

BUDGET MEETING OUTCOMES

A huge thank you to those growers that came to the meeting held on 27th November 2019 at the Yoogali Club to vote on the fees and charges for 2020 and discuss the 2020-2024 strategic plan and 2020 financial budget for the organisation. Members got to hear reports from Board members about their representative activities with irrigation issues, NSW Wine Industry Association and the Board review, along with the **Chairman's Report**.

41 Growers attended along with 31 guests including the Andrew Calabria President and Carrah Lymer Executive Officer of the Riverina Winemakers Association.

The CEO provided a report on the forecast 2020 winegrape prices for the Riverina which has been completed for the Board by JSL Advisory services (see the table on this page).

The forecast has been prepared using the current bulk export wine prices that have been acknowledged by industry to have a strong correlation to farm gate winegrape prices the major varieties of winegrapes for the region were reviewed (see pages 5-8 for further information).

It is the most growers we have had in attendance at this meeting for many years and indications are that the positive change that may come about from the review by the ACCC into the industry has spurred on growers to attend.

Guest speaker for the meeting was Mark Laybutt Acting Director with the ACCC Agricultural Unit. Mark

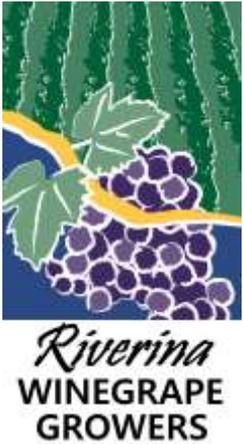
presented to those in attendance the recommendations of the ACCC in relation to the Wine Grape Industry. A full list of the recommendations can be found on page 4 of this edition of Vine Chat.

Also approved at the meeting was the increase in payments made to members of the Board from the gross amount of \$50,000 per annum up to a maximum of \$90,000 per annum. The outcome from the meeting now has to be approved by the Minister. If approved Board members will be able to receive financial payments for attending meetings of the Board and other meetings as determined by the Board up to a maximum amount. They will also receive a base amount.

Variety	2019 Avg Prices	Demand	Current Availability	2020 Price Expectation
Chardonnay	\$390	Stable	Balanced	\$400-430
Shiraz	\$606	Good	Under/Decreasing	\$625-695
Cab Sav	\$597	Stable/Good	Stable	\$625-660
Merlot	\$565	Stable	Stable	\$585-625
Semillon	\$351	Stable	Decreasing	\$350-375
Sav Blanc	\$435	Good	Stable	\$440-470
Pinot Gris	\$472	Good	Stable	\$480-500
Dry White	\$334	Stable	Decreasing	\$350-375
Dry Red	\$481	Increasing/Good	Limited	\$490-565

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BOARD ACTIVITIES REPORT



Spray Drift Workshop

This workshop was held at the Yenda Diggers Club 31st October 2019. It provided those that attended information on how to minimise spray drift issues within the vineyard.

30 Day Payments

The Board agree to continue to support the ACCC recommendation that the industry move toward 30 day payments. This was in light of the final report to industry being published by the ACCC.

The CEO is currently participating in the Wine Industry Code of Conduct Review meetings that is looking at how the Code will need to be amended to satisfy the ACCC and industry.

Review of the Board

The Deputy Chair and CEO recently met with NSW DPI staff in relation to the review of the Board that was commenced in June 2017. The representatives advised that now that the ACCC report has been published and the ACCC will remain in the wine industry space for the next 12 to 18 months monitoring compliance with Trade Practices the NSW Government would be able to conclude its review.

It is hoped that a draft of the regulation will be made available to the Board early in 2020 with a view to having this go through Parliament by end of June 2020.

Outbreak Trial Conducted

Staff and Board Member Bruno Altin attended a mock trial of an outbreak of Phylloxera in the Orange NSW region recently. It showed to industry that the NSW DPI and other regulatory bodies are well prepared for such an event.

