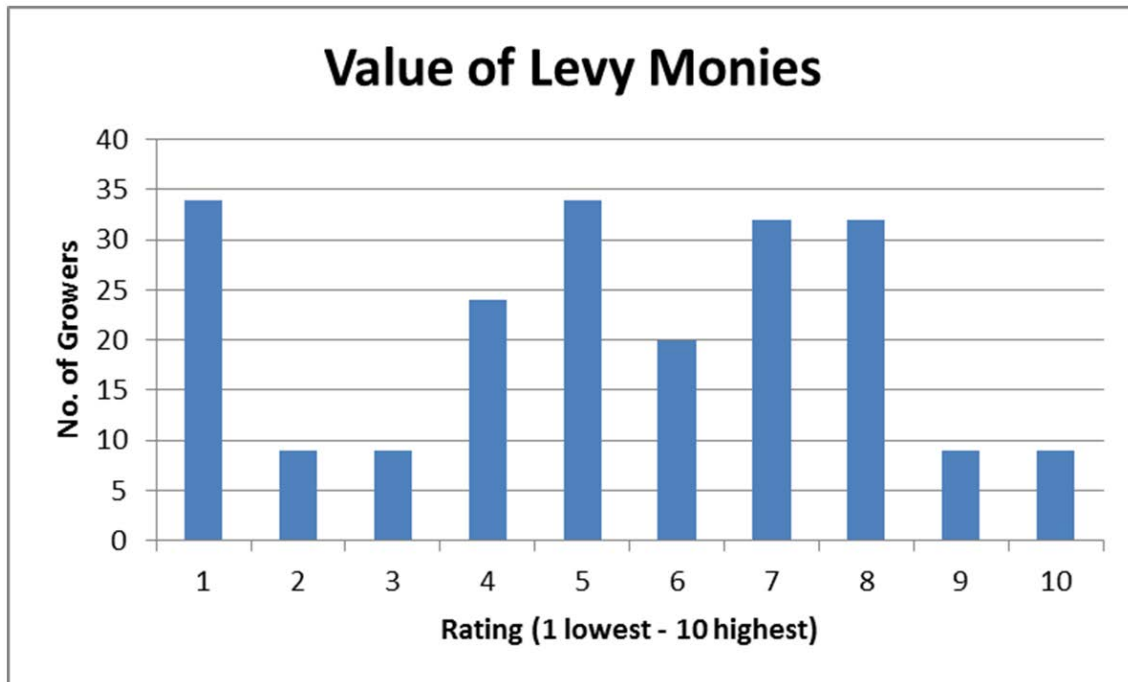
- *Responses:* **212 growers**
- *Average:* **6.14**
- *Median:* **7**

Comments:

An average of 6.14 is quite low. The figures show a greater proportion of grower's rate the services of WGMB, 5 or higher. Younger growers (sons) looked less favorability on the activities of the WGMB. Some older growers have clearly defined views regarding the WGMB and a return to "collective bargaining".

Question 17:

On a scale of 1-10 (1 been the lowest & 10 the highest) does the WGMB represent value for levy money?



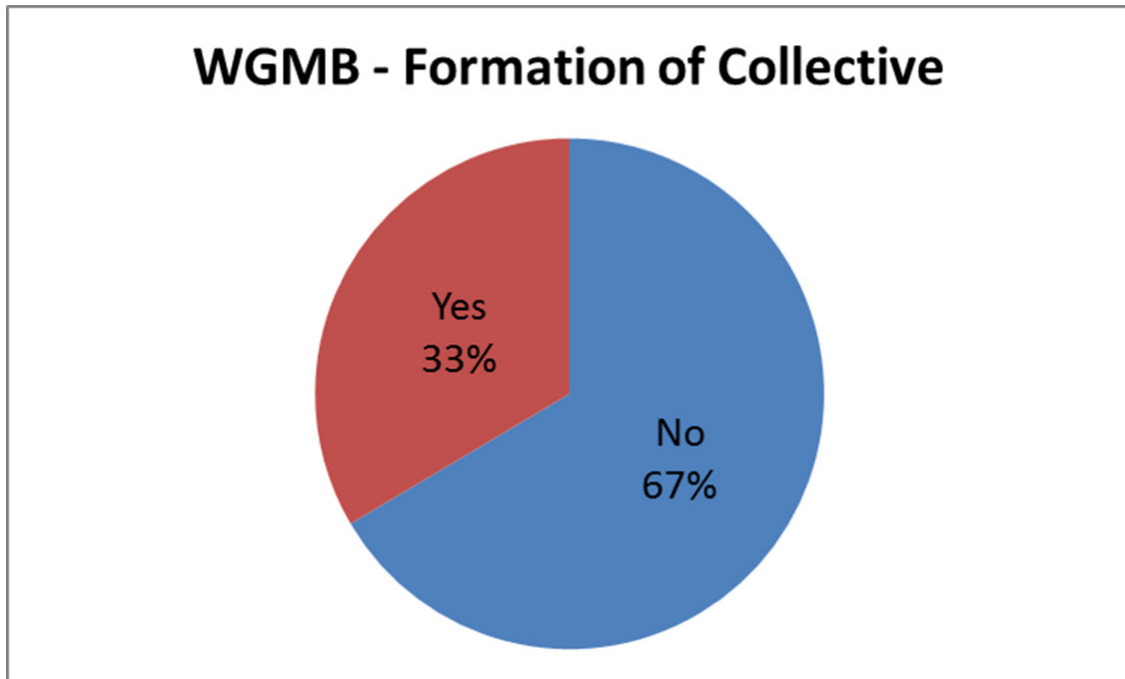
- *Responses:* **212 growers**
- *Average:* **5.25**
- *Median:* **5**

Comments:

Growers are split on the value of the levy monies paid to the WGMB. There could be a number of reasons behind the results. Possible answers are financial stress or the levy is disproportional to the price of grapes received.

Question 18:

Would you be interested in forming a collective with other growers to market your wine grapes in 2012?



- *Responses:* **212 growers**
- *No:* **141 growers**
- *Yes:* **71 growers**

Comments:

Two-thirds of growers are against a collective in the selling of their wine grapes. No, responses thought the proposal would not stand the test of time: i.e. Growers would leave the collective for a better price and trying to unite the growers would be difficult. There was reluctance to answer this question, again due to the winery influence.

Question 19:

What other areas do you believe that the Board should act to assist you?

Comments

The comments are general in nature and have been categorised with like or similar comments throughout the survey. A number is placed against each comment as a grower's response. Some of the numbers applied can be subjective due to the similarity of the answers.

	<i>No. of Responses</i>
• Overall happy with WGMB.	64
• Unhappy with performance of WGMB.	53
• Price setting and winery payments.	86
• Reduce costs within WGMB.	26
• Lobbying the government.	76
• Reduce levy fees.	59
• No comment.	63
• Provide assistance through information, research and wine trends in grape production.	26
• Incentive for the growers who have invested in their vineyards e.g. drip.	12
• Needs to get strength and become a negotiating body.	43
• Better liaison with Wineries.	38
• Help with farm input costs.	23
• Growers wishing to leave industry.	23
• Growers wishing to sell water.	21

Appendix 16

Wine Grapes Marketing Board Submission to NSW Upper House Inquiry
September 2010



WINE GRAPES MARKETING BOARD SUBMISSION TO THE NSW LEGISLATIVE COUNCIL STANDING COMMITTEE ON STATE DEVELOPMENT INQUIRY INTO THE WINE GRAPE MARKET AND PRICES

SEPTEMBER 2010

Introduction

1. The Wine Grapes Marketing Board (Board) currently operates under the *NSW Agricultural Industry Services Act 1997*, the Act and its regulations confers on the Board a specific range of services that it provides to all independent wine grape producers in the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.
2. The Board has been in operation in the region since 1933, originally setup to countervail the power of wineries in the region. The Board until 2000 had legislation in place through the then *NSW Marketing of Primary Products Act* to vest the regional wine grape crop and negotiate prices with wine grape purchasers. This ability was stripped from the Board following an extensive competition policy review from which the Board retained the countervailing power to set and enforce terms and conditions of payments for wine grapes that were not subject to a complying contract as prescribed in the current Act.
3. The Board is primarily funded by independent growers by placing a charge on all production at a rate of \$3.90 per tonne. This amount is approved by growers each year in accordance with the provisions of the Act.
4. The Board operates in the wine geographical indication called Riverina which produces approximately 16% of Australia's wine grapes and 65% of New South Wales wine grape production. The entire region comprises of approximately 22,000 hectares of bearing vines. 75% of all production is derived from independent vineyards. Total regional production in 2010 was 262,000 tonnes a decrease from previous seasons where production was above 300,000 tonnes.
5. The Board in seeking this inquiry is of the belief that the industry's market is flawed and requires legislative instruments to be introduced to remedy many of the problems that are being faced by wine grape growers that are not typical of a market with current structural supply and demand problems.
6. This submission will address the terms of reference that have been set by the Legislative Council Standing Committee on State Development (*see Appendix 1*) by providing insight into the operations of the industry from the aspect of the growers in this region.
7. The Board would also appreciate the opportunity to address the Standing Committee on the matters raised in this submission.

Price formation, including factors affecting supply and demand

8. The formation of wine grape prices is the domain of wine processors, regardless of the supply and demand factors within the industry. Growers in seasons of undersupply may be able to negotiate a higher return but ultimately they are price takers in the market.
9. Wine grapes are planted based on forecast market requirements and take up to three years to start producing a saleable crop. The bulk of wine grapes planted in the Riverina have been done so at the request and / or suggestion of a winery based on their view of the current market of available supply and forecast demand for wine products. Very little speculative planting has occurred in this region but many of the plantings have been undertaken without a formal contract in place with wineries and growers generally relying on verbal agreements.
10. Prices are paid on a per tonne basis of the fresh harvested weight of the wine grapes. There are many factors which combine to enable the price to be calculated at the time of harvest. In red wine grapes 70% of the regions production is priced based on the analysis of the colour of the fresh grape. White grapes are normally based on maturity which is derived generally as a function of the amount of sugar content within the grapes, measured in Brix and / or Baume.
11. Other factors that may impact on the price is the purity and condition of the wine grape. This can be measured both in the vineyard when factors such as disease or damaged berries can be assessed, or at the weighbridge prior to transfer of the title the grape to the winery. The industry has development a sound model for the assessment of wine grapes in the vineyard and at the winery and this is addressed in detail in the publication "Winegrape Assessment in the Vineyard and at the Winery" (*see Appendix 2*). This publication was funded by the federal research and development levy and has involved input from the Board along with many other interested persons and organisations. The publication was widely disseminated to growers across Australia and all wineries and is now often referenced in contracts.
12. It is understood that wineries base their price offers to growers on current and forecast market conditions for the sale of wine and the amount of available wine on the bulk market. Some regional wineries simply base their prices on what other wineries are paying and therefore have to wait until they obtain that information. In the early 2000's some contracts were written that specified the payment would be the regional district average price.
13. Prices are generally offered to growers in a take it leave it manner by wineries. Many growers have reported being told that if you do not like the prices don't deliver your grapes. Others have been told that if you complain your contract will not be renewed when it expires leaving them absolutely powerless to discuss the matter effectively in a business like manner.
14. Price formation used to be a construct of market analysis and supply factor information that was coordinated by the industry. In the three inland grape producing regions a Tri-State pricing committee (SA, NSW, VIC) was formed that would look at pricing across these regions. This developed into a Supply and Demand Outlook meeting at which various grower groups and winery representatives would discuss seasonal conditions and discuss the plantings required to match growing market requirements. Varieties in demand would be noted and these signals would be fed into the production side of the industry as a signal for planting with the caveat to have a valid contract in place.

15. As the industry grew in size and the transport of fresh wine grapes across state boundaries was made easier by larger transport options the outlook meeting was abandoned. The industry has lost much of its direction since this occurred in 2005.
16. Growers now find it difficult to understand or rationalise a price per tonne when the offer can vary from winery to winery by as much as 200% for the same quality of grape and the wine produced is destined for the same market and approximately the same retail price. Such discrepancies are a major cause for concern by growers within the industry.
17. In the majority of instances in the Riverina wine grape producers do not know the price they will receive for their wine grapes until they deliver. Some growers are not even aware of the price they will receive until much later than delivery as factors such as end wine quality are taken into account. Wine quality is a factor of the grape quality but growers have no control of the winemaking process and it is not fair that they should be financially impacted by matters not in their control.
18. The following supports this issue, (*Figure 1 below*) relates to DeBortoli Wines Pty Ltd grower guide 2007 (it is believed that the same clause has remained in all grower guides issued by this company). Growers are not told the price they can expect to receive but either must wait until they arrive at the winery with their produce or drive to the weighbridge to find out first hand what they may receive prior to taking factors such as purity and condition into consideration.

Figure 1: DeBortoli Wines Growers Guide 2007

12 Pricing.

All De Bortoli Wines prices will be displayed at the weighbridge at time of your delivery. (Subject to current 2007 Wine Grape Board Marketing government review.)

19. There are moves to change these types of arrangements but they progress slowly. In this region Orlando Wines are the only winery that is a signatory to the Australian Wine Industry Code of Conduct (*Appendix 3*). This is currently a voluntary code that specifies the timing of price notification for contracted growers. Indicative prices are released in December prior to harvest, the early release is designed to enable growers to dispute and negotiate variations should they feel that the market warrants it.
20. The code does not prescribe to signatories how they formulate the price but when it is disclosed to the grower base. A major issue affecting price formation is the timing of the price notification and it is extremely difficult for this market to operate when purchasers do not inform the market of their intentions. Growers cannot readily seek other avenues of sale should a price be unacceptable and past experiences of growers is that when they dispute the price offer they are either not likely to be able to take their entire crop to that winery in the current vintage or the relationship is damaged sufficiently by the act that contracts are not renewed.
21. Wine grapes are highly perishable and need to be processed as promptly as possible to prevent spoilage, as grapes may start to ferment or “go off”. If the price is disputed at the weighbridge income loss may occur in the absence of a structured process in which to dispute and negotiate as is currently provided under the Code of Conduct.

22. Growers have reported to the Board of having received a price notification at the weighbridge only to have the price paid lowered later due to “quality¹” reasons. During the rush of vintage harvest the notification of such deductions can cause great angst among growers.
23. The Board has consistently encouraged wineries to release early price notifications via meetings of the Riverina Wine Industry Forum but generally via the media. It also encourages growers to ask their winery for prices to be released earlier each season through discussions at grower group meetings, one on one meetings with grower members and via its newsletter. Unfortunately wineries generally argue that this would impact them unfairly in the market place. There would be no negative impacts if it was legislated that wine grape purchases would be required to advise of prices at an agreed date each season. New or late entrants to the market for purchasing wine grapes would need to meet minimum pricing standards, for example an average of the market price within the region they are looking to purchase wine grapes from.
24. All production costs are incurred by producers in the growing of the crop throughout the season. Growers that are not contracted with a base price or those subject to a simple supply agreement have no indication of the price they will receive until it is too late to reduce input costs and / or mothball² their vines.
25. An example of the pricing concerns raised by growers was DeBortoli Wines (Vintage 2008), the company released indicative prices in mid to late 2007 after growers and the Board via the media called upon all wineries for early price notification. These prices were amended closer to the vintage with the majority of them ending lower than the original indicator. These variations led to a great deal of negative sentiment toward the winery.
26. Over the past years in the Riverina there have been many instances when the price being offered is lower than the cost of the production of the wine grapes. Such pricing power by wineries has steadily eroded the value of farm returns in the region to a position where many vineyard operators are leaving the industry.
27. It is well documented that the Australian Wine Industry is currently in oversupply as export market value is eroding due in part to the fluctuations of the currency coupled with the global financial crisis. As markets decline the intake requirements for wineries follow leaving behind growers with no home for their produce that were mostly planted to meet market expectations.
28. In 1996 the wine industry embarked on an expansive marketing program titled “Strategy 2025” which had the vision statement that by the Year 2025 the Australian wine industry will achieve \$4.5 billion in annual sales by being the world's most influential and profitable supplier of branded wines, pioneering wine as a universal first choice lifestyle beverage. Plantings in Australia at the time were also helped by attractive federal taxation policies of accelerated depreciation on infrastructure costs. Australia met its 25 year planting strategy in under 10 years based on favourable exchange rates for exports, exponential growth in sales and a general willingness in the primary production sector to meet the growing call for plantings that were being stimulated by taxation incentives.

¹ Quality factors may refer to Matter Other than Grape (MOG) being detected in the load after the title of the grape has been transferred to the winery. This can also cause the wine grapes to be downgraded to a lower price grade.

² Mothballing of vines refers to the act of reducing all input costs and keeping the vines in a living but non-bearing mode.

29. All wineries took to the call for increased production and favourable market conditions by generally seeking more grapes and growers to plant hectares for them. While much of these were planted with contracts the duration of these contracts would not cover the development and production costs of growing over time. When planting a perennial crop such as wine grapes growers expect to be producing from those vines for the entire lifespan of the vines, approximately 25 years.
30. The peak industry body representing Australian wineries, the Winemakers Federation of Australia (WFA) issued a revised strategy in 2000 titled “The Marketing Decade 2000-2010”. It was a document set to focus the increased plantings toward growing the consumer franchise for Australian wine to achieve by 2010 annual sales of \$5 billion, at a higher average margin and with enhanced brand values. This process of seeking better returns for the end product is still a large marketing focus today within the industry.
31. The Australian Wine and Brandy Corporation (AWBC) statistics (*see Appendix 4 wine statistics*) show that the industry has relatively remained stable in terms of wine production since 2000-2001. The last formally recorded season 2008-2009 producing only 10% more wine than the 2000-2001 production year. While these figures show minor change to the production the markets for Australian wine have fluctuated immensely leading to uncomfortable levels of surplus stocks across many varieties and wine quality levels.
32. As a follow on to the early marketing success and the large area of new plantings across Australia that was evident there was the sudden realisation that the industry would be literally awash with wine. The peak industry bodies, WFA, AWBC, Grape and Wine Research and Development Corporation (GWRDC) and Wine Grape Growers Australia (WGGA) came up with a industry restructure proposal titled the “Wine Restructure Action Agenda” (WRAA) (*see Appendix 5*). It was commenced initially by the WFA as a means of reducing excess grape plantings in a bid to control excesses in stock levels at wineries that were driving down winery profitability and therefore grower profitability. The entire process would be based on self realisation of the problem through education and communication of the issues and adjustment of the planted area within Australia without seeking any funding by government.
33. The aim of the WRAA is the targeted removal of vineyards in areas that are not sustainable for the development and ongoing growth of the Australian wine industry. Many industry pundits and the WRAA itself point toward the increased development of wine grape plantings in cool temperate regions that have led to the oversupply being so marked. These wine grapes generally have higher input costs and land values but without markets for the wine the production from these vineyards is being sold at low prices that is impacting on the grape prices of major production regions such as the Riverina and the warm inland regions of the South Australian Riverland and the Victorian and New South Wales Murray Valley.
34. **Other Supply and Demand Factors:** Retailer dominance both in Australia and the United Kingdom has led to a continued downturn in wine grape prices per tonne. Retailers, the gateway to consumers in this country and abroad operate with generally fixed high margin return. If a winery cannot facilitate the margin then they do not supply and lose market share. This margin is being pushed toward the grower as wine processing input costs are largely fixed.
35. Growers can understand the impact of grapes being offered or purchased at low costs on their own returns but when the price varies considerably between wineries it is questionable as to the rationale behind it.

36. With regard to retailer dominance, on 31st March 2010 the CEO of the WFA Mr Stephen Strachan announced in *The Weekly Times* newspaper that the retailers which are predominately business partners in the process have now become competitors, “Our major customers in Australia are also our major competitors, which doesn’t happen in the US because of its three tiered system”. He called for protection urgently from the “devastating” impact of home branded wines.
37. Coles and Woolworths have in recent years been buying grapes direct from growers and making wine for their own company brands. While they are doing nothing illegal or wrong the morality of their actions is questionable. They have taken an opportunistic route to prey on growers without a home for their produce and are offering consumers low priced own brand wine products. This is a derivative of the phenomenon of the clean skin market.
38. **Other Supply and Demand Factors:** The Australian taxation system allows business operating with a wine licence to a rebate of the taxation on wine sales into the domestic market. This also extends to New Zealand operators selling into Australia. The rebate titled the Wine Equalisation Tax (WET) rebate is a form of subsidy that many in industry believe are propping up a high percentage of wineries across Australia. These business are using tax payers dollars to stay financially viable and enable them to bring in a profit while paying below cost to growers for their wine grape crop.
39. Many grape growers are now using the WET rebate to subsidise their own operations. Changes in the liquor licensing within NSW has made it relatively simple for growers to obtain a vigneron license that allow them to sell bulk wine into the market. Many of these growers use the current taxation rebate legislation to prop up their business operations by having excess wine grapes processed and then sold as bulk wine relatively inexpensively to wineries. The concerns of these activities were highlighted by the NSW Wine Industry Research and Development Advisory Council: “Briefing Note on Proposed Wine Tax Changes” *see Appendix 6*.

Resolutions: price formation in the market

40. Market information is critical to the industry and it should be legislated that wine grape price notification by wineries is required to occur by July the year preceding vintage harvest. Such prices would be submitted to a regulatory state authority or department charged with the responsibility of maintaining and making available the information to the production market.
41. Variations in price due to market fluctuations are only allowed to decline from the notified price by a maximum of 5%. Growers and the market would be forewarned of the price they could expect for their wine grape production and be able to plan their input costs more effectively.
42. Should new buyers enter the market after the statutory date is specified a base price formula would need to be devised for each region based on the pricing information received by the regulatory authority.
43. This solution does not sell grapes but it provides a more reasonable level of market transparency than that which currently exists. Having knowledge about the level of return that a grower could expect would also allow industry exit strategies to be more effective. If the price was low a grower may seek alternative markets or mothball vines for a season until the market improves. As it stands all costs are sunk into the production with no knowledge of likely return or loss. The crop is perishable and cannot readily be processed by individual growers due to the high costs of infrastructure required.

The role the Wine Grapes Marketing Board has played in facilitating the use of voluntary codes of conduct and sales contracts

44. Growers do not offer wineries contracts to buy their fruit even though they are suppliers of goods.
45. The *Agricultural Industry Services Act 1998, Schedule 4, Part 4, Section 14* and the *Wine Grapes Marketing Board (Reconstitution) Act 2003* sets out the agricultural services that the Wine Grapes Marketing Board can provide that relate directly to the formation of codes and contracts, these specifically being:
 - (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.*
46. The role of the Board is extremely limited in a regional sense, the Board can and has educated the growers in relation to the Wine Industry Code of Conduct that has been developed in conjunction with the WFA and WGGA but the introduction of the code has been limited. Regional wineries are slow to adopt the code and many have advised they will never sign on the code. In part they will not be coerced by growers due to growers' inability to negotiate the code's terms into existing supply and contractual arrangements. The only signatory to the Code in the Riverina region (Orlando Wines) purchases approximately 15% of regional production.
47. The Board currently partially funds the management of the Australian Wine Industry Code Administration Committee through its agricultural industry services. These funds are provided to the federal representative body, WGGA via a project agreement and these are paid to the Administration Committee.
48. In promotional role the Board has over the years developed a pro-forma contract for growers to use when negotiating with wineries. This has been used by a small numbers of growers as the basis for negotiation but never adopted by any wineries. The Board has provided to growers a contract check list that has been distributed to growers via its newsletter on several occasions that provides a detailed list of what growers should look for when reviewing a contract. The Board's employees are called upon frequently to discuss individual contracts that growers are being offered.
49. A number of the regions wineries have used the Board office to review draft contracts and seek contract approval. Board staff provide advice to wineries based on the contracts adherence to the principles of the Code of Conduct in an effort to encourage regional wineries to amend existing contracts to comply with the basic provisions of dispute resolution as contained within the Code.
50. The industry in most parts has continued to focus on the introduction of the Code of Conduct however the majority of the Riverina's wineries have declined to sign the code. It is believed that they feel that by providing the ability for growers to negotiate or dispute prices and terms is not required and would not be conducive to the effective operations of the industry in this region. The

Board believes otherwise and growers do require the opportunity through independent third parties (as provided under the Code) to negotiate fairly and equitably.

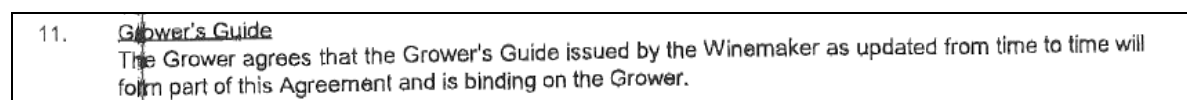
51. The Board's current legislation was enacted in 2003 at a time when discussions were commencing at a national level toward the development of a code. The industry services provided to the Board in its legislation have provided it with the means to participate in national activities toward the introduction of the code. Representatives of the Board joined a national committee called the Wine Industry Relations Committee (WIRC) and it had senior representatives of member companies of the WFA and the national growers body called at the time, Wine Grape Council of Australia – whose membership was predominately based in the three inland production areas of the South Australian Riverland, Victorian and New South Wales Murray Valley and the Board.
52. This committee developed and published the "Winegrape Assessment – in the Vineyard and at the Winery" document (*as shown in Appendix 2*) but it was the 2005 federal government Senate Inquiry and Summit into the wine grape industry that led to the WFA on behalf of wineries agreeing to discuss the development of a code of conduct for the industry in earnest. Prior to this inquiry they were not interested and were only keen to introduce guides for industry. With the Senate recommending a national mandatory code being placed on the industry by government the winemakers agreed to a voluntary industry code. The development of the Wine Industry Code of Conduct (*Appendix 3*) took three years to formalise and introduce and may take even longer to mandate if pressure is not suitably applied on wineries to adopt the voluntary code.
53. The Board addressed the terms of reference of the Senate Inquiry in a detailed submission in August 2005. A summary of the Board's submission is below in Figure 2 and copy of the complete submission made by the Board is attached, *see Appendix 7*.

Figure 2: Summary of Board submission to 2005 Senate Inquiry

<div>Wine Grapes Marketing Board Submission into the Wine Industry - August 2005</div> <div>Page 1 of 14</div>
<p>Summary</p> <ul style="list-style-type: none"> • The wine grape industry lacks appropriate and accountable market signals that have lead to a wine grape over supply in certain key varieties. • The over supply has lead to downward pressure on growers return for all varieties, regardless of their supply situation. • A national register of vineyards is required and would work to address some of the fundamental supply problems within the industry. • A code of conduct in the purchasing relationship would assist the industry to develop more structured linkages through the supply chain. • The quality frameworks for wine grape assessment should be regulated via Government intervention or through the adoption of a standard code. • Growers do not possess the ability to negotiate effectively with wine grape processors on, contracts, prices and quality aspects of wine grapes. • A national growers' body is required to help develop the growers within the industry to position them to be able to work more effectively with wine grape processors. • The national growers' body should be compulsorily funded with the assistance of federal legislation to ensure compliance by defined independent wine grape growers.

54. **Things that can be learned from the Senate Inquiry:** There were a number of recommendations coming from the inquiry held in 2005 that have only been partially addressed by the industry that has led to the industry continuing to be faced with ongoing market problems. Three that relate to this current inquiry are listed below.
55. **Senate Recommendation 1 (paragraph 2.89 of the final report):** The committee recommends that the Department of Agriculture, Fisheries and Forestry should consult with state authorities and peak bodies with a view to establishing a national register of vines.
56. Some minor steps by states and territories have been made toward this with the NSW Government department Industry and Investment NSW including the question on grape plantings on current Livestock, Health and Pest Authority landholder rate notice and survey material. While vineyard information is provided it does not specify the variety and area of plantings.
57. The NSW solution looks to address landholder information for plant pest and disease factors but does not sufficiently extend to address the level and scale of plantings sufficiently to provide the industry with meaningful data that can be analysed and assessed to address the state of the industry.
58. The basis of the Senate recommendation was to enable the industry a reasonable and reliable level of assurance when it came to area of plantings in Australia. At present the industry uses Australian Bureau of Statistics (ABS) data which is unreliable in terms of the area of plantings within Australia. The data is not appropriately checked against actual plantings and this type of market information is critical to the industry. Furthermore the ABS reports do not readily capture new entrants to the industry. These being a major contributor to the supply issues that are plaguing the industry.
59. **Senate Recommendation 2 (paragraph 4.13 of the final report):** The committee recommends that the Government should give priority to amending the Trade Practices Act 1974 to add “unilateral variation” clauses in contracts to the list of matters which a court may have regard to in deciding whether conduct is unconscionable.
60. The amendment to the Trade Practices Act has not lead to a strengthening of the power of growers in relation to contracts. Wineries still vary contracts and growers have little to no recourse in the matter. In the Riverina for example DeBortoli Wines uses the annual publication of a Growers Guide to alter the terms of supply. The unilateral variation clause exists in their supply contract and the ACCC will not act on this as the grower has agreed to allow this to occur via the signing of the contract. Figure 3 (below) is an excerpt from a current supply agreement “contract” that DeBortoli Wines has with an existing grape producer in the Riverina.

Figure 3 DeBortoli Wines Supply Agreement Clause 11



61. There is no doubt that the DeBortoli Wines contract clause 11 and the Grower’s Guide that it refers to is binding. The guide stipulates the amount of yield of each variety that the winery will purchase from the grower, even though the supply agreement is for the whole of the farm.
62. The front page of the DeBortoli Wines Grower’s Guide further indicates that the grower is to adopt the changes to their vineyard in terms of yield they are allow to supply and the conditions of grape purity and conditions that they must comply with, see Figure 4 (following page) an excerpt from the front page of the Grower’s Guide.

Figure 4 DeBortoli Wines 2008 Growers Guide Cover Page

“ This document forms part of the conditions for the growing, harvesting and delivery of wine grapes to DeBortoli Wines Pty Ltd, Where a grower is contracted these conditions form part of that contract”

63. DeBortoli Wines are not the only company that alters their supply agreements to suit annual intake requirements. Casella Wines, the regions largest purchaser of Riverina wine grapes has a mix of long term and short term contracts with their growers. These contracts stipulate the amount of production per hectare that the winery will purchase each year for each variety. These contracts also contain a minimum price providing growers with a base level of security.
64. For the past two seasons Casella Wines has written to growers prior to vintage altering the amount of fruit they are prepared to purchase in the forthcoming vintage. They are advised in this correspondence that the company will only accept these lesser amounts of tonnes regardless of previous written agreements signed by the company in good faith. Growers are powerless to take legal action under standard contract law and the Australian Competition and Consumer Commission (ACCC) has verbally stated that it will not act on these matters as they are contract related.
65. The contracts were entered into in good faith by the grower, many have used these as a basis for capital raising and are now forced to accept a lesser amount of tonnes that can be delivered. Growers have reported to the Board that they have been advised if you do not like it and want to deliver all your grapes you will receive at best the minimum price offered in the contract. Growers have reported having their yields allowances cut by 50% in these years, leaving them to try and sell the excess winegrape production in the open market or let the wine grape rot on the vines.
66. **Senate Recommendation 3 (paragraph 4.67 of the final report):** The committee recommends that the Government, in consultation with representative organisations for winegrape growers and winemakers, should make a mandatory code of conduct under the Trade Practices Act to regulate sale of winegrapes.
67. To date it has taken the industry 3 years to arrive at a voluntary code that has 6 signatories to it within the Australian wine industry. It was introduced just prior to the 2008 vintage and now after 2 seasons has been extensively reviewed by an independent expert. As it currently stands the Code is a valuable tool for the industry but its uptake is being limited due to winery reluctance to participate and operate in a fair and equitable manner.
68. Some wineries have reported that they do not wish to be subjected to regulation when dealing in the market for the sale of wine grapes. McWilliams Wines of Griffith for example have taken the extraordinary step of having a clause within their contract that limits growers recourse in relation to low grape prices.
69. It has also been reported to the Board on many occasions that wineries when making payments directly to growers will deliberately delay these payments to benefit their own cash flows. Such matters have been confirmed by the Board over the past 10 years and in instances where proved the winery has been required to pay interest in accordance with the Board regulations.
70. In the event of the sale not being subject to the Board’s regulation payment could be deferred indefinitely. The Board is currently dealing to two such cases, one a winery still owes approximately \$500,000 to regional producers from the 2009 vintage, another owing \$26,000 from the 2008 vintage. The latter matter being referred to the Board in recent weeks.

Figure 5: McWilliams Wines current contract clause 5.3.3

5	DETERMINATION OF PURCHASE PRICE
5.1	The price payable for each variety by McWilliam's Wines for the Confirmed Tonnages is the Purchase Price, subject to any adjustments under Clauses 6 and 15 hereof.
5.2	The Purchase Price for each variety is the price agreed by 30 January each year which will be not less than \$200 per tonne at the minimum standard Baume.
5.3	If the price is not agreed to for any variety then :
5.3.1	the district average price as determined by the Wine Grapes Marketing Board (WGMB) (or equivalent authority) will be the price for that variety only for the current year;
5.3.2	if a district average price cannot be determined, then the price will be the price paid for that variety in the prior vintage; and
5.3.3	McWilliam's Wines will have the option to vary or terminate the contract from the 30th June of that year.

71. The introduction of a dispute clause in the current McWilliam's Wines contract has not assisted growers. Clause 5.3.3 of the contract *shown above in Figure 5* provides the company the option to vary or terminate the contract should growers dispute or not agree the price offered. The Board's legal advice was that this was harsh and unconscionable and that the average grower was highly unlikely to undertake such litigation.
72. McWilliams Wines directors that have been spoken to are of the view that they want growers that work with the company and not against it and that is the reason behind the clause being included in the contract.
73. Another example of poor and misleading conduct occurred in 2010 by Nugan Quality Foods a company that was purchasing excess wine grapes for conversion into non-alcoholic grape juice for export markets. They undertook to contract a volume of wine grape growers at a price of \$150 per tonne (approximately 50% of the costs of production). A copy of the contract is shown *Appendix 8*.
74. During the initial stages of harvest the processor contacted growers that had signed the contract to advise that they could not afford to pay the \$150 per tonne price that they has signed these growers up for. They cited market problems in processing the wine grapes into juice and the abundance of excess grape in the market as being key drivers of the change that was required. Many growers advised them of their concern in relation to an amendment and they were advised that if the growers accepted the amendment this season the company would look to purchase their excess wine grapes in the forthcoming 2011 season.
75. Many growers reported that the price per tonne had changed without any agreement being made. A number reported being told that if they did not accept the price variation the company would not purchase any of the contracted wine grapes during the 2010 season for which they had made formal and legally binding agreements on. In one instance the grower reported not even being contacted and noticed the price variation on the delivery dockets. This grower has since reported that the variation to contract (*see attached Appendix 9*) still has not been signed even though the price has been lowered.
76. These growers with excess to market requirement wine grapes, i.e. surplus wine grapes have been treated like second class citizens. They signed in good faith an agreement to supply which has been pulled out from under them and to counter this they would be required to enter a long drawn out legal process should they have not been coerced into signing an amendment to contract.

Resolutions: the role the Wine Grapes Marketing Board has played in facilitating the use of voluntary codes of conduct and sale contracts.

77. The Board partially funds the activities of the Australian Wine Industry Code of Conduct Administration Committee through its existing fees and charges derived from wine grape production in the Riverina. The provision of these funds via its agricultural industry services is crucial in the ongoing development and introduction of the code for the benefit of the entire Australian wine industry.
78. The Board Chief Executive Officer represents the interests of Riverina winegrape producers at national meetings to discuss the Code and is a representative member of the WIRC and the Code of Conduct Management Committee.
79. The Board must retain funded linkages via its service provision with the code to ensure that its development and ongoing rollout best suits the interests and needs of Riverina wine grape producers.
80. The real examples discussed in this submission are an ongoing problem within the industry that needs legislative strengthening in terms of the rights of growers that limit the present danger of the retribution of wineries.
81. Growers will not take individual action in relation to these matters for fear of retribution. The Board is well placed to take on collective action on behalf of the industry when wineries act inappropriately. A register of such actions should be kept by the Board with sufficient evidentiary material available so that this information will be available for growers to review when making decisions about options whom to sell their wine grapes to.

The potential for collective bargaining and / or codes of conduct to contribute to an efficient market

82. Collective bargaining that is approved in accordance with the *Trade Practices Act* is only as strong as the weakest link in terms of the growers remaining united. Collective bargaining does not enforce that the winery must negotiate with the collective and when working with a perishable crop time becomes a critical factor.
83. Traditionally growers do not form tight business bonds in this region in terms of working together for a common purpose other than family units with relatives, this is partially why the Board was formed in 1933 to act on behalf of wine grape producers of the region.
84. Collective bargaining for homogenous products can readily work but with wine grapes there are multiple varieties and quality levels within these variety types to contend with that limit the effectiveness of a collective. There are many factors and variations in relation to the marketability of the product and retail price that needs to be taken into account.
85. An industry wide mandated Code of Conduct would be the best outcome for the Australian wine industry. The code however should be extended and the provisions of the current voluntary Code of Conduct should include mandated terms and conditions of payment. In the Riverina alone there are various structures of payment being employed by wineries operating in accordance with the Board's current legislation.

86. Terms of Payment should be managed by a regulatory body such as the Board to ensure that all growers receive payment for their wine grapes as and when these fall due. Presently the Board is able to set and enforce terms and conditions of payment for wine grapes that are not subject to a complying contract³. However increasingly wineries are getting growers to sign annual contracts that nominate a minimum unsustainable price just so they can alter the payment terms, i.e. when the instalments for wine grape deliveries are paid to the grower.
87. Casella Wines for example has long used a 4 payment structure, at times paying in 3 instalments. Some other wineries are paying in 8 or 12 instalments. Traditionally these were legislated to a maximum of 3 equal instalments and all payments were to be made through the Board to allow the statutory fees and charges to be deducted prior to the instalment(s) being paid to the grower(s). This allowed the Board to know if the payments were made in accordance with the terms or not.
88. In South Australia terms and conditions of payment are legislated by the State Government allowing the Minister to set indicative prices and terms and conditions of payment. A copy of the legislation is attached (*Appendix 10*). Such measures have been removed by the NSW Government in the Riverina following the Competition Policy Review of the Board in 2003. In Victoria the ability for the industry to legislate the price was removed in 2001 following a review in that state. South Australia remains the only wine grape production region that enables legislative pricing and terms to exist for all production. These are managed by the government in that state and are set by the Minister and enforceable by individual producers.
89. The Wine Industry Code of Conduct would formalise the business operations across Australia. It has been designed by industry to provide an effective mechanism that would assist the industry in preventing bad business practices from prevailing as the norm. The framework of the Code would allow individual producers equal rights when dealing with several individual wineries as opposed to the current situation where growers are treated dramatically different.

Resolutions: the potential for collective bargaining and / or codes of conduct to contribute to an efficient market

90. In recent years the Board has being forced to seek legal recourse against wineries that have not paid their growers. The Board office is often contacted by growers that complain that their winery has not made a payment but that they do not wish the Board to act for them for fear that they will not have a home for their grapes in the following season.
91. Wine grape growers require a regulated market and payments structure due to the volatility of the market in which they operate. A small grower can readily be replaced by a winery if they make a complaint about poor or unconscionable conduct or lack of payment by a winery. The power will always reside with the winery in that if a winery has a problem with a grower they dismiss them. If a grower has a problem with a winery they are not able to speak out for real fear of retribution and there are countless actual examples of this behaviour that have occurred in this region.
92. The terms and conditions of payment regulation that the Board had prior to the 2003 review of its legislation allowed growers to conduct the business of growing the grapes and left the Board to deal

³ Complying Contract: one that fixes the date on which payments will be made and contains a mechanism that enables the grower to know the minimum price that they will receive.

with any matters relating to grape payments. Wineries paid for their grapes through the Board and these payments were forwarded to the growers.

93. Some wineries with a sound record for payment were approved to make payments direct to producers provided they reported the details of these transactions to the Board. The environment operated in a more effective manner for ensuring payment than having individuals dealing with wineries.
94. If the state of New South Wales were to support the mandatory introduction of statutory terms and conditions of payment it would create a level playing field within wineries. As previously described wineries often have different payment terms which would allow them to have a competitive advantage in the market place when it comes to cash flow issues. It is the Board contention that the wine industry should look toward product branding and / or differentiation and marketing to realise a competitive advantage. Having one winery that pays for all of its wine grape harvest by the middle of October competing with another that does not finalise its commitment to growers until December is not equitable.
95. With regards to collective bargaining, the current Trade Practices legislation has made the application process of forming a collective bargaining group a more fair and reasonable price and more accessible to industries. However growers are still mindful that it is not just for one season that they require a home for their wine grapes and members of a collective may easily be split by a winery during any negotiations. The current legislation does not force the winery to the table but just approves the process of negotiation.
96. The restoration of the Board's ability to set and enforce statutory terms and condition of payment for all wine grape purchases in the Riverina is required for stability in the region.

