DISCUSSION

CENTRE FOR INTERNATIONAL ECONOMICS

A national wine grape growers' organisation

A discussion paper

Prepared for the

Department of Agriculture, Fisheries and Forestry

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Glossary

AWGC	Australian Winegrape Growers Council
DAFF	Department of Agriculture, Forestry and Fisheries
GWRDC	Grape and Wine Research and Development Corporation
MVW	Murray Valley Winegrowers' Inc.
WFA	Winemakers' Federation of Australia
WGGA	Wine Grape Growers Australia
WGGA Inc.	Wine Grape Growers' Australia Inc.
WIA	Wine Industry Australia

What this issues paper is about

This paper discusses a proposal to form a new national wine grape growers' organisation and to have this associated with a national wine industry peak body. For now, lets call the growers' organisation the *Australian Winegrape Growers Council (AWGC).* If formed, it will be the peak industry body representing the interests of *all* wine grape growers in Australia. Its final name may be something else — that is yet to be decided. The important task at this stage is to put forward a preliminary proposal that can be thoroughly debated and discussed. Hence, this paper.

The paper also includes consideration of an overall wine industry peak body — *Wine Industry Australia (WIA)* as a representative body for the whole wine industry. This will incorporate the new peak grower body, AWGC, and the Winemakers' Federation of Australia (WFA).

This preliminary proposal is being sent out to all wine grape grower organisations which in turn are being asked to circulate the paper to their members. It is also being posted on the web sites of CIE (www.TheCIE.com.au), WFA (www.wfa.org.au) and state and regional wine grape grower organisations.

Early in 2005 a series of meetings or workshops will be held in the major wine grape growing regions. Wine grape growers are invited to attend these to express their views on the preliminary proposal and the issues raised.

Following this consultation process a detailed business plan for the new wine grape grower peak industry body will be prepared, taking into account the views expressed. This business plan will be put to all wine grape growers and their regional organisations for consideration and decision. That should take place around the middle of 2005.

This whole process is being facilitated by the consulting firm CIE, and funded through the Industry Partnership Program run by the Commonwealth Department of Agriculture, Fisheries and Forestry (DAFF).

The current state of play

A start to the rebuilding process

The previous Winegrape Growers Council of Australia (WGCA) ceased to exist in early 2004. It was not representative of all wine grape growers, as its membership was made up of the Wine Grape Marketing Board in the Murrumbidgee Irrigation Area, the Victorian and Murray Valley Winegrape Growers Council Inc., and the wine grapes section of the South Australian Farmers Federation. It was wound up following an inability to reach agreement on making the Council a more representative organisation.

However, there is wide consensus within the wine grape growing community that an alternative national organisation should be formed to represent the interests of wine grape growers from all Australian wine growing regions.

The process of replacing the old Council has begun with the formation of a new body in Victoria called Wine Grape Growers' Australia Inc. (WGGA Inc.). This has been formed by wine grape growing organisations in the Riverina, Murray Valley and Riverland. These three organisations represent about 55 per cent of total wine grape production. A key objective of (WGGA Inc.) is to form a new national organisation that can represent all grape growers. It has organised workshops (for example, one in Adelaide in November 2003) where in principle agreement has been reached to form a national organisation to represent wine grape growers.

The proposal at a glance

At present the WFA, represents the interests of wine makers (box 1). It is made up of two electoral colleges, the Australian Regional Winemakers' Forum, representing small/medium wine makers, and the Australian Wine and Brandy Producers Association, representing the larger wine makers. Negotiations are now almost complete to form a third electoral college representing medium size wineries.

One option is that a new national organisation, known as Wine Industry Australia (WIA), would be formed which would incorporate the existing WFA and a new representative wine grape grower organisation as one of its electoral colleges (chart 2). This new structural organisation would provide a powerful and effective united front for the whole wine industry. Under this structure, wine grape growers would be more directly involved in decision making on issues and future directions for the whole wine industry and would take the lead on national representation on wine grape growers issues. The proposed AWGA, while an electoral college of WIA, would effectively run its own program of activities, targeted at grape growers. It would be resourced by staff members whose responsibilities

1 Winemakers' Federation of Australia

The Winemakers' Federation of Australia (WFA) was established in 1990, although the nucleus of WFA started in the early 20th century.

In the decade before 1990, the wine industry sought political representation via several groups that could not agree on a unified way forward. These groups separately represented large companies and small companies, with several of the largest companies preferring to eschew the formal structures and undertake their own representation.

With a period of such division, it is not surprising that the Commonwealth Government was easily able to introduce a Wholesale Sales Tax of 10 per cent in 1984 and then double it in 1986.

The tax increases were the catalyst for the industry to recognise that division was poison in politics and political representation. Accordingly, the industry set about implementing a structure that enabled industry to build consensus around policy and strategy with the underlying principle being that division should be resolved internally if outcomes were to be achieved.

The structure that was established has proven to be very effective, and is largely intact today.