The practicalities of the movement of fruit during the commencement of an outbreak and the confirmation of a detection of an outbreak were laid open for all to see how it would impact.

A follow up report is being done on the exercise and industry will need to learn from it and become more prepared for the impact of such an incursion.

Website Upgrades

The Board recently approved to remove the Riverina Wine Collective website and bring that material across to the WGMB website that is being renamed Riverina Winegrape Growers.

The Board will continue operating as Wine Grapes Marketing Board for all official publications but now trade as Riverina Winegrape Growers for most other activities. The Board has secured the following website: www.riverinawinegrapes.com.au and this will go live in the new year.

Appointed Members of the Board

The two appointed positions currently held by Kristen Dal Broi and Dom Schirripa are currently being advertised regionally with a view to seek potential applicants for the Board to consider. These position are up for renewal by the Board in February 2020.

Leeton Chill and Grill

Unfortunately the weather impacted on this event and it was cancelled. The Board will look to sponsor this event in the following years.

Please try and support local activities and events that promote the region.

Office Closure for Christmas and New Year

The Board would like to wish all growers and their families and safe and Happy Christmas and New Year period and the best of luck for a fruitful and profitable 2020 vintage.

The office will close on Friday 20th December 2019 and reopen for business on Monday 6th January 2020.

Should you require assistance within these dates please do not hesitate to call Brian Simpson CEO during office hours on 0438 388 828.



EXTENSION OFFICER REPORT

Wagga Renewable Energy Conference: This was the first renewable energy conference in our region and very well attended, about 350 people. The committee of the event have already commenced organising next years event and if you are thinking of renewables on your property, I recommend you attend the next renewable energy conference, we will keep growers informed through the Vine Chat on the dates and venue.

Recording all chemical used on farm: I know I sound like the squeaky door but you must record all chemical used on your vineyard, that means Fungicide, Herbicide & Insecticide hard copy or electronically. If you required **help in entering data electronically, please don't hesitate** to ring me and we can organise a time that suits you.

Workshops: Adrian Englefield from the NSW DPI puts a lot of effort into organising workshops for growers and I would like to see more growers attending the workshops. The final topics for the 2020 workshops **haven't been finalised as yet but we will inform growers** by text and in Vine Chat.

Disease Resistance Vineyard in Wagga: **I'm seeking** expressions of interest from growers that would like to visit a mildew-resistant vineyard which has been unsprayed for a number of years. I would like to organise a visit on Thursday 16th January 2020, contact your Extension Officer Brian Bortolin 0401 567 449 or ring the office 6962 3944.

WINE INDUSTRY URGES GOVERNMENT TO DO MORE

<https://insidefmcg.com.au/2019/10/29/wine-industry-urges-government-to-do-more-for-the-sector/>

Wine producers are urging the Government to further support the sector as they said the A\$50 million invested in the sector will be spent by June 2020.

Australia's First Families of Wine (AFFW) and Wine Australia raised concerns following a trip to the US to promote Australian Wine to American consumers.

AFFW roster of wine producers include Brown Brothers, Campbells, **d'Arenberg, McWilliam's Wines, Taylors, Tyrrell's Wines** and Yalumba.

"Given how much the government reaps in taxes from the wine industry, it's time they stepped up and showed an ongoing commitment to our long-term health, at home and internationally," said AFFW chair Stephen Henschke.

WET reforms have cut the industry rebate from bulk and buyers own brand wines. The maximum rebate of A\$500,000 dropped to A\$350,000 which led to an estimated A\$200 million additional revenue at the Treasury.

"We've all lost money from our bottom line as part of the WET tax rebate reforms and as some of Australia's oldest family owned businesses, we've just had to accept that," he explained.

"Whilst it was great to see influential people tasting our wines and being amazed, we can't afford to be forgotten again. It's all about consistency of message. We have to keep telling our stories. It can't just stop," said former AFFW chair, Bruce Tyrrell.