Whether there are any measures which could improve market signals which would be consistent with competition principles and law

97. Early price notification is needed in the market to address instability. If growers are aware early enough of the true minimum price that they will receive they can reduce input costs to minimize further losses in terms of the production costs. As noted earlier in this submission price disclosure at its earliest will benefit wine grape producers. They will be able to plan their business operations more effectively.
98. In the 3 years following the introduction of the *Wine Grapes Marketing Board (Reconstitution) Act 2003*, legislation was in place that required wineries to publish a price with the Board prior to the purchase of wine grapes in the region. The wording of the *Act* allowed for the system to be readily manipulated by wineries for their own purposes resulting in the regulation interfering with market signals. Wineries used the *Act* to publish absolute minimum prices that in many instances were not indicative of the actual minimum price that they would be paying for wine grapes but allowed them to operate in accordance with the legislation. For example a winery would put a minimum of \$50 per tonne on a price list to ensure compliance even though they had no intention to pay this low amount.
99. Under this previous legislation in the event that a winery purchased grapes without providing a valid wine grape price list to the Board the Board could impose a minimum price based on the average of all wine grapes of that same variety purchased on that day. This information was impracticable to

collate due to the false pricing schedules being provided, therefore if the Board was required in accordance with the Act to stipulate to a winery that the wine grape they had purchased would have to be paid at the greater of either the price offered or the average of all the submitted price lists the problem was accentuated as the minimum prices published by wineries were not at all reflective of the market price they were seeking to pay growers.

100. The Code of Conduct that has been adopted by the wine industry but does not cover a majority of wine grapes in the Riverina specifically states that code signatories are required to provide indications of the price prior to harvest and then firmer offer prices at harvest time. This is designed to allow time for any formal disputes on pricing to occur if required. However unless all wineries are compelled to issue a price schedule at the same time and be required to pay no less than the price issued it can be ineffective.
101. Misinformation is common practice in the wine industry and market signals are often corrupted by rumour and media statements of impending problems within the industry. Winery staff members have in the past been known to talk the price down for forthcoming seasons prior to any formal announcement being made by the winery. Such actions are extremely disappointing. An example of this is shown in Figure 6 (below).

Figure 6 - DeBortoli Wines Grower's Consultative Group Meeting Minutes 15th October 2008

The outlook for grapes next season is at this point in time speculative with articles from Fosters quoting the price for Chardonnay at \$180.00 per tonne. The United States is buying bulk Chardonnay out of Australia also at very low prices. At the moment we are forecasting an over supply in Chardonnay next season and also possibly Semillon and Colombard.

102. The above excerpt from the minutes of the DeBortoli Wines Grower's Consultative Group Meeting held 15th October 2008. In this example hearsay not fact is introduced into a closed meeting from which the minutes are disseminated to all growers at the end of 2008. This allows the winery to start pricing offers at a low position using the hearsay that another winery is paying similarly low prices to justify this.
103. In relation to the item in the minutes shown in Figure 6 (above) the Board CEO contacted a senior representative of Fosters Wine Estate – now known as Treasury Wine Estates, Mr Richard Withey (Grower Contracts Manager) to confirm if there had been any articles published by the company. Mr Withey advised the Board [via email] that at no stage had Fosters discussed or made public the price offers for the forthcoming vintage and that the company would *"not endorse anyone using or associating Fosters name and those prices for 2009 grapes. I would be happy for you to use this email to refute any suggestion that Foster's is paying \$180/t for 2009 Chardonnay grapes if it comes up in any pricing discussions."*

Resolutions: measures which could improve market signals which would be consistent with competition principles and law

104. As previously stated early release of wine grape prices would provide a more transparent operating market for all operators to exist in. Early release would provide significant insight for growers unsure about managing their input costs on a variety by variety basis. It could allow growers with specific varieties that are in demand by the winery to negotiate separately for higher returns for less desirable varieties on an annual basis.
105. A form of price watch regulatory authority would need to be set up and funded by industry participants. As it relates specifically to market information it could be funded via the industry federal research and development levy that is charged on all production in Australia. It would not necessarily specify a price to be paid but growers would be able to use the real time data to manage their business more effectively.

Any other related matter

106. Regulation is required in this industry to ensure that the market operates in a stable manner. The nature of this industry is vastly different to other horticultural produce markets in that the fruit is harvested and altered dramatically during the processing stages.
107. The Riverina is uniquely different by its own history of having development from small soldier settler blocks. NSW legislation initially prohibited the size of land holdings that could be held by individuals. Until the 1990's under the *Murrumbidgee Irrigation Act 1910* the Water Conservation and Irrigation Commission could only allocate farms in the Murrumbidgee Irrigation Area to individuals. The basis of this was the fear that companies could gain control of the area to the detriment of individual farmers.
108. Amid such land tenure measures the Wine Grapes Marketing Board was empowered by the New South Wales Government with the ability to vest the grape crop. The Board could set a minimum price for the sale of all winegrapes in the region after consultation with the wineries. Once this was negotiated and agreed to the crop would be generally divested back to the growers and wineries would be required to pay at minimum the price set and bonuses for sugar level would be paid after all minimum payments were met.
109. The industry was heavily regulated for many years by instrument of the NSW Government and as such it will take the assistance of Government to manage the operations of industries such as wine grapes in relation to terms and conditions of payment.
110. Now the industry has wide variations in prices paid to growers within wineries and between wineries. Many of these wineries are competing in the same market for wine at similar price points and growers are concerned when half of a vineyard receives a major variation in price than the other half.
111. Price variation causes grower resentment of wineries and these have increased in the years following the cessation of regulated vesting of the wine grape crop. Without vesting wineries have been able to take advantage of the market and purchase excess to requirement wine grapes at low prices. This provides market signals that the fruit is still required as it is being purchased. This fruit however has the potential to impact the entire industry by causing both stocks build up within

wineries or a dilution of the value of Australia wine by it being sold into markets at extremely low prices per litre.

112. According to reports provided to the Board by wineries purchasing wine grapes in the region (in accordance with legislation) price variation from wineries is a common problem within the industry. Take the last five years as an example (2006 – 2010) across the major varieties produced in the region. The table below (Table 1 Riverina 2006-10 High/Low Prices Paid) shows dramatic variation in the prices paid per tonne to wine grape producers over a five year period.

Table 1 Riverina 2006-10 High/Low Prices paid

Variety	2006	2007	2008	2009	2010
Cabernet Sauvignon	\$216-\$500	\$250-\$711	\$500-\$770	\$238-\$496	\$50-\$422
Chardonnay	\$150-\$538	\$164-\$697	\$415-\$700	\$170-\$370	\$50-\$600
Merlot	\$260-\$500	\$300-\$604	\$472-\$644	\$242-\$450	\$150-\$538
Semillon	\$268-\$440	\$294-\$428	\$350-\$495	\$150-\$600	\$50-\$398
Shiraz	\$183-\$591	\$250-\$631	\$500-\$720	\$256-\$554	\$50-\$400

113. Growers find it extremely difficult to operate in this environment not knowing from year to year what they could achieve in terms of base level returns from their vineyards. Price instability is the major cause of angst among growers and wineries as wineries are reluctant to provide detailed information to growers about their business model and the basis behind the prices. Many growers believe that the prices do not reflect the end product price.

Conclusion

114. The Board has welcomed this inquiry as a means of advising the NSW Government of the problems that exist within the Riverina wine industry. It is hoped that the NSW Government will be able to find some measures to assist the regions growers.
115. Board members and the Chief Executive Officer would appreciate the opportunity to give any further evidence in relation to this submission at any hearings held by the Standing Committee.

Authorisation

116. This submission has been written by Mr Brian Simpson Chief Executive Officer of the Wine Grapes Marketing Board.
117. This submission has been authorised by the Wine Grapes Marketing Board.



Bruno Brombal – Chair, Wine Grapes Marketing Board
21 September 2010

Appendix 1

Terms of Reference into the wine grape market and prices



Inquiry into the wine grape market and prices

TERMS OF REFERENCE

That the Standing Committee on State Development inquire into and report on the factors affecting the wine grape market and prices, and in particular:

- a. Price formation, including factors affecting supply and demand
- b. The role of the Wine Grapes Marketing Board has played in facilitating the use of voluntary codes of conduct and sale contracts
- c. The potential for collective bargaining and/ or codes of conduct to contribute to an efficient market
- d. Whether there are any measures which could improve market signals which would be consistent with competition principles and law
- e. Any other related matter

COMMITTEE MEMBERS

The Hon Tony Catanzariti MLC (<i>Chair</i>)	Australian Labor Party
The Hon Rick Colless (<i>Deputy Chair</i>)	The Nationals
The Hon Matthew Mason Cox MLC	Liberal Party
The Revd the Hon Fred Nile MLC	Christian Democratic Party
The Hon Christine Robertson MLC	Australian Labor Party
The Hon Mick Veitch MLC	Australian Labor Party

Appendix 2

Winegrape Assessment in the Vineyard and at the Winery

Winegrape Assessment

in the Vineyard and
at the Winery

Compiled by Wendy Allan

Prepared for and endorsed by the Winegrape Growers' Council of Australia (WGCA)
and the Winemakers' Federation of Australia (WFA) Liaison Committee.

Review Committee: Russell Johnstone, Orlando Wyndham; Richard Withey, Southcorp Wines; Chris Byrne,
Riverland Winegrape Growers Association Inc; Wendy Allan, Viticulturist; and Stephen Strachan, WFA.



Winegrape Growers'
Council of Australia



Winemakers' Federation of Australia

For the Industry by the Industry



Appendix 2 - Page 2

Grape and Wine
Research and
Development Corporation



Winegrape Assessment

in the Vineyard and at the Winery

1. Introduction

THIS PUBLICATION is a description and endorsement of current best practice in winegrape assessment. It describes and discusses those quality specifications that can be readily measured or ascribed a value. It has been developed by and for participants in the wine industry involved in the activities of buying and selling winegrapes, and is based on wide industry consultation. It should be seen as a tool to develop and improve relationships between buyers and sellers of winegrapes. The publication describes current best practice and therefore, by definition, will evolve over time.

The aims of this publication are to bring more clarity, transparency, commonality and certainty to the sometimes contentious process of winegrape specification, Quality Control and winegrape quality attribution in winegrape transactions.

It is the first publication endorsed and released by the Liaison Committee of the Winegrape Growers' Council of Australia (WGCA) and the Winemakers' Federation of Australia (WFA). The Liaison Committee was formed in 2001 to address best practice arrangements regarding grape specifications and winery/grower relationships. The Liaison Committee has identified three areas that require attention.

Those three areas are:

- Winegrape Assessment;
- Grape Purchasing Agreements; and
- Protocols and Supporting Behaviours.

Funded by the Grape and Wine Research and Development Corporation (GWRDC), this publication addresses the first of these three, and the Liaison Committee continues to work on the remaining areas.

The Liaison Committee recognises that its endorsement of best practice arrangements will be meaningless unless individual growers and wineries also adopt the recommended standards. In their dealings with each other, it is imperative that growers and wineries observe standards of ethical and fair behaviour. For this reason, the Liaison Committee regards the development of 'behaviour' protocols as a priority, and is targeting the 2004 vintage as the deadline for their completion.

2. Grape purchasing agreements and expectations

Grape purchasing agreements should provide security and reliability of supply and sale of winegrapes. At the same time supply arrangements should foster positive relationships between winemakers and growers to their mutual advantage.

Grape purchasing agreements should incorporate the Quality Control requirements and specifications of the purchaser. Winegrape maturity, purity and condition specifications and tolerances are commonly written into grape purchasing agreements so that both parties understand what is expected of each other and to have a commitment to ensure product tolerances are met.

A basic responsibility of growers of fresh produce, which includes winegrapes, is to abide by the code of Food Standards Australia New Zealand (FSANZ) and deliver grapes in a ripe, clean and cool condition. In addition, a grape purchasing agreement can specify tolerances concerning maturity, flavour, colour and purity. Purity and condition includes fungi, dust, matter other than grapes, or residue from agrochemicals.

Each winery will have its own tolerance levels with regard to specifications detailed in the agreement. It is important, then, for growers to be made fully aware of consequences of failing to meet tolerances. In some cases there may be a price penalty in proportion with the degree to which the grapes fail to meet tolerances. In other situations there may be downgrading to another category or even rejection.

Agreements should specify where risk and title transfers from grower to the winery.

Just as the winery is responsible for wine production, vineyard owners carry the responsibility and risks associated with grape production, harvest and delivery, including general effects of the season, frost damage and specific pests and diseases.

A summary of winery and grower expectations that relate to winegrape maturity, purity and condition specifications and tolerances follows.

Winery expectations:

- Growers will seek to understand the quality differentiation of the winery's products and the relationship of grape quality to those products;
- In general growers will strive to produce grapes of appropriate maturity, purity and condition as per the grape purchasing agreement;
- Growers will manage cropping levels to meet winery grape purchasing agreement tolerances;
- Growers will take reasonable steps to produce timely and accurate crop estimates;
- Grapes will be harvested at a targeted Baume set by the purchasing winery. Where the target Baume cannot be met, the minimum Baume must be met;
- The delay between the commencement of harvest and delivery to the winery should be minimised unless other instructions have been given by the winery;
- For machine harvesting, grapes will be harvested in the cooler part of the night to minimise spoilage, especially with white grapes;
- Growers will manage their vineyard with due care to the environment;
- Growers will manage their vineyard in accordance with quality assurance programs where required;
- Growers will comply with mandatory reporting requirements, such as reporting of agrochemical use in the form of a spray diary and submitting crop estimates when required;

- Growers are obliged to inform winery representatives of any information or change that could affect the expected grape quality or yield; and
- Growers will comply with winery grape sampling requirements.

Grower expectations:

- Wineries will reward growers appropriately and sustainably for a reliable supply of consistent quality grapes that meet the winery specifications and the designated wine style expected within a region;
- Wineries will work with their growers to make the quality linkage between grapes and end products clear and understandable;
- To receive quality, timely support from winery grower services and viticultural staff to assist with seasonal vineyard management;
- Winegrape specifications and tolerances will be written, clear, measurable and consistently applied, especially when downgrading occurs and pricing is affected;
- Winegrape specifications and tolerances will not be changed by the winery prior to harvest without reasonable notice and not so soon before harvest that the grower cannot take appropriate action;
- Assessment staff will be technically trained and competent in vineyard and/or load assessment and all blocks will be assessed prior to harvest. If a problem arises the grower is to be consulted to discuss and agree on an outcome;
- Where vineyard assessment results in disease detection, a formal assessment of the block is to be made as early as possible and growers are to be given the option to be involved in the formal assessment;
- Notification for possible downgrading, penalties or rejection will be as early as possible to allow the grower time to seek alternative arrangements and/or to prevent further loss; and
- Wineries will provide growers with constructive feedback (preferably prior to pruning) on the vineyard assessments and the resultant wine quality of their grapes along with any recommendations to assist with improvement.

3. Winegrape quality

Wines, and the grapes they are made from, are highly differentiated products. They are influenced by a myriad of factors including colour, variety, growing region, vineyard characteristics, vineyard management practices, seasonal vintage and winemaking influences. No other consumable product has such a degree of differentiation or identification with those factors. For this reason certain varieties, regions, vineyards, vintages, winerie, and wines can command significantly different prices.

For the sake of efficiency and harmony within an industry encompassing such highly differentiated products, clarity, common understanding and agreement on important characteristics is highly desirable. While seeking clarity and common understanding it must also be acknowledged that some characteristics of grapes and wine are not readily quantifiable, and it is often these less quantifiable characteristics, such as flavour, that make grapes and wines highly sought after by consumers.

A useful model with which to consider grape quality is the Quality Triangle which, for the purposes of grape transactions, groups all the factors that can influence grape quality into three 'legs' of a triangle.



The Winegrape Quality Triangle

Maturity, purity and condition

Maturity, purity and condition refers to those criteria that can be readily quantified or ascribed a value. They are commonly specified in grape purchasing agreements between growers and winemakers so that both parties understand what is expected and have a commitment to ensure product specifications are met. They are covered in detail further on in this publication.

Flavour and character

Flavour and character requirements, such as tannin structure, are determined by wineries according to their product requirements and their winemaking styles. These are often difficult to quantify, both as a specification and as an assignment. Nonetheless these characteristics are vitally important and, in situations where grape pricing will be influenced by flavour and character, wineries need to take particular measures to ensure growers can have faith in the process of assessment and assignment of these parameters. This process of assessment and assignment may continue well after the receipt point, as is the case of 'end-use' bonuses used by some wineries according to the ultimate end-use of grapes in the product portfolio of the winery.

The special measures wineries take could include:

- Ensuring growers appreciate product portfolios, possibly through structured tastings;
- Giving growers clear and realistic wine end-use expectations with reference to variety, region and vineyard;
- Having assessment and assignment protocols that are specified and adhered to with internal consistency; and
- Communication to growers of end-use outcomes.

Protocols and supporting behaviours

'Quality' is not only defined by criteria that are quantifiable and measurable. There are process and procedural elements that can be defined, but not easily measured. These elements would include:

- Communication;
- Notification;
- Timeliness; and
- Assessment.

For example, vineyard assessments by wineries are undertaken according to certain internal protocols. These protocols might cover the frequency of visits, procedures for communicating with the grower/owner, and decision procedures for downgrading or rejecting grapes. Other areas might include protocols for disease detection and response; a protocol defining minimum training and experience for personnel undertaking vineyard or load assessments; or dispute resolution mechanisms and facilities in respect of pricing or rejection.

These protocols and supporting behaviours provide direction on how the other aspects of the quality triangle should be implemented and communicated. These protocols and supporting behaviours would go even further towards limiting uncertainty among growers in particular with respect to the



outcomes of their grape purchasing arrangements with wineries. While protocols exist, there are no industry endorsed protocols and supporting behaviours. There is therefore scope to develop these through the Liaison Committee. So while there are many factors that constitute quality, only those readily assessable are dealt with in the remainder of this document.

4. Specification, criteria, tolerances and assessment

The above terms are widely used in this document and therefore require definition.

Specification: means the notation of the characteristics that distinguish one load of grapes from another. While that obviously includes characteristics such as the variety and vineyard block from which the grapes are sourced and when the grapes are anticipated at the winery, it also includes all the characteristics listed in Tables 1 and 2. For example, load temperature is one specification for a load of grapes.

NB: Krstic et al. 2003, '*Growing Quality Grapes to Winery Specifications*' refers to 'quality parameters' a term that is synonymous with the term 'characteristic' above.

Criterion: means the measure or rule by which a judgment or estimate is made. Using the above example, the criterion for load temperature is degrees Celsius as measured by a calibrated thermometer.

Tolerance: means the permitted variation. Again using the above example, the tolerance for load temperature at a particular winery may be that grapes need to be delivered at less than 30°C and that grapes delivered in excess of 30°C may be liable for penalty.

Assessment

Although vineyard and load assessment procedures in one form or another have been in use in the wine industry for many years, there has not been industry endorsement of methods and procedures which can be used universally in grape purchasing agreements. Furthermore, improved knowledge and innovation is providing growers and winemakers with new alternatives to assist them in ensuring that grapes more closely match winery requirements.

This publication identifies the important specifications commonly used by wineries in assessing maturity, purity and condition of grapes in vineyards and at the receival point. While it is a set of specifications used by wineries in grape purchasing agreements, it is not a set of standards, or a standardised approach towards defining assessment procedures.

Because most problems identified at the receival point can also be identified in the vineyard, emphasis is placed on assessment criteria in the vineyard, as well as at the receival point. An objective of growers and wineries should be to identify problems as early as possible, preferably in the vineyard, so that effective action can be taken to avoid grapes being downgraded or rejected. Grapes that are downgraded or rejected represent a missed opportunity for both the grower and the winemaker.

Ownership of the grapes passes from the grower to the winery at the receival point. It is at this point that final assessment to specification should take place.

5. Assessment in the vineyard

Vineyard assessment is a form of quality assurance in the vineyard and has become a critical step in the winemaking process. It enables the winemaking potential of the grapes to be identified prior to receival at the winery and more importantly, it prevents the delivery of unsound grapes to the winery.

Inspections during the growing season and especially during

ripening, allow the winemaker, or winemaker's representative, to follow progress and determine the time of harvesting that will result in the best combination and expression of flavours and other attributes. Although the focus is on berry development, the vineyard and vine characteristics may also be assessed.

In addition, vineyard and berry assessment enables wineries to batch similar parcels of grapes, optimise wine quality and optimise winery efficiency.

Assessment in the vineyard should be carried out by winery staff within 1-2 weeks of harvest to:

- Make an assessment as close to harvest as possible; and
- Give growers sufficient notice of harvest and notifications of concerns against specifications.

Formal processes of vineyard assessment involve measurements wherever possible and can help explain differences in quality between blocks. Some characteristics such as flavour, cannot be easily or quickly measured using a tool or laboratory test and require subjective assessment following specific guidelines.

Other vineyard characteristics that do not yet have criteria are indicated as various canopy and berry characteristics. These characteristics are assessed utilising some form of a score card and it is to be expected that the assessment will remain subjective for some time, for example, leaf condition, bunch exposure, berry size, berry shrivel, sugar/acid balance, skin chewiness/thickness and tannin intensity. These are assessed to help with batching and determining a potential product in the vineyard.

The vineyard assessment specifications for the vineyard are summarised in Table 1 (see page 14).

6. Assessment at the winery

The weighbridge or load assessment station is usually the winery's final and critical checkpoint against specification for grapes and is referred to as the receival point.

Load assessment verifies how well the grapes comply with specifications. The majority of the specifications assessed give results within 15 minutes to prevent delays in the production process. Growers need to feel confident that the methodology being applied during assessment of the loads is consistent and reliable, and that measurements are accurate.

Currently it is not easy to quantify an overall quality rating at the load assessment stage. For higher grades of wine, quality can sometimes only be finally determined after fermentation, particularly as post crushing processes can influence the expression of some quality factors in wine.

The specifications assessed at the receival are summarised in Table 2 (see page 15).

7. Maturity, Purity and Condition Criteria

The specifications used to assess grapes in the vineyard and at the winery can be split into three broad categories: maturity; purity; and condition.

7.1 MATURITY

To the winemaker, maturity is determined not only by 'sugar ripeness' but also by 'flavour ripeness' of the berries. A range of components may be considered.

7.1.1 Total Soluble Solids, pH and Titratable Acidity

The sugar in grapes is often used as an indicator of maturity and is sometimes used as a basis for pricing of grapes. The majority of wineries measure sugar as total soluble solids (TSS) in degrees Brix and converted to Baume units. One unit of Baume is equivalent to 1.8 degrees Brix. Baume gives a convenient

indication of potential alcohol content of the wine to be produced from the grapes. Grapes of 13 Baume, if fermented completely, produce a wine of about 13% alcohol by volume.

Titrateable Acidity (TA) and pH are commonly measured as well as with TSS to give an overview of grape maturity at harvest and are used for harvest scheduling. TA and pH are not commonly used as an element for pricing grapes. As TSS increases in the berries, the juice pH rises and the TA declines. TA indicates the total amount of organic acids in solution and the pH relates to the free hydrogen ions in solution indicating the alkaline/acidity balance.

As TSS, TA and pH can be measured, they are commonly used as specifications, but there are other influences on quality. These are discussed later.

Loss or risk potential

Not meeting the minimum tolerance can also affect the resultant wine quality as Baume is closely linked with other quality characteristics such as colour, flavour and alcohol. It is important for each parcel of grapes to reach a targeted maturity to maximise the quality potential at harvest. If the Baume is below the minimum tolerance set by the winery for a given variety, then penalties may occur resulting in a loss of income to the grower.

TA and pH are closely associated with Baume and can affect the resultant wine quality if out of balance. Acidity is important for flavour balance and a low pH leads to more stable colour and inhibits microbial spoilage.

Winemakers take into consideration the TA and pH values and their balance with the Baume level in deciding when to harvest. Bonuses or penalties are uncommon for these two specifications.

Predisposing elements (causes for loss)

Seasonal conditions greatly affect the maturity of grapes. Cooler regions tend to experience a slower increase in Baume and TA often remains high. In some years when temperatures remain cooler than average, the cool regions may struggle to achieve the targeted Baume. Warm to hot regions tend to show a faster increase in Baume and TA tends to drop away requiring adjustment in the winery.

It is commonly found that higher quality wines from a particular variety within a designated region are made from grapes that reach their targeted maturity earlier. Those that do not either are out of balance, younger vines, or are badly managed via inadequate management practices such as over cropping, over irrigating, inadequate pruning and poor canopy management.

High vineyard variability within a block of vines causes great concern as this can affect the maturity results if not taken into consideration when sampling the block.

Achieving a Baume below the minimum tolerance may result in poorer quality wines. Delivering grapes over and above the targeted Baume, on the other hand, can result in high alcohol wines that may not be allowable for export and which are not to style. Costs can be high to remove excess alcohol from a wine.

If TA is lower than required, then acid adjustment is required resulting in increased costs in the winemaking process.

Evaluation process

Measurement

Using juice samples (for both vineyard and load assessment), TSS, TA and pH are all measured with instrumentation that is calibrated to a standard solution.

TSS is usually measured by refractometry, giving a value expressed in degrees Brix. The Brix value is then converted to Baume.

TA is measured as free and bound hydrogen ions by titration with NaOH, expressed in g/L.

pH is measured using a calibrated pH meter and values are expressed in pH units.

Assessment and sampling for maturity in the vineyard

Sampling commences in the vineyard at around 8 Baume onwards for most varieties (once berries have reached full veraison). It is best practice to sample twice weekly if resources allow, or once weekly as a minimum.

Variability is taken into account by taking samples that are representative of the block unit to be harvested. Samples should be taken at the same time of day for each sample time and preferably in the cool of the morning.

There are many methods of vineyard sampling. The industry recommendation refers to the publication: Krstic et al. 2003 *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

Assessment and sampling for maturity at the receival point

Sampling devices used range from mechanical core samplers to smaller manual devices. Whatever tool is used, the aim is to obtain a core sample that is representative of the load. Training is therefore essential to ensure consistency of operation.

For loads delivered in grape bins it is recommended best practice to sample every bin twice and average the result. A minimum would be to sample at least 50% of the bins once. If there is discrepancy between the bins, then there is a need to sample further until variability is minimised.

For loads delivered in tipping trucks and/or trailers it is recommended best practice to sample each unit in three different sections and average the result.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted Baume (set by the winemaker) for each variety as required for the designated wine style.
- **Minimum tolerance**—Applies in many grape purchasing agreements and should be observed to avoid penalties or possible rejection.
- **Notification of results**—If results fall below the minimum tolerance, growers must be notified immediately (within 2 hours is acceptable), to discuss the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.1.2 Colour (red grapes)

In recent seasons, growers have been encouraged to undertake practices that will improve the intensity of colour of winegrapes, especially the varieties Cabernet Sauvignon, Merlot and Shiraz, and some wineries have given incentives through their grape pricing. The main goal, however, has been to raise regional colour performance (particularly in the inland irrigated regions) and to provide further scope for batching.

The means of measurement of colour and the correlation of colour with other quality attributes continue to be investigated. Like other specifications, colour is therefore best not to be used in isolation but in combination with other factors that make up the overall quality of the wine.



Growers need to be aware that wineries make commercial decisions about their products and may have varying colour tolerances for different varieties.

Loss or risk potential

For those wineries that have set tolerances, if the colour result falls below the minimum tolerance for a given variety, then penalties may occur resulting in a loss of income to the grower or possible rejection.

Not meeting the minimum tolerance could also mean a loss for the winemaker who might have planned for a certain level of colour for a particular product.

Predisposing elements (causes for loss)

Seasonal conditions and management practices influence colour development. The colour compounds, known as anthocyanins, have an optimum temperature range of 17 to 26 degrees Celsius (*Growing Quality Grapes to Winery Specifications*, CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement) for their formation. This means that intense colour tends to be more difficult to achieve in extremely hot and extremely cold regions. It also means that a warm region normally will have better colour intensity in a cooler than average season.

Excessive exposure as well as too much shading may also affect the rate and uniformity of colour development. Vines described as being in good balance and which have not been invigorated, are best equipped to produce grapes with good colour.

Excessive irrigation, excess nitrogen, calcium deficiency and botrytis are some factors that have been associated with poor colour.

Evaluation process

Colour measured in the vineyard will ideally be verified at the receival point, with sampling methods taking account of variability.

Measurement

Colour compounds (anthocyanins) form part of the phenolic make-up of wines and are predominantly found in the skins.

In the vineyard, visual assessment of colour can be made using a colour chart alongside a macerated sample of grapes. Although quick and inexpensive, this method is subjective.

Colour may be measured by the following techniques:

- a) Near Infra-Red Spectroscopy (NIRS)
- b) Spectrophotometry

Colour measurements are usually expressed as milligrams of anthocyanins per gram berry weight.

NIRS is a correlative technique that enables rapid analytical results. Assuming an NIRS calibration is available, routine testing is simple and can be performed in less than a minute. Representative sampling is crucial for accuracy of results and it has become evident that NIRS calibrations need to be specific to a grape variety within its region, considering vintage variations. Currently a laboratory colour reference is essential for calibration backup. The NIRS equipment is available as a bench-top tool, but remains expensive.

Wineries that specify colour by measuring milligrams of anthocyanin per gram of berry may have varying tolerances for each red winegrape variety. Tolerances may also vary between regions.

Assessment and sampling for colour in the vineyard

Refer to the publication *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

As for any sampling, it is crucial to understand vineyard variability prior to sampling and it has been shown that sampling for colour shows a greater variability than sampling for maturity.

Assessment and sampling for colour at the receival point

Refer to the publication *Growing Quality Grapes to Winery Specifications* (CRCV project 1.1.2 Compendium of Winegrape Specifications and Measurement).

Obtaining a representative sample of whole berries from loads for a colour test can be difficult. Mechanical core samplers are used by some wineries to take a core of grapes and juice from a load and whole berries are sorted from that core sample.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted colour level for each variety as required for the designated wine style.
- **Minimum tolerance**—Grapes should be delivered at the minimum tolerance where a winery has indicated, and especially where this may affect pricing.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified as soon as results become available, to discuss the outcome.

7.1.3 Cropping level

The primary needs of wineries are supplies of grapes that have the potential to produce their intended wine styles.

Within the same region there can be a range of yields from different growers that will all meet specifications. There are, however, what appear to be the optimum yield ranges for achieving an individual winery's requirements. For this reason,

many grape purchasing agreements have upper tolerances to yields.

Often the relationship between winemakers and growers will enable a negotiation on optimal cropping levels and expected yields.

Loss or risk potential

If growers exceed yield tolerance, there is a risk the surplus may not be accepted by the winery. If quality expectations are achieved however, negotiation may allow the grapes to be accepted. Another potential risk of loss is that of regional integrity where a region is marketed and known as a premium producer of wines.

Vines that are continually over-cropped tend to use more resources such as water and nutrients, which may be costly and not sustainable.

Predisposing elements (causes for loss)

An over-cropped vine can be defined as one that: has a large crop and insufficient healthy, active leaves; cannot produce enough sugar to maintain all bunches and adequately ripen them; fails to produce grapes with the flavour profiles required; and has reduced reserves for the following spring.

Management practices such as over-irrigating and soil management techniques that promote high cropping and high vigour can greatly influence the vine balance and yield. In



addition, pruning to a high bud number that does not match vine capacity may result in over-cropping. Excessive leaf loss due to environmental stress, pests or diseases is another possible negative effect on the balance of the vine.

Over supply of nutrients, in particular nitrogen, will affect the cropping level and possibly decrease quality.

Poor combinations of variety and rootstock can result in a vigorous, dense canopy and overcropped vines. Placing a poor combination in an environment that does not suit can worsen the outcome.

Evaluation process

It has become increasingly important to estimate yield accurately in the vineyard prior to harvest to assist winery planning.

Accurate estimation will enable the grower to make informed decisions about their yield management.

Measurement

Visual assessments, using scorecards at critical phenological stages, including 10cm shoot growth, post set and veraison, can rate vine balance and give a general indication of cropping level. At the same time an inspection can be made for any vine health problems.

For more accurate yield estimation, a Yield Estimation Model should be applied. Industry recommendation refers to: Winegrape Crop Forecasting Module (Dunn, Martin and Dunston, DPI Victoria).

The future holds much promise for more accurate yield estimation using precision viticulture techniques such as yield mapping with a GPS system at harvest. Optical remote sensing is another tool undergoing research for assisting in yield estimation.



Assessment of cropping level in the vineyard

Accurate yield estimations can only be obtained when vineyard variation is taken into account and the sampling is representative of this variation. A Yield Estimation Model gives an appropriate estimation of final yield. The model is usually applied at six weeks after budburst, at veraison and again just prior to harvest.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes to a targeted wine style for each variety as required, by maintaining good vine balance.
- **Maximum tolerance**—Deliver grapes within the tolerance where a winery has written the specification and especially where it may affect pricing.
- **Notification of results**—If yield falls outside tolerance, growers need to be notified as soon as results become available to discuss the outcome. In the same instance, growers must notify wineries as soon as they become aware of any change in their estimated yield.

7.2 PURITY

Fungal diseases, agrochemical residue and any Matter Other than Grapes (MOG) are detrimental in a load of winegrapes and while 100% purity can be difficult to achieve it must be the aim of every grower.

Grapes are classified as food and therefore have to be able to

comply with Food Standards Australia New Zealand (FSANZ).

7.2.1 Diseases—powdery mildew, downy mildew, botrytis and other moulds and rots

Diseases are detrimental to wine quality if they affect colour and flavour. They also can impart unpleasant taints. The percentage of disease that is acceptable can vary from winery to winery.

Monitoring of pests and diseases in the vineyard and assessment of damage or infection can minimise problems and enable notice to be given before arriving at the load assessment station.

Powdery mildew needs to be controlled as early as possible (preferably by veraison). Botrytis and other moulds and rots may only be evident close to harvest where moisture has affected grapes. Downy mildew is not an issue every year in most regions throughout Australia.

Although it can seriously affect grapes, loss of leaf function near harvest can have a major effect on quality by affecting the ripening process.

Loss or risk potential

Diseases can be detrimental to wine quality causing contamination and taints.

Botrytis (*Botrytis cinerea*) can cause severe problems in winemaking making it difficult to process the juice and wine. The presence of botrytis in wines can result in a loss of colour, flavour, off taints and reduced shelf life. In the vineyard crop loss can occur and secondary infections are common from yeast, other moulds and rots, bacteria and vinegar flies.

Powdery Mildew (*Uncinula necator*) can cause off taints in wine that are detrimental to wine quality resulting in reduced shelf life. Consequently processing time and costs are increased and taints can sometimes be impossible to remove. Losses in the

vineyard can occur due to restrictions of yield, maturity and uneven ripening. Splitting may occur resulting in secondary infections from other moulds and rots.

Downy Mildew (*Plasmopara viticola*) can cause severe crop loss and, more often, leaf loss resulting in sunburn and uneven ripening or failure to ripen the grapes.

Moulds and other rots can cause severe faults in wine that are not only detrimental to wine quality but may be unacceptable for export due to health concerns, for example, grapes affected with the toxin ochratoxin A (OA). The predominant species producing OA are *Aspergillus ochraceus* resulting from *Aspergillus carbonarius*.

There are a number of other bunch rots and moulds that can have undesirable effects on wine quality. For example, *Rhizopus*, *Aspergillus* and *Penicillium* in combination can result in sour rot. Sour rot is commonly found in Europe, the USA and in some parts of Australia and is caused by a variety of micro-organisms, including yeast and acetic acid bacteria.

Predisposing elements (causes for loss)

Unfavourable conditions during the growing season and near harvest present the primary cause for the onset of disease, resulting in crop loss or badly affected grapes if left uncontrolled.

Poor spray applications and poor timing of sprays can lead to an uncontrollable disease situation if weather favours development.



Some management practices in the vineyard can increase the risk of disease development. These include excessive use of nitrogenous fertilisers resulting in increased vigour and therefore excessive shading without adequate air circulation to dry out the canopy early in the day.

Not managing pest outbreaks can lead to secondary problems with disease such as lightbrown apple moth increasing the risk for botrytis, and mealy bug damage resulting in other moulds and rots.

Over use and poor timing of irrigation applications can produce thin skins and tight compact bunches increasing the risk for botrytis and other infections if splitting occurs.

Some varieties are more susceptible to disease than others, for example, bunch rot in Grenache and powdery mildew in Chardonnay.

Evaluation Process

While there are techniques available for quantifying disease incidence and severity in grapes, quantitative links to wine outcomes are not generally agreed.

Measurement

Currently, the degree of disease infection is determined by visual examination during vineyard assessment and during load assessment at the winery.

Quantification in the vineyard can be made using the Emmett and Wicks Disease Assessment Key. In this formal assessment process, a percentage incidence and severity rating of the disease is determined to assist in decision making.

Assessment of disease in the vineyard

Inspections for any vine health problems should start at the latest by veraison, or earlier if resources allow.

Assessment of diseases that may seriously threaten quality should be conducted in association with the winery. Assessors need to be trained in technical assessment of pests and diseases that can affect wine quality. It is important that the results obtained are statistically valid and the detail of recording needs to be accurate and consistent.

It is recommended that growers conduct random monitoring. If background information is available they may wish to undertake targeted 'hot spot' monitoring. If a disease is present in a 'hot spot' the remaining area can be assessed and compared. Thorough monitoring can involve 200 observations per 'hot spot' or block, stopping to assess 20 sites and assessing 10 bunches or leaves at each site by choosing one to five vines. Growers are advised, however, to consult purchasing wineries regarding their disease assessment protocols.

Assessment of disease at the receival point

It is difficult to accurately assess disease incidence and severity in loads, especially in machine-harvested red winegrapes at night. Consequently, some wineries place more people in the vineyard to ensure problems are recognised and assessed early.

When a load with disease-affected grapes arrives at the receival point, currently, assessment is visual, combined with sensory detection of odours and off taints in the grapes.

Results are recorded and acted upon according to individual winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with 0% disease.
- **Maximum tolerance**—Deliver grapes at the maximum tolerance where a winery has indicated, and especially where

it may affect pricing. Some general maximum tolerances used by wineries are:

- a) Powdery mildew—less than or equal to 3%
- b) Botrytis—less than or equal to 3%

Note that a measure at the receival point would be based on a visual or organoleptic (taste and smell) assessment. Measures of incidence and severity using the Emmett & Wicks Disease Assessment Key could only be made in the vineyard.

- **Notification of results**—Where grapes are above the maximum tolerance, growers and wineries need to be notified as soon as detected in the vineyard to discuss and agree on the outcome. Botrytis and other rots and moulds can develop rapidly, therefore, notification of rejection or penalties may only be possible immediately prior to harvest. Notification for powdery mildew should occur as soon as the disease is detected from routine vineyard assessments.
- If disease is detected at the receival point, the grower needs to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.2 Agrochemical Residue

Use of spray diaries has been common practice for some years now to help protect Australian wines from the risk of residue exceeding maximum residue limits (MRLs) for the export and the domestic market.

MRLs vary from one country to the next and for some markets they do not exist at all. It is the grower's responsibility to adhere to the withholding periods as recommended by their winery or The Australian Wine Research Institute (AWRI), and to use only those products listed that are registered for use in grapevines by the Australian Pesticides and Veterinary Medicines Authority.

Loss or risk potential

If growers do not adhere to the withholding periods recommended by their winery or The AWRI they run the risk of delivering grapes with residue that exceed MRLs. Such grapes can result in wines with residue exceeding MRLs in one or more markets. Residue contamination of Australian wine represents a major threat to the Australian wine industry.

Predisposing elements (causes for loss)

Common causes of excessive residue are:

- Poor spray calibrations resulting in a higher than recommended dose rate.
- Spraying vineyards with unregistered agrochemicals for grapevines.
- Spraying within the recommended withholding period.

Evaluation process

It is mandatory for accurate spray diaries to be maintained and returned to the winery prior to harvest. If this does not occur, grapes should not be accepted. Spray diaries are checked by wineries for discrepancies and monitoring for residue is carried out. Monitoring for residue is at the discretion of the purchasing winery and may occur in the vineyard, at the receival point or in testing the final wine blend.

Measurement

Samples of grapes, juice or wine are sent to the AWRI or other laboratories for testing. A delay of 10 days or more is to be expected for results.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with no agrochemical residue.
- **Minimum tolerance**—Deliver grapes within the acceptable MRL.
- **Notification of results**—Results are often not known until post fermentation and sometimes not until after the final wine blend. The winery should contact the grower to inform them of any results that do not meet tolerances if not for imposing a penalty, then for feedback so that vineyard practices can be improved.