Members of WFA nominate into one of two Electoral Colleges — the Australian Wine and Brandy Producers Association representing large companies, or the Australian Regional Winemakers' Forum who's structure incorporates state wine associations and small wineries in general. Each Electoral College has a board of Management whose responsibility it is to represent the issues relevant to their constituents around the Management Committee.

Five members from each Management Committee (plus one permanent alternate) are then elected by the Management Committee to sit on the Executive Council of WFA to set national policy and strategy.

With an 80% majority required for policy decisions, the structure forces each Electoral College to caucus. This is a very important part of the structure, as no Electoral College can change policy without support from members of the other Electoral College.

In the 14 years that WFA has been in existence, there has only ever been two votes that were not unanimous. This is a remarkable outcome, and demonstrates that two groups (large and small) with sometimes opposing views, are able to come together to form effective national policy.

The WFA structure has proven durable and has forced different industry sectors to resolve issues. Likewise, a similar structure for a new WIA, that incorporated grape growers, would force all stakeholders to focus on delivering outcomes for the betterment of industry as a whole.

would be to generate policy and strategy programs on grape growing issues, advocate for WIA endorsement, and seek to implement those policies and strategies on behalf of all grape grower members.

The proposed WIA is discussed further later in the paper.

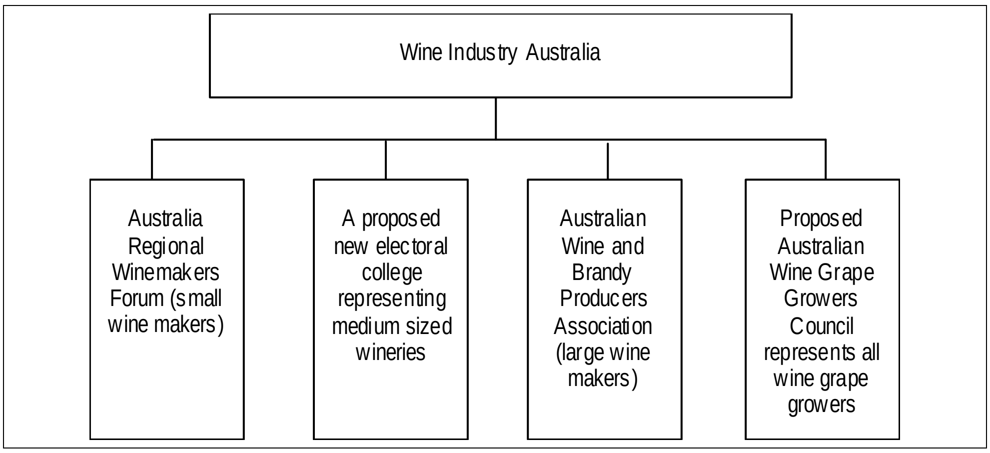
Strong regions but weak national representation

There are about 80 regional wine or wine grape-growing associations throughout Australia (chart 3). Many associations do not differentiate membership between wine grape growers and wine makers, but some do — particularly the regional associations representing growers in the large inland wine grape areas. The regional associations concentrate on local issues including regional wine promotion, technical wine making and viticultural issues, wine tourism and so on. In some cases, wine grape grower associations play an important role in contracts negotiated between growers and wine makers, and are active in representing growers'.

State wine industry associations are frequently dominated by wine maker members but act, overall, in the best interests of the wine industry in respective states. Promotion of the states' wine industries, working with state governments on regulations affecting the wine industry, industry information and communications are some of the functions undertaken by these organisations. Recently, the South Australian Viticulture Council was formed in recognition of the previous under representation of wine grape growers at the state level.

Industry bodies at the national level are summarised in chart 4. At present, wine grape growers are not effectively represented at this level.