With 11 of Australia's leading family owned, multi-generational wine businesses in the fold, the group feels a responsibility to ensure that the \$50 million spent under the auspices of Wine Australia does not go to waste – and that the investment continues.

"I'll be lobbying my local member and will be encouraging all my AFFW colleagues to do the same in

their regions. As a group we have to lead the charge, have our voices heard and fight for funding on behalf of the Australian wine community. It's vital to our long-term future and I'm certainly up for it," Bruce Tyrrell noted.



ACCC RECOMMENDATIONS

1. The ACCC recommends the Australian Wine Research Institute work with the National Measurement Institute and the industry to develop uniform national standards for testing and measuring grape sugar levels and colour.

This recommendation is designed to increase grower confidence in testing by establishing clear standards for testing methods, and the calibration and use of equipment.

2. The ACCC recommends that winemakers should use well-documented and objective testing and sampling methods for quality assessments in the vineyard and at the winery.

Despite some limitations of objective measures, and the importance of sensory assessment, the ACCC considers that winemakers should rely on objective measures to determine payment amounts wherever possible, and should adopt standardised sampling practices in the vineyard and at wineries.

3. The ACCC recommends that the Australian Wine Research Institute, in consultation with industry stakeholders, review current industry guidance on quality assessment standards, and amend the guidance to clearly reflect current best practice and to provide detailed information on standards for sampling in the vineyard and at the weighbridge.

This will inform all growers and winemakers about current best practice quality assessment methods.

4. The ACCC recommends that supply agreements should clearly outline the testing and sampling methods that winemakers will use to assess grape quality.

This will increase the transparency regarding quality testing methods, allowing growers to make more informed decisions when entering into agreements. The information about testing and sampling methods should be accompanied by clear and precise information about quality thresholds and the effect, if any, of failing to reach a particular threshold.

5. The ACCC recommends that warm climate grape grower representative organisations deliver accessible, relevant and timely analysis of market trends to warm climate growers.

The ACCC moved away from its interim recommendation on indicative pricing after considering industry feedback.

6. The ACCC recommends that, for grapes purchased from warm climate regions, wine grape buyers be required to provide pricing information to Wine Australia. Wine Australia should aggregate and publish this information by winemaker, for each variety in each warm climate region, before the end of each financial year.

7. The ACCC recommends that long term payment periods should be phased out of standard form contracts.

8. The ACCC recommends that a best practice standard of payment within 30 days be adopted for large winemakers and that the Voluntary Code reflect a 30-60 day payment period.

9. The ACCC recommends that the Voluntary Code be substantially strengthened, and that all winemakers that purchase grapes from growers become signatories to the Code.

The Code should be amended to:

- provide a structured process for the review of adverse quality assessment decisions made at the winery (including at the weighbridge), including by requiring taking, holding and testing retention samples if a winemaker downgrades or rejects a delivery of grapes in order to assist dispute resolution
- improve the processes and timeframes for dispute resolution under the Code
- provide a structured process for arbitration of contractual disputes, as well as other types of disputes that may arise out of supply agreements. This will improve access to impartial dispute resolution procedures and help address the power imbalance between the two parties

The ACCC will continue to advocate for its recommendations into the future.

The ACCC will review the progress of the industry in adopting the final recommendations 12-18 months after the release of the final report.

The ACCC is also investigating potential unfair contract terms in winemaker contracts.

RIVERINA WINEGRAPE PRICING 2020

The following information has been extracted from a report prepared for Riverina Winegrape Growers by JSL Advisory using data obtained from various sources, i.e. Wine Australia, Ciatti.

Will the price of water impact on the Yield of the crop for 2020. In 2018-19 the high security average price for water was around \$600 per ML. In 2019-20 the price is now well above \$750 per ML.

If growers need to purchase water to produce a crop at 6ML per hectare at around \$800 per ML the costs per tonne are around \$266 per tonne at 18 tonnes per hectare which is greater than half of normal production costs.