7.2.3 Matter other than grapes (MOG)

With expanded use of machine harvesting since the late 1970s, MOG has become an issue as most contaminants (other than chemicals) are directly related to mechanisation.

MOG includes all other vine material such as petioles, leaves, canes and broken arms of vines. MOG also includes foreign objects such as stones, picking utensils, trellis parts, metal objects and irrigation components. These are often difficult to detect in loads until in the crusher and it is highly variable as to how much material or how big an object will cause damage.

It should also be noted that MOG could be present in hand-picked loads.

Machine harvesting technology has been changing in recent years to greatly improve harvesting techniques and to reduce the amount of MOG in loads. Improvement is still needed, however, and often the harvester operator can play a major role in the purity of the harvest.

Growers share the responsibility of reducing MOG in the vineyard. They should clean up the vines after machine pruning to remove potential MOG like brittle dead arms caused by Eutypa, ensure vine rows are clear of foreign objects, and control snails and other potential pests.

Loss or risk potential

Losses can occur through processing problems caused by MOG, downtime for repairs to equipment, and the cost of equipment replacement. In some situations wineries have written into their grape purchasing agreements that growers may be liable for the cost of repairs if fault is established.

MOG can be detrimental to grape quality because of skin and berry damage, especially for whites. Wine quality can be affected through too much leaf in loads causing unwanted herbaceous character. Excessive leaves in the load may increase the risk of agrochemical residue because of vineyard sprays.

With excessive MOG, wineries are paying for unwanted waste, all of which must be removed at the crushing site.

Predisposing elements (causes for loss)

Common causes of problems are:

- Poorly set up machine harvester units.
- Absence of or poorly maintained magnets on harvesters.
- Harvesting of vines late in the season when they may be stressed and grapes are difficult to remove.
- Frost damage resulting in dead shoots that easily break off.
- Stressed vines in general, where leaves fall easily and vine wood is often more brittle than normal.
- Harvesting in wet conditions where water weighs down leaves and sticks and the harvester fans are unable to remove them.
- Poor pruning techniques in the vineyard and especially where hand clean-up following machine pruning has been inadequate.
- Minimally pruned vines can increase the potential for MOG, as there is a considerable amount of dry and dead wood present where no pruning has occurred.

- Old vines that contain considerable amounts of dead wood (possibly due to Eutypa or other trunk diseases).
- Poorly re-trellised vines that have not had the old wood removed.
- Objects left in the vineyard to mark posts and sprinkler heads not removed prior to harvest.
- Failure to inspect bins and removal of foreign objects prior to use.

Evaluation Process

MOG can be quantified by extracting and weighing it out in samples taken from loads but this is inefficient, time-consuming and too complicated to be a practical measurement tool. Sampling would need to be representative of the entire load.

At the receival point, the current method for evaluating MOG is by visual assessment utilising the methods outlined in the *Australian Winegrape Load Assessment Manual* and posters.

Assessment of MOG at the receival point

A rating system of 0-5 utilising a series of photographs, has been established and winery tolerance may vary in relation to pricing penalties, if any. The visual assessment requires a thorough inspection of every bin, truck or trailer presented for assessment at the winery. Establish a rating with reference to the photographs. Core samplers may assist in detecting MOG that is not visible on the top of the load. Ratings are categorised below. Refer to the *Australian Winegrape Load Assessment Manual* and posters. Note that the percentage of MOG given is only a guide.

MOG 0

- These are loads with little or no MOG (less than 1%).
- They will not cause quality or processing loss.
- All growers should aspire to this benchmark.

MOG 1

- Leaves, petioles and small pieces of canes or sticks may be present in low levels (1-2% total MOG).
- MOG at this level does not cause quality and processing loss.
- This level of MOG is acceptable.

MOG 2

- Considerable amounts of leaves, petioles, canes and small wood (still less than 3% total MOG).
- MOG at this level has the potential for quality and processing loss.
- Loads border on being not acceptable and penalties may start to apply.

MOG 3

- Excessive amounts of leaves, petioles, canes and small to medium sized wood (at or greater than 3% total MOG).
- MOG present at this level will cause quality and processing loss.
- This level of MOG is not acceptable.

MOG 4

- Large vine debris such as trunks, arms, excessive canes and potentially damaging foreign objects.
- MOG at this level will cause major quality and processing loss.
- This level of MOG is not acceptable.

MOG 5

- Damaging foreign objects and large objects that cannot be processed, including excessive amounts of large vine debris.
- MOG at this level is not acceptable and if in excess, loads may be rejected.



Winery tolerances and timing of notification

- **Best practice**—Deliver grapes at MOG 0 rating.
- **Maximum tolerance**—Deliver grapes less than MOG 2.
- **Notification of results**—If results fall above the maximum tolerance, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.4 Contamination

Contamination of loads of grapes can come from many sources. For this section it mostly refers to loads that may be contaminated with soil, fuel, oil or other lubricants, non food grade materials, dilution with water, unwanted additives or animal matter including insect pests.

Some contaminants are more detrimental to the resultant wine than others and can be easily detected via distinct odours such as fuels and oils. Contaminants that are severe are not tolerated and can result in instant rejection. If contamination is caused by a known accident it is an expected courtesy that the grower will notify the winery immediately so that contamination to processing equipment and wine tanks is prevented.

In the event of an accident resulting in contamination of grapes, it is recommended that growers establish a value of the losses with the winery for the purpose of making an insurance claim.

Loss or risk potential

Contaminants cause taints and off characters in wine. Those posing greatest risks are fuels and oils used in harvesting and delivery equipment.

Excessive numbers of insects can cause taints and off characters in wine.

Contaminated winery equipment results in wine losses and increased cleaning costs.

Unwanted additives to grapes such as gibberellic acid in sultanas that were originally destined for table grape use can slow processing time, resulting in lower juice extraction.

Incorrect additions of potassium metabisulphite may affect wine colour in reds and the wider export potential for that wine.

Soil contaminants risk damage to winery equipment such as pumps and crusher parts and can contaminate red wine ferments. Soil carted on the bottoms of bins may be a potential source of phylloxera spread or unwanted diseases and pests.

Addition of water dilutes flavour, colour and sugar in the load.

Predisposing elements (causes for loss)

Machine harvesters and loading equipment may contaminate loads with fuels and oils when hydraulic hoses come loose or fuel spillage occurs.

Delivery vehicles such as tractors, trucks and trailers can be sources of fuel contamination if leaks occur.

Uncovered loads that have to travel considerable distances or traverse unsealed roads increases the risk of sand and dirt contaminants.

Harvesting and loading bins in wet conditions on unsuitable surfaces can contaminate bins and loads, because of soil collecting on the bottom of bins.

Leaving grapes to stand in rainy conditions can result in dilution with water if not covered.

Undervine straw mulching may increase the risk of unwanted pests in loads.

Evaluation process

There are no methods in place that can accurately measure contaminants in loads at the winery receipt point. Often the contaminant is accidental and known, so action can be taken to prevent further losses. If not known and contaminated loads arrive at the receipt point, visual and sensory assessment can guide decision-making.

Evaluation relies heavily on notification from the vineyard backed up by sensory assessment at the receipt point.

Assessment of contaminants at the receipt point

A thorough inspection of all trucks, trailers and bins is undertaken to detect possible contaminants. Outsides of bins are checked for excessive dirt.

Some contaminants such as fuels and oils have strong odours and do not mix well with grape juice, so are easily detected. Soil contaminants are obvious from discolouration of loads, while dilution with water will be detected by a lower than expected Baume.



Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with no contaminants as nil tolerance can be expected for serious contaminants like fuels and oils.
- **Maximum tolerance**—Fuels, oils and other serious contaminants, nil tolerance. Other contaminants within winery tolerances.
- **Notification of results**—If winery staff are not notified of possible load contamination and a contaminant is detected at the load assessment station, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.2.5 Varietal integrity

The presence of varieties other than the one expected to be in the load is not tolerated by wineries.

Consumers expect, and the wineries are obliged by law, to ensure that the wine in the bottle is true to label. Varietal substitution constitutes an act of fraud.

Loss or risk potential

It is detrimental to wine quality when the desired flavours and aromas are altered through the mixing of varieties.

Unwanted colour effects can occur in whites where red grape berries are present.

Label integrity is affected if a greater amount than the allowable percentage has been mixed, thus damaging the winery's reputation in the market.

The presence of malvidin diglucoside components, being an indicator of hybrid grapes (non-vinifera), is not acceptable in wine destined for the European markets.

Predisposing elements (causes for loss)

Inter-planting of varieties in vineyards combined with machine harvesting that cannot be selective raises the risk of varietal

integrity being compromised. Non-selective hand harvesting can also result in mixed varieties if not carefully monitored.

Rootstock shoots that have not been removed prior to harvest are a source of risk. Some can produce small coloured berries (e.g. Ramsey rootstock) and only a small amount will contaminate a load.

Harvesting and delivering the incorrect variety.

Poorly defined and identified harvest unit boundaries.

Evaluation Process

Visual assessment at the receival point is the only practicable method of ensuring varietal integrity.

Assessment of varietal integrity at the receival point

Check delivery records and paper work to make sure the correct variety has been delivered.

Conduct a thorough visual inspection of all trucks, trailers and bins to look for possible varietal mixing.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes with 100% of the variety agreed.
- **Minimum tolerance**—Deliver grapes with 100% of the variety agreed.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.



7.3. CONDITION

Grapes that are evenly ripened, sound at the time of harvest and cool at delivery are in an ideal condition for winemaking.

7.3.1 Uneven ripening

Uneven ripening can present as bunches that contain small hard berries that remain green while other berries ripen. Bunches may have poor or uneven colouring.

Loss or risk potential

Unripe berries can lead to wines that are out of balance, with undesirable flavours, aromas and poor colour.

Predisposing elements (causes for loss)

- Harvesting too early before the bunches have reached their full maturity.
- Producing excessive crop that is too high for the functioning leaf area.
- Presence of a second crop because of frost damage or trimming shoots too early.
- Certain vine training methods that result in vertically separated fruiting zones can predispose to uneven ripening.
- Unfavourable weather conditions during flowering and remaining cool for prolonged periods.
- High variability within a harvest unit.

Evaluation Process

There are no simple tools for accurately measuring uneven ripening or immature berries at receival. Consequently assessments in the field or at the receival point are by visual means.

Assessment of uneven ripening in the vineyard

During routine vineyard inspections from veraison onwards, bunches are checked for signs of uneven ripening and immature berries. Options can be discussed among winery representatives and growers if there is a risk of not meeting minimum tolerances.

Assessment of uneven ripening at the receival point

A thorough visual assessment of the load can reveal uneven ripening and immature berries. However, it can be difficult to assess, especially in machine harvested loads. A lower than expected Baume may be an indicator of uneven ripening.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes that have fully ripened to meet the target Baume.
- **Minimum tolerance**—Deliver grapes with minimal immature berries and no second crop so as to meet the minimum Baume tolerance as per winery agreement.
- **Notification of results**—If results fall below the minimum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.2 Temperature

In Australia, air temperatures can be high, for example greater than 35°C, during ripening and harvest. Deterioration of berries is possible if they are exposed to high temperatures for long periods. Managing vintage in hot conditions is therefore about good logistical management. This involves minimising the time from the commencement of harvest until the grapes are in tank where temperature can be controlled. Tolerances for temperature may vary from region to region.

Wineries should not reject grapes with a relatively high temperature where best practice has been applied but should provide guidelines to growers for harvesting. For example, harvest in the cooler part of the night for all varieties, then when conditions are cooler (below 25°C) reds can be harvested during the day.

Loss or risk potential

Processing hot grapes can require chilling, causing delays and increasing winery costs. Cold conditions can also increase processing costs due to having to heat up cold grapes to an adequate temperature for fermentation to commence.

Grapes harvested in hot conditions may be spoiled by oxidation, premature fermentation and may be excessively phenolic. Whites and sparkling wine styles require that grapes are harvested and maintained at lower temperatures.

Machine harvesting grapes in hot conditions can be difficult with high numbers of berries being left on bunches, resulting in a possible reduced tonnage for the grower. Attempting to remove the berries with the machine could result in a higher MOG rating, as the vines have to be shaken more vigorously to remove the berries.

Predisposing elements (causes for loss)

- Extended periods of hot conditions during harvest results in hot grapes.
- Harvesting grapes, especially whites, during the day in hot conditions.



- Carting hot grapes long distances and delaying delivery and the crushing process.
- Breakdowns that cause considerable delays in harvesting and processing, particularly if during the day.

Evaluation Process

Measurement

Temperature is measured at the receival point using a calibrated thermometer suitable for use in loads.

Sampling for temperature at the receival point

Measurements are taken for at least half the bins. If there is a discrepancy between the bins and the temperature is elevated, then there is a need to measure further.

For loads delivered in large vessels, it is recommended practice to measure temperature at three different points.

Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Deliver white grapes with temperatures of less than 20°C and red grapes between 18 and 25°C.
- **Maximum tolerance**—Deliver grapes that have been harvested in daily maximum temperatures of less than 30°C to prevent possible spoilage.
- **Notification of results**—If temperature exceeds tolerance, growers need to be notified immediately (within two hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.3 Spoilage

Spoilage of grapes can occur for various reasons between harvest and crushing. This section refers to spoilage detected at the receival point, such as: premature fermentation, oxidation and acetification. All are considered highly undesirable and can result in rejection.

Fermentation is detected in loads by checking for elevated temperatures in a load that are considerably higher than the average of other load temperatures measured during the same period. The load may also show signs of bubbling and have a

fermentation odour. Foam or froth may be present on the surface of the load.

Oxidation appears in loads as browning of juice and brown berries on bunches.

Acetification in loads produces a vinegar-like odour caused by vinegar producing bacteria and is often associated with bird damage, mould, rotting berries and the presence of vinegar flies.

Loss or risk potential

Unwanted taints caused by spoilage are difficult to remove without affecting the wine style. Acetification in particular can greatly affect wine quality.

Wild yeast strains from premature fermentation can contaminate wineries.

Oxidation increases the loss of the natural varietal flavour and colour, altering the aroma of the wine. Although some wine styles require some oxidative handling this is preferred under controlled conditions.

Spoilage can increase the cost of processing the grapes and can lower the quality and value of the resultant wine. The extent of spoilage depends on the time spent in the delivery vessel, the temperature of the load at harvest and the condition of the berries prior to harvest.

Whites should be delivered within two hours of harvesting and preferably harvested/delivered in bins and not in bulk so skin contact is minimised. Reds are less at risk of spoilage and can handle longer delays of up to five or six hours.

Predisposing elements (causes for loss)

Where there are time delays, spoilage risks can increase. Causes are poor logistical management and breakdowns.

Harvesting during excessive temperatures can increase the risk of spoilage.

Berry splitting caused by rain, fungal infection or some other means represents a loss of condition in itself, but also opens up the possibility of further spoilage through secondary infections and damage by birds and insects.

Machine harvesting resulting in split berries, opens the way for spoilage.

Grapes without the protection of potassium metabisulphite during harvest may result in spoilage.

Evaluation Process

There are no methods at the receival point for accurately measuring spoilage. Visual and sensory assessments are able to detect major spoilage problems, however, laboratory tests on the juice once in tank can confirm assessment if required.

Assessment of spoilage at the receival point

Visual and sensory inspection of all trucks, trailers and bins includes looking for signs of spoilage, especially if the load temperature is elevated. Results are recorded and acted upon as per winery procedures.

Winery tolerances and timing of notification

- **Best practice**—Nil tolerance. Deliver grapes with no spoilage as penalties can be severe and may result in rejection.
- **Minimum tolerance**—Nil tolerance for acetification and fermentation. Winery tolerances vary for oxidation.
- **Notification of results**—If spoilage results in a pricing penalty or rejection, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

7.3.4 Damaged berries

Many things can damage berries during ripening. This section refers to those berries damaged due to sunburn, excessive shrivelling, splitting, general berry breakdown, bird and insect damage.

Damaged berries are assessed in the vineyard during routine inspections. The outcomes of berry damage are best addressed in the vineyard. Where berry damage is severe, the price for the grapes may be reduced or the grapes rejected.

Loss or risk potential

Secondary infections and reduced grape quality cause losses to growers while, for the winemaker, odours and off flavours in wine can be generated by severely damaged berries.

Sunburn results in undesirable phenolic characters and general loss of flavour if severe.

Processing can be difficult where berries are excessively shrivelled or dehydrated, increasing winery costs and loss of income to the grower through reduced weight.

Predisposing elements (causes for loss)

Unfavourable seasonal conditions, such as rain causing splitting and berry breakdown, or extended hot periods causing berry drying, sunburn and shrivel.

Premature stress resulting in considerable leaf loss and over exposure of bunches can result in sunburn shrivel or dehydration of berries.

Inadequate pest control of insects and snails may lead to damage and contamination of grapes and cause secondary infections.

Birds cause damage by puncturing the skin as berries are ripening. Isolated vineyards with no other food sources are at higher risk of bird damage.

Poorly set up and operated machine harvester units can split berries.

Inadequate or inappropriate canopy management can result in over exposure causing dehydration, sunburn or shrivel of berries.

Evaluation Process

Visual and sensory assessments are the accepted methods. Most berry damage occurs in the vineyard and should be prevented from arriving at the receival point unless otherwise agreed.

Assessment of berry damage in the vineyard

During routine vineyard inspections from veraison onwards, bunches are checked for signs of berry damage. Options can be discussed if there is a risk of not meeting the minimum specification.

Assessment of berry damage at the receival point

It is difficult to accurately assess berry damage in loads, especially in machine harvested reds at night. It is routine, however, for visual and sensory inspection of all trucks, trailers and bins for signs of berry damage.

Winery tolerances and timing of notification

- **Best practice**—Deliver grapes that are entire and unblemished (nil berry damage).
- **Maximum tolerance**—Deliver grapes with minimal berry damage that will not result in a pricing penalty.
- **Notification of results**—If results exceed the maximum tolerance, growers need to be notified immediately (within 2 hours is acceptable), to discuss and agree on the outcome. The appropriate winery staff should also be contacted immediately as processing may be delayed.

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Table 1: Summary of vineyard assessment specifications.

Specification	Criterion/Current method of measurement	Timing of assessment prior to harvest	Recommended Grower/Winery Tolerances Best practice	Downgrade/Rejection
Maturity				
Baume	Quantitative- most commonly refractometry, densiometry and hydrometry. Based on representative sample.	Commences post veraison, usually on a weekly basis.	Achieve target Baume for a designated winestyle	Outside Baume tolerance range
pH	Quantitative- pH meter, units	As for Baume	Achieve target pH where defined	Where defined in winery grape purchasing agreements
Titratable Acidity (TA)	Quantitative- g/L as Tartaric Acid	As for Baume	Achieve target TA where defined	Where defined in winery grape purchasing agreements
Colour (red grapes)	Visual and Quantitative Based on representative sample	From veraison onwards Primarily used to assist grape intake and batching.	Achieve target colour level for a designated winestyle	Below minimum colour tolerance, where winery has indicated.
Cropping level (and yield Estimation)	Formal crop assessment and estimation	Throughout season, depending on method: 10cm shoot growth, post fruit set and veraison	Achieve within target range	Exceeds winery maximum cropping level.
Purity				
Powdery Mildew Downy Mildew Botrytis Moulds and rots (other)	Visual, quantitative assessment procedure.	Throughout the growing season	No disease	Exceeds winery tolerance
Agrochemical residue	Spray diary check. Random or targeted sampling of vineyards. Follow-up quantitative analysis by AWRI or other laboratory	Pre-receival	ompliance with winery spray diary and withholding periods	Non compliance with spray diary or exceeds export Maximum Residue Limit (MRL)
Varietal integrity	Visual and DNA	Pre-receival	100% expected variety	Nil tolerance
Condition criteria				
Uneven ripening	Visual	Veraison/post veraison	Even ripening	Below winery minimum Baume tolerance or exceeds winery tolerance for immature bunches
Damaged berries ♣	Visual, sensory and formal assessment procedure	Post veraison	No damaged berries	Exceeds winery tolerance
Other vineyard specifications that are not yet widely assessed (used to determine potential winestyle and assist with batching parcels of fruit)				
Various canopy & fruit characteristics ♦	Visual and sensory- recording details on a formal assessment sheet to score vineyard.	Post veraison onwards with final assessment near target baume.	Best practice: Provide growers with feedback on assessment prior to pruning to assist the grower with optimising quality for the following season.	
♦ Various canopy & fruit characteristics – characteristics assessed varies between wineries and can incorporate: shoot length, leaf condition, fruit exposure, berry size, berry shrivel, flavour intensity, sugar/acid balance, skin chewiness/thickness, tannin intensity, colour in red berries and phenolics in white berries. ♣ Damaged berries: incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, bird & insect damage.				

Table 2: Summary of load assessment specifications.

Specification assessed	Criterion/Current method of measurement	Timing of assessment	Best practice	Recommended Grower/Winery Tolerances Downgrade/Rejection
Maturity				
Baume	Quantitative- refractometry densiometry and hydrometry	At receipt	Achieve target baume for a designated winestyle	Outside Baume tolerance range
pH	Quantitative- pH meter, units	At receipt	Achieve target pH where defined	Where defined in winery grape purchasing agreements
Titratable Acidity (TA)	Quantitative- g/L	At receipt	Achieve target TA where defined	Where defined in winery grape purchasing agreements
Colour (red grapes)	Quantitative	Sample at receipt	Achieve target colour level for a designated winestyle	Below minimum colour tolerance, where winery has indicated.
Purity				
Powdery Mildew Downy Mildew Botrytis Moulds and rots (other)	Visual and sensory	At receipt	No disease	Exceeds winery specification
Agrochemical Residue	Confirmation of spray diary	Prior to and at receipt	Compliance with winery spray diary and nil residue	Non compliance or no spray diary
MOG	Refer MOG standards as per <i>Australian Winegrape Load Assessment Manual</i> and posters	At receipt	MOG 0 rating (< 1% MOG)	Exceeds winery tolerance
Contamination ♥	Visual and sensory (smell)	At receipt	No contaminant	Nil tolerance
Varietal integrity	Visual and DNA	At receipt (DNA measure delayed)	100% expected variety	Nil tolerance
Condition				
Uneven ripening	Visual	At receipt	Even ripening	Below Winery minimum Baume tolerance or exceeds winery tolerance for immature bunches
Temperature	Quantitative - degrees Celsius	At receipt	Meets winery seasonal and winestyle specifications	Exceeds winery tolerance
Spoilage	Visual and sensory (smell)	At receipt	No spoilage	Nil tolerance
Damaged berries ♣	Visual and sensory	At receipt	No damaged berries	Exceeds winery tolerance
Other				
Grape purchasing agreement tonnes	Quantitative - weighing	At receipt with prior notice of final delivery	Achieve target tonnage	Tonnage exceeds grape purchasing agreement tolerance
MOG = matter other than grapes and incorporates: all vine matter, or foreign objects such as trellis parts, stones, metal etc.				
♥ Contamination = incorporates soil, oil, non-food grade material, fuel or any other lubricant, dilution with water, animal matter, unwanted additives or any other contaminant not acceptable by FSANZ.				
Spoilage incorporates fermentation, oxidation and acetification.				
♣ Damaged berries- incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, bird & insect damage.				



Appendix 3

Australian Wine Industry Code of Conduct

Australian Wine Industry CODE^{OF} CONDUCT

December 2008

THE AUSTRALIAN WINE INDUSTRY CODE OF CONDUCT

The Australian Wine Industry Code of Conduct was officially launched on Friday December 19, 2008.

With the exception of Part 2 (Wine Grape Purchase Agreements), this Code takes effect on 1 January 2009. Signatories are only required to comply with Part 2 for all new Agreements entered into after 1 January 2009 in relation to the supply of wine grapes for vintage 2010 onward. With respect to existing Agreements, each Signatory agrees to offer to its winegrape growers to:

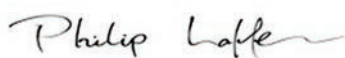
- apply the Code (with the exception of Part 2) with effect from 1 January 2009; and
- bring existing Agreements in line with the provisions of Part 2 of the Code at the time of any Material Variation to the Agreement or Associated Documents (as defined in the Code definitions).

This Code does not, by itself constitute, amend or replace any Agreement.

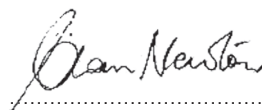
The aim of the voluntary Code is two-fold: firstly to establish a common Australian wine grape supply contract framework and secondly, to provide a dispute resolution system to manage disagreements which exist over price or quality assessments.

The Code has been developed by Wine Grape Growers Australia (WGGA) and the Winemakers' Federation of Australia (WFA) in the interests of a sustainable Australian wine industry and follows a recommendation by a Federal Senate enquiry in 2005. The research and development of the Code has been supported by the Federal Government's Department of Agriculture, Fisheries and Forestry.

Signed in Agreement on the 19th day of December 2008



Philip Laffer
President
Winemakers' Federation of Australia



Alan Newton
Chairman
Wine Grape Growers Australia



Mr Stephen Strachan,
CEO
Winemakers' Federation of Australia



Mr Mark McKenzie
Executive Director
Wine Grape Growers Australia

DISCLAIMER

WGGA, WFA, the Committee, their employees, officers and agents do not accept any liability for the results of any action taken in reliance upon, based on or in connection with this document. To the extent legally possible, WGGA, WFA the Committee and its employees, officers and agents, disclaim all liability arising by reason of any errors and omissions contained in this document.

LEGISLATION

All references to legislation are current at the date of the Code's release.

Capitalized words used in this Code have the meaning assigned to them in Appendix 1.

WINE CODE SECRETARIAT

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Part 1 — Preliminary

Title and Commencement of the Code

This Code is to be titled the **Australian Wine Industry Code of Conduct**. This is a non-prescribed, industry voluntary Code. Winegrape purchasers who elect to become Signatories will be governed by the Code in their commercial dealings with winegrape growers.

This Code has been developed for the Australian wine industry by the Wine Industry Relations Committee (WIRC), as a joint committee of the WFA and WGGA. The Executive Councils of WFA and WGGA have endorsed the Code.

With the exception of Part 2 (Wine Grape Purchase Agreements), this Code takes effect on 1 January 2009. Signatories are only required to comply with Part 2 for all new Agreements entered into after 1 January 2009 in relation to the supply of wine grapes for vintage 2010 onward. With respect to existing Agreements, each Signatory agrees to offer to its winegrape growers to:

- apply the Code (with the exception of Part 2) with effect from 1 January 2009; and
- bring existing Agreements in line with the provisions of Part 2 of the Code at the time of any Material Variation to the Agreement or Associated Documents (as defined in the Code definitions).

Except as expressly set out in this Code, the provisions of this Code are subject to all applicable Commonwealth, State and Territory laws and common law rights and obligations.

Intention

The intention of this Code is to set minimum standards for Agreements between winegrape growers and winegrape purchasers. The Signatories acknowledge that providing a clear basis for their commercial relations and an impartial, cost effective Dispute resolution scheme is important for harmonious relations between winegrape growers and winegrape purchasers.

Signatories to this Code acknowledge their existing legal obligations (for example, under the Trade Practices Act) not to engage in misleading or deceptive behaviour or unconscionable conduct.

Industry Endorsement

Signatories agree to be bound by the provisions of the Code in their commercial dealings with winegrape growers. Signatories commit to adopt the principles set out in the Code in their dealings with winegrape growers, and to provide the winegrape grower with a copy of the Code whenever a winegrape grower signs a new Agreement.

The register of Signatories will be maintained and available on the WFA and WGGA websites.

www.wfa.org.au

www.wgga.com.au

Signatories also commit to promoting the adoption of the Code.

WGGA and WFA agree to publicise and promote the Code and its Dispute resolution procedures, and to work to maximize its adoption within the industry.

Signatories to the Code

A winegrape purchaser may become a Signatory to this Code by providing a written notice to the Committee.

A winegrape purchaser may cease to be a Signatory by lodging a written notice advising the Committee they no longer wish to be a Signatory. In these circumstances, the winegrape purchaser will cease to be a Signatory on the date that their notice is received by the Committee, however, they remain bound by the provisions of Agreements entered into before that date which incorporate the Code either expressly or by reference.

Signatories to this Code agree that the Committee may publish their names as Signatories and may also publish the details of any Code breaches which the Committee has found applies to that Signatory at the time of the publication of the annual report and which have not been resolved by the Signatory. Signatories agree to release the Committee and each member of the Committee from any liability to the Signatory as a result of the publication of these details, provided all published information is accurate. However, details relating to any Dispute between a Signatory and a winegrape grower(s) which are notified to the Committee in accordance with Part 3 of this Code will remain confidential and may only be disclosed by the Committee in aggregate form (without the parties being named or specific details of the Dispute being disclosed).

Horticulture Code of Conduct

Some transactions in the winegrape supply industry are subject to the mandatory Trade Practices (Horticulture Code of Conduct) Regulations 2006. When Signatories to this Code participate in a transaction covered by the Horticulture Code of Conduct, the Horticulture Code of Conduct will prevail over this Code to the extent of any inconsistency.

Administration of Code

The Code will be managed by a Code Administration Committee (the Committee), comprising independent members jointly appointed by WFA and WGGA, in accordance with Part 5.

Review

A formal review of the Code will be conducted by the Committee after vintage 2010 by a suitably qualified person/s appointed by the Committee and thereafter the Committee will review the operations of the Code not less than every three years.

The objectives of the review of the Code shall be to:

- (i) Assess the extent to which the Code has reduced Disputes;
- (ii) Assess the effectiveness of the Dispute resolution system;
- (iii) Assess the performance of the industry against the performance targets contained in the Code, and recommend new performance targets as required; and
- (iv) Recommend any amendments to the Code required to address any problems or issues identified during the review process.

It is intended that this review will be completed by 30 June in the relevant year.

Performance Targets

Performance will be measured by the total numbers of Signatories, and the percentage of the national annual winegrape harvest purchased by those Signatories. The percentage-of-crush performance targets are:

- 75% of the purchased crush in first vintage after implementation
- 85% of the purchased crush in the second vintage after implementation

Code performance will be reported annually on a regional basis including number of Signatories, percentage of crush represented by the Signatories, the number of Disputes notified to the Committee and resolved under the provisions of the Code, as well as the number of breaches of the Code reported and resolved under the provisions of the Code.

Part 2 — Winegrape Purchase Agreements

As a minimum, all Agreements must:

- 1 be in writing, contain the elements set out in clauses 2.1 to 2.15. and be entered into and, if applicable, varied in accordance with clauses 2.16 and 2.17.
- 2 appropriately refer to any other important elements of the Agreement; and
- 3 be clear and concise and in plain English.

Minimum terms and conditions to be contained in an Agreement

2.1 Application of Code.

- 2.1.1 Each Agreement must contain a statement that the parties to the Agreement agree that it is governed by the Code and that, in the event of any inconsistency, the provisions of the Code in force on the date that the Agreement was entered into will prevail and will apply as if they formed part of the Agreement. If there is a change to the Code, each Signatory must make an offer to its winegrape growers to amend existing Agreements to reflect that change within three months of the date of endorsement of the change in accordance with clause 5.1.7.

2.2 Parties to an Agreement and Term of the Agreement

- 2.2.1 All parties involved in the winegrape purchase arrangements are to be identified in the Agreement including the winegrape purchaser, the winegrape grower and any landowner or lessee (if applicable).

All Agreements must specify the duration of the Agreement including commencement date and expiry date, or the termination mechanism (including applicable notice periods) where there is no fixed expiry date.

2.3 Pricing Methods

- 2.3.1 All Agreements must contain a fixed price and/or a clear statement as to how the final price payable will be determined.

2.4 Price Notification

- 2.4.1 Where the Agreement requires a price offer or a negotiation as part of the calculation of the price for the winegrapes, the winegrape purchaser must, unless prevented due to unforeseen and extraordinary reasons:

2.4.1.1 by 15 December each year - provide to its winegrape growers in the Hunter Valley, Riverina, Murray Darling/Swan Hill and Riverland regions Indicative Regional Prices for each variety of winegrape.

2.4.1.2 By 15 January each year – use its best reasonable endeavours to provide to its winegrape growers in all other regions Indicative Regional Prices for each variety of winegrape.

If an Agreement does not exist on the relevant date but is subsequently entered into prior to the vintage period (for example, an Agreement entered into in February), then the winegrape purchaser must provide the Indicative Regional Prices referred to above to the winegrape grower at the time the Agreement is entered into, unless the actual price offer is made at that time.

- 2.4.2 Notwithstanding clause 2.4.1, in all regions where the relevant Agreement requires the price to be agreed between the parties, any winegrape price offer required under the Agreement must be made:
- (a) if the winegrape purchaser undertakes a pre-vintage vineyard inspection prior to making a final winegrape price offer - as soon as practicable and, at the latest, prior to the anticipated harvest date for those winegrapes; and
 - (b) in all other cases – at least 10 Business Days prior to the anticipated harvest date for those winegrapes.

2.5 Price Adjustment

- 2.5.1 Any provision for price adjustment must be clearly spelt out and specify in a transparent manner any bonuses or penalties and the mechanism(s) used to determine bonuses/penalties.

2.6 Terms of Payment

- 2.6.1 The terms of payment are to be clearly stated and, unless otherwise agreed by the parties to the Agreement, shall be consistent with the industry standard of:
- 2.6.1.1 1/3 at the end of the month following the month of delivery;
 - 2.6.1.2 1/3 at the end of June; and
 - 2.6.1.3 balance at the end of September of the year that the first payment commenced.
- 2.6.2 The payment terms for any price adjustment or payments based on wine assessment shall be specified in the Agreement.
- 2.6.3 Any penalties for late payments shall be stipulated in the Agreement.

2.7 Tonnage and Vineyard Details

- 2.7.1 The Agreement must state whether the amount of winegrapes to be purchased is "area-based" or "specified tonnes" and must stipulate the area and/or the tonnes as the case may be.
- 2.7.2 The Agreement must clearly describe the winegrapes to be purchased.
- 2.7.3 Where relevant, the Agreement must specify the vineyard details such as patch/block number identification, identification of clones and rootstocks when required, or a vineyard map showing vineyard details for the vines to which the Agreement pertains.

2.8 Winegrape Standards, Assessment and Harvest

- 2.8.1 The Agreement must state any quality standards which apply to the winegrapes being purchased, including specifying any minimum requirements for maturity, purity and condition, relevant to the region and variety.
- 2.8.2 The Agreement must describe any assessment method for vineyard or weighbridge winegrape assessment which will apply under the terms of that Agreement if that method is directly inconsistent with the methods described in "Winegrape Assessment in the Vineyard and the Winery" (as amended from time to time and endorsed by WGGA and WFA).
- 2.8.3 The Agreement must specify the process for determining the harvest time(s) for the winegrapes.

2.9 Delivery and Freight

- 2.9.1 The Agreement must state the delivery point for the winegrapes and identify which party bears the costs and associated risks of freight.

2.10 Title in Winegrapes

- 2.10.1 The Agreement must state when title in the winegrapes passes from the winegrape grower to the winegrape purchaser. The Agreement must also specify the point at which the winegrape purchaser accepts or rejects the winegrapes.

2.11 Force Majeure

- 2.11.1 If there is a force majeure clause in the Agreement, it must be clearly specified.

2.12 Assignment and Sale of Vineyard

- 2.12.1 The Agreement must clearly specify any restrictions imposed by the winegrape purchaser on the rights to transfer possession or ownership of the relevant vineyard.
- 2.12.2 The Agreement must clearly specify any obligations on the winegrape grower upon the sale or disposal of possession of the relevant vineyard.

2.13 Professional Advice

- 2.13.1 An Agreement must contain a prominent statement that the winegrape grower signing the Agreement should seek independent legal, financial and taxation advice. This statement must appear just above the winegrape grower's signing provisions.

2.14 Dispute Resolution Clause

- 2.14.1 The Agreement must include a Dispute resolution clause that is consistent with Part 3 of this Code.

2.15 Reasonable Time

- 2.15.1 A Signatory may only enter into an Agreement with a winegrape grower after providing the Agreement and any Associated Documents to that winegrape grower and allowing the winegrape grower a reasonable period to read and understand the document and obtain independent advice before entering into the Agreement. For an Agreement which incorporates an obligation to buy and sell winegrapes from more than one vintage, a “reasonable period” is 15 Business Days from the date of receipt by the winegrape grower. For all other Agreements other than Spot Market Purchases, a “reasonable period” is 7 Business Days from the date of receipt by the winegrape grower. For Spot Market Purchases, a “reasonable period” will depend on the circumstances and may be a relatively short period (for example, less than one Business Day if harvest is imminent).

2.16 Variations

- 2.16.1 It is recognised that variations to Agreements from time to time may need to be negotiated. Any variation to an Agreement must be:

2.16.1.1 clearly specified, and

2.16.1.2 agreed, confirmed in writing and signed by all parties to the Agreement.

Agreements must not contain a provision which allows one party to unilaterally amend the Agreement without the other parties’ written consent to the specific amendment.

- 2.16.2 A Signatory may only vary an Agreement by providing that variation to the winegrape grower in writing and allowing the winegrape grower a reasonable period to read and understand the variation and obtain independent advice before signing their acceptance of the variation. For an Agreement which incorporates an obligation to buy and sell winegrapes from more than one vintage, a “reasonable period” is 15 Business Days from the date of receipt by the winegrape grower. For all other Agreements other than Spot Market Purchases, a “reasonable period” is 7 Business Days from the date of receipt by the winegrape grower. For Spot Market Purchases, a “reasonable period” will depend on the circumstances and may be a relatively short period (for example, less than one Business Day if harvest is imminent).

2.17 Failure to Comply

- 2.17.1 Failure to comply with clauses 2.1 through to 2.17, where applicable, will amount to a breach of the Code and may be referred to the Committee for disciplinary action.

Part 3 - Dispute Resolution

Purpose

Disputes in the main occur over the perceived inadequacy of the winegrape price, or over an apparent failure to comply with specifications for winegrape maturity, purity or condition resulting in either price adjustments or rejection of the winegrapes.

This section is intended to help resolve Disputes between the winegrape purchaser and the winegrape grower in a timely and cost efficient manner to preserve the ongoing commercial relationship.

The Code requires both parties to participate in the Dispute resolution procedure and to assist the Independent Expert by providing any information requested. Any Disputing Party who invokes the Dispute resolution process is agreeing to be bound by the Code in relation to the conduct of the Dispute, in particular, the clauses relating to defamation and to cost recovery.

The existence of a Dispute does not relieve any party of their obligations under the Agreement.

Powers of Independent Expert

Notwithstanding clause 2.1.1, the appointed Independent Expert will determine the Dispute by applying the terms of the Agreement and, where necessary, by applying the Independent Expert's own procedures, in the resolution of the Dispute, but only to the extent that the Independent Expert's resolution procedures are not inconsistent with the terms of the Agreement.

Subject to compliance with this Code, the decision of the Independent Expert is final and binding on all parties and cannot be appealed or challenged except in the case of a manifest error or proven misconduct.

Failure by a Signatory to comply with the determination of the Independent Expert will amount to a breach of this Code and the matter may be referred to the Committee for disciplinary action.

Information provided to the Independent Expert

All communications brought into existence in relation to the Dispute and provided to the Independent Expert shall be in confidence and without prejudice.

No documents brought into existence by a disputant for the purpose of consideration by the Independent Expert may be tendered in evidence by a party other than that disputant in any litigation of the Dispute.