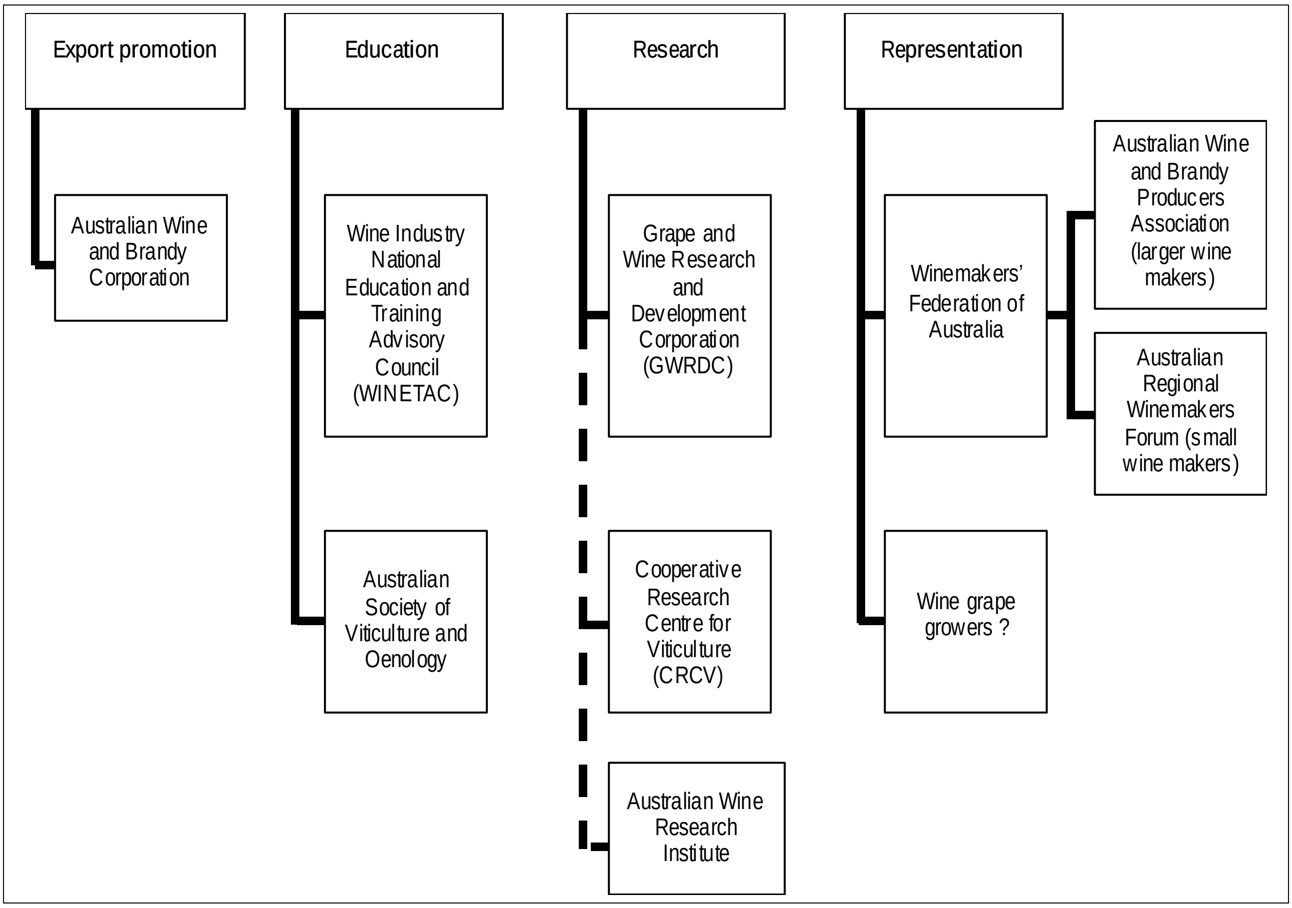
2 **A wine industry organisational structure as currently envisaged (model 1)**



3 State and regional organisation

Canberra district	Vigneron's Association	1
NSW	New South Wales Wine Industry Association Inc.	14
Queensland	Queensland Wine Industry Association Inc.	2
Tasmania	Vineyard Association of Tasmania Inc.	1
Victoria	Victorian Wine Industry Association Inc.	29
Western Australia	Wine Industry Association of WA Inc.	11
South Australia	South Australian Wine Industry Association Inc. (mainly wine makers) ▪ South Australian Viticulture Council	20
	South Australian Farmers Federation Wine grapes Section (mainly wine grape growing)	

4 National wine and viticulture organisations



National representation is important

Most growers are strongly associated with their local organisations and some may see national or even state organisations as too far removed to be of value to them. But the achievements of national organisations can mean big changes to growers' profitability, security and long term sustainability. Consider the following:

- representations to governments at the federal level on issues such as taxation affecting wine making and wine grape production (for example, the WET tax), regulations on labelling, and other regulations affecting environmental issues, water, natural resource management, and a host of other regulatory issues have largely been left to the WFA with little official input in recent years from wine grape growers. Yet all these issues have a big impact on growers' profits;
- at present, the wine industry is represented on Plant Health Australia by the WFA. Yet it is grape growers who would be most affected by an incursion of Pierce's disease or some other exotic disease. All grape growers would be affected by a serious incursion, and would be expected to contribute to the costs of any eradication campaign. Wine grape growers need to have their 'finger on the pulse' of this issue;
- through its National Water Initiative and other policies, the federal government is introducing far-reaching changes to the way water is used and charged for in Australia. Yet on this important issue which will undoubtedly affect wine grape growers who irrigate, there is no national voice for wine grape growers at the negotiating table; and
- decisions on matters affecting Australia's growing wine export trade will impact on wine makers and growers alike. These include measures to address potential barriers to trade and importantly our export marketing strategies for wine — which markets to target, how much to spend on market development and promotion etc. This directly affects the profits and potential development of wine grape growing. Yet wine grape growers have little say in this — unlike beef, wool, grain, cotton or many other rural producers.

The wine industry faces challenges

If ever there was a time when the whole wine industry — growers and wine makers, large and small — needed to pull together it is now. Some key challenges are listed below.