Fortunately the majority of growers still own sufficient water and a crop is going to be produced. However it is forecast that there will be a reduction in the 2020 crop. If 2020 winegrape prices are not high enough the 2021 crop will be much lower again.

Factors affecting Grape Prices

- Grape Supply - is there a shortage or oversupply.
- Grape Demand - at what price and how much winemakers are able to pay.
- Wine Sales - The price of wine in the market, exchange rate variations, demand and supply of wine and the volume of price movements and

variations in retail pricing and export pricing.

2018-2019 Grape Production/Wine Sales

Production: 1.73MT (1.79MT in 2018), the inland regions accounted for 73% of Australia's total production. The 2019 vintage was a 200KT decrease on 2017.

Consumption: Consumption of wine is slowly rising. In 2019 - 1.86MT, (1.8MT in 2018). Domestic 715,000 tonnes, Export 1,163,000 tonnes. The increase results in sales volumes exceeding the supply volume; a lack of available wine in the commercial sector and the opportunity to use up all existing old stock.

In Summary: Sales volume has exceeded supply volume; lack of wine in the commercial sector; have used up all old stocks of commercial wines.

Exports: Approximately 65% of production (Approx. 1.14MT) is exported. Bulk wine format is 55% of 455ML or 650KT of winegrapes (down 73,000 tonnes). Bottled format makes up the balance which is 359ML or 515KT (down 28,000 tonnes)

Domestic Sales: Sales grew by 1-2% per year. The total of this equates to approximately 715,000 tonnes of winegrapes (plus 100,000 tonnes of imported wine equivalent). Total Sales down by about approximately 75,000 tonnes - predominately due to lack of supply.

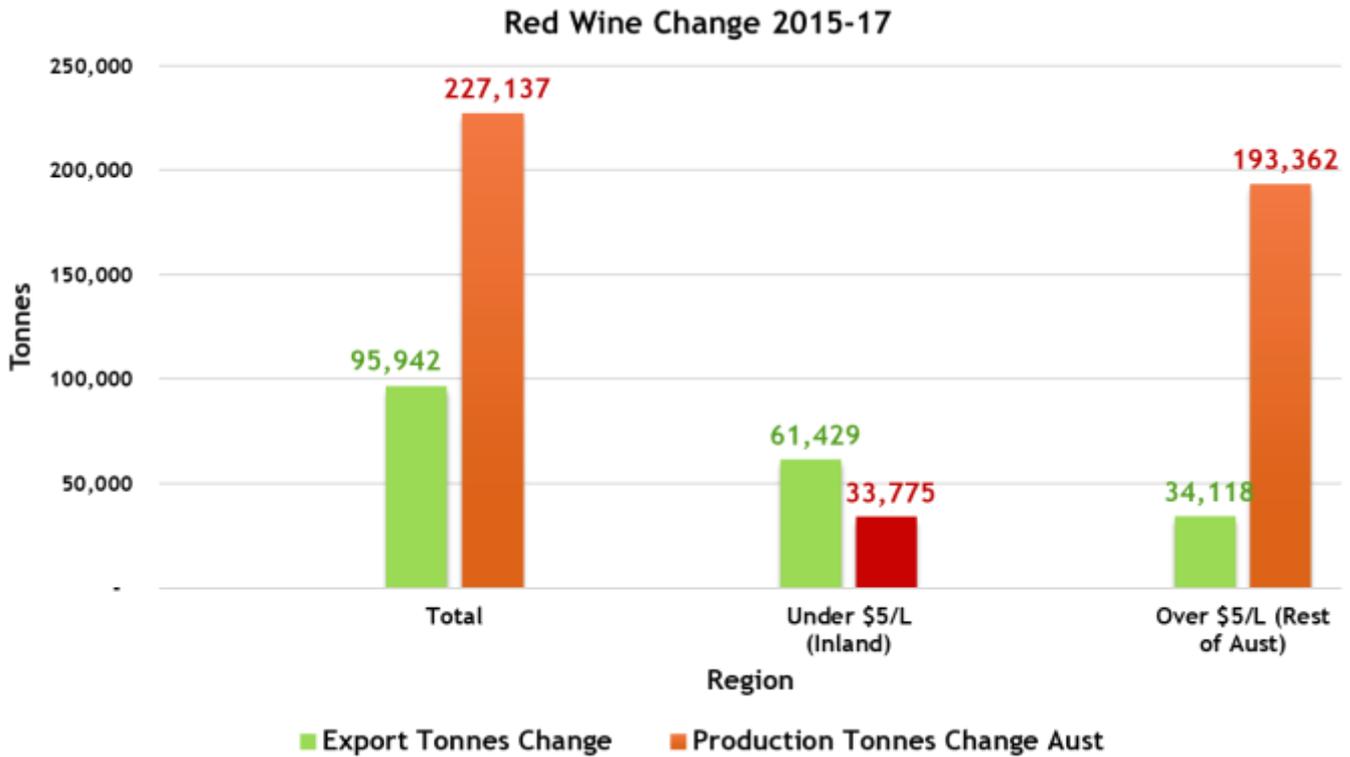
Export Wine Sale Price and Volume 2018-19