3.1 Disputes over Winegrape Price

When a Dispute arises over a price offer made by a winegrape purchaser under clause 2.4.2 or, where no price offer is required to be made under clause 2.4.2, in relation to the calculation of the price in accordance with the Agreement, the parties agree to follow these resolution procedures:

- 3.1.1 Within 7 Business Days of:
 - 3.1.1.1 the determination of the price in accordance with the Agreement being notified to the winegrape grower (but only where no price offer is required to be made under clause 2.4.2); or
 - 3.1.1.2 the date of the price offer being made by the applicable party under clause 2.4.2;
the Disputing Party will inform the other party in writing of the background to the Dispute, the issue(s) in dispute and the outcome desired. This notice will be known as the **Notice of Dispute**. A summary of the Dispute (notifying the parties, the category of Dispute, tonnage and region) is to be supplied to the Committee by the Disputing Party at the same time.
- 3.1.2 Within 7 Business Days of receiving the Notice of Dispute, the other party will respond in writing, indicating whether the desired outcome is agreed, and, if it is not, whether that party wishes to offer another outcome, and inform the Committee in writing that a response has been provided.
- 3.1.3 The Disputing Party and the winegrape purchaser have 14 Business Days from the issue of the Notice of Dispute to negotiate a mutually agreed outcome. If these parties have not resolved the Dispute within this 14 Business Day period, they must jointly appoint an Independent Expert to make a determination of price. The Disputing Party and the winegrape purchaser must be satisfied that the Independent Expert is impartial and qualified to rule on the matter(s) under dispute.
- 3.1.4 If the Disputing Party and the winegrape purchaser cannot agree on the selection of an Independent Expert within 21 Business Days of the issue of the Notice of Dispute, the Presiding Member of the Committee (or other Committee Member appointed to preside in the event that the Presiding Member is unavailable) will appoint an appropriate Independent Expert from the panel of experts endorsed by the Committee upon application from either party, such application to be made within 28 Business Days of the issue of the Notice of Dispute.
- 3.1.5 The appointed Independent Expert will deliver a determination within 14 Business Days of the date of his or her appointment or, if the matter requires extensive research, submissions from the parties and/or investigation, will provide a reasonable timeframe in which to complete the task.
- 3.1.6 The Disputing Party and the winegrape purchaser agree to be bound by the determination of the Independent Expert in the absence of manifest error or misconduct and to share costs equally.
- 3.1.7 The Independent Expert will be engaged under their normal terms of engagement and in any event will be indemnified by the parties as to their costs and expenses.

3.2 Disputes over Downgrades and Rejections in the Vineyard

A Dispute may arise if a winegrape grower disagrees with an assessment by the winegrape purchaser that the winegrapes have failed to meet agreed specifications contained in the Agreement and a financial penalty is imposed or some or all of the winegrapes are rejected.

If a Dispute in relation to a field assessment occurs, the matter needs to be resolved quickly, ideally before the expected date of harvest, and may in some cases need to be resolved within a few days to avoid deterioration of the winegrapes.

A winegrape grower will advise the winegrape purchaser within a reasonable time prior to harvest, of any change in the condition of the fruit that could result in a downgrade or rejection of the winegrapes under the terms of the relevant Agreement. The winegrape purchaser will notify the winegrape grower of any decision by the winegrape purchaser to impose a financial penalty and/or reject the winegrapes in accordance with the terms of the Agreement.

When a Dispute arises in relation to the imposition of a financial penalty and/or rejection of the winegrapes as a result of a failure to meet agreed specifications contained in the Agreement, the parties agree to follow these resolution procedures:

- 3.2.1 The Disputing Party will, as soon as practicable, notify the winegrape purchaser in writing of the issue(s) in dispute and the outcome desired. This notice will be known as the **Notice of Dispute**. A summary of the Dispute (notifying the parties, the category of Dispute, tonnage and region) is to be supplied to the Committee by the winegrape grower at the same time.
- 3.2.2 The winegrape purchaser will respond in writing to the Disputing Party within 48 hours from the time of issue of the Notice of Dispute, indicating whether the desired outcome is agreed, and, if it is not, whether the winegrape purchaser wishes to offer another outcome, and inform the Committee in writing that a response has been provided.
- 3.2.3 If after 72 hours from the time of issue of the Notice of Dispute the Disputing Party and the winegrape purchaser have been unable to resolve the Dispute, the matter will be settled by an Independent Expert jointly appointed by them. They must be satisfied that the Independent Expert is impartial and qualified to rule on the matter(s) under dispute.
- 3.2.4 If the Disputing Party and the winegrape purchaser cannot agree on the selection of an Independent Expert within 96 hours from the time of issue of the Notice of Dispute, the Presiding Member of the Committee (or other Committee Member appointed to preside in the event that the Presiding Member is unavailable) will appoint an Independent Expert from the panel of experts endorsed by the Committee upon application from either party, such application to be made within 120 hours of the time of issue of the Notice of Dispute.
- 3.2.5 The appointed Independent Expert will deliver a determination within 48 hours of being appointed or, if the matter requires extensive research, submissions from the parties and/or investigation, will set a reasonable timeframe in which to complete the task.
- 3.2.6 The Disputing Party and the winegrape purchaser agree to be bound by the determination of the Independent Expert in the absence of manifest error or misconduct and to share costs equally.
- 3.2.7 The Independent Expert will be engaged by Disputing Party and the winegrape purchaser under their normal terms of engagement and in any event will be indemnified by the parties as to their costs and expenses.

3.3 Disputes over Downgrades and Rejections at the Weighbridge

Winegrape purchasers (or their agents/representatives) are encouraged to inspect the condition of winegrapes in the vineyard prior to harvest as a means of minimizing Disputes at the weighbridge.

A Dispute can arise at the weighbridge if winegrapes are downgraded (resulting in a financial penalty) or rejected if, in the opinion of the winegrape purchaser, they have failed to meet stipulated specifications. The matter needs to be resolved quickly, ideally within 12 hours of delivery of the winegrapes. The winegrape grower will be notified as soon as practicable of a downgrade or rejection of their winegrapes. The winegrape grower or the winegrape grower's agent/representative (in the event of winegrapes processed at a distance from the vineyard) should be given the opportunity where practical to inspect the rejected or downgraded winegrapes (within a reasonable time of delivery) and to try and reach agreement with the winegrape purchaser on the nature and extent of the downgrade and any resulting price adjustment to allow the continued processing of the winegrapes or the rejection of the winegrapes.

For the avoidance of any doubt but without limiting the other obligations set out in this clause, the Code does not require an Independent Expert to resolve disputes over downgrades and rejections at the weighbridge.

3.4 Legal Proceedings

The parties agree not to institute legal proceedings (except to obtain urgent interlocutory relief) or make any complaint to a regulatory authority in relation to a Dispute covered by Part 3 of the Code until all avenues open to them under Part 3 of the Code have been implemented and, where relevant, a determination made. The parties may institute legal proceedings (or take any other action that they consider appropriate) in relation to any other type of Dispute. Nothing in this clause affects or limits the operation of clause 3 relating to the powers of the Independent Expert.

Part 4 — Breaches of the Code

4.1 Complaints

- 4.1.1 A complaint of a breach of the Code by a Signatory must be referred to the Committee in writing.
- 4.1.2 Either a winegrape grower or a winegrape grower's association may lodge a complaint with the Committee.
- 4.1.3 A Signatory cannot lodge a complaint against another Signatory, unless the complaint relates to conduct that will bring the wine industry into disrepute.
- 4.1.4 The complaint must:
 - 4.1.4.1 State the name of the Signatory and the party bringing the complaint.
 - 4.1.4.2 Provide details as to the nature of the complaint by reference to this Code.
 - 4.1.4.3 Specify what outcome the Complainant believes will resolve the issue.
- 4.1.5 If a complaint alleging a breach of the Code is reported to the Committee, the Committee must take the following action prior to making a determination:
 - 4.1.5.1 notify the Signatory within 7 Business Days that a complaint has been lodged with the Committee;
 - 4.1.5.2 provide to the Signatory the details of the complaint and Complainant and the outcome the Complainant requires to resolve the complaint;
 - 4.1.5.3 allow the Signatory 21 Business Days to respond to the complaint in writing;
 - 4.1.5.4 provide the Signatory's written response to the Complainant; and
 - 4.1.5.5 in the event that the Complainant is not satisfied with the Signatory's response, allow the Complainant 14 Business Days to respond to the Committee.
- 4.1.6 If the matter has not been resolved in accordance with the procedure set out in clause 4.1.5, the Committee must sit and make a determination on the complaint.
- 4.1.7 A meeting of the Committee to rule on a complaint must occur within 30 Business Days from the date of the Complainant's final response.
- 4.1.8 If the Committee determines that no breach of the Code has occurred, the Committee is to write to the Complainant and the Signatory and provide its determination and reasons within 7 Business Days.
- 4.1.9 If the Committee determines that a breach of the Code has occurred then the Committee must write within 7 Business Days to the Signatory and provide the determination, reasons and remedy or penalty, if applicable.

- 4.1.10 If the Committee determines that a breach has occurred, the Committee may do any or all of the following:
- 4.1.10.1 notify the Signatory what steps it would be required to take to remedy the breach.
 - 4.1.10.2 warn the Signatory that they may be removed as a Signatory to the Code if they do not remedy the breach within a reasonable period (which must be specified in the notice) and/or if they commit future breaches of the Code; and/or
 - 4.1.10.3 subject to clause 4.2, remove the Signatory from the list of Signatories to the Code.
- 4.1.11 If, subsequent to a finding that a Signatory has breached the Code, that Signatory rectifies the breach in accordance with the Committee's instructions, then the Committee must write to the Complainant within 7 Business Days and advise the Complainant that the Committee considers that the Signatory is no longer in breach of the Code.
- 4.1.12 In all cases, the Committee's determination may only be challenged in the case of manifest error or proven misconduct.

4.2 Removing a Signatory from the Code

- 4.2.1 In determining whether to remove a Signatory from the Code, the Committee must take into consideration the following:
- 4.2.1.1 the nature of the complaint;
 - 4.2.1.2 the conduct of the Signatory and the Complainant;
 - 4.2.1.3 the conduct of the Signatory in responding to the Committee;
 - 4.2.1.4 the systemic nature (if any) of the complaint;
 - 4.2.1.5 the number of complaints referred to the Committee against the Signatory;
 - 4.2.1.6 whether the complaints made against the Signatory are the same or otherwise;
 - 4.2.1.7 any previous breaches of the Code by the Signatory;
 - 4.2.1.8 whether the conduct brings the wine industry into disrepute; and
 - 4.2.1.9 any other matter that the Committee considers relevant.

4.3 Cost Recovery

- 4.3.1 If the Committee determines a breach of the Code has occurred, the Committee may recover from the party in breach reasonable costs incurred by the Committee in determining the complaint.
- 4.3.2 Should a grapegrower or grapegrower association make a complaint alleging a breach that is subsequently found to be invalid then the Committee may recover from the grapegrower or grapegrower association reasonable costs incurred by the Committee in determining the complaint.

Part 5 — Administration of the Code

- 5.1.1 The Code will be administered by the Committee.
- 5.1.2 The Committee will comprise 3 independent members –including a Presiding Member and 2 other Members with appropriate commercial experience. All 3 Members will be jointly agreed by the Boards of both the WGGA and WFA.
- 5.1.3 The Committee will be supported by an independent secretariat jointly funded by WGGA and WFA.
- 5.1.4 All 3 Members will be appointed by a joint WGGA and WFA selection committee using selection criteria agreed by the Boards of both bodies.
- 5.1.5 A quorum shall comprise the Presiding Member and all other Members.
- 5.1.6 All decisions of the Committee must be made by way of simple majority.
- 5.1.7 Any recommendation to amend the Code must be unanimously agreed by all Members of the Committee and endorsed in writing by the Boards of WGGA and WFA. Any change to the Code which is endorsed between 1 January and 31 July in any year will take effect on 1 November in the same year. Any change endorsed between 1 August and 31 December in any year take effect on 1 November of the following year.
- 5.1.8 The Committee shall undertake the following roles:
 - 5.1.8.1 administer the Code, including the setting of reasonable fees to support the Dispute resolution system;
 - 5.1.8.2 manage the business operations of the Code including ensuring that suitable insurance arrangements are in place;
 - 5.1.8.3 produce an annual report to be published by 30 September each year, containing:
 - (i) a description of the nature and number of Disputes received and any other comments it wishes to make about conduct or trends in the industry; and
 - (ii) a report to the industry on the operations of the Code and the Committee and any matters requiring consideration by the industry arising from the activities of the Committee including the names of any parties removed from the Code;
 - 5.1.8.4 at the discretion of the Committee, maintain and publish a list of Code Signatories found to be in breach of the Code; and
 - 5.1.8.5 monitor the operation of the Code and, as appropriate, recommend any amendments to the Code that may assist in its operation, and consult with WGGA and WFA on any proposed amendments to the Code.

Contacts

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APPENDIX 1

Definitions

“Agreement” means an Agreement between a winegrape grower and a Signatory for the supply of winegrapes.

“Associated Documents” means all documents that are incorporated by reference in or which form part or purport to form part of an Agreement.

“Business Day” means a day other than a Saturday, Sunday, public holiday or bank holiday in the State in which the vineyard to which the Agreement applies is situated.

“Code” means this Code.

“Committee” means the Code Administration Committee established to manage the operation of this Code in accordance with Part 5 – Administration Of The Code.

“Complainant” means, as applicable, a person, corporation or other body corporate:

- raising a Dispute for determination under the Dispute resolution procedures of this Code; or
- making a complaint to the Committee in accordance with Part 4 – Breaches of the Code.

“Dispute” means any disagreement between a Disputing Party and a Signatory which:

- may be referred by the Disputing Party for resolution in accordance with Part 3 of the Code; and
- is in relation to a matter which is permitted under the terms of the relevant Agreement to be disputed by the Disputing Party.

“Disputing Party” means a winegrape grower who initiates a Dispute resolution process under clauses 3.1 or 3.2 of this Code and/or any other party who is authorized or permitted under the terms of the relevant Agreement to do so on behalf of or in association with the winegrape grower.

“Independent Expert” means an independent, qualified person/s appointed by the parties to a Dispute or by the Committee to make a determination on Disputes notified to them under the terms of this Code.

“Indicative Regional Price” means, in relation to a variety of winegrapes, an indicative fair market price for that variety of winegrapes from that region for the next vintage which:

- is not winegrape grower or vineyard specific;
- is set by the winegrape purchaser acting reasonably;
- is not an offer capable of being accepted by a winegrape grower or binding on the winegrape purchaser; and
- is not a guarantee of the final price that will be offered to the winegrape grower.

“Material Variation” means any variation to an Agreement or Associated Documents whether as a unilateral variation permitted by the Agreement or by consent between the parties, other than a variation of the price or winegrape assessment methods already provided for in the Agreement. A Material Variation includes but is not limited to any variation of:

- The term of the Agreement including extensions;
- Terms of payment;
- Price adjustment criteria;
- Winegrape assessments including winegrape standards (other than as provided for in the Agreement);
- Specification of blocks, varieties and tonnages including production caps or quotas;
- Delivery and freight arrangements; and
- Dispute resolution procedures;

“Notice Of Dispute” means a formal written notification between the parties to a Dispute.

“Presiding Member” means the Independent Chair of the Committee.

“Signatory” means a winegrape purchaser who has notified the Committee that it will be bound by the Code.

“Spot Market Purchase” means an Agreement for the sale and purchase of winegrapes which is entered into between the parties less than 10 Business Days prior to the expected harvest date for those winegrapes (or, if there are more than one expected harvest date applicable to the Agreement, 10 Business Days prior to the earliest of these dates).

“WFA” means Winemakers Federation Of Australia.

“WGGA” means Wine Grape Growers Australia.

Australian Wine Industry
CODE^{OF} CONDUCT

Appendix 4

Australian Wine and Brandy Corporation industry statistics



BEVERAGE WINE PRODUCTION ('000 Litres)

	Unfortified Wine ^(a)			Fortified ^(b)	Total
	Red	White	Total		
1971-72	na	na	94 385	59 921	154 306
1972-73	na	na	117 381	54 328	171 709
1973-74	na	na	136 001	47 954	183 955
1974-75	na	na	166 817	68 484	235 301
1975-76	na	na	163 655	68 137	231 792
1976-77	na	na	190 096	62 471	252 567
1977-78	na	na	183 605	42 672	226 277
1978-79	na	na	216 481	58 041	274 522
1979-80	na	na	266 753	54 746	321 499
1980-81	na	na	237 786	45 659	283 444
1981-82	na	na	251 133	51 907	303 040
1982-83	na	na	238 129	33 541	271 670
1983-84	na	na	237 124	21 279	258 403
1984-85	na	na	337 127	43 893	381 020
1985-86	na	na	294 686	41 692	336 377
1986-87	na	na	306 804	31 766	338 570
1987-88	na	na	322 993	31 403	354 396
1988-89	na	na	399 203	36 937	436 140
1989-90	na	na	349 913	32 904	382 817
1990-91	na	na	312 024	33 817	345 841
1991-92	na	na	390 857	30 776	421 633
1992-93	na	na	392 575	22 264	414 839
1993-94	na	na	500 076	30 458	530 534
1994-95	na	na	433 005	25 399	458 404
1995-96	na	na	577 272	28 874	606 146
1996-97	na	na	538 123	28 656	566 779
1997-98	na	na	651 291	28 947	680 239
1998-99	na	na	771 957	21 433	793 389
1999-00	na	na	779 149	27 222	806 371
2000-01	na	na	1 016 306	18 460	1 034 766
2001-02	666 100	484 754	1 150 854	23 247	1 174 101
2002-03	599 098	420 295	1 019 393	18 170	1 037 562
2003-04	808 963	572 101	1 381 064	20 025	1 401 089
2004-05	760 721	639 352	1 400 074	20 275	1 420 348
2005-06	776 027	621 727	1 397 754	12 729	1 410 483
2006-07	472 322	474 674	946 996	8 013	955 009
2007-08	662 653	559 073	1 221 726	14 806	1 236 532
2008-09	623 078	537 287	1 160 365	10 867	1 171 233

NOTES & DEFINITIONS

Prepared 24 February 2010, updated annually

(a) Includes sparkling wine

(b) Production from unfortified wine made in the specified vintage year

na Not available

Note: May not total due to rounding.

Source: ABS Cat, Nos. 8366.0, 1329.0

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- Australia has approximately 2,300 wine companies. There are 172,676 hectares under vine. The total grape crush in 2008 was 1.831 million tonnes with 14 winemakers accounting for 70% of the total crush.
- In 2007/08 Australian Domestic Wine sales of 426.4 million litres were recorded with a wholesale value of A\$2 billion.
- Per capita wine consumption in Australia has stabilised at 22.4 litres per person per year in 2006. France leads global consumption at 53.9 litres per capita.
- Wine is fourth on the list of Australian farm exports after beef, wheat, wool and dairy.
- Australia is the world's sixth largest wine producer, as at 2006 (behind France, Italy, Spain, US and Argentina) and the fourth largest exporter. Australian wine is enjoyed in more than 120 countries.
- Exports reached a record A\$3.02 billion in July 2007.
- In 2006 Australia was the world's fourth largest wine exporter by volume capturing 8.5% of the global market (behind Italy, France and Spain).
- Australia is the leading supplier of the UK off-premise market holding a 22% share in 2007/08 by volume, with multiple grocers continuing to dominate. In 2008 the value of the market was over A\$800 million.
- Australia remains the most dominant supplier of wine to the off-trade in the Irish market with the largest volume growth in the off-trade in 2007 (up 2.2 million litres or 16%) clearly outperforming its closest competitors France and Chile.
- Australian wine exports to the US topped 21.4 million cases in 2008. The US accounted for over 27% of Australia's wine shipments by volume and value in 2008.
- Australia was the fourth largest supplier of the Canadian market in 2007/08 with about 14% of the market behind Canada (28%), France (16%) and Italy (15%).
- The top five destinations for absolute value growth in Australian wine exports in 2008 were, in order, China, Denmark, Hong Kong, United Arab Emirates and Japan.
- China was the clear stand-out in 2008 with the value of exports to the market increasing by 32% (A\$18 million) to A\$74 million. This ranked China as Australia's fifth largest market by value but first in value growth.
- Although ranked seventh in total value exported, Denmark recorded the second largest value growth in 2008. Driven by bulk shipments, the value of exports to Denmark increased by 14% (A\$7million) to A\$58 million.
- The value of Australian exports to Japan increased by 4% (A\$2 million) to A\$50 million in 2008. The growth came on the back of a 10% increase in the volume of bottled shipments to 8 million litres.

Appendix 5

Wine Restructure Action Agenda Statement

Wine industry must confront the reality of oversupply

A statement to the wine industry by the Winemakers' Federation of Australia, Wine Grape Growers' Australia, the Australian Wine and Brandy Corporation and the Grape and Wine Research and Development Corporation

Recognising the problem

It is widely acknowledged that the Australian wine industry is enduring its toughest period in two decades. All in the industry must recognise that this is our problem and we need to fix it.

Structural surpluses of grapes and wine are now so large that they are causing long-term damage to our industry by devaluing the Australian brand, entrenching discounting, undermining profitability, and hampering our ability to pursue the vision and activities set out in the *Directions to 2025* industry strategy.

Coupled with inefficient and/or inappropriate vineyard and wine operations, oversupply is amplifying and exacerbating fundamental problems in the industry, notably our decreasing cost competitiveness. As such it is compromising our ability to adopt new pricing structures and market solutions and adapt to changing market conditions.

Comprehensive analysis and consultation suggests at least 20% of bearing vines in Australia are surplus to requirements, with few long-term prospects. On cost of production alone, at least 17% of vineyard capacity is uneconomic.

The problems are national – although some regions are more adversely affected – and are not restricted to specific varieties or price points.

The industry must restructure both to reduce capacity and to change its product mix to focus on sales that earn viable margins. Bailouts are not an option and neither governments nor industry bodies should be expected to provide the answers; tough, informed decisions must be made by individual growers and wineries, from as early as the 2010 vintage.

The supply dimension

Australia is producing 20-40 million cases a year more than it is selling – roughly equivalent to total sales to our second largest export market, the UK. Our surplus already exceeds 100 million cases and at current rates of production and demand this will more than double in two years.

Drought, water shortages and climate change will continue to affect production but the impact is indiscriminate and largely insignificant given the scale of the problem. Estimates are that these factors combined can provide no more than 10% of the necessary reduction in supply.

The demand dimension

Australia's wine exports have fallen by 8 million cases and 21% in value since their peak in October 2007. The decline has been greatest for higher value exports, and where there has been growth at lower price points it frequently has been unprofitable and thus unsustainable. Over the same period domestic sales of Australian wine have fallen, while sales of imported wine have increased.

The global financial crisis has not helped, but it is far from the only factor; a strong dollar and our industry's cost competitiveness have been more significant. Better economic conditions will not automatically restore previous demand, and even if they do this would be insufficient to deal with our

fundamental problem. Even an ambitious growth target of 4 million cases a year – equivalent to 6% annual value growth for the entire Australian category – would only eliminate 20% of oversupply.

New market opportunities do exist, but they will take time and significant, sustained investment to unlock.

Issues with competitiveness

Oversupply is unpicking our price structure, distorting perceptions about our product and exacerbating competitive pressures.

Globally we have been forced to trade in the low-value / low-margin market to sell excess wine, yet our costs are too high for us to be viable in that market in the long term – we cannot match the cost structures of some competitors (including a subsidised Europe) at very low price points. Just as damaging is the image being created that Australia is only a low-cost producer, making it difficult for our premium wines to gain recognition and market traction.

Domestically, excess supplies have allowed supermarkets to move from customers to competitors by launching their own low-price products, without the need to invest in capital infrastructure or the long-term health of the industry. This clutters the market place and eats into margins.

A range of factors suggests our long-term terms of trade will continue to weaken, putting the commodity market further out of reach. These include:

- real increases in the price of water
- the likelihood of exchange rates remaining unfavourable
- lack of international uniformity on carbon emissions trading, with the likelihood that Australia's costs will rise relative to some commodity wine competitors
- a reduction in winery throughputs – leading to increased fixed unit costs – as the industry rationalises to eliminate over capacity
- increased costs of accessing and servicing capital.

Research and innovation are essential but cannot provide the answer given the necessary timeframe and the scale of the problem. We need to restructure our industry to ensure we can compete as a premium wine producer.

Issues with viability

Australia has significant problems in terms of vineyard and winery viability. In particular, too many regions produce uneconomic fruit because of high-grade cost structures. High-grade cost structures have only one option and that is to produce high-grade fruit. This is highlighted in two studies of wine regions completed this year. Both have been independently corroborated by industry consultants.

One study graded fruit from A to E then assessed viability in terms of whether vineyards exceed cost benchmarks for the relevant quality level. Its findings suggest that:

- in more than 20 regions 50% or more of the production for C and D grade fruit (premium and popular premium) is uneconomic
- in total, 36% of C grade fruit is uneconomic
- three of our highest profile and most productive regions for A and B grade fruit (specialty and super premium) struggle to produce C and D fruit at a competitive cost, with 50-60% of that fruit considered uneconomic
- 10 regions have 70% or more of production considered uneconomic – most are small, but three have total production of around 20,000 tonnes or more.

The second study provides a regional breakdown which shows that significant quantities of grapes bring a realised price that is below the cost of production.

Viability is a complex issue, given the patterns and history of vineyard and winery development, but it needs to be addressed decisively and immediately. Where costs of production are high, vineyards must be achieving A and B quality grapes. Some regions do this reasonably well, some poorly.

Addressing the problem

The primary focus must be on helping businesses and regions to strategically and honestly assess their current and likely future position then make appropriate decisions. In particular we need to address the options for vineyards and wineries that are underperforming. Some may need to leave the industry; others may need to change what they produce and how they do it.

The Wine Restructuring Action Agenda includes the following initiatives as an immediate response.

- From 23 November 2009, detailed and confidential supply data summaries will be provided to regional associations. These will examine each region in isolation and in relation to the national picture, with a focus on levels and patterns of viability.
- From 30 January 2010, a package of tools will be available to help individual vineyard operators assess their performance and viability. This will include: a checklist; an upgraded *Deloitte Ready Reckoner* to assess winery profitability by market, channel and price point; and an upgraded *Vinebiz* program to assess vineyard profitability.
- From early next year, briefings will be held in 14 regional centres (covering all States) to discuss regional data and issues and offer business stress testing to assist with decision making. The Federal Government has been approached to help facilitate this initiative, and State input is being sought.
- WFA and WGA will hold discussions with the Federal Government about improved exit packages for growers and small wineries seeking to leave the industry along the lines of drought and small block irrigator exit packages. Discussions also will be held with State Government agencies with regard to alternative land use options in wine regions.

Alongside these specific initiatives:

- The peak industry bodies will:
 - Work with the Federal Government to address aspects of the WET rebate that artificially allow uneconomic businesses to stay in business and thus contribute to overproduction.
 - Seek changes to regulations covering MIS schemes to ensure potential investors receive a fair picture of the wine industry's current position and cannot offset losses. The aim is to deter unwanted and unviable further vineyard expansion.
 - Work with regional associations on complementary issues related to demand and environmental sustainability.
- R&D priorities have been refocused to support the restructuring agenda, with an additional \$750,000 committed so far by the GWRDC to support a range of initiatives, including:
 - Substantial funding for research to support the Wine Australia market development strategy
 - China market competitor analysis
 - Further analysis reconciling supply and demand
 - The upgraded *Deloitte Ready Reckoner* and *Vinebiz* program.

In addition, we will address our market development investment to:

- Refocus on the emerging markets of Asia, where growing affluence and a shift in preference towards wine provide promising opportunities (eg North and South-East Asia, where Australia has a competitive advantage through geographic proximity and strong existing trade ties).
- Provide additional support for educational, promotional and relationship activities in core growth channel opportunities, including China, the US (on and off-trade, >\$10 a bottle), Quebec, Japan, UK (independent/specialist retail) and the Australian domestic market.

Conclusion

Oversupply is having a debilitating impact on Australian wine businesses and restructuring the supply base is both essential and inevitable.

Our objectives in releasing this statement and formulating an action agenda are to advance the adjustment process, to bring about more sustainable operating conditions as soon as possible, and to dispel any notion that the industry can trade its way out of its current problem or rely on the government to step in.

November 2009

Winemakers' Federation of Australia
Wine Grape Growers' Australia
Australian Wine and Brandy Corporation
Grape and Wine Research and Development Corporation

Appendix 6

NSW Wine Industry Research and Development Council – Briefing Paper Proposed Wine Tax Changes

NSW Wine Industry Research & Development Advisory Council

Briefing Note on Proposed Wine Tax Changes

We understand that the Henry Review recommends a move from the current system of value-based wine taxation to a volumetric system that taxes wine according to its alcoholic content.

The Review's recommendations that all alcohol is the same and should be taxed as such would result in a flat volumetric tax at the "beer" rate and the loss of the WET Rebate.

Wine was not taxed until the 1970's when the Fraser Government tried to unsuccessfully introduce a wholesale tax. Currently there is 41.9% tax on wine, comprising of 29% wine equalisation tax (WET) and 10% GST.

The WET rebate applies to the first \$1.72M of sales from any winery and is equivalent to up to \$0.50M on a winery's bottom line.

Restructuring

These tax changes are being proposed at a time when there is massive upheaval and restructuring occurring in the wine industry. This is due to a structural over-supply of grapes and wine and exacerbated by the loss of export markets due to the highly appreciated Australian dollar. This restructuring alone has already resulted in the loss of jobs, the removal of vines, and significant pressure on the livelihoods of grape growers, winemakers and regional communities.

Volumetric tax change will have its most significant impact on the large scale wine operations in warmer regions.

Losing the WET Rebate will impact on mainly medium size to smaller wineries which are reliant upon it for survival. These wineries are generally the key drivers for wine and food tourism in regional areas.

Employment

Adopting the Henry Review recommendations would mean 95% of wine would increase in price and 29,000 hectares of vines would become redundant with 12,000 job losses; 4,000 due to the loss of the WET Rebate and 8,000 due to the move to volumetric taxes. The multiplier affect in the wine industry is 4:1, meaning many more jobs reliant on the wine industry would be lost, mainly in regional Australia.

There are over 60 wine districts throughout Australia. The map below shows you the wine regions in NSW. As in New South Wales the wine industry is regionally based throughout Australia. This is where the bulk of the aforementioned jobs will be lost.

*NSW Wine Industry Research & Development Advisory Council
Briefing Note on Proposed Wine Tax Changes*



Loss of WET Rebate

There are around 2,300 wineries throughout Australia.

A recent study in the Hunter Valley showed that, of the 29 wineries surveyed, 24 relied on the WET Rebate to survive and 5 did not.

It is envisaged that the findings of the Hunter Study would be replicated throughout the 60+ Australian wine districts ie. 80% of wineries, mainly small and medium sized would go out of business.

Tax Avoidance Issues

The industry accepts that there are instances of the WET Rebate being misused. The key areas are:

- Inflating invoice sale price to generate an increased rebate. Essentially the concept is that the purchaser buys at an inflated price to claim a higher rebate and then is compensated from the wine seller by some means that equilibrates back to the real price. This practice may be facilitated by non arm's length transaction through interposed intermediaries.
- Rebates claimed on wine subsequently exported by Australian based exporters.
- Brokers who have created a profitable business from maximising WET rebate claims for owners of grapes and wine. This could be legal or not depending on the modus operandi of the broker.
- Retailers sourcing directly from multiple growers (for own brand or cleanskin wines) rather than from an individual winery to circumvent the \$500,000 rebate limit. This is presumably legal but increases the rebate outlays in ways probably not envisioned when the scheme was designed.
- Major retailer sources grapes from a grape grower with surplus (unsaleable) grapes. Retailer will ask grower (who retains ownership) to deliver grapes to a specified winery for contract winemaking and bottling. For example, grower delivers 1,000 tonnes that is converted into 70,000 cases of wine at a cost of \$15 per case. Grower invoices retailer for 70,000 x \$15 plus 29% WET = \$1,354,500. Grower claims WET rebate of \$304,500. Grower has increased his proceeds from his grapes from zero to \$304.50 per tonne. Retailer has sourced wine at a price below the cost of production purely through the Government subsidy. This would appear to be legal but is an unintended distortion of the market that undermines the viability of the wine sector.
- The ready availability of and trading in bulk wine provides ample opportunity to manufacture a "new" wine by small blending additions to the original wine. For example, Wine 1, a 100% Cabernet could have 5% Shiraz added to become Wine 2, which in turn could have 5% Merlot added to become wine 3. Note that for marketing purposes this Wine 3 could still be sold as a Cabernet under labelling legislation. It has been alleged that there are producers and traders who have set up a transactions process that enables them to claim a rebate for each version of the wine. Again, while it is legal to claim for a wine that has undergone such a "manufacturing" process, the intention was not to have this provision used as a means of generating multiple WET rebates.

Whilst these are symptomatic of any sector facing the structural challenges besetting wine at the moment, we are of the firm view that these small but significant loopholes can be fixed. There is no reason to throw the baby out with the bathwater causing the loss of many thousands of jobs and large scale winery closures

Immediate constructive discussions should occur between the Tax Office and the Wine Industry to resolve these issues.

Greg Jones
Chairman
☎ 0419 768 210

Peter Robson
Vice-Chairman
☎ 0 418 640 704

Appendix 7

Wine Grapes Marketing Board Submission to Senate Inquiry August 2005



Riverina
WINEGRAPE GROWERS

Riverina Wine Grapes Marketing Board
For the City of Griffith and the Local
Government Areas of Leeton, Carrathool
and Murrumbidgee
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RIVERINA WINE GRAPES MARKETING BOARD SUBMISSION TO THE

Senate Rural and Regional Affairs and
Transport Reference Committee

Inquiry into the Wine Industry

August 2005

Brian Simpson
Chief Executive Officer
Wine Grapes Marketing Board

Summary

- The wine grape industry lacks appropriate and accountable market signals that have lead to a wine grape over supply in certain key varieties.
- The over supply has lead to downward pressure on growers return for all varieties, regardless of their supply situation.
- A national register of vineyards is required and would work to address some of the fundamental supply problems within the industry.
- A code of conduct in the purchasing relationship would assist the industry to develop more structured linkages through the supply chain.
- The quality frameworks for wine grape assessment should be regulated via Government intervention or through the adoption of a standard code.
- Growers do not possess the ability to negotiate effectively with wine grape processors on, contracts, prices and quality aspects of wine grapes.
- A national growers' body is required to help develop the growers within the industry to position them to be able to work more effectively with wine grape processors.
- The national growers' body should be compulsorily funded with the assistance of federal legislation to ensure compliance by defined independent wine grape growers.

Riverina Wine Grapes Marketing Board

The Riverina Wine Grapes Marketing Board is a NSW Statutory Authority legislated under the NSW *Wine Grapes Marketing Board (Reconstitution) Act 2003* and *Agricultural Industry Services (Wine grapes Marketing Board) Regulation 2003*. The Board has been in existence since 1933 servicing the needs of wine grape producers within the City of Griffith and local government areas of Leeton, Carrathool and Murrumbidgee.

The Board is funded by an industry service charge that is compulsorily applied on all wine grape producers that produce greater than 20 tonnes of wine grapes and are that independent of wineries.

The Board was originally set up by petition of wine grape producers to counter the market power of local winemakers in the region. Until July 2000 the Board had the power to determine the market minimum price to be paid for varieties of wine grapes. This power (through vesting) was provided by the NSW Government under the NSW Marketing of Primary Products Act 1983.

Post 2000, the Board's vesting was removed after an extensive review of these provisions in accordance with *National Competition Policy* guidelines. The Board does however retain the authority to set and enforce terms and conditions of payment annually, subject to certain provision as set out in the Act. This power by order under the Board's Act was specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.

The Board also compulsorily receives the price information of the market prices from individual wineries that purchase wine grapes from within the Board's area of operations. This make the Board well placed to offer market advice to growers that are seeking to place their wine grapes. It also serves to provide a greater level of transparency in the market place.

The Board also functions effectively as an agricultural industry services organisation, applying a \$3.90 per tonne service charge on wine grape production to fund a range of constituted services, as follows:

- (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 the sale 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 regional 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 *Wine Grapes Marketing Board (Reconstitution) Act 2003* expires on 31 December 2007. A copy of the Act has been attached: **Appendix 1**.

The Riverina Wine Industry

The Riverina region is the largest named Geographical Indication (GI) within the Australian wine industry. It is home to approximately 500 wine grape producing families and business. The region is also home to 16 wineries, some of Australia's biggest family owned wineries are based in the region, including Casella Wines, McWilliam's Wines and DeBortoli Wines.

The region produces approximately 250,000 tonnes of wine grapes annually, comprising of 54 different varieties with the main production coming from commonly known varieties such as Chardonnay, Merlot, Semillon, Shiraz and Cabernet Sauvignon. A copy of the *Riverina Utilisation and Pricing Survey 2005-2010* is attached: **Appendix 2**. The survey details the production levels and farm gate values for wine grape purchases and winery owned production that occurred in the 2005 vintage year. It also contains winery forecasts of their preferred intake levels up to and including the 2010 vintage year.

The region is based within the Board's area of operations, the City of Griffith and the local government areas of Leeton, Carrathool and Murrumbidgee. Most of the production come from around the cities, towns and villages of Griffith, Leeton, Coleambally, Darlington Point, Hanwood, Yenda, Tharbogang, Beelbanger, Yanco, Bilbul, Lake Wyangan and Hillston. All

production excluding Hillston is irrigated from the Snowy River Irrigation System, via the Murrumbidgee River. Irrigation availability and infrastructure is managed by the privatised organisation Murrumbidgee Irrigation (once a NSW State owned corporation). 84% of the production from the region is produced by independent wine grape growers, all of whom fund the activities of the Board through the imposition of a service charge that is deducted in accordance with the legislation from the payments they receive from wineries for their wine grapes. The payments to growers are controlled through the Board depending on the type of contract relationship that the grower and winery have. A copy of the *Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005* are attached, **Appendix 3**.

The wine grape industry is a major financial contributor to the regional economy in the Riverina. The following table indicates its estimated contribution in 2005.

Table 1. Regional contribution of the MIA Wine Grapes Industry

	1993	2005 (est.)
Wine grapes for wine production (Tonnes)	102,880	248,861
Farm gate value of non-winery grown grapes	\$34m	\$95.2m
Wholesale value of MIA wine	\$170m	at least \$350m
Regional contribution of the wholesale value of MIA wine	\$119m	at least \$280m
Estimated full-time equivalent jobs in the grower sector	750	950
Number of employees – wineries during vintage	692	1,500
Number of employees – wineries outside vintage	651	1,200
Number of employees in service and support industries	513	600
Total regional direct and indirect employment (vintage)	1,955	3,050
Total regional direct and indirect employment (non-vintage)	1,914	2,750

Sources: 1993 data: MIA Business Enterprise Centre Ltd (1994:10). 2005 data based on WGMB (2005) & extrapolations from 1993.

Submission to the Inquiry

The Wine Grapes Marketing Board writes this submission to the Senate Rural & Regional Affairs & Transport References Committee Inquiry into the wine grape industry for and on behalf of all its constituted wine grape producers. The Board has also provided all wine grape producers with the opportunity to write their own submissions by advertising the inquiry via its regular communications to producers and via providing them with the opportunity to sign and send a form letter to the inquiry as individuals, *copy of form letter attached*, **Appendix 4**. The key issues raised in this form letter will form the basis of the Board's submission to the inquiry and through this approach provide information on the key areas of inquiry that are being focused on by the Senate Rural and Regional Affairs and Transport References Committee.

Issue One

The increasing volume of wine grapes available in Australia have been brought on by wineries providing insufficient communications to producers and inappropriate market signals.

The size of the wine grape "glut" within Australia as referred to within the Senate's key area of inquiry is a question best answered by wine grape purchasers, i.e. the processor wineries. The Board's concerns are that inappropriate market signals have been provided by the processing industry for a number of years that has led to a rapid build up of plantings.

The market signals provided were wineries requesting plantings of key varieties with no certainty that they would purchase these wine grapes when in full production. Anecdotal evidence suggests that winery staff were providing planting advice to producers based on their own perceptions of the market place without any fiduciary commitment that the fruit would be purchased by the wine company. Without any fiduciary arrangements wineries have been able to coerce growers into over planting thus enabling the price offer to be substantially lower.

The Wine Grapes Marketing Board has for many years been advising wine grape producers and the industry in general that plantings should not occur unless accompanied by a secure long term contract that offers a sustainable and acceptable price. While the Board's advice may not have been fully heeded by the growing industry it is wineries that are giving growers false confidence that the wine grapes planted will return a profitable margin once in full production.

Within the Riverina over the past 5 years evidence indicates only a minor amount (1,000 tonnes) of wine grapes have been left (to rot) on the vines due to a lack of buyer interest. In particular, the 2002 vintage where the Board helped to place approximately 6,000 tonnes of wine grapes that were ejected from wineries. Many of these growers had been in long standing supply arrangements with wineries (some in excess of 30 years) were simply advised immediately prior to harvest that the winery did not require nor had the capacity to purchase their product.

In late 2004 a number of wineries advised growers that they could not take their production in 2005 and as there existed no formal written contract (only a history of supply for many years and some grower had verbal assurances from company personnel that the company would always purchase wine grapes some them) the growers were forced to seek alternative buyers for their wine grapes. It was during this time that the Board contacted the Retail Grocery Industry Ombudsman (Ombudsman for the Grocery Industry Code of Conduct) and advised growers that they could lodge complaints about these wineries if they wished. Some 15 growers lodged complaints in relation to three corporate wineries. Mediation was then setup with some positive outcomes but generally growers were required to seek another buyer as they would have had to use legal recourse to get the outcomes they were seeking, i.e. financial compensation for potential loss and/or the winery obligated to purchase grapes.