- *Increasing dependence on export markets:*

- – wine grape production has nearly trebled since 1990 (see appendix A). The value of wine exports has increased from $174 million in 1990-91 to nearly $2.5 billion at present, with exports having doubled in the last five years; but
- – domestic wine sales have been relatively flat. *This clearly illustrates the increasing dependence of our wine industry on global markets*. Industry plans to achieve sales of $4.5 billion by 2025 will be achieved only by even greater efforts in overseas markets (WFA 2000).

- *The export challenges will require better quality branding, promotion and image:*
  - – the challenge for wine grape growers is to improve fruit quality and character as well as yield and production. Here, the availability of accredited clean planting material is important;
  - – the challenge for wine makers will be to further invest in brands, product differentiation under an 'Australian' umbrella image, and promotion (WFA 2000); and
  - – export growth in the future will depend on greater collaborative efforts between wine makers and grape growers to produce even better quality wines at internationally competitive prices. Wine and wine grape markets are highly competitive, so international trends in wine prices are quickly reflected back in wine grape prices;
  - – given the long investment lead times, the wine industry places significant stock on quality and dissemination of market based information. It is crucial that grape growers are part of these discussions/debates, as they will ultimately bear the investment risk of vineyard investments.
- *Environmental issues:*
  - – a common trend across all agricultural markets is increasing demand for certification of environmental best production practices. Australia's wine industry will experience increasing pressure from discerning markets for assurances or certification of good environmental practices. These may include spray certification, disease free certification, water quality or even water use efficiency assurances.
- *Health issues:*
  - – many industries are facing severe challenges from 'left field'. The wool industry for example is facing a major challenge from animal welfare groups over mulesing and live sheep exports. The wine industry will face challenges from anti-alcohol groups in the future,

notwithstanding the demonstrated beneficial health aspects of wine consumption in moderation. A recent proposal by some politicians is for a new wine tax — or tax on alcohol — is indicative of the attention now being applied by government, media and the community in this area.

- *Geographical indications:*
  - this refers to the definition of regions as it affects the naming of wines. It is a particularly important trade issue with the European Union and can affect the whole wine and wine grape-growing industry.
- *R&D:*
  - growers as much as wine makers should have an influence on directions for R&D research on new varieties and viticulture practices for example, which can benefit wine grape growers and wine makers equally.
- *Government regulations and taxes:*
  - the wine industry will continue to face challenges from over zealous governments proposing new regulations to appease other interest groups. Land clearing regulations, labour regulations, those affecting use of chemicals, and, of course, taxes on wine (for example WET) are examples.
- *Biosecurity:*
  - the introduction of harmful exotic pests and diseases would primarily affect wine grape growers but if severe could also have a devastating effect on wineries faced with much reduced through put.
- *Retail consolidation:*
  - the consolidation of wine retail outlets and their consequent increase in bargaining power could put downward pressure on wine and wine grape prices. Wine makers and growers have a common interest in addressing this issue.
- *Wine tourism:*
  - Australia has great potential to attract overseas tourists and the wine industry has a challenge to capture a greater share of the tourist dollar through wine tours. This also applies to domestic tourists.
- *Contracting and pricing arrangements:*
  - this needs a mature approach based on 'best practice' guidelines for contracts. Much headway has been made in this area over the

last two years, which is a sign that working together, grape growers and wine makers are able to achieve quite significant outcomes.

Some general principles for a national organisation to represent wine grape growers

Five key principles on which a new AWGC could be based are as follows.

1. *A new national organisation should have general support from wine grape growers.*

Wine grape growers must be behind and be prepared to fund a new body that would represent their interests at the national level. They must see a need for a national body. Outcomes achieved by the national body should outweigh costs and it should not duplicate the functions of other bodies.

2. *There should be broad representation on the national body from all major wine growing regions.*

Consideration should be given to number of growers, wine grape production, and wine regions.

3. *Financial contribution should be commensurate with the benefits of outcomes achieved by the national body.*

Large growers will benefit more than small growers. On the beneficiary pays broad principle, this means that larger growers should contribute more than smaller growers to the core costs of running a national body.

Where the national body takes on special projects that may benefit some sections of the wine grape growing industry but not others, there is a case for raising special funds for such projects from the beneficiaries.

4. *The national body should take all steps necessary to achieve efficiency and effectiveness.*

Key objectives and outcomes should be pursued as efficiently and effectively as possible. Resources allocated to it must match expected outcomes. The organisation should have a longer-term business plan and annual work plan.

5. *The national body must be fully accountable to the wine grape growers it represents.*

The national body should carry out the wishes of its membership and be fully accountable for the actions it takes and resources it uses.

Do you agree with these broad principles? Should they be modified — if so, how?

Should there be other general principles?

Why do wine grape growers need a national organisation to represent them?

Before any organisation is set up members must be confident that the benefits of the new body are significantly greater than the costs to them.