November 2019 MAT (Source: Wine Australia)

Price	Volume	Value	2018-19 Vol (mL) Change	2018-19 Tonnes Change
Total Sales	786.8mL	\$2.63bill	-67mL	-93kt
Bulk	455mL (650,000t)	\$512.8mill (\$1.20/L)	-53mL	-73kt
Bottle Below \$5/L	228mL (340,000t)	\$830mill (\$2.80/bottle)	-28mL	-38.8kt
Total Below \$5/L	694.2mL (991,000t)	\$1.38billion	-33.2mL	-111.8kt
Above \$5/L	121.4mL (172,000t)	\$1.42billion (\$8.20/bottle)	+10mL	+17,000t

RIVERINA WINEGRAPE GROWERS

2015-2017 RED WINE GRAPE CHANGE

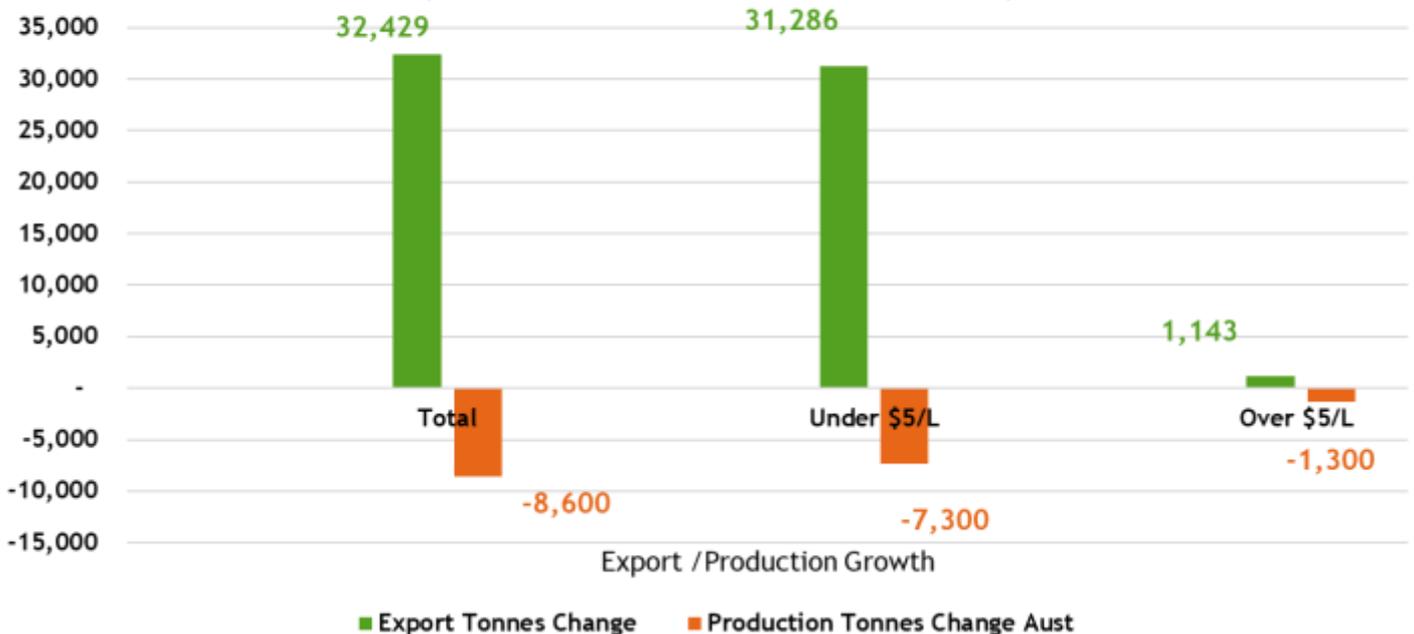


The above graph shows that while nationally we are seeing an increase in exports of red wine the price points indicate that the increase is not coming from the inland regions which traditionally produce more. It is important to note that exports to China are predominately red wines.

PRODUCTION V'S SALES CHANGE WHITE WINE (2017-2018)

2017-2018 Change White Wine Production (All Australia) v Export Sales

(<\$5/L Inland: >\$5/L Cool Climate)



The above graph shows that overall exports for white wines have also increased for inland regions while production has declined.

CHANGES IN EXPORTS

The amount of Australian wine has decreased in volume by approximately 93,000 tonnes of wine grapes or about 7% of total exports.