With regard to producers inventory levels in the Riverina the build up of infrastructure for wine grape juice holding and fermentation has been immense. Wineries have had to build extra capacity to enable the purchase of extra tonnes that they have stimulated into production and to supply export markets that were being developed. The Riverina used to

be a net exporter of finished wine to other major industry companies. Since the development of exports by, for example Casella Wines, the region now could be classified as a net importer of finished wine. Wineries do not undertake major purchases of finished wine unless current inventories require it. The current industry climate has also led to unsustainably low price offers for finished wines.

Growers of the Riverina moved a motion at a "prices crisis" meeting held this year that a national registration of vineyards is required by industry. This could be industry funded and managed by a peak industry grower body (for example one that is currently being proposed by industry). All interested parties wishing to develop a vineyard holding would be required to register their intent. This would provide the following benefits. One, allow the industry to be aware of the current levels of holdings for future forecasting of production, and two, provide the industry with sufficient scope to communicate the current status of the industry (subject to regional variations) of the proposed development. Too many speculative plantings have occurred without any understanding of the real market and the associated risks to the regional and national economies brought about by unabated development.

The registration process should not restrict plantings as this would be anti-competitive. However should plantings occur without prior registration the possibility of penalty provisions may need investigation.

Planting location, soil suitability, available irrigation and markets for the produce could form key factors in the decisions process and provision of information to potential industry entrants to ensure they are fully knowledgeable of the market and regional supply and demand conditions.

The project could be covered in terms of regulating the development of the market and for vine health purposes. This could be invaluable in the event of an outbreak of an exotic pest or disease, the industry would have full knowledge of the varieties and address details of all industry participants to ensure timely dissemination of information.

Issue Two

Supply and demand factors are not applied within the market effectively by the purchasers, thereby creating an unstable environment not conducive to investment activity.

Economic theory in reality is very different to what can be observed within the wine industry. While the product of increasing supply works to reduce the price offer to the wine grape producer many wineries often cite capacity constraints as a limiting factor when considering prices.

Comments by wineries that the production is in oversupply and beyond the actual capacity of their facilities have proved false when in this region (apart from the 2002 Vintage) all wine grapes have been purchased.

If winemakers do not have the capacity to process and store wine grapes they could not be in a position to take all the produce that is available in the market place. However, in the Riverina we have had examples of wineries taking fruit in large quantities from regions external to the Riverina on a regular annual basis. This consistent build up of stock, coupled with the expansion of holding and processing capacity levels at local wineries is anecdotal that the industry has and will continue to have the capacity to take wine grapes above and beyond their marketing requirements.

The concern of the producing industry is: Why are wineries continuing to purchase if the market that they supply will not be in a position to take the wine that is being produced? Maintaining high stock levels also comes at a cost to the winery that is ultimately forced onto the wine grape grower supplier.

The market for wine is driven by consumer demand, which is fickle and often stimulated by the price, i.e. lower prices for wine increase sales and reduce stock holdings. Whereas on the production side demand is falsely represented by innuendo that *"there is no room for the wine grapes"* but *"at a low price we can find the room"*. It may be stated that a level of greed exists where wineries will take all the product to ensure that their capacity is fully utilised to the detriment of the growers, through price reductions and with no real apparent benefit to consumers through similar price reductions.

However, the relationship between the movements in the prices being offered to growers and those that the consumer is asked to pay bears little commonality.

Issue Three

The relationship between growers and wine makers has continued to deteriorate because of their general disregard for the sustainability of producers. The industry needs to be able to operate closely but this is rarely achieved through the inconsistent approach to grading and quality standards.

This industry needs to be developed in concert, wineries and producers willingly cooperating and acting together to ensure that the consumer is offered a quality, value for money product. Within such a relationship there needs to be trust and accountability. This in reality is a far cry from the majority of transactions that occur.

Growers in general also fear that if they make a comment or statement about a price offer that is too low or a quality grading decision that is suspect they will be ill treated by that winery to a level that they may not even have a home for their produce. One example of fear of talking about the problems in the industry is the lack of participation into this inquiry. Growers believe that by commenting to the inquiry, whether making constructive remarks or not, the simple case that they have been involved in the process could see them forced to seek another home for their produce, a decision based on spurious grounds.

Anecdotal evidence from producers is that within the current period of oversupply the industry operates in what could be termed a master and servant relationship. Growers work under a lot of stress each year to ensure that they abide by the direction of the winery they deliver to, undertaking watering and chemical applications as directed with no liability on behalf of the winery regarding the end use quality of the wine grapes being produced.

Within the Riverina there are examples of wineries that communicate and work very well with producers to ensure production meets product specification. These relationships are cultivated on trust that the grower will have a home for their wine grapes and the winery can make changes to the husbandry techniques of wine grape production to alter fruit quality outcomes. However the final price offer is often a product of the region's price offer which is highly variable.

The structure of the industry ultimately favours the winery processor. They can set the price and the quality each year and dictate to the grower what these are. In some cases the grower who will commence the process of pruning and managing the preceding crop will

have no knowledge of the minimum price they will be offered or the quality factors that will be employed during the harvest period. Many may not know if they have a home for their wine grapes until just prior to harvest.

As there are no minimum enforceable standards in relation to the quality of wine grapes, the industry's market is frequently distorted by the whim of wineries. In the Riverina over the past 3 seasons there has been a major shift toward the use of colour in red wine grapes as a determinant of price. This has led to producers not being able to either meet the requirements to obtain a high price or understand the basis behind these decisions, they are not told why except for comment that this is what the consumer is seeking.

The sampling and testing processes for colour is highly variable and is not regulated by any industry body. This creates room for error and the possibility of unscrupulous behaviour. Flavour is another factor that is not fully understood as it cannot be effectively quantified by any objective means, but again it is used to calculate prices by some wineries.

The industry has developed initially based on the quality and increasing financial rewards to producers being paid on the level of sugar within the wine grape (baumé). The current position of baumé within the Riverina is that wineries expect a minimum level to be achieved prior to the wine grape being of a harvestable quality. Fruit that fall below these levels, due to rains or sample variation are financially penalised or subject to possible fruit rejection. Again these favour the buyer with all penalties and no rewards to the grower.

Issue Four

Contracts within the industry are not secure and are at best only made workable by legal intervention, which is cost prohibitive for individual producers.

The nature of contracts within the industry is highly variable. Within the Riverina the level of contracts has varied substantially over the past 2 years. As the Board's new legislation was developed to encourage contract standards and the development of a code of conduct including minimum standards and provisions within contracts, it has actually moved the industry toward contracts that work to favour the wineries.

In 2000 it was stated that only 15% of the grower population were subject to a written contract that nominated the price the producer would receive and the terms of payment for these wine grapes. Most of these contracts were notifiable to the Board, as under the then power of vesting producers needed to seek exemptions from the Board to allow them to enter these contracts. It should be noted that by a majority these contracts were entered into willingly by the wine grape growers.

Now in 2005 it is suggested that over 50% of the industry has entered into contracts of supply with wineries. One contract in particular offered by [Winery X]¹ prior to the 2004 Vintage used a minimum price of \$200 per tonne (well below the costs of production) to enable all wine grapes purchased within the Board's area of operations to be outside the legislated Board provisions for payment terms. [Winery X] made the offer of these contracts to growers when harvest was just about to commence. Growers felt they had to agree and

¹ The name of this winery has been withheld from the submission due to a reservation of rights that it has on the Wine Grapes Marketing Board to claim damages in relation a media release published by the Board that referred to the Board's concerns of the content, nature and terms of payment of the contract not being recommended as worthwhile in the industry. See **Appendix 5** for copy of the news release and legal correspondence.

sign or they would not be able to deliver their produce to the winery if they did not. In doing such, growers contracted out of the Board's legislated terms and conditions of payment (for the duration of the contract) and were then subject to the new terms and dates of payment for their wine grapes which were a major departure from the industry standard.

**Table 2. Terms of Payment (TOP) Comparison -
Wine Grapes Marketing Board Standard v's [Winery X]**

<i>Payments</i>	<i>WGMB TOP</i>	<i>Amount (%)</i>	<i>Winery X TOP</i>	<i>Amount (%)</i>
1	14 May	33.33%	31 May	25%
2	24 June	33.33%	30 June	25%
3	14 October	33.34%	30 September	25%
4			15 December	25%

The conditions of the contracts within the industry give no provisions for major long term development of the industry. Growers can be asked to amend the contract by wineries, with fear that if the amendment is not entered into the grower will not be considered "on side" with the winery in the future. In 2004 and 2005 contracts that are expiring are in many cases not being renewed much to the chagrin of growers. For an example of the worth of contracts and winery commitments to these, the [Winery Y] this year is citing a Chardonnay imbalance within its own business and has begun the process of communicating to all contracted producers that it wishes to amend the contract, for the next two years to reduce the level of Chardonnay that they have agreed to purchase, by 25%. Growers are in no position to seek amendments in their favour. Growers for the [Winery Y] feel that by not agreeing to the amended terms they may possibly suffer ill treatment by the company in terms of the business relationship deteriorating and possible price reductions to their wine grapes by the subjective quality assessment process employed by the company. Growers feel that they are "damned if they do and damned if they don't", agree to the amendments.

Most contracts (apart from [Winery X] and some minor purchase arrangements) are supply agreements that bind the grower to the winery for a set duration of time (years) but offer no minimum price for the grower to have a level of financial comfort. The offer price is posted each year at the commencement of harvest and the grower, via the supply agreement has to deliver with no formal offer, negotiation and agreement occurring.

Under the statutory powers of the Board, growers that have no formal agreement that does not stipulate the price or the manner in which the prices are to be calculated, there are provisions for interest penalties to be applied should the winery not make the payment in accordance with the timeframes set out. The interest rate is stipulated in the legislation and enforceable by the Board. Standard industry contracts attempt to give a wide berth to interest by either not including it as a provision or by providing a time delay period for late payments that interest would not be applicable.

The discomfiting fact within this industry is that the grower, who has taken the opportunity to build a business relationship with a winery by entering into a contract, does not feel empowered sufficiently to pursue interest for overdue payments, due to concerns that this would impact on the relationship between the winery and the grower. Taking legal action is an option of last resort within this industry as growers that take the appropriate legal path to pursue compliance to a contract are regrettably treated harshly by the winery.

The development of a mandatory code of conduct or specified legislated trading terms that include the dates that producers will be paid and the right to interest should payments be

tardy is required within the industry. Within the Riverina, should the statutory authority of the Wine Grapes Marketing Board not exist within its current operations it would provide wine grape purchasers with the opportunity to manipulate and use growers financial returns for their own advantage with impunity (using growers as credit facilities). This industry requires a governing authority that can act on behalf of the wine grape grower without the need for the grower to be specifically identified, anonymity is required.

Issue Five

Quality wine grapes are not worth producing as wineries use quality to drive down grower returns by lower yields and the potential production life of the vine. Variations from winery to winery are confusing to a grower – consistent industry standards should be applied to the industry.

Wine grape quality in the wine grape industry is a variable factor, its application to wine grape producers differing from winery to winery. Within the Riverina some wineries work with producers to strive to achieve a quality product that best suits the wine styles for their market. Other wineries tend to approach quality in an ad-hoc manner, the case of “shifting goal posts” annually is a constant bane to wine grape producers.

Growers are told to reduce yields to increase the quality of the wine grapes but this factor within the production of wine grapes can only count for a part of the process. Growers of quality are rarely rewarded financially above those producers that are content on producing wine grapes that are high in production yields and anecdotally of lesser quality.

The industry needs a national system of quality benchmarks that can form the basis of a framework that growers could operate within. This framework should be intrinsically linked to end use value, i.e. higher priced wines should return producers a higher price per tonne. However having said this, growers must not be left to wait until the wine is produced and assessed as the wine grape growing industry has no control or input into the wine making part of the business and therefore could not be expected to influence the efforts of the wine makers.

Growers ideally need to be able to take a standard sample to a testing facility and be then advised what the quality grade is. To ensure samples are as uniform as possible the winemaker could also be involved in this process or it may be undertaken by a third party.

Once the quality is known the grower would then be able to ascertain the price he or she would receive for this product at the winery of choice or via a contractual relationship. Growers that move from winery to winery would be able to grade their production and then shop for the winery that would offer them the best return based on the various varieties that they produce.

The process described above would not dictate what the winery offer prices would be as these would need to be set by the winery with due care for the current market conditions and their ability to fund the purchases. Growers developed knowledge of their product would work to create a competitive market within the industry in relation to the price offer for the wine grapes. Wineries would also need to be prepared to pay the right amount for the appropriate quality or not receive any.

Current practice in the industry is that a winery will stipulate the quality they desire through baumé, colour and disease status. These can often be pre-harvest assessed by the winery

based on irrigation, fertilisation, wine health and canopy. Once a winery has received their preferred amount for a set level of quality further deliveries are placed into lesser value quality points. It can often become the case where those that are in good favour with the winery can achieve the higher price, when those that may well produce the higher quality are advised that the produce is inferior and would command a lesser return.

Other quality factors that are being, and can be, misused by wineries inappropriately, is the grading of the level of MOG (Matter Other than Grapes) contained in the deliveries. This refers to the level of matter that is made up of leaves, vine canes (stems and sticks), wood and other items such as stumps, wire and rocks, that may be delivered within a load of wine grapes. High levels are unacceptable and cause delays to the industry in terms of reducing the level of juice (*must*) that can be pressed from the wine grapes and the damage that may be caused to winery processing equipment and machinery. The current industry standard is for winery staff members (often seasonally employed) that may have not had any industry formally recognised training, to make assessments of grading on growers wine grape deliveries. It should be the case that the industry has better processes that are tangible in terms of educational requirements for its employees that are tasked with making financial assessments on grower's production.

This industry lacks truth and transparency. Growers have reported to the Board numerous cases where they have delivered C grade wine grapes and were instructed by the winery to place it into the same crushing facility as A grade (high quality) wine grapes. This then effectively blends the two grades. If a winery expects a grower to produce quality then they should be appropriately rewarded. Wineries are often cited as having paid lower prices when the fruit has actually ended up in a higher end use than its graded and priced value.

Regulated, irrefutable and quantifiable objective measurement standards are required in the industry as the current processes in operation breed distrust between grower and wineries. The competitive advantage that wineries may lose as a result of this type of regulation can be continued in terms of prices they may offer to growers on the various grades.

Issue Six

Growers require intervention by government to balance the market power of the wineries. Growers also need to be trained and provided with detailed assistance to development collectives for bargaining with wineries and be better skilled at negotiating with wineries to ensure their needs are adequately addressed in terms of pricing. Federal funding is needed to develop our skills base.

Growers consider that through regulation of the business relationship they will feel a level of security from wineries relative market power. While in the Riverina the Wine Grapes Marketing Board acts in the best interests of producers in accordance with its legislation to set and enforce standardised terms and conditions of payment, in reality without these, wineries would hold the ultimate power, only potentially yielding to growers that actually take it upon themselves to engage legal action in the event of a non or late payment.

Growers feel that the Board's activities in this regard offer them a level of comfort in anonymity. The wineries that are late in payment can be investigated by the Board on the request of a grower, whose details are not communicated to the winery for fear of retribution by the winery at a later time. As the Board has dealt with numerous breaches of its

legislation it has vast experience in this area. The winery is always seeking to identify the grower that advised the Board of the breach. In some instances where the growers details were suspected by the winery the grower has been advised by the winery that they will no longer purchase there fruit in future years.

The nature of contractual arrangements in this region do not adequately provide for the introduction of specialist independent arbitrators. While the national industry committee, the Wine Grapes Growers Australia and the Winemakers' Federation of Australian – Wine Industry Relations Committee (WIRC) has actively sought to introduce assessment specifications and dispute resolution clauses, the adoption of these industry agreed best practices has been minimal to almost non-existent within the Riverina. For example the regions two largest wine grape purchasers, [Winery X & Y] have no adequate consideration of dispute resolutions in terms of wine grape quality assessments, leaving the growers with no recourse. This type of “take or leave it” approach in the industry is not conducive to the development of sound business practices or sustainable industry development.

The skills levels of wine grape producers in terms of business development and relationships needs enhancing. In the NSW Riverina, FarmBis funding is no longer available to wine grape growers and just as the federal government has provided funds for the wine skills course for the industry's winemakers perhaps the opportunity to develop a package that can cater for the producer needs to be introduced. Training could cover business development and negotiation skills.

The industry could also benefit from simpler trade practices legislation that would allow groups of various sizes of wine grape producers to form collectives and negotiate with the winery for set volumes of a determined quality of wine grapes. Developing collectives and discussing grape quality would serve to benefit the growers and the wine makers of the industry.

As the industry currently stands, small growers that produce quality are forced to take the price set by the winery, there is no formal offer and acceptance is only a given through the delivery of the product by the grower. As a perishable product the industry cannot afford legislative systems that force delays through administrative process and possible postulation.

Issue Seven

Investigation by government is needed into the power of the retail giants Coles and Woolworths and their pricing policy of Australian wine to consumers and its effects on growers farm gate returns.

A major concern of wine grape growers is their reducing returns. These flow on from reductions in the margins that wineries are able to receive for their product. Consumers are losing the opportunity of purchasing wines at low prices because of the margin pressure being applied through the controlling power of the retail sector, in particularly Coles and Woolworths. Between these two companies they control the major share of the retails outlets for wine products.

Wineries in this end of the market are in general price takers and due to the limitations on the financial flexibility of their other inputs in the production chain often use the grower for their own margin stabilisation. However this process could be termed as defeatist in its

approach. The retailers are fully aware of the average purchase prices for wine grapes in all regions throughout Australia. The industry is abundant with price information down to a regional level. This knowledge allows them to extrapolate the actual cost to the wine maker for the wine and then enable a continued reduction in the margin to the wine maker which ultimately flows to the grower.

Wineries inputs are few and competitors in the production chain are few, glass bottle manufacturers within the Australian industry are limited to almost a monopoly status, packaging manufacture is within the same status. There exists very little opportunities for wineries to seek alternative input supply competitors to gain some advantage.

The federal government should investigate the price manipulation of the major retailers within the Australian market. Wineries would be reluctant to make statements to this regard for fear of not being able to supply them. The production and distribution chain need better structures that offer protection and a more open business relationship.

Issue Eight

Taxation of wine is very high and while this may have forced much of Australia's production to overseas markets the industry is selling more for less return.

Since the introduction of the Wine Equalisation Tax (WET) to "balance" the variation from the previous taxation system post the introduction of the Goods and Services Tax (GST) the wine industry has been making a much greater contribution to the taxation income of the federal government.

In the first year of introduction wineries across Australia complained about the impacts of this and their concern that it would stifle development and growth and lead to reductions of competitiveness. While this has proven to be true in many fronts as wineries are facing very difficult trading times, in particular the small to medium sized business, the concerns of the grower population is that much of the impact has been borne by the wine grape producers.

The cumulative reductions in growers financial returns that occurred in the Vintage immediately following the introduction the GST, the "*Australia's Simplified Taxation System*" mirrored the increased amount of funds paid by wineries to the government under the new system.

While the potential for coincidence is possible, the case remains that wineries that were forced through the new taxation system into a different financial situation, were able to defer the impacts of this by keeping their margins intact by making lesser value payments to wine grape producers. The growers paid the tax and were the net loser in the industry.

This conjecture is backed by a speech by Senator A.B. Ferguson in 23 March 1995 on taxation in the wine industry:

"I have a particular concern for the grape growers, which is the same concern I have always had for primary producers. The grape growers, who are primary producers, are price takers and not price setters. All of the difficulties we have seen in primary industries over the past few years are due to the fact that the primary producers have no control over the amount they receive for the goods they produce. Regardless of the cost of production, they take only what the market offers. But, because it value adds, the wine industry can be a price setter. It can reclaim its costs. It can make sure that it sells its product at a profit while the grape

growers cannot. Currently, the grape growers are undergoing a boom. Although production is down significantly this year—by up to 40 per cent in some places in the Barossa Valley—the increase in prices means that the growers are remaining viable and are going through good times. I remember a time, not so very long ago, particularly in the vine-pull era, when they were struggling just to hang on to their properties. I therefore urge this government to reject the recommendations of this commission of inquiry for an increase in taxes so that this industry, which has a target of \$1 billion of exports by the year 2000, is allowed to get on with its job without any impediments.”

Issue Nine

As a primary producer it constantly feels that the financial squeeze is being applied to the grass roots, the producer. Growers of quality should be able to ensure that they receive a viable return for their produce.

As a grower representative body it is concerning for the industry to be in a state of constant turmoil. Growers need some assistance that will work to balance the power that is constantly being applied by the wine makers within the industry. Such assistance need not impact on the competitiveness of the industry but should work to force unscrupulous behaviour out of the industry to ensure that growers that deal with a number of purchasers of their product are treated equally and fairly.

The industry needs to be united against those that do not work actively promoting and undertaking business methods and practices that are sound, honest and transparent. Without a viable production base the local and regional economies will suffer. Rationalisation of the industry without appropriate thought to the development of the economies that survive in the industry, could be catastrophic to this industry and others within Australia.

Conclusion

What the industry requires is an appropriately funded national grape growers' representative body. This responsibility has for many years been undertaken by the major inland production regions. To look further a field and obtain input and funding from the rest of Australia's wine grape producers is a necessity.

The national body should be able to act for and on behalf of growers and be tasked with the role of management of a suitable Mandatory Code of Conduct, for the benefit of all participants within the industry. The Code of Conduct should include provisions of minimum terms and conditions of payment for the entire industry. Wine grape purchases would only be allowed to purchase wine grapes if they complied with the terms and conditions of payment as minimum standards. These would override any current and future contracts in place. The introduction of possible penalty provisions would need to be instigated by the national representative body to ensure that the code was adhered to across the entire industry.

The national representative body should also be tasked with the role of maintaining the national registrar of vineyards. This would ensure that production statistics are accurate and would enable the body to ensure that it has completeness of revenues in relation to any levy charged.

It should have the power and sufficient funding to enable it to liaise with government to offer advice on the industry and plant health and its financial well being. It would also be able to consider the cost benefit of proposed research activities that require grower funding through the current industry levy. It would also be able to work with industry bodies such as Plant Health Australia, Grape and Wine Research and Development Corporation and the Winemakers Federation of Australia – actively representing the interests of producers.

To fund this body a national levy of all wine grape production that is not grown by wineries would be required. As an example of how this could be structured the Board proposes the standard as applied within its own area of operations through its current legislation.

The peak national body should be constituted for all growers that harvest greater than 20 tonnes of wine grapes in the calendar year, but should not include:

- (a) in the case of a corporation:
 - i. a grower that is also a winery, or
 - ii. a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - i. a grower who is also a winery, or
 - ii. a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvest.

The levy, or service charge would need to be set by an overseeing body based on approved budgets at a properly convened meeting of producers.

The Government should be integral in the maintenance of this system through its current levy collection departments for agricultural industries. The federal Government currently collects a compulsory levy for research and development that works to assist the industry. This process would be an extension of this.

The structure of the national wine grape growers body should take into account the diversity of the nations wine regions and existing grower representative bodies. As the Board is currently part of the steering committee that is seeking to form a truly national representative body within this industry it recommends that the Government look at what is currently being proposed.

On behalf of wine grape producers the Board's would like to offer its thanks to the Senate, Rural and Regional Affairs and Transport Reference Committee for their interest in this industry. The Board trusts that this inquiry into the wine industry has beneficial and recognisable outcomes that the industry can utilise to continue to develop and grow in a sustainable manner that benefits all participants.

References

MIA Business Enterprise Centre Ltd (1994) Riverina Wine Grape and Wine Industry: Submission to the Commonwealth Inquiry into the Winegrapes and Wine Industries, unpublished.

Ferguson Senator A.B, Senate Hansard 23 March 1995, Taxation: Wine Industry, page 2051.

Appendix 1

Wine Grapes Marketing Board (Reconstitution) Act 2003 Including Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003

Wine Grapes Marketing Board (Reconstitution) Act 2003

Does not include amendments by:

Civil Procedure Act 2005 No 28 (not commenced)

Note:

This Act is to be repealed at the beginning of 1.1.2008 -- see sec 26.

Long Title

An Act to provide for the reconstitution of the Wine Grapes Marketing Board as an agricultural industry services committee under the *Agricultural Industry Services Act 1998*; to provide for the temporary regulation of the terms and conditions of payment for MIA wine grapes; and for other purposes.

Part 1 – Preliminary

1 Name of Act

This Act is the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

2 Commencement

This Act commences on 1 January 2004.

3 Definitions

In this Act:

"Board" means the Wine Grapes Marketing Board established by the regulation set out in Schedule 1.

"Board's area of operations" means the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee.

"complying contract" means:

(a) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year only, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into before the first Monday in December of the previous calendar year, or

(b) a contract that fixes:

(i) the prices to be paid for consignments of MIA wine grapes delivered during both the current calendar year and one or more future calendar years, or the manner in which those prices are to be calculated, and

(ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into at any time before the first delivery of wine grapes under the

contract, or

(c) a contract the subject of an approval in force under section 13.

"consignee" means a person to or for whom a consignment of MIA wine grapes is delivered.

"consignor" means a person by or from whom a consignment of MIA wine grapes is delivered.

"Department" means the Department of Primary Industries.

"Director-General" means the Director-General of the Department.

"duly contracted delivery" means a consignment of MIA wine grapes that is delivered pursuant to a complying contract.

"exercise" a function includes perform a duty.

"former Board" means the Wine Grapes Marketing Board, as constituted under the *Marketing of Primary Products Act 1983* immediately before the commencement of this Act.

"function" includes a power, authority or duty.

"MIA wine grapes" means any variety of grapes grown in the Board's area of operations for use for processing into wine, must, juice or wine spirit.

"price schedule" means a schedule issued by a person for the purpose of publicising the prices that the person will pay for MIA wine grapes delivered to the person during the period to which the schedule relates, as varied from time to time under section 4 (4).

Part 2 – Wine grapes marketing

Division 1 – Establishment of prices, and terms and conditions of payment, for MIA wine grapes

4 Price schedules

(1) Any person may provide the Board with a price schedule, in a form approved by the Board, for MIA wine grapes to be delivered to the person otherwise than pursuant to a complying contract.

(2) A price schedule:

(a) must set out minimum prices that will be paid for consignments of MIA wine grapes delivered during the period to which the schedule relates, and

(b) may set out minimum prices with respect to:

(i) different varieties and grades of wine grapes, and

(ii) different days and times of delivery.

(3) A price schedule must also set out:

(a) any factor, condition or circumstance that may operate to reduce any price offered for a consignment of MIA wine grapes, and

(b) the way in which any such reduction will be calculated.

(4) A person who has provided the Board with a price schedule may, by notice in writing given to the Board, vary the schedule from time to time so as:

(a) to change it in relation to wine grapes to which it already applies, or

(b) to extend it to wine grapes to which it does not already apply.

(5) A reduction in any price arising from the variation of a price schedule does not have effect until:

(a) 48 hours after the reduction is notified to the Board, in the case of a reduction

- notified to the Board before 30 January in the year concerned, or
- (b) 24 hours after the reduction is notified to the Board, in the case of a reduction notified to the Board on or after 30 January in the year concerned.
- (6) A person who has provided the Board with a price schedule must ensure that copies of the schedule, and any variation of the schedule, are made available to prospective consignors on request.

5 Board may make order as to terms and conditions of payment

- (1) The Board may at any time, by order published in the Gazette:
- (a) establish terms and conditions of payment for MIA wine grapes delivered during that year otherwise than pursuant to a complying contract, and
 - (b) establish a formula for calculating the amounts payable to the Board, towards any rates levied under the *Agricultural Industry Services Act 1998*, in relation to deliveries of MIA wine grapes, and
 - (c) establish a timetable in accordance with which:
 - (i) consignees are to make payments to the Board under sections 10 (1) (a) and 14 (1), and
 - (ii) the Board is to make payments to consignors under section 10 (1) (b).
- (2) The terms and conditions of payment referred to in subsection (1) (a) are to be established by the Board having regard to any submissions made by wineries and wine grape growers within the meaning of the regulation set out in Schedule 1.
- (3) Without limiting subsection (1) (a), the terms and conditions set by an order under this section may fix the rate at which interest is to accrue on the late payment of the price of MIA wine grapes so delivered, or on the late payment of any instalment of that price.
- (4) The rate at which interest is to accrue must not exceed the rate prescribed under section 95 (1) of the *Supreme Court Act 1970* for payment of interest on a judgment debt, plus 5 per cent.
- (5) Copies of each order under this section are to be published in at least one daily newspaper circulating throughout New South Wales.
- (6) A failure to comply with the requirements of subsection (5) with respect to an order under this section does not affect the validity of the order.
- (7) An order that is made under this section after 20 January in any year does not have effect until the following year.
- (8) The making of an order under this section is specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.

Division 2 – Regulation of deliveries and payments for MIA wine grapes

6 Application of Division

This Division applies to any delivery of MIA wine grapes, other than a duly contracted delivery.

7 Deliveries of MIA wine grapes not to be accepted unless price schedule notified to Board

- (1) A person must not accept delivery of a consignment of MIA wine grapes unless a price schedule applicable to that consignment has been provided to the Board on or before 30 January in that year.
- (2) A person's contravention of subsection (1) does not affect the person's other obligations under this Division.

8 Persons accepting delivery of MIA wine grapes to furnish certain documentation

On accepting delivery of a consignment of MIA wine grapes, the consignee must give to the consignor, by handing to the person by whom the consignment is actually delivered, documentation that sets out:

- (a) the date of the delivery, and
- (b) the quantity and variety of the wine grapes in the consignment, and

- (c) the relevant provisions of the price schedule applicable to the consignment, and
- (d) any factor, condition or circumstance that operates to reduce the price payable for the consignment and the amount of any such reduction.

9 Minimum price to be paid for MIA wine grapes

(1) The price to be paid for a consignment of MIA wine grapes delivered on any day is taken to be:

(a) if the consignee has provided a price schedule to the Board:

- (i) the price offered for the consignment, reduced in accordance with any applicable factor, condition or circumstance set out in the price schedule applicable to the consignment, or
- (ii) the minimum price payable for the wine grapes in accordance with the price schedule applicable to the consignment,

whichever is the greater, or

(b) if the consignee has failed to provide a price schedule to the Board:

- (i) the price offered for the consignment, or
- (ii) a price equivalent to the average price for wine grapes of the same variety and grade delivered on the same day,

whichever is the greater.

(2) For the purposes of subsection (1) (b) (ii), the average price for wine grapes of a particular variety and grade delivered on a particular day is the arithmetic mean of the prices for wine grapes of that variety and grade, delivered on that day, set out in the price schedules provided to the Board.

10 How payments to be dealt with

(1) Unless the Board directs otherwise, either generally or in relation to a particular consignee or class of consignees:

(a) the price to be paid for MIA wine grapes delivered on any day is to be paid by the consignee to the Board in accordance with the Board's terms and conditions referred to in section 5 (1) (a), and

(b) the money received by the Board in relation to the delivery, less any amount calculated in accordance with section 5 (1) (b), must be paid by the Board to the consignor,

within the period allowed by the Board's timetable for payment under section 5 (1) (c).

(2) Such a direction may be given on the Board's own motion or on the application of one or more consignees.

Division 3 – General

11 Application of Division

This Division applies to any delivery of MIA wine grapes, including a duly contracted delivery.

12 Consignees to furnish Board with certain information

(1) On or before 1 May in each year, each consignee must furnish a report to the Board with respect to MIA wine grapes that have been delivered to the consignee during the period beginning 1 July in the previous year and ending on 14 April in that year.

(2) On or before 30 June in each year, each consignee who has received MIA wine grapes since 14 April in that year must furnish a supplementary report to the Board with respect to MIA wine grapes that have been delivered to the consignee since that date.

(3) The reports must include the following details in relation to each delivery:

- (a) the identity of the consignor of the delivery,
- (b) the quantity and variety of the wine grapes in the delivery,
- (c) except in the case of a duly contracted delivery, the price of the wine grapes in the delivery.

(4) A consignee must not fail or refuse to comply with the requirements of this section.

13 Board may approve certain contracts

- (1) The Board may approve a contract entered into on or after the first Monday in December of the previous year, being a contract that fixes:
- (a) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year, or the manner in which those prices are to be calculated, and
 - (b) the date or dates by which those prices, or the various instalments of those prices, will be paid.
- (2) An application for the Board's approval to a contract may be made, in a form approved by the Board, by any party to the contract.
- (3) The Board's approval to a contract is taken to have been given if, at the expiry of 14 days after such an application has been made, the Board's decision on the application has not been given to the applicant.
- (4) An applicant may apply to the Administrative Decisions Tribunal for a review of its decision to refuse to give an approval under this section.

14 Consignees of duly contracted deliveries to deduct sums for payment to Board

- (1) If a consignee accepts a duly contracted delivery of MIA wine grapes, the amount calculated in relation to that delivery in accordance with section 5 (1) (b) is to be paid to the Board by the consignee within the period allowed by the Board's timetable for payment under section 5 (1) (c).
- (2) The amount may be deducted from any money payable by the consignee to the consignor with respect to that delivery.
- (3) This section does not apply to a duly contracted delivery of MIA wine grapes in respect of which an amount has been paid to the Board under this section in relation to a previous delivery of those wine grapes.

15 Minister may grant exemptions from Part

The Minister may, by order, exempt any specified person or class of persons, either conditionally or unconditionally, from the operation of this Part or any specified provision of this Part.

16 No contracting out

A contract or agreement is void to the extent to which it purports to exclude, modify or restrict the operation of this Part or has the effect of excluding, modifying or restricting the operation of this Part.

Part 3 – Miscellaneous

17 Departmental inspectors

- (1) In making a decision with respect to the appointment of a person to exercise the functions of a Departmental inspector under the *Agricultural Industry Services Act 1998* in relation to matters arising under this Act, the Director-General must have regard to any submissions or nominations made by the Board.
- (2) Despite subsection (1), a person may not be appointed to exercise any such function if the person is a member of the Board or a member of the Board's staff.
- (3) The powers exercisable by a Departmental inspector under section 33 of the *Agricultural Industry Services Act 1998* include the power to require a person to furnish the inspector with:
- (a) information of the kind required to be included in a report under section 12 of this Act, or
 - (b) information of the kind necessary to establish whether or not a particular document is or is not a complying contract.
- (4) The powers exercisable by a Departmental inspector under section 34 of the *Agricultural Industry Services Act 1998* include the power to enter premises, and to inspect and take copies of documents, for the purpose of obtaining:

- (a) information of the kind required to be included in a report under section 12 of this Act, or
 - (b) information of the kind necessary to establish whether or not a particular document is or is not a complying contract.
- (5) A Departmental inspector may exercise functions under the *Agricultural Industry Services Act 1998* in relation to MIA wine grapes within or beyond the Board's area of operations.
- (6) The Board must pay to the Director-General such amounts as the Director-General may from time to time determine to defray the costs and expenses of Departmental inspectors in the exercise of such of their functions under the *Agricultural Industry Services Act 1998* as arise under this section.

18 Funding of Board's operations

Any amounts payable by the Board under this Act, and any costs or expenses incurred by the Board in the exercise of its functions under this Act, may be paid for out of the Board's general fund under Part 3 of the *Agricultural Industry Services Act 1998*.

19 Recovery of unpaid money

Any money due to the Board or the Director-General under this Act (including any money that becomes payable as a consequence of the revocation of a direction under section 10) may be recovered as a debt.

20 Proceedings may be taken in name of Board

- (1) Proceedings for an offence against this Act may be taken in the name of the Board by any officer of the Board who is authorised by the Board in that regard.
- (2) Proceedings taken in the name of the Board are, in the absence of evidence to the contrary, taken to have been commenced in accordance with an authority under this section.
- (3) This section does not prevent proceedings for an offence against this Act from being commenced by any person otherwise than in accordance with an authority under this section.

21 Directors and managers liable for offences committed by corporations

- (1) If a corporation contravenes a provision of this Act, each person who:
 - (a) is a director of the corporation, or
 - (b) is concerned in the management of the corporation,is to be treated as having contravened that provision if the person knowingly authorised or permitted the contravention.
- (2) A person may, under this section, be proceeded against and convicted for a contravention of such a provision whether or not the corporation has been proceeded against or convicted for a contravention of that provision.
- (3) Nothing in this section affects any liability imposed on a corporation for an offence committed by the corporation against this Act.

21A Delegation

The Director-General may delegate the exercise of any function of the Director-General under this Act (other than this power of delegation) to any member of staff of the Department.

22 Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003

Schedule 1 is taken to be, and has effect as, a regulation made under the *Agricultural Industry Services Act 1998* for the purposes of section 5 of that Act.

23 Abolition of former Board

The former Board is abolished.

24, 25 (Repealed)

26 Expiry of Act

This Act is repealed at the beginning of 1 January 2008.

Schedule 1 Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003

(Section 22)

Part 1 – Preliminary

1 Name of Regulation

This Regulation is the *Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003*.

2 Definitions

In this Regulation:

"area of operations", in relation to the Board, means the area of operations for which the Board is constituted, as set out in clause 5.

"Board" means the agricultural industry services committee established by this Regulation.

"former Board" means the Wine Grapes Marketing Board, as constituted under the *Marketing of Primary Products Act 1983* immediately before the commencement of this Regulation.

"MIA wine grapes" means any variety of grapes grown within the Board's area of operations for use for processing into wine, must, juice or wine spirit.

"the Act" means the *Agricultural Industry Services Act 1998*.

"wine grape grower" means a grower that belongs to the class of primary producers referred to in clause 4.

"winery" means a processor that processes MIA wine grapes within the Board's area of operations.

Part 2 – Establishment and functions of Board

3 Establishment of Board

- (1) There is established by this Regulation an agricultural industry services committee with the corporate name of the Wine Grapes Marketing Board.
- (2) The Board is a continuation of the former Board.

4 Class of primary producers for which Board is constituted

For any calendar year, the class of primary producers for which the Board is constituted includes all growers within the Board's area of operations who, during the previous calendar year, harvested more than 20 tonnes of MIA wine grapes, but does not include:

- (a) in the case of a corporation:
 - (i) a grower that is also a winery, or

- (ii) a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - (i) a grower who is also a winery, or
 - (ii) a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvests.

5 Area of operations of Board

The area of operations for which the Board is constituted consists of the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee.

6 Commodity for which Board is constituted

The commodity for which the Board is constituted is MIA wine grapes.

7 Agricultural industry services of Board

The agricultural industry services for which the Board is constituted are as follows:

- (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 the sale 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 regional industry, including regional wine-making, 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).

Part 3 – Other provisions relating to Board

8 Membership of Board

- (1) The Board is to consist of 7 members, of whom:
 - (a) five are to be elected by the Board's constituents, and
 - (b) two are to be appointed by the elected members.
- (2) If there are insufficient eligible nominees for election under subclause (1) (a), additional members are to be appointed by the elected members to make up the insufficiency.

9 Quorum for meeting of Board

The quorum for a meeting of the Board is 4 of its members.

10 Voting entitlements of constituents

The voting entitlements for the Board's constituents for both polls and elections is one vote per constituent.

11 Quorum for meeting of constituents

The quorum for a meeting of the Board's constituents is 30 constituents.

12 Financial year

The financial year of the Board is the year ending on 31 December.

Schedule 2 (Repealed)

Historical notes

The following abbreviations are used in the Historical notes:

Am	amended	No	number	Schs	Schedules
Cl	clause	p	page	Sec	section
ClI	clauses	pp	pages	Secs	sections
Div	Division	Reg	Regulation	Subdiv	Subdivision
Divs	Divisions	Regs	Regulations	Subdivs	Subdivisions
GG	Government Gazette	Rep	repealed	Subst	substituted
Ins	inserted	Sch	Schedule		

Table of amending instruments *Wine Grapes Marketing Board (Reconstitution) Act 2003 No 100*. Second reading speech made: Legislative Council, 20.11.2003; Legislative Assembly, 3.12.2003. Assented to 10.12.2003. Date of commencement, 1.1.2004, sec 2. This Act has been amended as follows:

2004	No 91	<i>Statute Law (Miscellaneous Provisions) Act (No 2) 2004</i> . Assented to 10.12.2004. Date of commencement of Sch 1.43, assent, sec 2 (2).
2005	No 64	<i>Statute Law (Miscellaneous Provisions) Act 2005</i> . Assented to 1.7.2005. Date of commencement of Sch 3, assent, sec 2 (1).