Some activities and issues are better handled at a regional or state level, while others are more appropriately dealt with by a national body. Others, such as communication and information require both a national (and international), state and regional perspective. Table 5 summarises key issues facing the wine industry, current responsibilities of organisations and where AWGC could or should have a role. There are many areas where a national grower body has an important role to play. In the absence of such a body, other bodies are tending to take up the void on some but not all issues, perhaps inappropriately or inefficiently.

In summary, national representation would enable wine grape growers to have more influence in:

- working with federal government and developing or influencing policy;
- taxation, water, environment, industrial relations, access to government programs;
- plant health and biosecurity;
- industry strategic planning — grower perspective;
- R&D funding issues and directions;
- communication with regions on national developments; and
- contract pricing best practice guidelines.

We would like your views on the benefits of a national peak industry body representing all wine grape growers. Also what additional services would you expect from such a national body?

5 A place for a national wine grape grower body

Issue	*How important is this issue to grower profits*		*Who handles this issue now?*	*Does AWGC have a role here*		*Chance of significant outcome for AWGC*		*Comments*
A: Relations with wine makers								
A.1: Contract pricing	A+	Affects distribution of industry profits, not the 'size of the pie'. Appropriate pricing gives growers the right signals in planting decisions	Individuals and regional associations	B	National guidelines and 'best practice' contracts	A+	Could achieve more mature relationships with wine makers	Main role to foster better framework, principles, guidelines
A.2: Marketing/industry development/promotion	A+	Wine demand affects wine makers and grape growers equally	WFA, AWBC, state and regional (local)	A–	'In the loop' for strategic marketing decisions and keeping growers informed	B	Some strategic influence	Industry growth requires close cooperative effort by all sectors of wine industry
A.3: Wine tourism	C	Important for smaller wine makers who are also growers	WFA/Regional/State associations	C	Minor role, if any	C	Not much	WFA has national coordination role. Most activities best left to regions/states
B: Relations with government/policy influence								
B.1: Taxation/depreciation processing	A+	Directly affects growers profits	WFA, state associations	A+	Working with WFA or through WIA	A	Lobbying governments	WFA achieved significant concessions in WET. Needs combined WFA/AWGC approach in future
B.2: Environmental issues	A	Increasing potential for regulations. Potential for market advantage based on environ-mental credentials	State associations, WFA, inland regional associations	A+	Representations to federal government	A	Lobbying governments	These often came out of 'left field'
B.3: Water issues	A+	Water trading, security of allocations and water pricing are important for vineyards which irrigate	State associations, inland regional associations, WFA developing national policy	A+	Representation to federal government and state governments	A	Lobbying governments	Water is a priority issue for industry planning and industry sustainability. Sound water trading, pricing and security rules are important
B.4: Industrial relations	B	But potential for adverse regulations — for example, dismissal laws	State associations, inland regional associations	A	Representations to government	A	Lobbying when issues arise	Superannuation, skills development, dismissal regulations etc.

(Continued on next page)

5 A place for a national wine grape grower body (Continued)

Issue	*How important is this issue to grower profits*		*Who handles this issue now?*	*Does AWGC have a role here*		*Chance of significant outcome for AWGC*		*Comments*
B: Relations with government/ policy influence (continued)								
B.5: Access to government programs	C	Industry partnerships, AAA etc: A+ for some	WFA, (Industry partnerships, individuals)	A	Working with WFA and others	A	Industry partnership	Working as part of industry, team effort. WFA currently receives over $500 000 per annum to implement a range of programs for members
B.6: Health issues	A	Affects wine and wine grape demand	Mainly WFA	B	Supportive role to WFA	C	Support to WFA	Supportive role to WFA
C: Plant health and biosecurity								
C.1: Plant Health Australia	A+	PHA contribution plus costs of incursion eradication or 'living with the disease'	WFA (due to lack of grape grower body)	A+	AWGC is logical representative on PHA	A	As wine industry representative on PHA	Like insurance, plant health issues most important when there is an incursion. AWGC is the obvious body to represent wine industry on PHA
C.2: Quarantine and impact risk assessment	A	Grape imports an issue	WFA	A+	AWGC is logical representative on PHA	B	Can influence acceptance of IRA reports — for example, bananas and apples	Grape imports increase risk of incursion
D: R&D funding and direction	A+	Especially for longer term competitiveness	WFA and other bodies influence research funded by GWRDC, NRI, CRC and state governments	A	AWGC has important role in influencing 'big picture' research directions	B	Can facilitate mechanisms to prioritise research	AWGC has important advisory role in prioritising R&D directions for viticulture. Prime responsibility is GWRDC and CRC
E: Education and training	A	For smaller growers, B for larger growers or corporations	WINETAC mainly, but WFA seeking to take on additional responsibilities	B	An advisory role where special grower issues concerned	B	Could influence directions	Periodic issues may arise requiring a national coordinated grower response
F: Industry strategic planning	A+	In longer term	WFA has been driving force	A	AWGC has a definite role representing grower interests	A	AWGC should have significant role from viticulture perspective	Strategic planning needs 'ownership and input from all sections
G: Communications and information services	A+	Growers need the right signals for planting decisions and vine replacement	All levels	A	Ensuring growers are informed of industry developments and market trends	A	More effective under WIA umbrella	Considerable information currently exists. AWGC role in providing information on national developments affecting growers

A, B, C are subjective grades, A indicating highly relevant or important and C indicating a lesser role.