The value of exports has risen during this time with bulk wine up 14% from \$1.04 to \$1.19 per litre. Bottled wine has also increased by 9% from \$5.69 to \$6.21 per litre.

The reduction in sales is not due to a lack of enquiries in the market but a reduction in available wine. Grape production has increased but this has been at a level below wine sales increases in the past 4 years for the sector and stocks have been used up.

Major Export Markets (MAT March 2019)

The following three countries are 68% of the total volume of exports.

UK 233ML 319,000 tonnes equivalent
 \$364,000,000 value of exports
 \$1,141 per tonne equivalent
 35ML Bottled @ \$3.21/bottle (48KT)
 197ML Bulk @ \$1.09/Litre (269KT)
 Bulk equivalent price \$796/tonne

USA 146ML 201,000 tonnes equivalent
 \$436,000,000 value of exports
 \$2,169 per tonne equivalent
 85ML Bottled @ \$3.18/bottle (117KT)
 61ML Bulk @ \$1.20/Litre (84KT)
 Bulk equivalent price \$876/tonne

CHINA 140ML 192,000 tonne equivalent
 \$1,150,000,000 value of exports
 \$5,989 per tonne equivalent
 115ML Bottled @\$7.02/bottle (158KT)
 25ML Bulk @ 2.34/Litre (35KT)
 Bulk equivalent price \$1,708/tonne

World Wine Supply (source OIV)

Wine consumption has continued to grow at around 0.3% per year by volume. Growth has predominately been in Asia while Europe has trended down.