Table of amendments

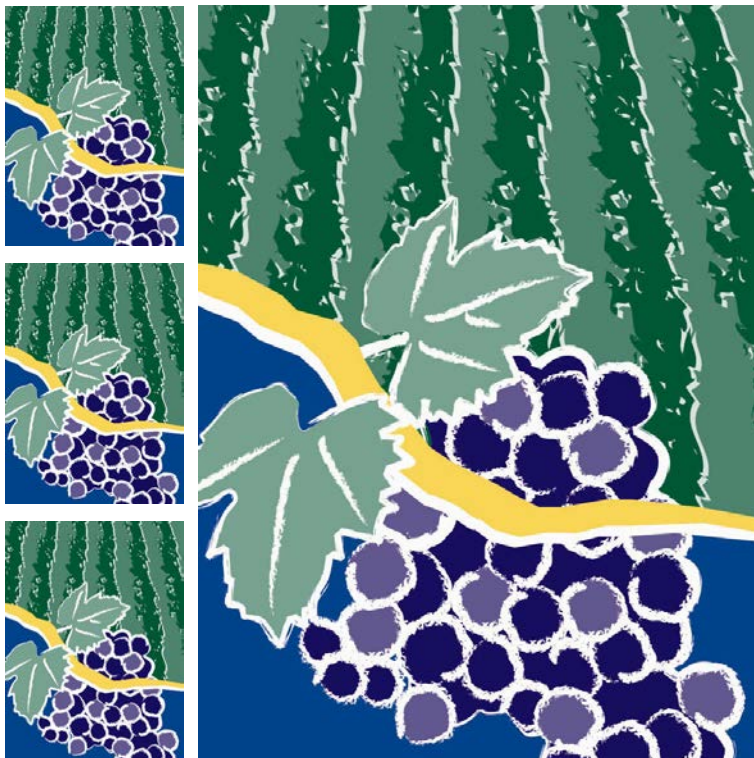
Sec 3	Am 2004 No 91, Sch 1.43 [1] [2].
Sec 21A	Ins 2004 No 91, Sch 1.43 [3].
Secs 24, 25	Rep 2005 No 64, Sch 3.
Sec 26	Am 2004 No 91, Sch 1.43 [4].
Sch 2	Rep 2005 No 64, Sch 3.

Appendix 2

Riverina Pricing and Utilisation Survey 2005-2010

2005 - 2010

WINE GRAPES MARKETING BOARD



RIVERINA WINEGRAPES PRICING AND UTILISATION SURVEY 2005 - 2010

JULY 2005



Australian Government
Australian Wine and
Brandy Corporation



Australian Government
Grape and Wine Research and
Development Corporation

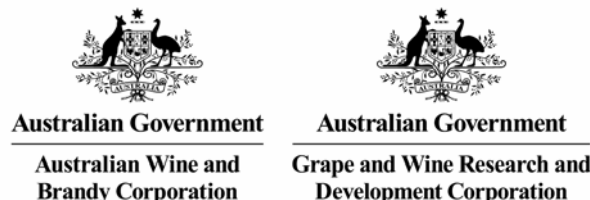
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INTRODUCTION

The Wine Grapes Marketing Board for the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee commissioned this survey of wineries drawing fruit grown in the regions under the Board's jurisdiction. The coverage approximates to the Geographic Indication "Riverina".

This is principally a Riverina Wine Grapes Marketing Board funded project. Funding for this survey has also been provided the Australian Wine and Brandy Corporation and the Grape and Wine Research and Development Corporation.



This is the eighth year the survey has been conducted in the region. Data was collected using the form developed by the Australian Wine and Brandy Corporation for the Australian Regional Winegrape Crush Survey, which has common collection methodology and coordinated coverage to enable regional and State data to be aggregated to form a national position.

The Report is presented in Three Parts:

- Part 1** Sets details of grape price and intake data as well as purchases by wineries for the 2005 vintage.
- Part 2** Shows grapes crushed for 2005 and preferred intake data for the period 2006 to 2010.
- Part 3** Contains individual variety analysis of price, actual and expected intake, and preferred intake.

DATA REQUESTED FROM WINERIES

2005 Pricing Survey

All wineries that purchased grapes in the region were sent a questionnaire seeking information by variety on tonnes purchased, total purchase value per variety and the highest and lowest price per tonne paid. This amount is based on the post-receival price not including any amount added for freight or any end use bonuses other than bonus payments made at the time of the survey. It does not include any value for own-grown fruit.

Utilisation Survey 2005 - 2010

Wineries were asked to nominate their actual usage of grapes for 2005 vintage dissected into those sourced from their own vineyards (**own grown**) and those **purchased** from third parties. Future (expected) usage of grapes for the vintages 2006 to 2010 was also sought on the same basis, as well as preferred usage for those years. The **estimated usage** is *broadly* equivalent to the winery's estimate of grape supply over the reporting period, while **preferred usage** is broadly equivalent to demand.

The following definitions applied:

Tonnes Crushed

"Tonnes crushed" is the tonnage of grapes crushed by a winery or crushed on a winery's behalf used to make juice or wine in the past vintage. Tonnes crushed is made up of tonnes "own grown" and tonnes purchased. It excludes contract winemaking where ownership of the grapes does not remain with the winery.

Tonnes Expected

This is the tonnage of grapes expected to be delivered to the winery during the next five vintages, based on the winery's forecasts of supply/production from the winery's vineyards and other growers' vineyards.

Tonnes Preferred

The 'tonnes preferred' for the current vintage is the tonnage of grapes that the winery would have preferred to have crushed in an "ideal" vintage not affected by weather, contract commitments etc. This can be higher or lower than the tonnes crushed.

The 'tonnes preferred' for future years is the tonnage of grapes the winery would like to receive in order to meet projected requirements in accordance with sales forecasts. This would take into account projected growth and any restrictions in the area of capital equipment and inventory expansion, but would not take into account any possible grape supply restrictions.

Respondents were asked to differentiate expected intake between grape grown on their own vineyards and fruit purchased from other growers.

Data Collection and Processing

McGrath-Kerr Business Consultants Pty Ltd

Publication Formatting and Comments

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Copies of this document can be obtained via the Board's internet site in pdf format.

DISCLAIMER

While every effort is taken to ensure the accuracy of the data in this report, the Wine Grapes Marketing Board will not be held liable for the reporting of individual wineries and hence the aggregate information contained in this report.

Persons using this report for the purposes of investment decisions should not rely solely on the information contained in the report. Communication with industry bodies, existing producers and wine grape processors are invaluable as the aggregate information may mask individual wine company demand preferences.

The Wine Grapes Marketing Board recommends that before any plantings of new grape vines or re-plantings occur growers should have a valid contract. Information on the items growers should ensure are contained within a contract can be obtained by contacting the Board office.

Note: Any discrepancy between totals and sums of components is due to rounding.

PART 1: PRICE & INTAKE DATA

Intake 2001-2005 (tonnes)

VARIETY	2001	2002	2003	2004	2005	% (+/-)
WHITE						
Chardonnay	21,210	30,258	29,129	37,954	47,581	25%
Chenin Blanc	681.89	1,223	955	1,045	1,072	3%
Colombard	8,015	12,168	10,811	14,071	13,359	-5%
Marsanne	1,340	1,724	1,043	1,619	882	-46%
Muscat Gordo	4,175	5,750	5,025	5,709	5,138	-10%
Pinot Gris	np	np	np	208	1,201	478%
Riesling	1,621	3,478	3,885	4,244	4,327	2%
Sauvignon Blanc	2,141	3,808	2,515	3,260	3,371	3%
Semillon	33,692	43,350	32,275	39,046	37,859	-3%
Traminer	2,295	3,668	3,210	3,611	4,863	35%
Trebbiano	5,517	7,072	5,657	6,117	4,914	-20%
Verdelho	3,000	4,950	4,215	5,649	5,811	3%
Viognier	np	np	np	np	481	
Other White	2,006	3,039	2,378	2,946	2,141	-27%
Total White	85,692	120,488	101,099	125,479	133,000	6%
RED						
CabSavignon	12,732	20,813	14,790	22,733	22,452	-1%
Durif	1,488	2,007	3,397	4,422	4,469	1%
Grenache	251	549	296	362	302	-17%
Mataro	1,684	1,859	1,773	2,023	1,499	-26%
Merlot	7,577	15,639	10,354	15,426	15,280	-1%
Petit Verdot	214	1,213	1,466	2,671	2,537	-5%
Pinot Noir	1,786	2,546	2,401	2,747	2,882	5%
Ruby Cabernet	8,433	12,245	8,566	11,085	11,779	6%
Shiraz	37,114	47,371	48,231	63,145	51,942	-18%
Zinfandel	494	966	764	902	749	-17%
Other Red	1,807	2,760	2,913	3,889	4,525	16%
Total Red	73,580	107,968	94,952	129,405	118,416	-9%
TOTAL	159,272	228,455	196,051	254,884	251,416	-1%

np – Not published or not available

Weighted Average Prices summary, 2000-2005

VARIETY	2000	2001	2002	2003	2004	2005	05/04
WHITE	\$/t	\$/t	\$/t	\$/t	\$/t	\$/t	%
Chardonnay	565	649	761	865	882	653	-26%
Chenin Blanc	318	333	327	332	352	329	-7%
Colombard	325	363	379	358	378	359	-5%
Doradillo	267	274	288	275	287	276	-4%
Marsanne	314	332	341	315	361	335	-7%
Muscat Blanc	363	400	393	384	387	369	-5%
Muscat Gordo	356	373	363	360	360	351	-2%
Palomino	296	307	303	270	321	301	-6%
Riesling	401	435	494	489	431	395	-8%
Sauvignon Blanc	383	354	401	393	498	504	1%
Semillon	338	371	395	388	411	411	0%
Traminer	491	565	614	481	453	408	-10%
Trebbiano	309	343	316	312	335	326	-2%
Verdelho	348	362	377	335	374	357	-5%
All White	383	428	470	500	534	484	-9%
RED							
Cab Sauvignon	670	558	440	448	425	402	-5%
Durif	447	540	519	431	444	400	-10%
Grenache	442	440	418	311	343	318	-7%
Mataro	427	408	305	289	321	320	0%
Merlot	565	556	482	413	422	408	-3%
Petit Verdot	441	503	466	471	388	385	-1%
Pinot Noir	557	574	502	419	478	474	-1%
Ruby Cabernet	518	501	401	387	358	337	-6%
Shiraz	506	593	504	465	457	439	-4%
All red	526	561	467	438	431	410	-5%
TOTAL	439	488	469	470	482	449	-7%

The decline in average values to \$449 per tonne (\$482 in 2004) has impacted greatly on the gross farm gate value of production across the region. In average terms the gross value of production has declined from \$123 million in 2004 to \$113 million in 2005. The average reduction in EBIT returns to wine grape production enterprises is approximately \$30,000.

Production values are now as low in average terms as they were in the year 2000, albeit with a larger area of production.

Grape Purchases Summary 2005

Wine Grape Varieties	Tonnes ¹ harvested	Tonnes ² purchased	Purchase price at weighbridge		Total purchase value \$	Weighted average price (\$/t)
			Lowest price (\$/t)	Highest price(\$/t)		
WHITE						
Chardonnay	47,436	39,536	200	1,024	25,830,818	653
Chenin Blanc	1,073	868	320	350	286,066	329
Colombard	13,072	12,672	320	392	4,547,351	359
Doradillo	94	94	270	350	26,052	276
Marsanne	881	633	200	500	212,228	335
Muscat Blanc (Frontignac)	1,478	1,075	360	400	396,160	369
Muscat Gordo Blanco	5,160	5,014	250	400	1,760,223	351
Other white (grouped)	210	547	270	700	227,069	392
Palomino	175	167	280	310	50,262	301
Pinot Gris	1,528	1,181	650	1,125	787,085	666
Riesling	4,316	3,420	298	500	1,349,399	395
Sauvignon Blanc	3,389	2,655	400	600	1,337,635	504
Semillon	37,921	32,796	300	650	13,489,233	411
Traminer	4,821	3,547	300	500	1,446,847	408
Trebbiano	4,864	4,585	260	375	1,496,118	326
Unsound / distillation white ³	n/a	171			34,200	200
Verdelho	5,503	4,475	300	500	1,598,286	357
Viognier	481	475	450	650	242,461	511
TOTAL WHITE	132,402	113,911			55,117,493	484
RED						
Barbera	454	315	270	400	99,206	315
Cabernet Franc	402	402	280	350	116,128	289
Cabernet Sauvignon	21,946	18,030	200	723	7,254,063	402
Durif	4,440	4,118	237	800	1,647,811	400
Grenache	301	301	250	400	95,535	318
Malbec	35	35	300	300	10,374	300
Mataro (Mouvedre)	1,496	1,487	250	410	475,222	320
Merlot	14,920	11,736	200	766	4,783,521	408
Other red (grouped)	1,498	723	250	1,800	277,258	383
Petit Verdot	2,476	2,263	274	600	871,730	385
Pinot Noir	2,830	2,012	380	575	953,419	474
Ruby Cabernet	11,352	11,190	240	793	3,772,769	337
Sangiovese	884	804	280	500	259,220	323
Shiraz	51,477	45,590	200	1,100	20,022,183	439
Tempranillo	908	900	300	650	481,905	536
Unsound / distillation red ³	n/a	335			79,774	238
Zinfandel	749	560	200	300	132,720	237
TOTAL RED	116,168	100,801			41,332,838	410
TOTAL ALL VARIETIES	248,570	214,712			96,450,331	449

¹ Tonnes harvested column is a total of all wine grape production recorded from within the Riverina Wine Grapes Marketing Board area of operations. Constituted wine grape production subject to a Board service charge of \$3.90 per tonne = 204,027 tonnes. Valuing total crop at average prices is approx. \$113m – independent growers return \$92 million (\$103m in 2004).

² Tonnes purchased column includes wine grapes purchased in the Riverina Geographical Indication from independent producers, winery-owned production and winery controlled fruit sold. Surveyed production in the Riverina Geographical Indication area for 2005 totaled 251,416 tonnes. 2,846 tonnes were grown outside the Board's area of operations.

³ Unsound wine grapes that were used for distillation purposes were recorded in their variety category by the Board.

PART 2: INTAKE 2005 & PROJECTIONS 2006 – 2010

Summary Table 2005 – 2010 (tonnes)

	2005	2006	2007	2008	2009	2010
WHITE GRAPES						
Expected intake (t)	133,000	153,681	166,980	175,642	182,934	183,339
Preferred Intake (t)	133,705	151,571	161,285	170,651	179,736	180,526
Expected-Preferred (t)	-705	2,110	5,695	4,991	3,199	2,813
Difference/Preferred (%)	-0.5%	1.4%	3.5%	2.9%	1.8%	1.6%
RED GRAPES						
Expected intake (t)	118,416	130,267	135,127	143,015	151,254	152,682
Preferred Intake (t)	111,264	126,339	131,429	139,690	147,804	149,389
Expected-Preferred (t)	7,152	3,929	3,698	3,325	3,451	3,293
Difference/Preferred (%)	6.4%	3.1%	2.8%	2.4%	2.3%	2.2%
TOTAL GRAPES						
Expected intake (t)	251,416	283,948	302,107	318,658	334,189	336,021
Preferred Intake (t)	244,969	277,909	292,714	310,342	327,540	329,915
Expected-Preferred (t)	6,447	6,039	9,393	8,316	6,649	6,106
Difference/Preferred (%)	2.6%	2.2%	3.2%	2.7%	2.0%	1.9%

A positive figure indicates expected intake exceeds demand.

Major Variety Analysis 2005 – 2010 (tonnes)

Cabernet Sauvignon	2005	2006	2007	2008	2009	2010
Expected intake (t)	22,452	24,632	23,760	23,899	24,103	24,215
Preferred Intake (t)	21,710	23,173	22,382	22,592	22,735	22,848
Expected-Preferred (t)	742	1,459	1,378	1,307	1,367	1,367
Difference/Preferred (%)	3.4%	6.3%	6.2%	5.8%	6.0%	6.0%

Variety in slight surplus over the period

Chardonnay	2005	2006	2007	2008	2009	2010
Expected intake (t)	47,581	57,456	67,399	72,586	76,880	77,111
Preferred Intake (t)	42,616	53,370	62,400	68,505	73,497	73,958
Expected-Preferred (t)	4,965	4,086	4,999	4,080	3,383	3,152
Difference/Preferred (%)	11.7%	7.7%	8.0%	6.0%	4.6%	4.3%

Variety in slight surplus over the period

Colombard	2005	2006	2007	2008	2009	2010
Expected intake (t)	13,359	13,567	13,125	13,120	13,058	13,063
Preferred Intake (t)	13,518	13,874	13,433	13,489	13,475	13,537
Expected-Preferred (t)	-159	-307	-308	-369	-417	-474
Difference/Preferred (%)	-1.2%	-2.2%	-2.3%	-2.7%	-3.1%	-3.5%

Variety in balance.

Merlot	2005	2006	2007	2008	2009	2010
Expected intake (t)	15,280	18,011	18,371	20,524	22,853	23,740
Preferred Intake (t)	15,209	17,371	17,841	19,989	22,292	23,194
Expected-Preferred (t)	71	641	530	535	561	546
Difference/Preferred (%)	0.5%	3.7%	3.0%	2.7%	2.5%	2.4%

Variety in balance

Muscat Gordo	2005	2006	2007	2008	2009	2010
Expected intake (t)	5,138	5,234	5,158	5,163	4,651	4,564
Preferred Intake (t)	5,311	5,363	5,303	5,324	4,797	4,715
Expected-Preferred (t)	-173	-129	-145	-162	-145	-151
Difference/Preferred (%)	-3.3%	-2.4%	-2.7%	-3.0%	-3.0%	-3.2%

Variety in balance

Pinot Gris	2005	2006	2007	2008	2009	2010
Expected intake (t)	1,201	4,055	7,156	8,532	10,162	10,162
Preferred Intake (t)	5,169	6,259	7,359	8,704	10,311	10,361
Expected-Preferred (t)	-3,968	-2,204	-203	-172	-149	-199
Difference/Preferred (%)	-76.8%	-35.2%	-2.8%	-2.0%	-1.4%	-1.9%

Early shortage is being addressed by increased production in medium term

Sauvignon Blanc	2005	2006	2007	2008	2009	2010
Expected intake (t)	3,371	3,895	3,980	4,365	4,525	4,565
Preferred Intake (t)	3,867	4,084	4,109	4,409	4,559	4,609
Expected-Preferred (t)	-495	-189	-129	-44	-34	-44
Difference/Preferred (%)	-12.8%	-4.6%	-3.1%	-1.0%	-0.7%	-1.0%

Variety in balance

Semillon	2005	2006	2007	2008	2009	2010
Expected intake (t)	37,859	42,098	41,393	42,003	42,440	42,552
Preferred Intake (t)	37,903	41,054	39,610	40,059	41,632	41,774
Expected-Preferred (t)	-43	1,044	1,783	1,944	808	778
Difference/Preferred (%)	-0.1%	2.5%	4.5%	4.9%	1.9%	1.9%

Variety in balance

Shiraz	2005	2006	2007	2008	2009	2010
Expected intake (t)	51,942	59,399	65,048	70,914	76,573	77,014
Preferred Intake (t)	47,808	58,408	64,166	70,217	75,848	76,437
Expected-Preferred (t)	4,133	991	882	697	725	577
Difference/Preferred (%)	8.6%	1.7%	1.4%	1.0%	1.0%	0.8%

Variety in balance

Intake 2005 & Projections by Variety 2006 (tonnes)

	Usage 2005				2006 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	8,045	39,536	47,581	42,616	9,401	48,055	57,456	53,370
Chenin Blanc	204	868	1,072	967	230	783	1,013	989
Colombard	687	12,672	13,359	13,518	736	12,831	13,567	13,874
Marsanne	249	633	882	985	372	831	1,203	1,031
Muscat Blanc	14	1,075	1,089	1,260	14	995	1,009	1,214
Muscat Gordo	123	5,014	5,138	5,311	138	5,096	5,234	5,363
Pinot Gris	20	1,181	1,201	5,169	20	4,035	4,055	6,259
Riesling	907	3,420	4,327	4,378	932	3,534	4,466	4,841
Sauvignon Blanc	716	2,655	3,371	3,867	562	3,333	3,895	4,084
Semillon	5,063	32,796	37,859	37,903	5,726	36,372	42,098	41,054
Traminer	1,281	3,582	4,863	4,635	1,288	3,625	4,913	4,720
Trebbiano	329	4,585	4,914	4,845	332	4,604	4,936	4,774
Verdelho	1,335	4,475	5,811	6,593	2,337	4,505	6,842	6,809
Viognier	7	475	481	555	7	2,212	2,219	2,249
Other white	107	944	1,052	1,103	73	703	776	941
TOTAL WHITE	19,088	113,912	133,000	133,705	22,168	131,513	153,681	151,571
RED								
Cab Sauvignon	4,422	18,030	22,452	21,710	5,463	19,169	24,632	23,173
Durif	351	4,118	4,469	4,595	360	3,952	4,312	4,307
Grenache	1	301	302	724	1	313	314	282
Mataro (Mouvedre)	12	1,487	1,499	1,440	20	1,001	1,021	985
Merlot	3,544	11,736	15,280	15,209	4,658	13,353	18,011	17,371
Petit Verdot	273	2,263	2,537	2,437	315	2,405	2,720	2,715
Pinot Noir	870	2,012	2,882	2,489	796	2,316	3,112	3,149
Ruby Cabernet	589	11,190	11,779	10,412	620	11,479	12,099	11,632
Sangiovese	75	804	879	878	76	820	896	896
Shiraz	6,352	45,590	51,942	47,808	6,974	52,425	59,399	58,408
Tempranillo	9	900	909	946	13	850	863	863
Zinfandel	189	560	749	669	190	560	750	750
Other red	929	1,809	2,738	1,947	839	1,300	2,139	1,808
TOTAL RED	17,617	100,799	118,416	111,264	20,325	109,942	130,267	126,339
TOTAL ALL	36,705	214,711	251,416	244,969	42,493	241,455	283,948	277,909

Projections by Variety 2007 – 2008 (tonnes)

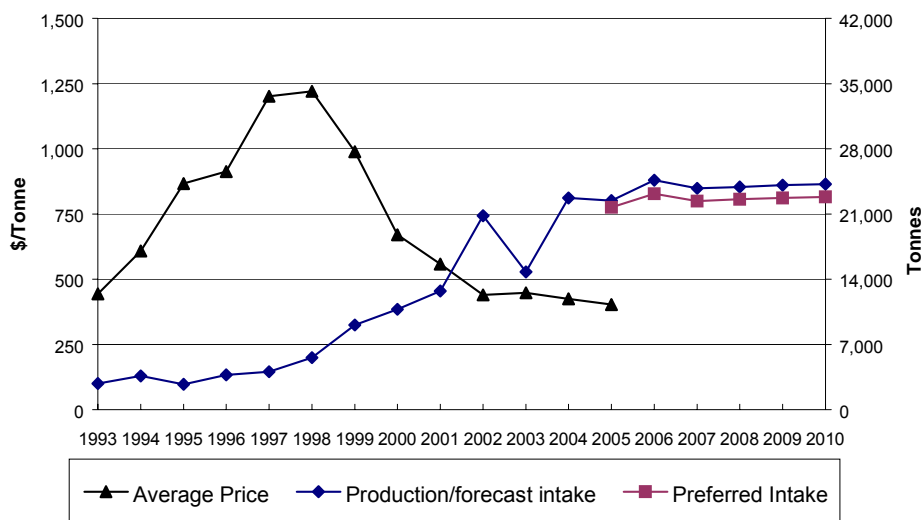
	2007 projections				2008 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	9,601	57,798	67,399	62,400	9,801	62,785	72,586	68,505
Chenin Blanc	230	793	1,023	1,008	230	793	1,023	1,018
Colombard	736	12,389	13,125	13,433	736	12,384	13,120	13,489
Marsanne	372	766	1,138	977	372	766	1,138	988
Muscat Blanc	14	995	1,009	1,214	14	1,045	1,059	1,214
Muscat Gordo	138	5,020	5,158	5,303	138	5,025	5,163	5,324
Pinot Gris	20	7,136	7,156	7,359	20	8,512	8,532	8,704
Riesling	932	3,544	4,476	4,874	932	3,539	4,471	4,912
Sauvignon Blanc	562	3,418	3,980	4,109	562	3,803	4,365	4,409
Semillon	5,996	35,397	41,393	39,610	5,996	36,007	42,003	40,059
Traminer	1,288	3,715	5,003	4,803	1,288	3,835	5,123	4,927
Trebbiano	332	4,476	4,808	4,659	332	4,451	4,783	4,629
Verdelho	2,337	4,505	6,842	6,870	2,337	4,600	6,937	6,938
Viognier	10	3,271	3,281	3,311	15	3,714	3,729	3,759
Other white	75	1,115	1,190	1,355	75	1,537	1,612	1,777
TOTAL WHITE	22,643	144,337	166,980	161,285	22,848	152,794	175,642	170,651
RED								
Cab Sauvignon	5,463	18,297	23,760	22,382	5,463	18,436	23,899	22,592
Durif	360	3,932	4,292	4,287	360	3,942	4,302	4,297
Grenache	1	313	314	282	1	313	314	282
Mataro (Mouvedre)	20	1,001	1,021	985	20	1,001	1,021	985
Merlot	4,658	13,713	18,371	17,841	4,658	15,866	20,524	19,989
Petit Verdot	315	2,403	2,718	2,713	315	2,408	2,723	2,718
Pinot Noir	796	2,294	3,090	3,132	796	2,299	3,095	3,143
Ruby Cabernet	620	11,191	11,811	11,313	620	10,891	11,511	11,131
Sangiovese	76	820	896	896	76	825	901	901
Shiraz	6,974	58,074	65,048	64,166	6,974	63,940	70,914	70,217
Tempranillo	13	850	863	863	13	850	863	863
Zinfandel	190	570	760	760	190	570	760	760
Other red	839	1,345	2,184	1,808	839	1,350	2,189	1,813
TOTAL RED	20,325	114,802	135,127	131,429	20,325	122,690	143,015	139,690
TOTAL ALL	42,968	259,139	302,107	292,714	43,173	275,485	318,658	310,342

Projections by Variety 2009 – 2010 (tonnes)

	2009 projections				2010 projections			
	Tonnes crushed			Tonnes Preferred	Tonnes EXPECTED			Tonnes Preferred
	Own grown	Purchased	Total		Own grown	Purchased	Total	
WHITE								
Chardonnay	9,801	67,079	76,880	73,497	9,801	67,310	77,111	73,958
Chenin Blanc	230	825	1,055	1,029	230	838	1,068	1,040
Colombard	736	12,322	13,058	13,475	736	12,327	13,063	13,537
Marsanne	372	772	1,144	999	372	775	1,147	1,011
Muscat Blanc	14	1,060	1,074	1,214	14	1,080	1,094	1,214
Muscat Gordo	138	4,513	4,651	4,797	138	4,426	4,564	4,715
Pinot Gris	20	10,142	10,162	10,311	20	10,142	10,162	10,361
Riesling	932	3,544	4,476	4,953	932	3,551	4,483	4,960
Sauvignon Blanc	562	3,963	4,525	4,559	562	4,003	4,565	4,609
Semillon	5,996	36,444	42,440	41,632	5,996	36,556	42,552	41,774
Traminer	1,288	3,960	5,248	5,056	1,288	3,960	5,248	5,060
Trebbiano	332	4,425	4,757	4,599	332	4,432	4,764	4,604
Verdelho	2,337	4,677	7,014	7,000	2,337	4,731	7,068	7,067
Viognier	15	4,317	4,332	4,332	15	4,319	4,334	4,334
Other white	75	2,042	2,117	2,282	75	2,042	2,117	2,282
TOTAL WHITE	22,848	160,086	182,934	179,736	22,848	160,491	183,339	180,526
RED								
CabSavignon	5,463	18,640	24,103	22,735	5,463	18,752	24,215	22,848
Durif	360	3,947	4,307	4,302	360	3,957	4,317	4,307
Grenache	1	318	319	282	1	320	321	282
Mataro (Mouvedre)	20	1,003	1,023	985	20	1,004	1,024	985
Merlot	4,658	18,195	22,853	22,292	4,658	19,082	23,740	23,194
Petit Verdot	315	2,413	2,728	2,723	315	2,413	2,728	2,723
Pinot Noir	796	2,314	3,110	3,154	796	2,323	3,119	3,165
Ruby Cabernet	620	10,891	11,511	11,131	620	10,851	11,471	11,091
Sangiovese	76	825	901	901	76	830	906	906
Shiraz	6,974	69,600	76,573	75,848	6,974	70,041	77,014	76,437
Tempranillo	13	850	863	863	13	850	863	863
Zinfandel	190	580	770	770	190	580	770	770
Other red	839	1,355	2,194	1,818	839	1,355	2,194	1,818
TOTAL RED	20,325	130,930	151,254	147,804	20,325	132,357	152,682	149,389
TOTAL ALL	43,173	291,016	334,189	327,540	43,173	292,848	336,021	329,915

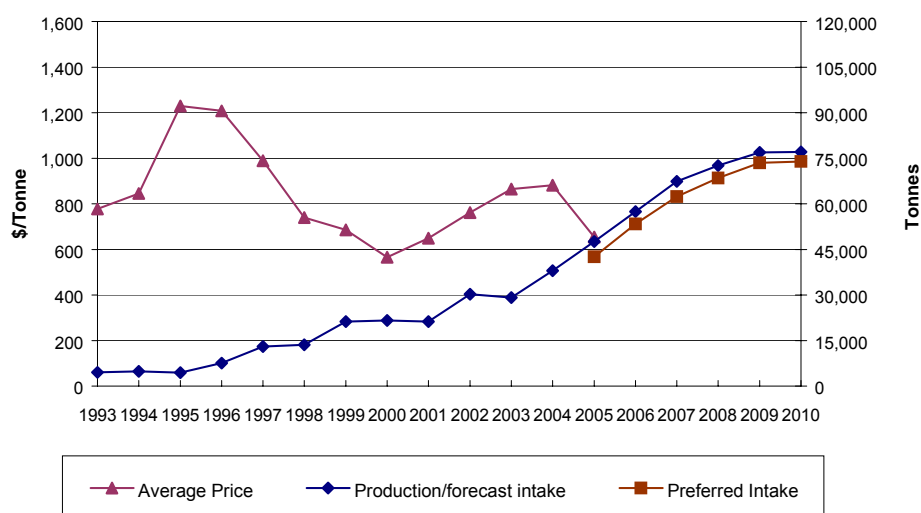
PART 3: VARIETY ANALYSIS

Cabernet Sauvignon



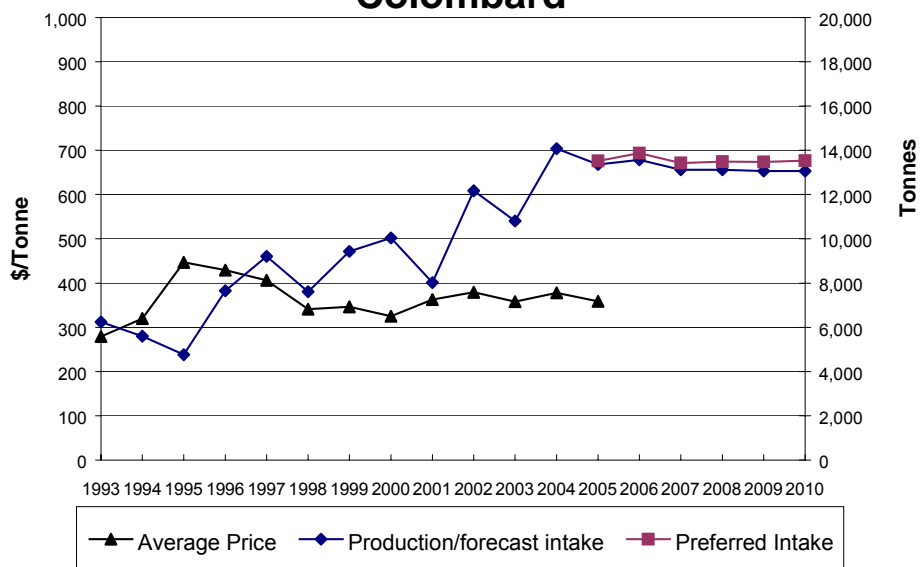
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	9,088	10,787	12,732	20,813	14,790	22,733	22,452	24,632	23,760	23,899	24,103	24,215
Preferred Intake							21,710	23,173	22,382	22,592	22,735	22,848
Average Price	989	670	558	440	448	425	402					

Chardonnay



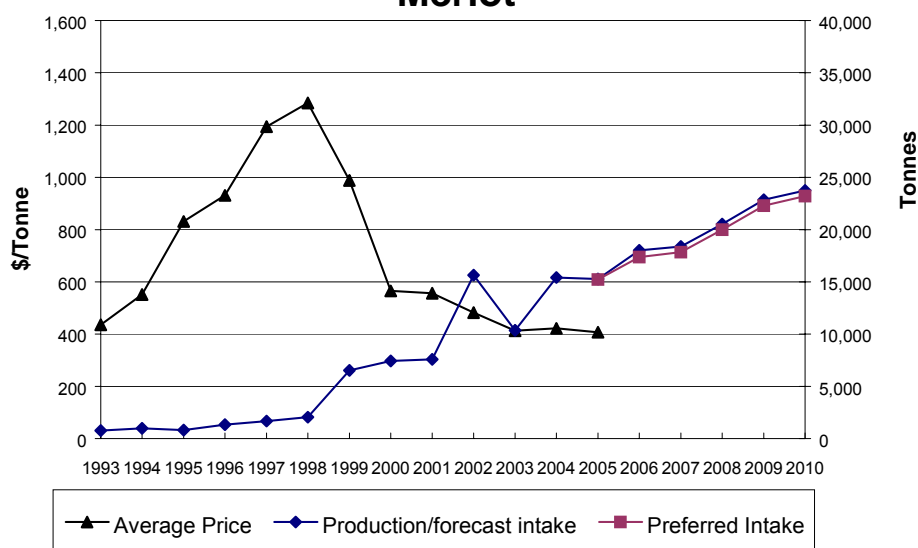
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	21,223	21,578	21,210	30,258	29,129	37,954	47,581	57,456	67,399	72,586	76,880	77,111
Preferred Intake							42,616	53,370	62,400	68,505	73,497	73,958
Average Price	686	565	649	761	865	882	653					

Colombard



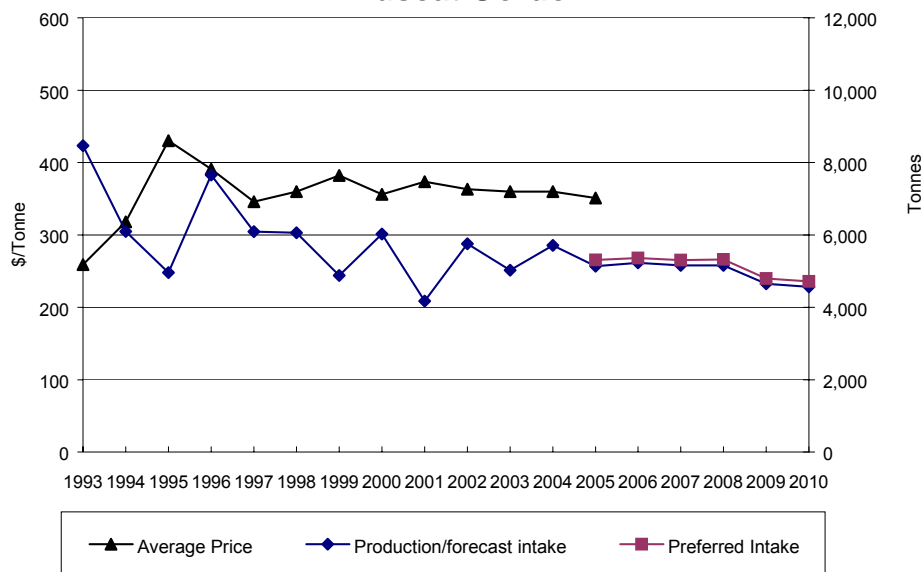
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	9,429	10,041	8,015	12,168	10,811	14,071	13,359	13,567	13,125	13,120	13,058	13,063
Preferred Intake							13,518	13,874	13,433	13,489	13,475	13,537
Average Price	346	325	363	379	358	378	359					

Merlot



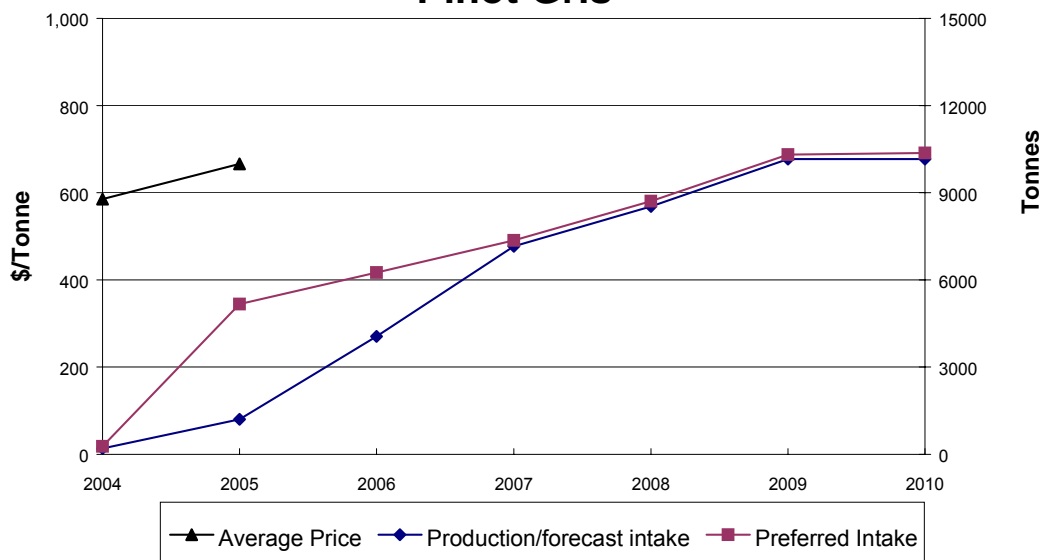
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	6,525	7,446	7,577	15,639	10,354	15,426	15,280	18,011	18,371	20,524	22,853	23,740
Preferred Intake							15,209	17,371	17,841	19,989	22,292	23,194
Average Price	988	565	556	482	413	422	408					

Muscat Gordo



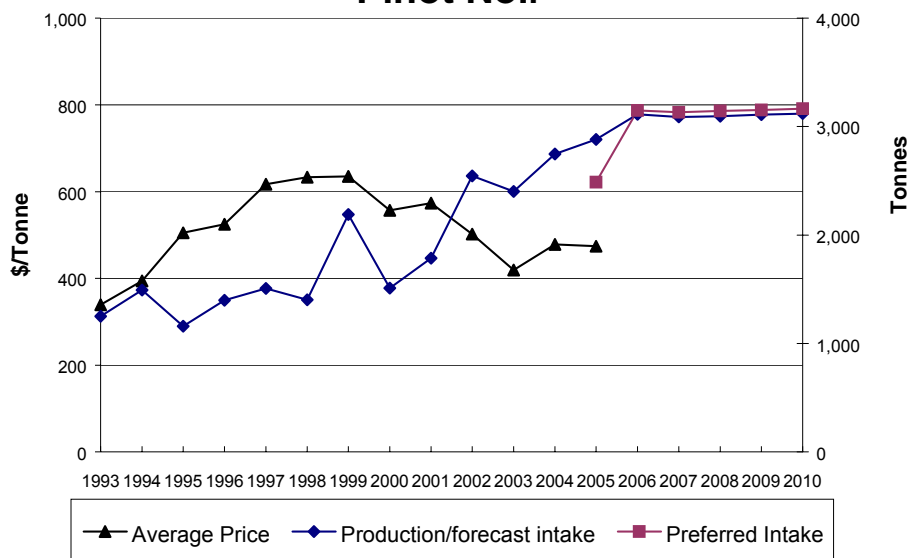
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	4,880	6,022	4,175	5,750	5,025	5,709	5,138	5,234	5,158	5,163	4,651	4,564
Preferred Intake							5,311	5,363	5,303	5,324	4,797	4,715
Average Price	382	356	373	363	360	360	351					