Objectives

Based on the above, the objectives of the new national body could include the following:

- to improve the financial performance and security of wine grape growers;
- to foster the planned and sustainable development of wine grape growing; and
- to work with wine makers and government to enhance the economic prosperity and image of the wine industry in Australia.

What are your ideas on what the objectives of a new national body to represent wine grape growers should be?

Functions

The new national body, AWGC, could have the following functions:

- to represent and promote the interests of all wine grape growers in Australia;
- to initiate and influence policies at federal level that affect the profitability, security and viability, sustainability and competitiveness of wine grape growers in Australia;
- to carry out activities necessary for the betterment of the wine grape growing industry;
- to work closely with the wine making representative interests for the betterment of the whole Australian wine industry;
- to collect and disseminate information of benefit to wine grape growers; and
- to cooperate with other industry and government organisations of relevance to wine grape growing and act in the best interests of wine grape growers in dealings with them.

Do you agree with this list of functions? What other functions do you envisage for the new organisation?

Structure, organisation and representation

Membership of the Council

The existing structure of wine industry organisations was illustrated in charts 2 and 3 and described in box 6.

The key issue is how should membership of the new AWGC be structured?

Perhaps the simplest approach would be the following:

Wine Regions	**Representation**
Riverland South Australia	1 or 2
Rest of South Australia	1
Riverina New South Wales	1 or 2
Murray Valley Victoria/New South Wales	1 or 2
Rest of New South Wales	1
Rest of Victoria	1
Western Australia	1
Tasmania/Queensland (alternate)	1
	11

The two representatives from each of the large inland regions reflects the fact that most specialist growers are in these regions and they account for around 55 per cent of wine grape production. Some have also suggested an additional one or two members of the Council with special qualifications but without voting rights (for example, corporate wine grape growers. Consideration could be given to an 80 per cent majority-voting rule to prevent domination by any one group. This would also encourage collegiate decision-making.

As large corporate wineries also have significant vineyard areas, there may be merit in having them also represented at the national table. This could be achieved outside of the regional representative model by allowing for 1 or 2 directly elected members. Whether or not they have a vote would warrant further discussion.

What suggestions do you have for representations on the new national organisation?

What mechanism can you suggest for nominating and appointing representatives?

6 State and regional wine industry structures

In each state there is a state wine industry association, membership of which is open to wine grape growers and wine makers. In many cases, members will be both wine makers and wine grape growers. There are also associate members. In general, however, wine makers predominate.

The aims of these state wine industry associations are generally to promote and encourage the wine industry in the state, represent the interests of association members and pro-actively encourage the development of the state wine industry and associated tourism.

Each state also has many regional wine industry associations, some of which are stronger and more active than others. The relationship between regional and state organisations varies considerably between states.

In Victoria (other than the Murray Valley) and Western Australia membership of both regional and state associations are open to wine grape growers and wine makers, and individuals pay separate voluntary membership fees to the regional and state associations.

In South Australia there are two state associations both of which have voluntary membership. Wine grape growers are represented by the South Australian Viticultural Council (which is a committee of the South Australian Wine Industry Association) and the South Australian Farmers Federation Wine Grapes Section. The South Australian Wine Industry Association membership is primarily wine makers, although many of these also have home vineyards and the Viticultural Council addresses the interests of wine grape growers.

There are however, also separate regional associations. In the Riverland region, wine grape growers pay a levy on grape sales into the Riverland Wine Industry Fund. Some 49 per cent of the funds collected goes to the Riverland Winegrape Growers Association. This organisation has only wine grape grower members which it represents on issues such as contracts and dealings with wine makers. It also undertakes specific projects. The other 51 per cent of funds goes to the Riverland Wine Industry Development Council which concentrates on local issues, R&D, and some regional promotion.

In New South Wales, the many regional wine industry associations have voluntary membership open to wine makers and growers. These associations in turn pay dues to the New South Wales Wine Industry Association which has a part time secretariat. But wine makers interests tend to dominate the agenda of the Association. The two exceptions in New South Wales are the Riverina and the Murray Valley.

In the Riverina, wine makers are represented by the Riverina Wine Makers Association while grape growers pay a compulsory statutory levy to the Wine Grapes Marketing Board which undertakes specific prescribed functions and projects and represents their interests.