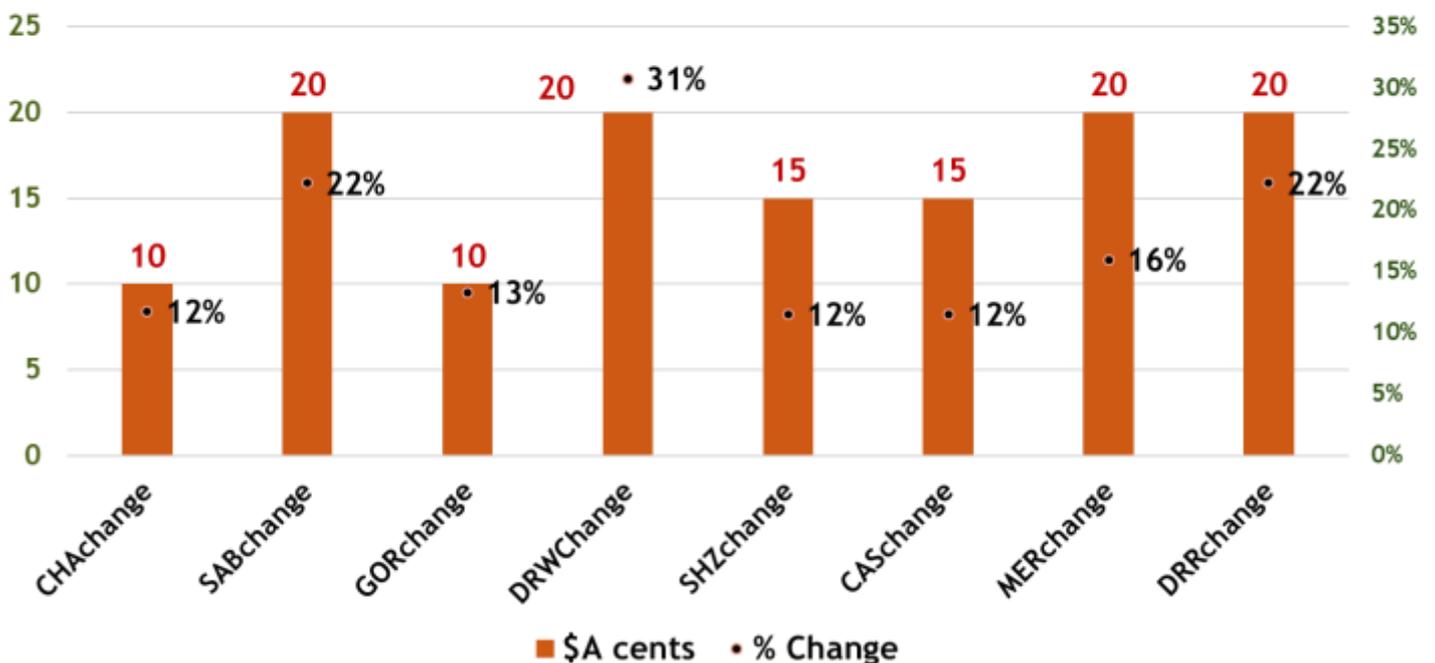
World wine grape area of production has remained stable and the 2019 tonnages internationally was below average.

Australian crop needs to stay at similar tonnages, winemakers do not need to sell low priced wines to clear stocks. Growth is better if it is from higher prices.

Australian Bulk Wine Price Change 2018-19 (\$A) (source Ciatti) - see graph below.

The price of bulk wine sales have improved from 2018 into 2019. The graph below shows the increase in cents per litre in the columns. The graph also shows the percentage increase over the year. Each column represents a variety or category, eg CHA = Chardonnay, SAB = Sauvignon Blanc, GOR = Gordo, DRW = Dry White, SHZ = Shiraz, CAS = Cabernet Sauvignon, MER = Merlot and DRR = Dry Red. These numbers are very impressive.

Change September 2018-19 (Cents/L)



RIVERINA WINEGRAPE PRICING 2020

Given that there is a known correlation between wine grape prices and bulk export wine prices it is safe to assume that in 2020 the farm gate prices are primed to rise.

In summary while grape price increases are likely we need to be aware of the following factors: Most volume sales are still in the below \$5 per litre sector (commercial) - serviced by regions like the Riverina. Demand remains very good for wines.

Demand/Sales has exceed grape supply for the commercial sector and industry has very low stock levels. There appears little opportunity for any meaningful growth in the supply of winegrapes as costs of redevelopment remain high. Overall it is more likely that the supply of inland winegrapes will reduce.