Pinot Gris



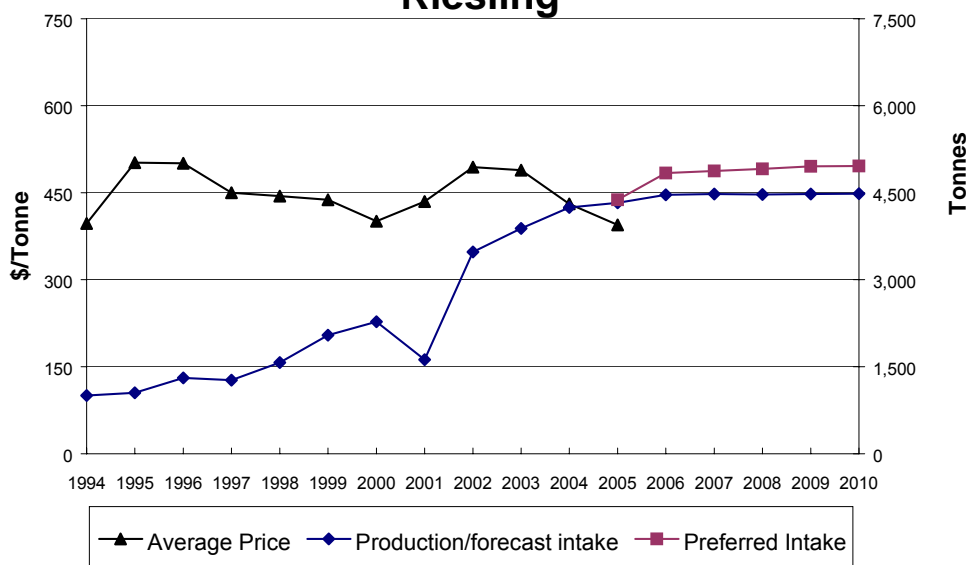
	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	208	1,201	4,055	7,156	8,532	10,162	10,162
Preferred Intake	279	5,169	6,259	7,359	8,704	10,311	10,361
Average Price	585	666					

Pinot Noir



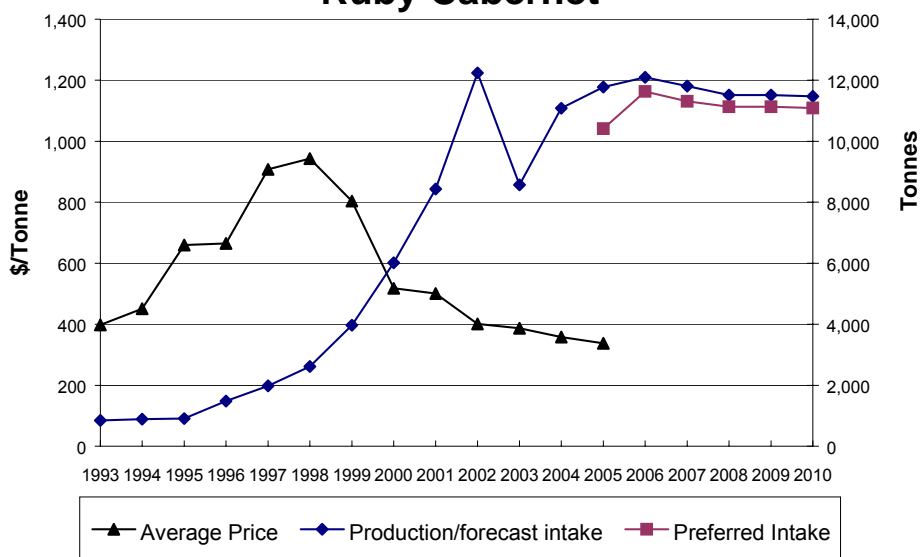
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,191	1,510	1,786	2,546	2,401	2,747	2,882	3,112	3,090	3,095	3,110	3,119
Preferred Intake							2,489	3,149	3,132	3,143	3,154	3,165
Average Price	635	557	574	502	419	478	474					

Riesling



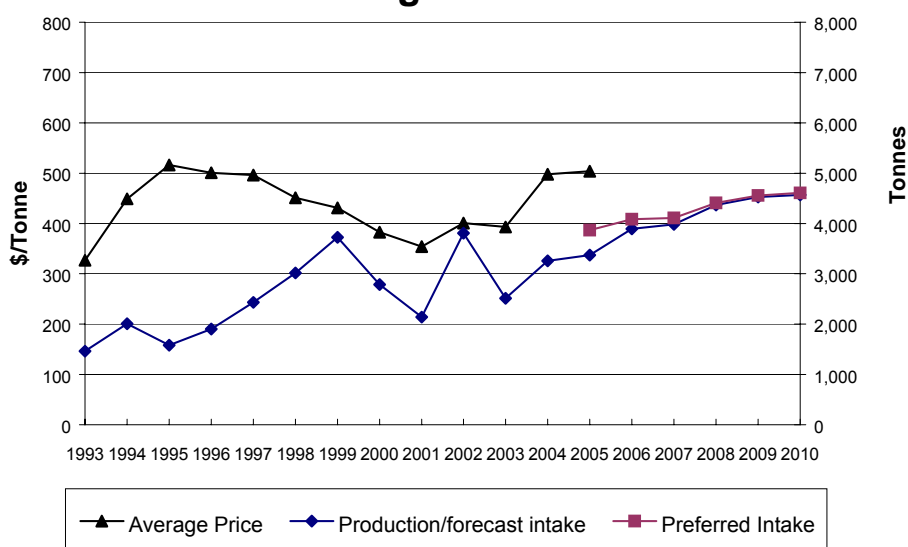
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	1,570	2,045	2,279	1,621	3,478	3,885	4,244	4,327	4,466	4,476	4,471	4,476	4,483
Preferred Intake								4,378	4,841	4,874	4,912	4,953	4,960
Average Price	444	438	401	435	494	489	431	395					

Ruby Cabernet



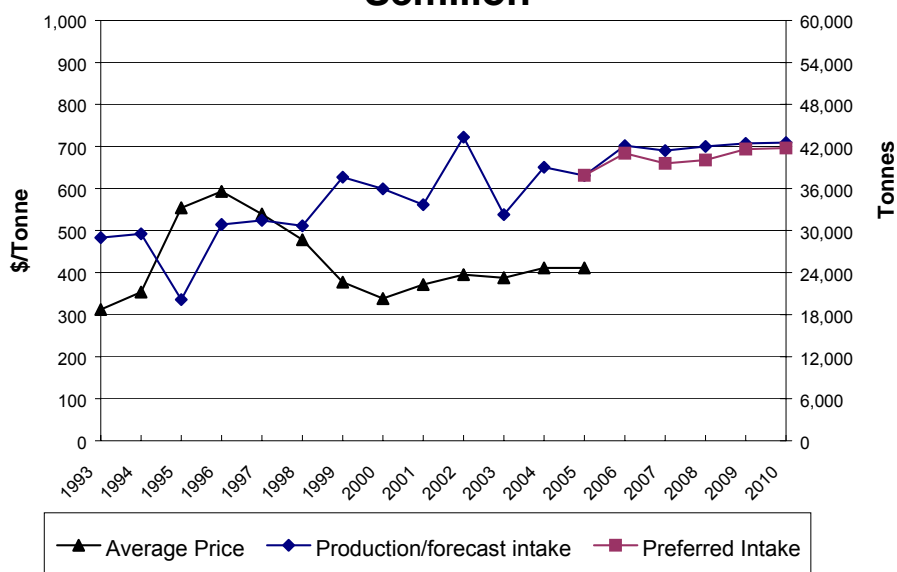
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	3,970	6,014	8,433	12,245	8,566	11,085	11,779	12,099	11,811	11,511	11,511	11,471
Preferred Intake							10,412	11,632	11,313	11,131	11,131	11,091
Average Price	804	518	501	401	387	358	337					

Sauvignon Blanc



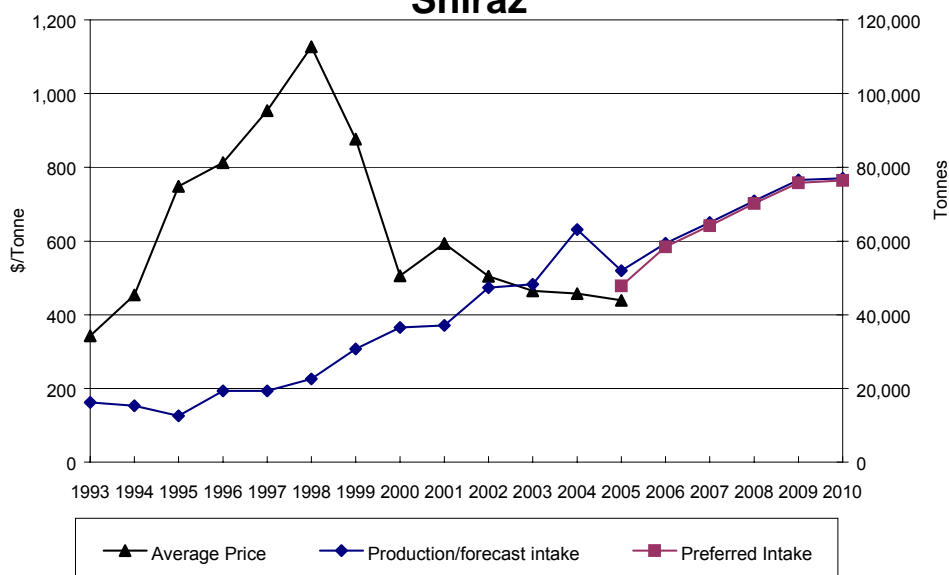
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	3,726	2,784	2,141	3,808	2,515	3,260	3,371	3,895	3,980	4,365	4,525	4,565
Preferred Intake							3,867	4,084	4,109	4,409	4,559	4,609
Average Price	431	383	354	401	393	498	504					

Semillon



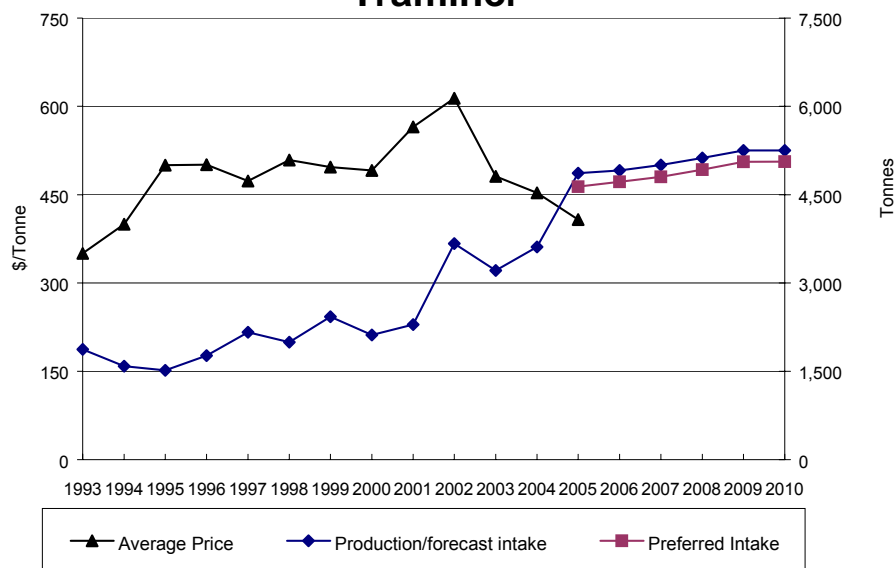
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	37,615	35,956	33,692	43,350	32,275	39,046	37,859	42,098	41,393	42,003	42,440	42,552
Preferred Intake							37,903	41,054	39,610	40,059	41,632	41,774
Average Price	377	338	371	395	388	411	411					

Shiraz



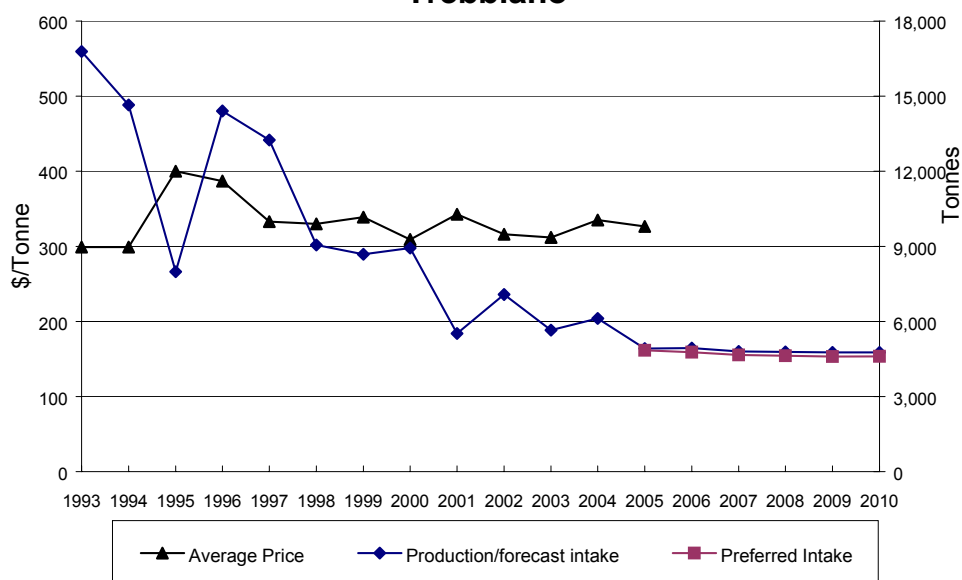
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	30,731	36,507	37,114	47,371	48,231	63,145	51,942	59,399	65,048	70,914	76,573	77,014
Preferred Intake							47,808	58,408	64,166	70,217	75,848	76,437
Average Price	877	506	593	504	465	457	439					

Traminer

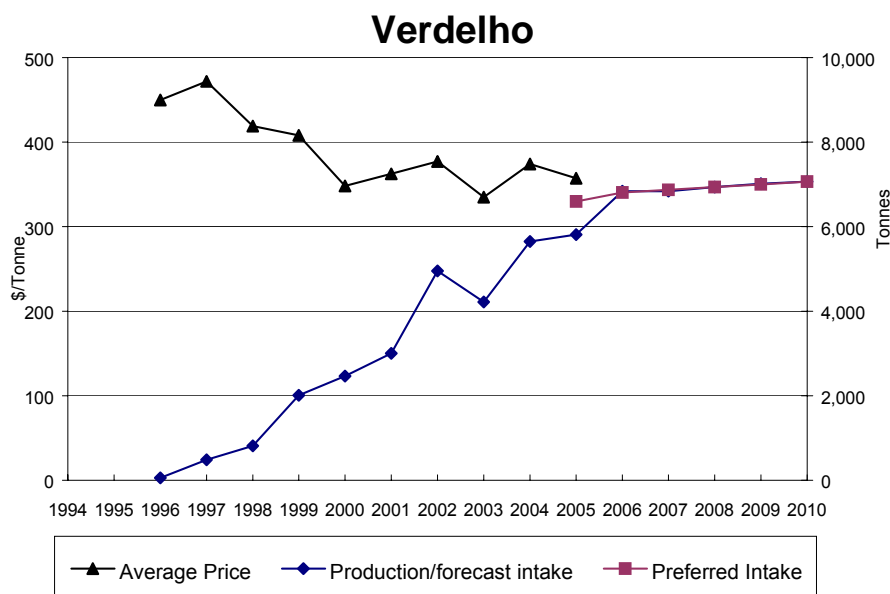


	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,425	2,116	2,295	3,668	3,210	3,611	4,863	4,913	5,003	5,123	5,248	5,248
Preferred Intake							4,635	4,720	4,803	4,927	5,056	5,060
Average Price	497	491	565	614	481	453	408					

Trebbiano



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	8,680	8,934	5,517	7,072	5,657	6,117	4,914	4,936	4,808	4,783	4,757	4,764
Preferred Intake							4,845	4,774	4,659	4,629	4,599	4,604
Average Price	339	309	343	316	312	335	326					



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production/forecast intake	2,011	2,466	3,000	4,950	4,215	5,649	5,811	6,842	6,842	6,937	7,014	7,068
Preferred Intake							6,593	6,809	6,870	6,938	7,000	7,067
Average Price	408	348	362	377	335	374	357					

SURVEY CONCLUSIONS

The data contained in the Riverina Pricing & Utilisation Survey 2005 – 2010 has been compiled from data collected by regional wineries. It is important that growers and potential investors within the industry look further than these figures when making decisions to plant wine grapes. **The use of this survey as a guide to planting intentions is concerning and all industry participants must be aware of the inherent risks of this.**

In terms of the future Riverina regional forecast position, care must be taken in terms of these trends as the continued pressure of wine grapes from other Australian regions being purchased locally may work to provide sufficient volumes to meet local winery demand. Local availability is a key factor that must be controlled in terms of planting speculations. Growers should aim at all times to get written confirmation (contracts) that any plantings will be taken up for lengthy duration. Ideally such contracts should contain a sustainable base price for the appropriate development of the market and should include the contract provisions as recommended by the national industry Wine Industry Relations Committee (joint working committee of the Wine Grape Growers Australia and the Winemakers' Federation of Australia).

Forecasted differences between the winery preferred and expected tonnes should be read with caution by the industry as winery forecasts relate to sales increases across the board, which in reality may not occur. Aggregated figures can also mask individual wineries reductions in preferences for key varieties. Growers should question the survey data that was provided to this survey from their individual wine grape purchasers.

The 2005 year saw a return to the region producing more white wine grapes than red, a position that has stood for many years except in 2004 when Shiraz production ballooned unexpectedly. Semillon remained well balanced in terms of volume and did fall as would have been expected if it follows the up and down trend of the 2001 – 2004 period. Shiraz production dropped a significant 18%, this was forecasted by producers that noted bunch numbers were the same of the previous abundant season but their size was reduced. Also in a number of emerging varieties notably Pinot Gris (or Grigio) production rose, it is well on the way to become a significant variety in the region, serving consumers taste shifts.

Chardonnay prices have declined rapidly in the past 12 months now that supply is exceeding current winery requirements. Notably Chardonnay production has more than doubled since 2001, however the price has now dropped back to the values being received by growers in 2001. The possibility of the price moving downward now that supply has lifted is very high and should work to limit further plantings.

Overall white varieties dropped in value which reflected winery sentiment that sufficient production is now occurring across these varieties. The reductions in prices were not warranted regionally as production did decline due in part to hail damage and the drier growing conditions, however the price declines were more a symptom of large volumes of wine grapes becoming available from other inland region's of Australia at lower than sustainable prices. These wine grapes are likely to continue to impact on the Riverina regions price offer until industry sales grow to meet the available supply and plantings abate.

Red wine grapes also suffered price declines on top of a major reduction in production. The same national factors played a part in the reductions to prices, i.e. wine grapes from other regions. The proliferation of colour as a price determinant also has impacted on the average returns for key red varietals and may continue to do so until the industry finds more appropriate and accountable mechanisms for grading.

The data shown in the major variety analysis shows the fickle nature of the industry due in part to the availability of excess wine grapes from other regions and a perceived desire to continue the supply development in the industry. In previous Riverina Pricing & Utilisation Surveys winery forecasted preferred intake for 2005 showed a different story than actually became the case in 2005.

The following tables of key varieties have been provided to show how much winery sentiment has altered over the years.

Cabernet Sauvignon		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	24,128	25,193	25,793	32,941	37,931	
2005 position	[Actual]\Expected intake (t)	[22,452]	24,632	23,760	23,899	24,103	24,215
2004 position	Preferred Intake (t)	27,324	29,172	30,720	36,686	39,197	
2005 position	Preferred Intake (t)	21,710	23,173	22,382	22,592	22,735	22,848

For Cabernet Sauvignon the winery position has altered with regard to their preferred intake, in 2004 wineries showed a steady demand position for this variety of greater than 3,000 tonnes above the expected vintage intake level (above 10%¹ variation out until 2008). This position has now dropped by almost 6,000 tonnes in the 2005 year (down to 3.4% variation) and is now indicating that a minor surplus exists. While the surplus in this variety is minor it shows that wineries preferred position does alter.

Chardonnay		2005	2006	2007	2008	2009	2010
2002 position	Expected intake (t)	38,056	42,663	42,908			
2003 position	Expected intake (t)	50,610	67,039	76,709	79,647		
2004 position	Expected intake (t)	49,652	61,151	70,638	76,095	81,898	
2005 position	[Actual]\Expected intake (t)	[47,581]	57,456	67,399	72,586	76,880	77,111
2002 position	Preferred Intake (t)	37,497	40,937	44,485			
2003 position	Preferred Intake (t)	62,309	67,909	73,629	76,019		
2004 position	Preferred Intake (t)	58,861	67,602	70,427	76,935	82,573	
2005 position	Preferred Intake (t)	42,616	53,370	62,400	68,505	73,497	73,958

Chardonnay positioning has been critical in relation to the build-up of plantings across the region. If we look back to the 2002 survey, wineries were indicating that this variety was well balanced with variations between the expected and preferred intake levels (green shading) minor from 2005 all the way through until the 2007 vintage season (well balanced and not requiring further plantings development).

In 2003 (white shading) the forecast for 2005 changed dramatically (19% variation) and was a major signal to wine grape producers that strong demand for this variety required more production (almost 12,000 tonnes), which promptly balanced out in the 2006 to 2008 years. During these years price signals also remained high. The 2004 survey data (yellow shading) also forecast that this variety would be greater than 9,000 tonnes in shortage (15.6% variation) for the 2005 vintage season but would be reduced in 2006 leading to a well balanced position in 2007 – 2009.

¹ It is accepted that a variation in the expected and preferred tonnes position of 10% and above is a signal that further plantings of a variety may be required. Less than 10% would be balanced.

The current survey shows a dramatic fall back in prices from the previous vintage of 26% (\$882 to \$653) which was also tied in to the rise in production of 25% (37,954 – 47,581 tonnes). While for the current vintage production spiked it is poignant to note that it is well below the preferred intake position given for the 2005 vintage in the forecasts of 2003 and 2004. Indeed a more subdued position for the next five years has been provided by wineries in the current survey (minor surplus out until 2010).

What is concerning is that the expected productions levels provided within this survey for 2006 until 2009 are less than the demand position stated in the last 2 surveys. This shows how the available wine grapes, wine stocks and consumer preferences have altered throughout time.

Merlot		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	16,667	18,417	19,845	25,300	33,547	
2005 position	[Actual]\Expected intake (t)	[15,280]	18,011	18,371	20,524	22,853	23,740
2004 position	Preferred Intake (t)	24,681	27,217	29,795	31,704	35,761	
2005 position	Preferred Intake (t)	15,209	17,371	17,841	19,989	22,292	23,194

While the current survey data for Merlot indicates a well balanced variety a different picture can be drawn from the survey data from 2004. The 2004 survey (pink shading) forecast strong demand for this variety in 2005, in reality the price has declined along with the production of this variety falling to almost 10,000 tonnes below forecast demand for the current vintage.

The more subdued position in 2005 (white shading) shows that the industry is now more cautious in its predictions, perhaps rightly due is part to the availability of this variety from other inland regions and cool regions that are in surplus at very low prices.

Muscat Gordo		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	5,649	6,024	5,946	6,011	5,581	
2005 position	[Actual]\Expected intake (t)	[5,138]	5,234	5,158	5,163	4,651	4,564
2004 position	Preferred Intake (t)	7,502	7,827	8,627	8,804	9,854	
2005 position	Preferred Intake (t)	5,311	5,363	5,303	5,324	4,797	4,715

With Muscat Gordo again the figures are now more subdued than the previous survey information. Whereas in 2004 (green shading) the industry perceived a shortage for the 2005 vintage this has not been the case.

This variety has in fact now returned to a more balanced position for the longer term projection, much different from the previous survey that was calling for production to almost double by 2009. Demand has moved aside to a more steady level of production.

Semillon		2005	2006	2007	2008	2009	2010
2004 position	Expected intake (t)	42,043	43,738	43,521	44,860	46,977	
2005 position	[Actual]\Expected intake (t)	[37,859]	42,098	41,393	42,003	42,440	42,552
2004 position	Preferred Intake (t)	43,892	45,928	46,429	48,805	50,637	
2005 position	Preferred Intake (t)	37,903	41,054	39,610	40,059	41,632	41,774

Semillon is another variety that is also showing a reduction in the level of demand. In 2004 (green shading) wineries signaled that more tonnes of this variety was needed to meet the preferred level of intake, providing a moderate level of demand out until 2009.

Now in 2005 the returns (\$/tonne) have steadied for Semillon, winery demand has waned and is now indicating that it could be over supplied out until 2010, given the minor difference in positions it could be said that this variety is well balanced and that little or no plantings are required.

An answer to why demand has subdued for this variety could be the abundance of Chardonnay across the region which has a balancing effect on the demand for Semillon due to wineries ability to blend a percentage of Semillon into Chardonnay. While volumes of Chardonnay is high and at reduced prices Chardonnay wine production is likely to be 100% true to variety.

	Shiraz	2005	2006	2007	2008	2009	2010
2002 position	Expected intake (t)	57,372	60,019	62,059			
2003 position	Expected intake (t)	56,411	58,129	58,274	59,646		
2004 position	Expected intake (t)	66,746	73,688	85,037	93,874	101,918	
2005 position	[Actual]\Expected intake (t)	[51,942]	59,399	65,048	70,914	76,573	77,014
2002 position	Preferred Intake (t)	50,429	53,611	56,047			
2003 position	Preferred Intake (t)	69,697	70,428	72,169	72,669		
2004 position	Preferred Intake (t)	80,141	85,662	89,299	94,410	102,909	
2005 position	Preferred Intake (t)	47,808	58,408	64,166	70,217	75,848	76,437

Shiraz is an interesting variety (as with Chardonnay) and to look back at the position of wineries it is interesting to note that through this time major export market development has occurred post 2002 by major wineries in the Riverina, notably Casella Wines [yellow tail]. This has stimulated growth in demand, most noticeably the preferred intake position from the 2004 survey year (light blue shading).

Supply and demand in 2002 (pink shading) showed a major oversupply of this variety that would have prevented any development in plantings across the region. 12 months later 2003 (white shading) the position had reversed with the forecast for strong growth required, again in 2004 (light blue shading) the same story was told to industry but with a bit more moderation in the future years 2007 – 2009.

The variations for the 2005 and later years are a major cause for concern. For example the forecast position of 2005 was: 6,943 tonnes oversupply (in 2002); 13,256 tonnes undersupply (in 2003); 13,395 tonnes undersupply (in 2004); 4,134 tonnes oversupply (in 2005). Development decisions within such a market environment could involve high risk as not just regional production needs to be taken into account.

The major concern of the industry is the cyclical nature of the market. Production lead times account for a part of the process but these are stimulated by the market. This season 251,416 tonnes was harvested off 54 different varieties across the region. This figure accounts for the production that was taken up and purchased (at varying prices).

What directions or investment decisions can be drawn from these reports? For example the following table shows the total expected crush for the 2005 that wineries have forecast will be produced and the variation between this and what they have advised industry they were prepared to purchase (the 2005 year is the actual purchased tonnes):

2005 Vintage Year Forecasts		
Forecast Year	Total Tonnes expected	Over (under) supply
2002	254,714	15,271 tonnes
2003	243,796	(32,098) tonnes
2004	280,237	(51,071) tonnes
2005	251,416	6,477 tonnes

Are the forecasts made in the 2003 and 2004 surveys responsible for a surge in plantings growth across the region? It could be suggested that drier conditions and water availability for irrigated crops are making wine grape production an economical option for new entrants to join the industry. Perhaps wineries were then looking to source more wine grapes from local producers to ensure quality characteristics are maintained, an area that is difficult if you are importing from other regions. Whatever the current position is the industry should be concerned that the industry was previously seeking a preferred levels of as high as 331,308 tonnes from within the Riverina but is now able to source these wine grapes from other regions.

Uncertainty is possibly the only constant within this industry. As an industry the growers and processors need now more than ever to work actively together to ensure that the boom bust cycle is reduced.

Appendix 3

Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005

The Wine Grapes Marketing Board, for the City of Griffith and the local government areas of Leeton, Carrathool and Murrumbidgee in pursuance of Part 2, Section 5 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003*, make the following Order.

Dated, the 7th day of January 2005.

WINE GRAPES MARKETING BOARD (TERMS AND CONDITIONS OF PAYMENT) ORDER 2005

under the Wine Grapes Marketing Board (Reconstitution) Act 2003

1. Name of Order

Wine Grapes Marketing Board (Terms and Conditions of Payment) Order 2005.

2. Commencement

This Order commences on 7th January 2005, by motion of the Wine Grapes Marketing Board.

3. Duration

This Order has effect for the 2005 calendar year only.

4. Validity of Order

- (1) The making of this Order by the Wine Grapes Marketing Board under Section 5 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* is specifically authorised for the purposes of section 51 of the *Trade Practices Act 1974* of the Commonwealth and the *Competition Code of New South Wales*.
- (2) The making of this Order does not limit or remove any obligations parties to this Order may have under the *Wine Grapes Marketing Board (Reconstitution) Act 2003*.

5. Definitions

In this Order:

Act means the Wine Grapes Marketing Board (Reconstitution) Act 2003.

Board means the Wine Grapes Marketing Board established by the regulation set out in Schedule 1 of the Wine Grapes Marketing Board (Reconstitution) Act 2003.

Board's area of operations means the City of Griffith and the local government areas of Carrathool, Leeton and Murrumbidgee

complying contract means:

(a) a contract that fixes:

- (i) the prices to be paid for consignments of MIA wine grapes delivered during the current calendar year only, or the manner in which those prices are to be calculated, and
- (ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into before the first Monday in December of the previous calendar year, or

(b) a contract that fixes:

- (i) the prices to be paid for consignments of MIA wine grapes delivered during both the current calendar year and one or more future calendar years, or the manner in which those prices are to be calculated, and
- (ii) the date or dates by which those prices, or the various instalments of those prices, will be paid,

being a contract entered into at any time before the first delivery of winegrapes under the contract, or

(c) a contract the subject of an approval in force under section 13 of the Act.

consignee means a person to or for whom a consignment of MIA wine grapes is delivered.

consignor means a person by or from whom a consignment of MIA wine grapes is delivered.

constituted grower means for any calendar year, the class of primary producers for which the Board is constituted includes all growers within the Board's area of operation who, during the previous calendar year, harvested more than 20 tonnes of MIA wine grapes, but does not include:

- (a) in the case of a corporation:
 - (i) a grower that is also a winery, or
 - (ii) a grower in which a winery has a controlling interest, or
- (b) in the case of an individual:
 - (i) a grower who is also a winery, or
 - (ii) a grower who is a director of a corporation that is a winery and who (as a grower) supplies the winery with all of the MIA wine grapes that he or she harvests.

duly contracted delivery means a consignment of MIA wine grapes that is delivered pursuant to a complying contract.

EFT means electronic funds transfer.

MIA wine grapes means any variety of grapes grown in the Board's area of operations for use for processing into wine, must, juice or wine spirit.

6. Application of sections

- (1) *Section 7, 8 and 9* of this Order applies to the Terms and Conditions of Payment for all MIA wine grapes delivered to consignees by consignors that are not a duly contracted delivery.
- (2) *Section 10* of this Order applies to the Terms and Conditions of Payment for the rates levied by the Wine Grapes Marketing Board under the *Agricultural Industry Services Act 1998*, in relation to deliveries of all MIA winegrapes from constituted growers within the Board's area of operations.

7. Terms and Conditions of Payment for the year 2005

- (1) The purchase price for all MIA wine grapes purchased shall be paid by consignees to the Board or as directed by the Board as noted in the timetables in this section and where appropriate in accordance with *Section 9* of this order.
- (2) Payments made by consignees directly to the Board pertaining to deliveries of MIA wine grapes delivered to consignees by consignors.

Table 1: Payments made to the Board by Consignees

Timetable	Structure
10 th May 2005	1/3 total delivery value (33.33%)
21 st June 2005	1/3 total delivery value (33.33%)
11 th October 2005	1/3 total delivery value (33.34%) including all bonus payments

- (3) The Board may direct payments for MIA wine grapes to be made directly to consignors by consignees only upon completion in full of an "*Application to Make Payment Directly to Growers*" made and received by the Board on or prior to 25th February 2005.
 - (i) Applications are available from the Board.
 - a. No fees or charges for processing of applications will apply.
 - b. Notification of Board direction will be made 25th March 2005.
 - (ii) Failure to comply with any or all conditions of the application made in accordance with this Order may result in the revocation of any direction made by the Board pursuant to the application.

- (4) Payments made directly to consignors by consignees excluding all applicable levies for MIA wine grapes delivered to consignees by consignors under direction by the Board.

Table 2: Payments Made to Consignors by Consignees and the Board

Timetable	Structure
13 th May 2005	1/3 total delivery value (33.33%)
24 th June 2005	1/3 total delivery value (33.33%)
14 th October 2005	1/3 total delivery value (33.34%) including all bonus payments

- (i) All payments made to the Board by consignees on MIA wine grapes delivered by consignors are to be paid to growers in accordance with *Table 2* of this Section or at earlier dates by notice to the Board.

8. Default payments for deliveries of MIA wine grapes

- (1) Interest shall apply on all late payments made for purchased MIA winegrapes whether the consignee has been directed by the Board to make payments directly to consignors or not at the rate prescribed under section 95 (1) of the *Supreme Court Act 1970* for payment of interest on a judgement debt, plus 5 per cent.
- (2) Payments made in accordance with this section shall occur in accordance with instruction of the Board.
- (3) Any money due to the Board, including any money that becomes payable as a consequence of the revocation of a direction under section 10 of the *Wine Grapes Marketing Board (Reconstitution) Act 2003* may be recovered as a debt.

9. Manner and timing in which payments are to be made

- (1) Notwithstanding any previous section in this Order this clause applies to payment by all consignees accepting deliveries of MIA wine grapes from consignors otherwise than pursuant to a direction by the Board. Payments are to be:
 - (i) Paid as a valid bank cheque made out to the Wine Grapes Marketing Board and receipted by the Board by 12 midday of the due date, or
 - (ii) Transferred to the Board's nominated banking account by EFT so as to cause all funds to be cleared by the due date. A confirmation of the transaction must be forwarded by facsimile to the Board on the same day.
- (2) Notwithstanding any previous section in this Order this clause applies to all payments made to consignors by consignees accepting deliveries of MIA wine grapes from consignors pursuant to a direction under the Act by the Board:
 - (i) Made available as a cheque made out to the consignor for pickup by consignors by 12 midday on the due dates, or
 - (ii) Transferred by EFT to consignor's nominated banking account so that funds are cleared by the due dates. A confirmation of the transaction must be forwarded to the grower on the same day, or
 - (iii) Sent as a cheque made out of the consignor via Australia Post to consignors post marked on the date directed.
- (3) No payments made available for consignor pickup are to be retained by the consignee for greater than 24 hours.
- (4) Revocation of a Board direction may result from non-compliance of the manner within this Order.

10. Calculation and payment of Wine Grapes Marketing Board levies

- (1) Levies are applicable on deliveries of MIA wine grapes on all constituted growers.
- (2) The leviable rate for 2005 is \$3.90 per tonne (fresh weight) of winegrapes.
- (3) In the case of a consignee receiving Board direction to make payments to consignors directly the levy amount shall be deducted by the consignee from the payment for deliveries of MIA wine grapes and then remitted to the Board in the following timetables and structure.

Table 3: Payments of Levies to the Board

Timetable	Structure
13 th May 2005	\$1.30 per tonne delivered
24 th June 2005	\$1.30 per tonne delivered
14 th October 2005	\$1.30 per tonne delivered

Table 4: Alternate Payments of Levies to the Board

Timetable	Structure
30 th June 2005	\$3.90 per tonne delivered

- (4) Payments of levies by consignees in accordance with *Table 4: Alternate Payments of Levies to the Board* are required to advise the Board in writing by 29th April 2005. No penalty or discount will be provided to the consignee for payments made in this manner.
- (5) Failure to remit levies to the Board within the timetable, structure and the approved manner may cause a revocation of a Board direction made in accordance with this Order.
- (6) All levies payable to the Board in accordance with the timetable in Subsection 3 of this Section are to be paid to the Board in the following manner:
 - (i) To the Board's nominated banking account by EFT on the due dates, including a confirmation of the transaction sent by facsimile to the Board on the same day, or
 - (ii) Sent as a business cheque made out to the Wine Grapes Marketing Board via Australia Post postmarked on the due dates.
 - (iii) Delivered to the registered offices of the Board on the due dates.

All enquiries in relation to this Order should be directed to:

**Mr Brian Simpson
Chief Executive Officer**

**Riverina - Wine Grapes Marketing Board
182 Yambil Street Griffith NSW 2680
PO Box 385 Griffith NSW 2680
Phone: 02-6962 3944 Fax: 02-6962 6103
Mobile: 0438 388 828 Email: bsimpson@wgmb.net.au**

Copies of this Order can be downloaded from the Board's website in PDF format:
<http://www.wgmb.net.au>

Appendix 4

**Form letter provided to Riverina wine grape producers by the
Wine Grapes Marketing Board.**

Inquiry into the Wine Industry

To Whom It May Concern

The Australian wine industry is currently in crisis with declining prices and increasing market rationalisation of the industry by processors has seen the balance of market power move strongly against wine grape producers.

The key issues that I/we would like to make in my submission to the inquiry are:

- The increasing volume of wine grapes available in Australia have been brought on by wineries by providing insufficient communications to producers and inappropriate market signals.
- Supply and demand factors are not applied within the market effectively by the purchasers, hereby creating an unstable environment not conducive to investment activity.
- The relationship between growers and wine makers has continued to degrade by their general disregard for the sustainability of producers. The industry needs to be able to operate closely but this is rarely achieved through the inconsistent approach to grading and quality standards.
- Contracts within the industry are not secure and are at best only made workable by legal intervention, which is cost prohibitive for individual producers.
- Quality wine grapes are not worth producing as wineries use quality to drive down grower returns by lower yields and the potential production life of the vine. Variations from winery to winery are confusing as a grower – consistent industry standards should be applied to the industry.
- Growers require intervention by government to balance the market power of the wineries. Growers also need to be trained and provided with detailed assistance to development collectives for bargaining with wineries and be better skilled at negotiating with wineries to ensure their needs are adequately addressed in terms of pricing. Federal funding is needed to develop our skills base.
- Investigation by government is needed into the power of the retail giants Coles and Woolworths and their pricing policy of Australian wine to consumers and its effects on growers farm gate returns.
- Taxation of wine is very high and while this may have forced much of Australia's production to overseas markets the industry is selling more for less return.
- As a primary producer it constantly feels that the financial squeeze is being applied to the grass roots, the producer. Growers of quality should be able to ensure that they receive a viable return for their produce.
- Other comments: _____

Name: _____

Street Address: _____

Signature: _____

Town: _____ Postcode: _____

Appendix 5

**News Release of the Wine Grapes Marketing Board regarding
contracts**

Copy of letter from [Winery X] solicitor in relation to the newsletter

17 February 2004

WINE GRAPES MARKETING BOARD

For the City of Griffith & Shires of Leeton, Carrathool and Murrumbidgee



NEWS RELEASE

ARE WINEGRAPE CONTRACTS WORTH CONSIDERING

The Wine Grapes Marketing Board is recommending that winegrape growers from within the Riverina do not sign winegrape supply contracts that do not allow them to calculate the price that they will receive for their winegrapes for the duration of the contract or do not follow the industry standard three payment structure.

It has come to the Board's attention that growers are being asked to enter into 3 year contracts where there is no disclosed realistic purchase price but instead the price will be as nominated by the winery for the coming as well as future vintages covered by the contract. The payment terms offered are 4 equal payments a dramatic departure from the accepted industry standard.

These contracts may be considered complying contracts within the terms of the new legislation however the Boards view is that they are definitely not within the spirit of the legislation. These contracts do not disclose a price for forthcoming vintages that could be viewed as viable. They do not adopt an objective standard that would give any growers or their lenders any comfort that a fair price will be paid for the grapes delivered over future vintages.

Prices for winegrapes should not be determined by a winery in its sole discretion. Under these contracts a winery could nominate an unrealistic price, having no obligation to offer a market price. There needs to be a mechanism that can be employed by growers that allows for negotiation to occur. These types of contracts only serve to provide a fertile ground for litigation.

The Board understands why wineries may not wish to be bound by fixed price contracts for long periods of times in what can be a volatile market. However the Board considers that the solution is for wineries to have an objective criteria or standard that can be used with an appropriate dispute resolution clause. For example the parties can agree to pay a reasonable price for each vintage and that would be sufficient for contractual purposes.

Brian Simpson, Chief Executive Officer for the Board stated, "The developments of formal contracts are a good step for the industry but what these types of contracts are attempting to do is not viable for the longer term stability of the industry. Growers in the region need to be aware that since the introduction of the Wine Grapes Marketing Board (Reconstitution) Act 2003 the Board's Term and Conditions of Payment no longer apply to any grower that willingly enters into a contract that forms a complying contract by definition of the Act."