Murray Valley Winegrowers' Inc. (MVW) represents the interests of wine grape growers in the Murray Valley of New South Wales and Victoria, which incorporates the Murray-Darling and Swan Hill regions. MVW, is the umbrella organisation for three smaller regional organisations and two associate regional organisations. Growers pay a compulsory levy of $1 per tonne which is collected by the Murray Valley Winegrape Industry Development Committee (IDC), and a voluntary levy of 0.50 cents per tonne. MVW applies to the IDC for funds for specific projects.

Staffing requirement

A national body would need to be adequately but not elaborately staffed, and it would require sufficient funds to carry out its core business. An element of that core business could be for the secretariat to raise funds or devise funding mechanisms for special projects including projects that may benefit most but not all members. This would be on the decision of the Council.

The following secretariat is suggested:

- a chief executive officer
- a research/policy officer
- an executive assistant (possibly part time).

How do you think the secretariat should be structured?

Financing the AWGC

Overall budget

A detailed business plan for the new organisation will be prepared as part of this project. The tasks that a new organisation will be expected to undertake will be fully costed, together with core operating costs including expenses of council meetings. Annual budgets will then be estimated. Annual work plans will also be produced.

Initial suggestions indicate a budget for the new body in the order of $400 000 a year. This equates to around 30 cents per tonne of wine grapes produced or 40 cents per tonne for independent wine grape growers. Thus, an average grower in the Murray Valley producing 300 tonnes a year would contribute around $120 a year assuming all independent growers are members of the national body. This overall budget of $400 000 assumes that the AWGC is formed as an electoral college of the WIA and shares some secretarial and other resources. A completely separate AWGC would likely cost considerably more to run.

Contribution collection

One mechanism for financing the new body would be for state or large regional bodies to pay subscriptions to the new body on behalf of growers.

Another suggestion is that major wineries be asked to deduct contributions from wine grape sales to wineries where growers agree.

Membership fees could be based on a small charge per tonne of grapes produced — 40–50 cents per tonne or fees could be on a tiered basis with 3 or 4 size categories.

Alternatively, fees could be paid directly to the national body AWGC by grape growers, although this method would involve a huge administrative burden on AWGC.

What do you think is the best way for fees to be collected for a national body?

Greater efficiencies

There are many organisations representing the wine industry and it is clear that there is scope for minimising duplication and increasing efficiencies. At present, in the absence of a national body, issues that require representation at a national level are effectively being dealt with at all state or major regional levels. There would be obvious efficiencies and cost savings by having one national body deal with such issues.

Do you think a budget for new national body of around $400 000 a year is reasonable? If not, what do you suggest and why?

Do you think there is scope for rationalising some of the functions between state or large regional organisations and a national body?

Corporate governance

The Council would consist of a specified number of members, say 10–12, to be decided. The final number needs to be a balance between adequate regional representation and the cost of running the Council.

An executive committee

As with any organisation, it may be desirable to appoint a smaller executive committee to make important operational decisions and minor policy decisions without having to refer to the full Council. There are many models for such an executive committee and it would be up to the membership to decide on a final configuration. A suggested executive committee structure would be:

- the President appointed by the Council;
- a Vice President appointed by the Council;
- an Honorary Treasurer appointed by the Council; and
- one Councillor appointed by the Council on the basis of their managerial or special expertise.

The executive committee would have limited powers and would have to keep the Council fully informed on all decisions it makes and activities it undertakes, with explanations as appropriate.

Voting

It is suggested that each councillor has one vote. One suggestion is that decisions of the Council would be passed on the basis of an 80 per cent majority. This has worked well for the WFA and has encouraged a collegiate approach.

What are your views on governance arrangements for the new Council in general terms?

Wine Industry Australia

As noted earlier, one option is that a new Wine Industry Australia (WIA) could be formed comprising the current WFA and the new AWGC. This would be done through the adoption of the electoral college model which could ensure that both grape growing and wine making interests had appropriate representation and say in the decisions of WIA. The new WIA could then speak for the whole wine industry.

What are the benefits of WIA?

One big advantage of WIA is that, as a peak industry body for the whole wine and wine grape growing industry, it would have greater influence with government and be a more powerful force representing the interests of all players in the wine industry. While there are sometimes conflicting views between growers and wine makers on one issue — grape pricing and contracts — this is not an issue of concern to governments and on all other issues wine makers and grape growers generally have common interests.

Under current arrangements in dealings with governments, the position of WFA is sometimes weakened by governments saying 'yes, but WFA does not represent the interest of growers'. This would not be the case with WIA.

On the issue of contracts, while this is mainly dealt with at a regional level, AWGC could work more effectively within WIA in developing standards and guidelines.

Also the substantial resources of WFA (and hence WIA) would be of considerable benefit to AWGC if it were within the envelope.

The proposal raises some questions

Bringing wine grape grower representation under the umbrella of WIA has considerable merit but the proposal raises the following questions.