Wine prices have not come down despite competitor countries reducing prices and there remains some resistance from importers to higher wine prices.

It should be noted that China has experienced 80% of the growth over the last 3 years and their economy is starting to show signs of slowing. Australia is well

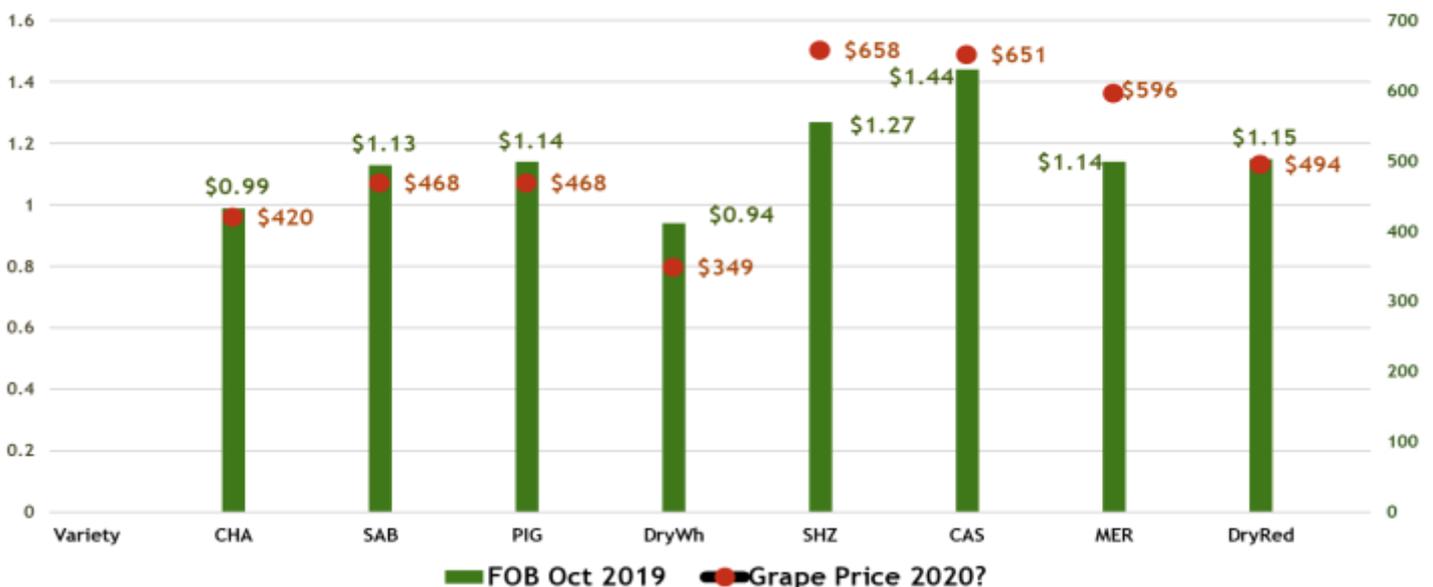
primed and placed to service their wine needs going forward and we need to maintain good diplomatic relations with them to achieve this.

In summary wineries have some capacity to pay more for wine grapes. Sales volumes have reduced mainly due to supply shortages and exporters have been able to stay away from the commodities market. However there has been a slowing down of general wine enquiries and wine buyers are looking for alternative countries for supply.

In general winemaker concerns are largely issues associated with the UK and the Brexit deal and its impact on the market for them. They are concerned about the US and China trade issues that are in existence. These 3 market collectively represent 65% of our Australia's wine.

The graph below shows the green columns as cents per litre of bulk wine sales as at Oct 2019 (FOB). The red dots indicate how this should correlate to 2020 winegrape prices for the Riverina. Please note the graph below should be viewed in conjunction with the table on page 1.

Grape Prices 2020



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