Growers that are considering a contract with a winery should contact the Wine Grapes Marketing Board or their solicitor prior to entering into the agreement. Confidentiality clauses do not apply if you are seeking explanation to the content of the contract.

"Growers should also be aware that a contract may be void if you are forced to sign into it." Mr Simpson advised.

- end -

For further comments please contact:

Brian Simpson
Chief Executive Officer,
02 6962 3944
0438 388 828

AR:RW:

26 February 2004

Wine Grapes Marketing Board
182 Yambil Street
GRIFFITH NSW 2680

Dear Sirs

RE: **XXXXXXXXXXXXXX** PTY LTD

As you are aware we act on behalf of **XXXXXXXXXXXXXX** Pty Limited.

It has come to our attention that the Board through its press release has advised growers not to enter into contracts with our client although conceding that the contracts offered by our client are complying contracts. As a result, the security of grape supply to our client's winery is under threat.

Our client takes the view that the Board has acted ultra vires the powers accorded it under the Agricultural Industry Services (Wine Grapes Marketing Board) Regulation 2003 in tendering advice to growers not to enter into what are complying contracts.

We are instructed to seek an undertaking from the Board that it will cease and desist from providing such advice and disseminating its views through press releases and the like. Should we not receive such an undertaking before 4.00pm on Friday 27 February, we intend to take legal action to injunct the Board from such conduct.

Regardless of any action that might be undertaken as noted above, we reserve our rights to claim damages against the Board for interference with our client's commercial relations.

Yours faithfully,
MACKENZIE & VARDANEGA

Per:



cc Minister for Agriculture
cc Adrian Piccoli MP

Appendix 8

Nugan Quality Foods – Contract 2010

WINE GRAPE PURCHASE AGREEMENT

AGREEMENT dated

2009

BETWEEN Nugan Quality Foods Pty Ltd
ACN 001 200 880. ABN 85 001 200 880
Farm 1059 Crawford Road, Hanwood
Griffith NSW 2680 Australia

('Purchaser')

AND the party referred to in Item 1

('Seller')

AGREEMENT

1. SUPPLY

- 1.1 The Purchaser agrees to purchase and the Seller agrees to sell the Produce on the terms of this Agreement.

2. QUALITY

- 2.1 The Produce must meet the quality parameters set out in Item 3 and Item 4. The Purchaser may reject any delivery of Produce which the Purchaser acting reasonably determines does not meet these parameters.
- 2.2 Defects are to be assessed at point of delivery. Defect points are cumulative and result in Price Reduction and or Rejection as set out in Item 4.

3. DELIVERY

- 3.1 The Seller must cause the Produce to be delivered to the Purchaser within on the days and in the quantities directed by the Purchaser in writing, provided that such days will fall within the corresponding periods specified in Item 2.
- 3.2 The Seller will be in breach of this Agreement if the Seller fails to deliver the Produce in accordance with the directions referred to in clause 3.1.

3.3 PAYMENT

- 3.4 The price for all sound Produce delivered by the Seller pursuant to this Agreement shall be calculated by the Purchaser as set out in Item 2.

3.5 The price payable for the Produce shall be paid Nett of all levies, by the Purchaser to the Seller, in three equal instalments at the following intervals 30 days from the end of the month of delivery, 30th of June and the 31st October.

3.6 The Purchaser shall be entitled to set-off any amounts owed by the Seller to the Purchaser pursuant to this Agreement, or where the quantum of such amount is unascertained, the Purchaser's reasonable estimate of such amount.

4. PASSING OF RISK AND TITLE

4.1 Risk in and title to the Produce passes to the Purchaser when the Produce has been delivered to and accepted by the Purchaser.

5. GOODS AND SERVICES TAX

5.1 All prices and other monetary amounts specified or referred to in this Agreement shall be taken to be exclusive of Goods and Services Tax ('GST') unless expressly stated to be GST inclusive.

6. GOVERNING LAW AND JURISDICTION

6.1 This Agreement is governed by the law of New South Wales.

6.2 Each Party irrevocably and unconditionally submits to the non exclusive jurisdiction of the courts of New South Wales.

7. NOTICES

7.1 A notice required or authorised to be given or served on a Party under this Agreement must be in writing and may be given or served by facsimile, post or hand to that Party at its facsimile number or address appearing in this Agreement or as may otherwise be notified by a Party from time to time.

8. FORCE MAJEURE

- 8.1 Neither party shall be liable for any failure to perform or observe any term of this Agreement if performance has been delayed, hindered, restricted or prevented by any circumstance not within the direct control of the parties including without limiting the generality of the foregoing, acts of God, strikes, lock-outs, or other industrial disturbances or hostilities, or compliance with any valid order of any governmental or public authority and the time and times of the performance of the obligation on the respective party's part to be performed in accordance with the provisions of this Agreement shall be extended by the period equal to each such period of delay provided that such party shall forthwith give notice to the other party in accordance with the provisions of this Agreement and shall endeavour to remove or remedy the cause thereof with all due diligence and expedition. Despite anything in this clause, a lack of funds shall not constitute a force majeure and a failure to pay money is never excused by force majeure.

9. DEFINITIONS AND INTERPRETATION

- 9.1 In this Agreement except where the context otherwise requires:

'Agreement' means this agreement including its schedules, annexures and exhibits.

'Business Day' means any day other than a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.

'Produce' means the Produce described in Item 2.

'Item' means an item in the Schedule.

'Month' means calendar month.

'Parties' means each of the parties to this Agreement and **'Party'** means any one of them.

'Price' means the price per tonne for the Produce referred to in Item 2.

EXECUTED as an agreement.

SIGNED for and on behalf of the Purchaser

.....
Signature of authorised person

.....
Signature of Witness

.....
Name of authorised person

.....
Name of Witness

.....
Date

SIGNED for and on behalf of the Seller

.....
Signature of authorised person

.....
Signature of Witness

.....
Name of authorised person

.....
Name of Witness

.....
Date

SCHEDULE

ITEM 1	SELLER DETAILS
Seller Name	
Address	
ABN:	
Contact Numbers	Ph: MOB:

ITEM 2 – QUANTITY/VARIETY OF PRODUCE, DELIVERY PERIOD AND PRICE

Variety	Quantity	Price	Delivery Period	Contract Period
Grape				

ITEM 3: QUALITY (TO BE ASSESSED AT GROWER VINEYARD)

1. For Sour Rots and Botrytis in Red and White Varieties the level of infection by field sampling must be below or No greater than 5% of berries infected.
2. For Downy Mildew, the level of infection determined by field sampling at minimum acceptable Baume, must be below 10%.
3. For Powdery Mildew, the level of infection determined by field sampling at min acceptable Baume must be below 5% of bunches and stems sampled.
4. The level of either dry berry or sun burnt berries must be below 10% of a sample of berries.
5. The level of either bird pecked or larval chewed berries must be below 10% of a sample of berries. This bird/insect damage may be associated with sour rots and botrytis, in which case the level of acceptance will be as for Sour Rots.
6. The level of either uneven ripened or immature berries must be below 10% of sample berries.
7. If any rogue varieties are identified in field, the grower is to be informed and reminded of Load Defects, there is NIL acceptance of reds in whites, or whites in reds. Any such deliveries will be refused unloading and returned to the grower.

ITEM 4. DEFECTS / PENALTIES TO BE ASSESSED AT POINT OF DELIVERY..

Defect points are accumulative and Penalties are outlined below:

Defect Points	Maximum Penalty
1	Nil
2	5% Price Reduction
3	10% Price Reduction
4	15% Price Reduction
5	Rejection

Load Defect Comment	Maximum Defect Points
Fermentation	5
Acetification-Vinegar Smell / Vinegar flies	5
Contamination: Oils Fuels Greases	5
Contamination: Soil, Heavy Dust, Gravel	5
Mouldy , Mildew- Smell Appearance	5
Water Dilution	5
Temperature of Grape in Bin / Load	
Over 35 C or 10 c above overnight Minimum	5
Over 32 C or 8 C above overnight Minimum	4
Over 30 C or 7 C above overnight Minimum	3
Material Other Than Grapes MOG	
MOG 5	5
MOG 4	4
MOG 3	3
MOG 2	2
MOG 1	1
Bin Juice Oxidization	4
Rogue Varieties	5

Appendix 9

Nugan Quality Foods – Contract Variation 2010



Nugan Quality Foods

AGREED AMENDMENT dated _____ 2010

BETWEEN Nugan Quality Foods Pty Ltd
ACN 001 200 880. ABN 85 001 200 880
Farm 1059 Crawford Road, Hanwood
Griffith NSW 2680 Australia

(‘Purchaser’)

AND

Seller Name	
Address	
ABN:	
Contact Numbers	

We the above parties agree to amend the Wine Grape Purchase Agreement as believed between the Parties dated the 25th day November 2009, as to replace the price per tonne shown in Item 2, with the value of \$100.00 per tonne.

EXECUTED as an agreement.

SIGNED for and on behalf of the Purchaser

.....
Signature of authorised person

.....
Signature of Witness

.....
Name of authorised person

.....
Name of Witness

.....
Date

SIGNED for and on behalf of the Seller

.....
Signature of authorised person

.....
Signature of Witness

.....
Name of authorised person

.....
Name of Witness

Appendix 10

South Australia Wine Grapes Industry Act 1991

South Australia

Wine Grapes Industry Act 1991

An Act relating to the marketing of wine grapes.

Contents

1	Short title
3	Interpretation
4	Application
5	Indicative price
6	Terms and conditions of payment
7	Consultation
8	Orders
9	Conditions for acceptance of delivery
10	Offences

Legislative history

Appendix—Divisional penalties and expiation fees

The Parliament of South Australia enacts as follows:

1—Short title

This Act may be cited as the *Wine Grapes Industry Act 1991*.

3—Interpretation

(1) In this Act, unless the contrary intention appears—

payment includes any form of monetary consideration or non-monetary consideration to which a monetary value can be assigned;

processor includes a person who purchases wine grapes for resale to a processor;

producer means—

- (a) a person by whom, or on whose behalf, wine grapes are grown for sale;
- (b) where wine grapes are grown for sale by a partnership or under a share farming agreement—the partners or the parties to that agreement,

but does not include an employee or other person who acquires no interest in the grapes;

production area means—

- (a) the areas of the district councils of Barmera, Berri, Loxton, Mannum, Mobilong, Morgan, Paringa and Waikerie; and
- (b) the hundred of Katarapko; and
- (c) the hundreds of Bowhill, Fisher, Forster, Nildottie and Ridley in the area of the district council of Ridley; and
- (d) the hundred of Skurray in the area of the district council of Truro; and
- (e) the municipalities of Murray Bridge and Renmark; and
- (f) the counties of Young and Hamley; and
- (g) any other part of the State that the Governor may, by regulation, declare to be part of the production area;

sale includes supply;

wine grapes means any variety of grapes used or intended to be used for processing into wine, must, juice or grape spirit.

- (2) For the purposes of this Act, if wine grapes are supplied to a processor for processing and the product derived from the processing is sold to that processor or some other processor, the contract of sale will be taken to be a contract for the sale of the grapes by the supplier to the processor who purchases the product.

Note—

For definition of divisional penalties (and divisional expiation fees) see Appendix.

4—Application

This Act does not apply in relation to the sale of wine grapes by a member of a registered co-operative to the co-operative.

5—Indicative price

- (1) The Minister may, by order, recommend a price (expressed as an amount per tonne) for wine grapes grown in the production area and sold to a processor.
- (2) The price may vary according to the variety of wine grapes.

6—Terms and conditions of payment

- (1) The Minister may, by order, fix terms and conditions relating to—
 - (a) the time within which payment for wine grapes must be made by processors; and
 - (b) payments (which are to be regarded as payments in the nature of liquidated damages) to be made by processors in default of payment within that time.
- (2) In determining terms and conditions, the Minister must not differentiate between processors.
- (3) Any terms and conditions fixed under this section are implied in every contract for the sale of wine grapes to a processor and any provision of a contract or other instrument is void to the extent of any inconsistency with those terms and conditions.

7—Consultation

- (1) The Minister must, before recommending prices or fixing terms and conditions under this Act, consult representatives of both producers and processors and may consult such other persons as he or she thinks fit.
- (2) A person may, at the request of the Minister or otherwise—
 - (a) make a submission to the Minister on the exercise of powers under this Act; and
 - (b) engage in discussions or negotiations incidental to making or considering such a submission.

8—Orders

- (1) The Minister may vary or revoke an order under this Act by subsequent order.
- (2) The Minister must publish in the Gazette each order made under this Act.
- (3) An order under this Act comes into operation on the date of its publication in the Gazette or on such later date as is specified in the order but may, if it so provides, apply to contracts made before the date on which it comes into operation.

9—Conditions for acceptance of delivery

- (1) A processor must not accept delivery of wine grapes for processing unless—
 - (a) all amounts that have previously fallen due for payment by the processor for wine grapes received by the processor, or any person acting on the processor's behalf, in a previous season have been paid in full; or
 - (b) the processor has been granted an exemption under this section.

Penalty: Division 5 fine.

- (2) If a processor enters into a contract for the sale of wine grapes and is prohibited by this section from accepting delivery of the grapes, the processor will be regarded as being in breach of a fundamental condition of the contract.
- (3) The Minister may, by written notice, exempt a processor from this section subject to such conditions (if any) as the Minister specifies in the notice.
- (4) The Minister may, by written notice, revoke an exemption or vary or revoke any conditions to which an exemption is subject.
- (5) A processor who contravenes or fails to comply with a condition of an exemption is guilty of an offence.

Penalty: Division 5 fine.

10—Offences

- (1) Offences against this Act are summary offences.
- (2) Proceedings for an offence against this Act must be commenced within 12 months after the date on which the offence is alleged to have been committed.
- (3) Proceedings for an offence against this Act must not be commenced except with the authorisation of the Minister.

- (4) An apparently genuine document purporting to be under the hand of the Minister and to authorise the commencement of proceedings under this Act must be accepted in legal proceedings, in the absence of proof to the contrary, as proof of the authorisation.

Legislative history

Notes

- For further information relating to the Act and subordinate legislation made under the Act see the Index of South Australian Statutes.

Legislation amended by principal Act

The *Wine Grapes Industry Act 1991* amended the following:

Prices Act 1948

Principal Act and amendments

New entries appear in bold.

Year	No	Title	Assent	Commencement
1991	71	<i>Wine Grapes Industry Act 1991</i>	12.12.1991	12.12.1991 (<i>Gazette 12.12.1991 p1747</i>)
1992	78	<i>Wine Grapes Industry (Indicative Prices) Amendment Act 1992</i>	3.12.1992	3.12.1992

Provisions amended

New entries appear in bold.

Entries that relate to provisions that have been deleted appear in italics.

Provision	How varied	Commencement
Long title	amended under <i>Legislation Revision and Publication Act 2002</i>	§
<i>s 2</i>	<i>omitted under Legislation Revision and Publication Act 2002</i>	§
<i>s 3(1)</i>		
production area	amended by 78/1992 s 2	3.12.1992
<i>Sch</i>	<i>omitted under Legislation Revision and Publication Act 2002</i>	§

Appendix—Divisional penalties and expiation fees

At the date of publication of this reprint divisional penalties and expiation fees are, as provided by section 28A of the *Acts Interpretation Act 1915*, as follows:

Division	Maximum imprisonment	Maximum fine	Expiation fee
1	15 years	\$60 000	—
2	10 years	\$40 000	—
3	7 years	\$30 000	—
4	4 years	\$15 000	—
5	2 years	\$8 000	—

Division	Maximum imprisonment	Maximum fine	Expiation fee
6	1 year	\$4 000	\$300
7	6 months	\$2 000	\$200
8	3 months	\$1 000	\$150
9	—	\$500	\$100
10	—	\$200	\$75
11	—	\$100	\$50
12	—	\$50	\$25

Note: This appendix is provided for convenience of reference only.

Appendix 17

Jan – Feb 2012 Vine Chat Newsletter

TERMS AND CONDITIONS OF PAYMENT FOR 2012

Growers are advised that as previously reported the **Board no longer sets Terms and Conditions of Payment**. This means that for the current vintage (and possibly future vintages - depending on further negotiations with the NSW Government) the dates on which wineries are to pay growers is a negotiated position between the grower and the winery. Many contracts and supply agreements already stipulate these and some of these have traditionally been different to the three instalment system employed by the Board.

The impacts of this are not catastrophic, as many wineries have indicated that they will continue to remit payments to growers based around the previous standard of three payments (May, June, Oct). It now means that before growers deliver wine grapes without something formal in place with the winery you should be **asking what the payment terms are**. Furthermore if the winery does not pay in time and has not made any attempt to discuss this matter with you directly you should contact the Board so that we can act.

The Board can still operate on your behalf by coordinating legal action if necessary.

It is now more important than previous that growers advise the Board if they are having any payment

difficulty through their winery. Growers should in the first instance contact the winery to seek an explanation as to why they have not received their payment or when these will be made. It could be a simple response such as a cheque not being posted to the correct address or an account number transposed incorrectly.

The Board will be monitoring any problems and reporting these to the Minister for Primary Industries on a regular basis. The Minister has also advised the Board that she has requested that the NSW Small Business Commissioner Ms Yasmin King consider the issue of payment procedures and practices in the wine industry in the NSW Riverina as a priority issue.

The Minister has assured the Board that Ms King will actively monitor the situation and can advise a recommended course of action if late payments by wineries become an ongoing issue.

Growers are advised that if you require assistance or wish discuss your options for alternative dispute resolution in relation to repeated late payments other than that which the Board can provide the Office of the Small Business Commissioner can be contacted directly.

Phone: 1300 795 534

Email: we.assist@smallbusiness.nsw.gov.au

SUBMISSIONS TO THE MDBA

All growers are encouraged to write submissions to the Murray Darling Basin Authority (MDBA) in relation to the forthcoming plan. It is important that when doing so that you write at the top of the correspondence that it is a submission or it may be regarded as a letter and not included in the deliberations on the plan by the MDBA. To make a submission on line you can head to the internet: (www address on the next paragraph)

www.mdba.gov.au/have-your-say/make-submission

Or simply write to them at:

Proposed Basin Plan,

The Murray Darling Basin Authority

GPO Box 3001, Canberra City ACT 2601

LEVY RETURN - BANK CHEQUES

In 2011 the Board returned to all growers a \$1.50 per tonne on the fees and charges 2011, making the effective rate \$2.40 per tonne (not \$3.90 per tonne).

The Board now reminds growers to deposit this cheque immediately. If you have lost or misplaced your return cheque please contact Sheree Collins our Office Manager 02 6962 3944 (cost is \$15 per cheque).

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PRICING INFORMATION NEEDED

All growers are encouraged to provide copies of any pricing information received from wineries to the Board. This information is critical in enabling the Board to better represent you.

At the end of 2011 the only wineries that had provided pricing information to their grower bases were Orlando Wines and Westend Estate. These were classified as indicative prices and may have changed prior to harvest. These announcements are important for the growers, Orlando Wine released the information in accordance with the Wine Industry Code of Conduct, whereas Westend Estate did it in response to growers seeking this information.

At the start of vintage wineries should release their full price lists to their grower base so that growers can use this information to speak with their wineries about possible changes - this has not happened across the region with growers even reporting selling without a price. The Board has received some information from

the Riverland and Murray Valley which is show a minor increase in the prices being offered this season. This increase has yet to surface in the Riverina region as there is a lack of real competition in the market.

The Board in an effort to increase competition is advertising the Wine Grape Index on its website via Wine Industry Classified in a bid to attract other buyers to the region. Growers should not be concerned with an increase in freight costs if an increase in the price being paid can also be obtained. It is hoped that having extra competition in this region will increase demand and therefore prices.

Any pricing information that growers can provide is relevant in allowing the Board to more effectively represent your interests. Please do not assume that the Board gets this information provided to it by wineries, as they have no obligation to do so.

All information received from growers will remain confidential as to whom provided it to the Board.

GRAPE SPILLAGE PRESENTING A PROBLEM AGAIN



Growers are again reminded that the issue of grape spillage in the region is an important issue that effects your industry's image in the region. In the past it has caused minor road accidents and a number of growers have been reported to the local councils and received fines. All it takes is an observant road user to see a truck inadvertently spilling a berry and they can report this to the local council. There have even been reports in the past of trucks being fined although their load was incapable of spilling. To challenge these matters you need to undertake appropriate legal action in local court which can be expensive and difficult to prove your innocence.

While the Board understands that not all road spillage is avoidable it appears as though one of the biggest

problems facing transport drivers is not the stopping at intersections heading to the winery but the impact that other road users have on the heavy vehicles. The Board has received multiple reports by truck drivers of such incidents leading to a spillage.

The Board has contacted the local police to determine the best course of action that truck drivers can undertake if another road user causes them to spill loads on the road. The police have advised that you should take their vehicle registration details down and report the matter to the police. While they cannot guarantee that they will take action on the matter it provides the driver with a trail of evidence should a member of the public report them for the spillage that may occur.

Unfortunately the onus of proof again lies with the truck driver and while this is not entirely satisfactory it should be employed at every instance. Some drivers may consider placing driving cameras in their vehicles to obtain evidence of the incident that would be irrefutable.

The Board encourages all growers and transport drivers to report spillages that they see on the roads. The local councils have emergency clean up crews that can get the road cleaned and reduce possible accidents.

Griffith City Council contact number 6962 8100

Leeton Shire Council (Technical Services) 69530911

CCA TREATED POSTS INVESTIGATED - WGGA REPORTS

Early 2011 Wine Grape Growers Australia (WGGA) sought industry feedback on CCA treated posts within industry. At a meeting in Adelaide hosted by the GWRDC, WGGA presented the collection of views received from industry across Australia.

In terms of outcomes, the predominant view expressed was that the information available was confusing and needed to be improved. The GWRDC have undertaken to create a Fact Sheet to address this and is also considering the development of a fact sheet on alternatives to treated pine posts.

In addition, there were both policy issues and research topics that came out of the meeting and the GWRDC and wine sector stakeholders present undertook to take these to their respective decision-making fora.

Research topics included:

1. Field trials of alternatives to CCA treated posts
2. Life cycle analysis of CCA treated posts and alternatives
3. Feasibility study of a PostMuster
4. Market analysis of reuse strategies
5. Market analysis of pyrosis

Identified policy questions included:

1. Acceptability of landfill as a disposal mechanism?
2. Who pays for disposal?
3. Who is responsible for product stewardship?
4. How would a PostMuster work?

The regions providing feedback represent roughly a third of the area of vines in Australia. Use of CCA treated posts is reported to be extensive with their advantages described as: Cheap, Effective, Robust, Reliable, Durable, Stronger than alternatives.

The identified alternatives were: Steel, Cypress, ACQ (10-20% more expensive), Recycled plastic.

Responses were mixed about the level of awareness of issues to do with use and disposal CCA treated posts.

Breakage during mechanical harvesting was rated as a significant issue.

Recycling (on-farm, between farms and regions, off-farm) was rated as an effective disposal mechanism. Exceptions to this included: Lack of recycling prospects for broken posts, The requirements to move posts to PIZ districts made it uneconomical, The solution is not as productive in times of slow growth in the industry, as at the moment (although bushfires in recent years were an opportunity)

Solutions proposed in the feedback, to both the use (environmental impacts if they exist) and end-of-use disposal, included the following:

The strong view among the respondents was that manufacturers bore a responsibility to be more proactive on the issue, For example - assist with identifying and implementing disposal options, identifying pathways for correct disposal, developing CCA extraction techniques.

Others were, use of the Ocloc solution to broken posts, Wider use of alternatives, Disposal as kiln fuel, Reselling through Nurseries, Commercial Co-ops, Regional stockpiles (properly set-up, eg covering to stop rain leaching of chemicals).

Improve the attractiveness of alternatives.

Achieving price declines of ACQ (Ammoniacal copper quaternary) treated posts.

Improve harvester technology to reduce breakage.

Promote use of end-of-life posts to other industries.



Image: CCA Treated Post Stockpile in South Australia

WINE GRAPES MARKETING BOARD

DE BORTOLI & CASELLA WINES FINANCIAL REPORTS 2009-10 & 2010-11

While the issue of grower profitability is a major cause of concern among regional growers the following information obtained by the Board from ASIC relating to our 2 major wine grape buyers in the region, Casella Wines and DeBortoli Wines indicate that the industry is largely profitable for them as the following comparative breakdown and analysis of the past 2 years shows. Please note that DeBortoli Wines Pty Ltd report was reported as thousands, i.e. 000's which is the reason these numbers are all rounded off at zero's.

Underpinning the Casella Wines profits for the past two years is the gains that they have made in foreign exchange financing activities, \$68.5million in 2011 and \$15.9 million in 2010. ↗

As an export company that is majorly focused on overseas destinations they have to contract and hedge funds to ensure a level of profitability. As at 30 June 2011 they held a number of forward exchange contracts which when they are replaced may reduce their overall profitability (unless they can increase their product price - which would be difficult in the US market).

DeBortoli Wines Pty Ltd on the other hand made foreign exchange losses in 2010 and 2011 (\$2,043,000 and \$1,629,000 respectively).

Casella Wines activities in foreign markets and their wise exchange contracts have enabled them to continue to drive growth in their business, without these they may only be at breakeven at best.

Casella Wines	2011	2010	DeBortoli Wines	2011	2010
Revenue	\$344,092,871	\$394,950,387	Revenue	\$162,131,000	\$161,505,000
Other Income	\$68,541,005	\$15,914,659	Other Income	\$31,997,000	\$29,121,000
Expenses (grouped)	(\$348,349,932)	(\$394,883,444)	Expenses (grouped)	(\$183,724,000)	(\$180,474,000)
			Net financing costs	\$13,315,000	\$4,656,000
Profit before income tax expense	\$64,283,944	\$15,981,602	Profit before income tax expense	\$23,719,000	\$14,808,000
Income Tax Expense	(\$18,948,322)	(\$3,728,732)	Income Tax Expense	(\$12,083,000)	(\$1,768,000)
Profit for the year	\$45,335,622	\$12,252,870	Profit for the year	\$11,636,000	\$13,040,000
Retained Profit	\$404,061,250	\$374,277,154	Retained Profit	\$202,151,000	\$190,923,000
Major Costs of the Business as a percentage of Revenue (from sale of goods)					
Cost of Goods Sold	58%	53%	Cost of Goods Sold	63%	67%
Marketing/Selling	9%	10.7%	Marketing/Selling	11%	12.5%
Freight/Distribution	5.6%	4.6%	Freight/Distribution	4.1%	3%

Reports of increased capital acquisitions can be confirmed in the financial reports.

DeBortoli Wines increased their freehold land (at cost) by over \$8 million (up to \$28.8 million at the 30th June 2011). They also increased their Plant and Equipment by almost \$5.5 million from the previous year.

Casella Wines Pty Ltd has also been busy (recently noted in the media as having purchased some 11 vineyards covering 1,370 ha in South Australia over the past 6 years - according to adelaidenow.com.au). John Casella is reported as stating that they have invested more than \$100 million on grapes, packaging goods, transport and company employment in SA in the past two years alone. Now more than 107 SA growers are contracted to sell their grapes to Casella Wines. ↗

Casella Wines assets of freehold land increased just under \$2 million from 2010, Plant and equipment increase \$20 million in the 12 month period. It may be that the increase is predominately in the new beer production facility that has commenced operations.

Any way you look at these businesses they are strong and returning profits at a time when the industry is suffering. The industry needs viable business such as Casella Wines and DeBortoli Wines and it also needs business that will support the supply chain back to the grass roots.

Note: the financial reports of other wineries in the region were not available. The size and scale of these business's requires them by law to submit their financial reports to ASIC and these are available for purchase.

2012 RIVERINA GRAPE INTAKE - AS AT 19 FEBRUARY 2012

	2009 tonnes	2010 tonnes	2011 tonnes	As at 19 Feb tonnes	% complete
WHITE VARIETIES					
Chardonnay	75,719	60,597	71,876	59,246	88%
Chenin Blanc	983	739	657	414	58%
Colombard	12,998	8,553	10,358	947	10%
Muscat Blanc (Frontignac)	3,950	4,323	8,456	8,975	87%
Muscat Gordo Blanco	4,378	3,759	4,607	24	0%
Pinot Gris	11,567	10,902	13,939	14,210	108%
Riesling	4,192	3,506	3,772	3,564	94%
Sauvignon Blanc	5,329	5,793	9,085	9,384	99%
Semillon	35,872	32,740	33,815	24,494	82%
Traminer	5,469	5,112	6,637	5,267	84%
Verdelho	5,951	5,479	5,224	3,550	83%
Viognier	3,554	3,377	2,828	309	16%
Other White	304	555	1,579	353	19%
TOTAL WHITE	172,959	146,702	172,840	130,738	80%
RED					
Cabernet Sauvignon	24,309	17,341	22,111	133	1%
Durif	3,532	3,561	3,238	160	4%
Merlot	19,463	16,321	19,445	2,972	13%
Muscat Brown (Red Front)	680	528	701	180	25%
Petit Verdot	2,003	2,408	2,151	0	0%
Pinot Noir	2,919	3,304	2,775	2,608	66%
Ruby Cabernet	8,260	6,472	6,825	280	4%
Sangiovese	555	549	426	74	15%
Shiraz	68,624	59,842	53,406	11,709	20%
Tempranillo	993	1,941	435	0	0%
Other RED	2,958	3,346	2,840	573	17%
TOTAL RED	134,568	115,765	114,353	18,689	14%
TOTAL GRAPES	307,528	262,467	287,187	149,427	51%

Notes:

- Results with 99%(Approx) response. 2012 progress figures have been increased pro rata.
- % complete based on original winery estimate of intake.
- Wineries estimate the crop is around 10 days more advanced than last year.
- Wineries reported an expected intake at the start of harvest which may not equate to actual or forecast production.
- Information kindly provided by the Riverina Winemakers Association - compiled by Stuart McGrath-Kerr

CREATING COMMUNITY COLLECTIONS

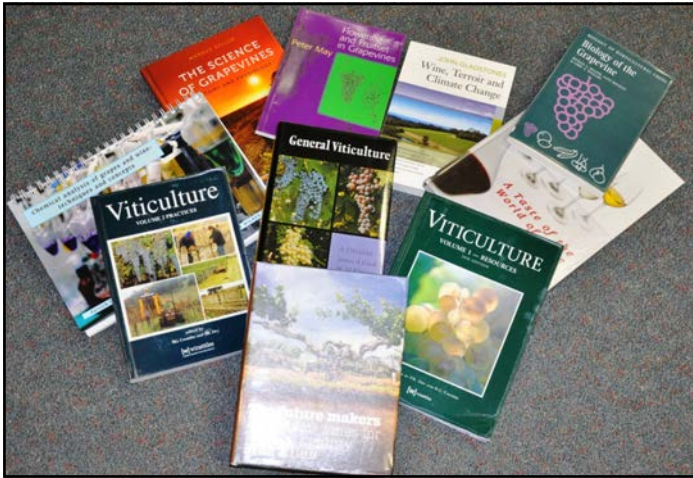
Last year it was reported to growers that in response to a request by the Griffith City Library the Wine Grapes

Marketing Board was donating a number of viticultural related books to the library in return for the library also funding an equal number of books on the same topic.

With the National Wine and Grape Industry Centre in Wagga Wagga providing a list of 12 relevant books the Board ordered these and the library covered the costs of half of the purchase.

The Board can now proudly report that these books are now available in the library to borrow and be used as reference material for our industry and for those wishing to study the industry.

Ms Amanda Martimbianco - Collection Team Leader with the Griffith City Library sent through a picture of the books prior to them going on the shelves.



RABOBANK WINE QUARTERLY INDICATES SOME CHANGE IN MARKETS

Rabobank's latest offering titled "Trends and outlook for the international market" January 2012, talks about the international scene and the following trends:

Varied seasonal conditions have resulted in mixed harvest outcomes across Europe but will deliver a 2011 EU crop largely similar to the prior year. Crop outcomes across the major producing countries of France (+11%), Italy (-14%) and Spain (-2%) have varied widely and are divergent enough to significantly affect relative pricing for each country in the year ahead.

The broader 2011 Northern Hemisphere harvest has been restrained when taken alongside the lower US crop (-9%), and generally supportive to grape prices at a time when the low Euro and US dollar are acting to support demand.

The assessment of the Southern Hemisphere (in preview). **Australia:** Improved seasonal conditions and ample sub-soil moisture and irrigation water supplied across South East Australia is generally conducive to increased marketable production in 2012. What remains to be seen is the degree to which current year yield have been impacted by the extreme disease pressure experienced by many vineyards in 2011. The grape market remains constrained by the high dollar, but supported in places by lower industry stock levels.

South Africa: Current industry estimates are for the 2012 grape crop to be roughly 4% larger than in 2011, but the growth will be mainly for distilling, for concentrate and for brandy. Wine production is currently projected to fall 1%.

Argentina: Industry forecasts point to a lighter 2012

Argentine harvest compared to 2011. Preliminary estimates suggest as much as 10% production decrease, with declines to be most pronounced in San Juan. The *millerandage* (shot berries) caused by the dry and hot Zonda wind reportedly affects table grapes more than wine grapes, nevertheless there is some expectation of lower Malbec yields.

Chile: Early evidence points to a potentially larger 2012 Chilean wine grape harvest. The higher prices received by many growers in 2011 are likely to provide some incentive to boost yields, aided by generally favourable seasonal conditions.

Export Conditions: Australian export volumes in the 10 months through October 2011 fell 10.9% on the prior year to 655.3 million litres. Reduced supply and the high Australian dollar have pressured export volumes, with exporters upwardly revising their pricing structures to combat margin pressure. Average bottled wine export price increased 4.8% to AUD 4.30 per litre, while bulk wine prices increased 6.3% to AUD 1.01 per litre.

The entire report can be sourced from www.rabobank.com



STATUTORY BODIES ARE REQUIRED IN DIFFICULT TIMES

Given the recent unrest within the Riverina Citrus industry and the grower poll to look at the future of the citrus body the office has fielded a few calls in relation to the Board's future and the role that it has to play within the region.

It is therefore important that the Board remind growers of some of the advantages of having a representative body in the region. While the Board is not able to set prices for wine grapes the work that it undertakes is very important to growers and wineries alike.

Point of Contact for Media, Public and Government

The Board regularly fields calls from the print, radio and TV media on the issues affecting regional growers. At times the national and state media are also interested in how growers are faring in terms of returns and in the event of natural disasters.

The Board attempts at all times to present the views of growers fairly however it is not able to have editorial say over what is printed or what makes it to air, therefore at times key messages may be lost or confused. Having our own bi-monthly newsletter Vine Chat enables the Board to have full editorial control over content and it tries to be informative and relevant to growers information requirements. Having a high readership (80%+) of this product is excellent.

The media are always wanting to get a story directly from growers and the Board members often assist but speaking to the media can be performed by any grower. Growers wanting to assist are asked to contact us so we can keep a list. Sometimes the media only wants an in field photo or a different point of view to a topic that cannot be provided by your staff.

Representative Work

Whether it is talking about water security, fruit fly, market access, research and development activity and priorities, road transport and farm safety issues the Board represents your interests.

We are involved with NSW Workcover on their Primary Industry Reference Group, regional fruit fly committee, Wine Grape Growers Australia and the GWRDC, RTA and many other regulatory bodies.

While many regional representative bodies have taken credit for the Murrumbidgee Irrigation contract negotiations the truth remains that the local based solicitor engaged and paid for by the Board undertook the majority of the negotiations with the company on behalf of the assembled organisations.

More recently though the entire MDBA water debate has taken more and more time from the Board and staff to ensure that grape producers are well represented, the Board is now a voting member of the National Irrigators Council and an observer on the NSW Irrigators Council.

The 2010 State Government Inquiry into the wine grape market and prices was set up after many approaches to government by the Board. While the outcomes to date have been disappointing, the Board is still in there battling for growers. The Board has written to the government and opposition front bench expressing its concern that none of the recommendations from the inquiry were adopted.

The wine industry code of conduct is an area where the Board sees great benefit for growers and wineries alike, regionally based wineries are slow to adopt and giving industry good reason to mandate the code in the near future. Such continued pressure by your organisation is critical for its future success.

Marketing of Grapes

The Board continues to provide the Wine Grape Index online. A service that has put more wineries in touch with growers than any other. The Index allows growers that have been displaced to market their fruit and it has been quite successful over the years. In 2012 the Board is advertising the index nationally and while the grapes are slowly moving it is another tool that will generate competition in this region, which is something that is surely lacking.

Grassroots and funded project work

Having skilled and capable viticultural staff is important to the Board so it can offer on site services to growers when needed. Our quality staff are always seeking knowledge and developing extension activities that are relevant to our regions needs.

Spray Diary and HACCP System

The Board's produced spray diary is a versatile tool for the industry and even though many growers are moving toward online spray diaries the hard copy format can be used in the shed to keep spray records and allows easy compliance with EPA requirements.

The Board listens

While it is true that we can no longer set prices the Board does listen and respond to grower needs. It is a grower funded and managed organisation that's true value is that it is here for independent grape growers.

ONLINE NEWS SNIPPETS - EDITED

USA - Winegrape boom is projected to continue in 2012 (1 Feb 2012 - Ag Alert)

The pendulum has swung back in the right direction for California winegrape growers in 2011 following a couple years of lower prices and drop in demand for grapes that was linked to the worldwide economic downturn. Jon Fredrikson US Wine Industry said "I think there is still too much bulk wine and bottled wine coming into the United States. Moscato is a good example. California growers are planting a lot of muscat grapes, but demand is outpacing supply so until those wines start bearing, a lot of wineries are sourcing their moscato overseas, coming from Australia, Italy and other countries. A lot of the foreign wines coming into the United States is bottled wine, but there is also a lot of bulk wine coming into this country."

Nat DiBuduo, president of Allied Grape Growers in Fresno "We have finally worked ourselves into a position where we need to plant more grapes. I am asking for strategic planning, smart planting of winegrapes with contracts," he said. "We are going to see a lot of grapes going into the ground in the San Joaquin Valley. They are all being planted with contracts that are going to bring prices that are sustainable to both the growers and the wineries and at consumer price points that are acceptable."

Yellow Tail Joins Sweet Red Phenomenon - 24 Jan 2012 - Shanken News Daily

W.J. Deutsch & Sons says it will launch a new extension to its Yellow Tail wine brand, Sweet Red Roo, this March. The new addition, the 15th wine in the Yellow Tail portfolio, is a blend of Shiraz, Cabernet Sauvignon and other red varietals. "Sweet Red Roo is the nexus of two categories on fire with consumers right now - sweet wine and red blends," said Francois Magnant, Yellow Tail's brand director, noting a 246% jump in sweet wines' dollar value in 2011 (Nielsen).

Yellow Tail has already had some success in the sweet wine segment—its Moscato, released in mid-2011, sold over 300,000 cases by year end. Sweet Red Roo will sell for \$6.99 per 750-ml. and 11.99 per 1.5-liter bottle, and feature a bright red prismatic label.

While its former torrid growth slowed during the economic downturn, Yellow Tail remains the top-selling imported wine brand in the U.S. by a wide margin and in the top five wine brands overall at over 8.3 million cases. The Aussie label is currently being backed by a \$9 million media campaign through March (the end of Deutsch's fiscal year).

USA - Moscato Madness: Identifying the good stuff (2 Feb 2012 - San Francisco) - US wine writer Richard Jennings

America's in the midst of a much bigger wine phenomenon than the sudden upswing in Pinot Noir sales following the 2004 release of the movie *Sideways*. Sales of slightly sparkling sweet wines with underlying acidity made from the Muscat grape have exploded over the past two years among younger buyers, especially Millennials -- the 21 to 30 age group.

Nielsen tracks sales data for many food and beverage products, including wine. They reported U.S. sales of Moscato increased over 200% between 2009 and 2011, and that they rose again by 78% in 2011, exceeding \$300 million in sales for that year.

Moscato to avoid include those produced by the giant wine conglomerates: Gallo (Barefoot Cellars), Trinchero (Sutter Home), Constellation Brands (Woodbridge and Robert Mondavi), The Wine Group (Cupcake) and Australia's Casella Wines (Yellow Tail). The Yellow Tail version is, in fact, so bad -- more like lemon-lime soda pop than wine -- that I'm not sure I would ever have identified it as wine if I hadn't poured it out of a wine bottle myself. (Not a good comment for our wines. Ed)

IMPORTANT DATES FOR YOUR DIARY

Murray Darling Basin Authority - response to plan

Due Date: Monday 16th April 2012

Email: submissions@mdba.gov.au

WINE GRAPES MARKETING BOARD - proudly serving winegrape producers since 1933
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