- How will the functions of WIA change from that of the existing WFA?
  - The services provided by WIA would be widened to include grower interests. Grower members would be provided with more direct information on international market developments and trends and other relevant information.
  - WIA would take a whole of wine industry approach to issues and dealings with governments.
- Who will take the responsibility for publicly driving particular policy issues?
  - Will WIA take on this role for grower related issues or will its electoral college arm (AWGC)?
  - The most likely outcome is that AWGC would take the lead on such issues but have the support of the whole WIA.
- How will representation on the new WIA board be shared?
  - Under the current WFA each electoral college has five representatives with an independent chairperson who alternates between the two colleges on a rotational basis. Major decisions are made on an 80 per cent majority basis.
  - If a new WIA had four electoral colleges it would need to ensure that voting/decision making arrangements did not result in wine grape growers being placed at a disadvantage on some issues.
- How will the new WIA be funded?

- For the WFA individual wine makers pay subscriptions directly to the WFA but nominate which electoral college they would like to be members of.
- New funding arrangements could be such that the new AWGC pays a set contribution to the WIA.

There are, of course, other models. For example, the new AWGC could sit along side the current WFA with the new body, WIA, being formed above them as in chart 7.

Under this model, AWGC would be a completely separate organisation which would have an equal number of representatives as WFA on the new WIA which itself would be a new and separate organisation.

A disadvantage of this model is that having AWGC as a separate organisation would mean an increased budget (because resources would not be shared), and WIA as a new organisation would require additional funds.

7 **An alternative industry organisation structure (model 2)**

What are your views on the formal amalgamation of any new national wine grape growing organisation with WFA to form WIA?

Do you think a new WIA with dedicated resources for wine grape growing representation but as part of a broader single WIA organisation is more (or less) preferred to keeping a new national wine grape grower organisation (AWGC) as totally separate from wine making interests?

Appendix

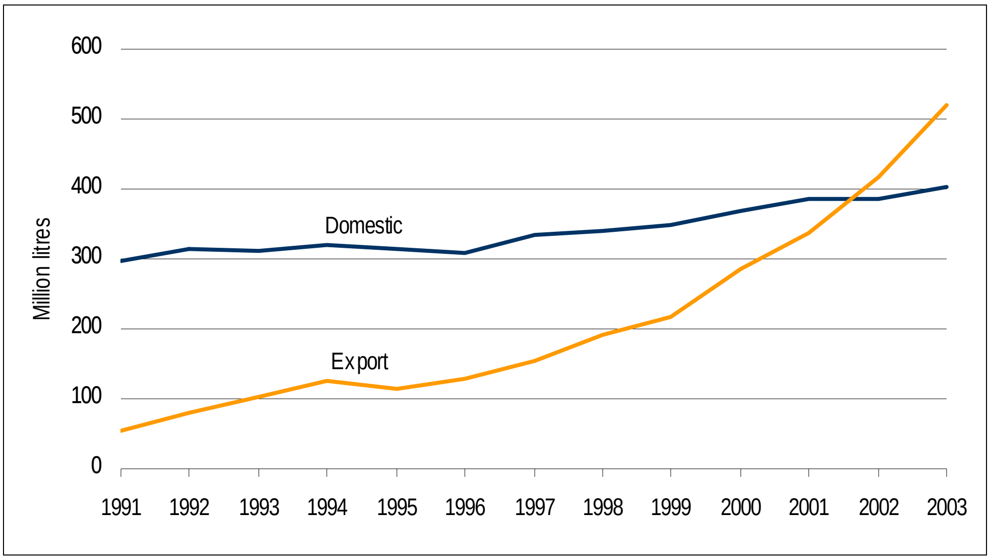
A The structure of Australia's wine and grape industries

Production

Australia's wine and grape growing industries have undergone a significant transformation over the past decade. There has been extraordinary growth in wine sales, however a majority of this growth has been in export markets. Domestic sales have been largely flat, and Australia's dependence on exports is increasing (see chart A.1).

A large majority Australia's wine grape production occurs in New South Wales, Victoria and South Australia. Smaller regions of production are in Western Australia, the Australian Capital Territory, Tasmania, and, to a lesser extent, Queensland. Table A.2 shows the wine grape crush by state along with grape growing establishments by state in 2003.

A.1 **The Australian wine industry is heavily reliant on exports**



Data source: ABS (2003).

A.2 **Australia's grape production by state: 2003**

	Wine grape production	*Share of total*	*Grape growing establishments*	*Share of total*
	'000 tonnes	%	No,	%
New South Wales[a]	362.5	33.9	1 174	18.4
Victoria	282.4	15.1	2 098	32.9
South Australia	646.9	46.3	2 235	35.1
Western Australia	62.7	4.3	588	9.2
Queensland	3.2	0.1	160	2.5
Tasmania	6.4	0.3	118	1.9
Total Australia	1329.6	100.0	6 372	100.0

[a] New South Wales figures include ACT.

Source: ABS (2003).

In 2003, New South Wales, South Australia and Victoria together accounted for over 97 per cent of total wine grape production. New South Wales and South Australia accounted for over 75 per cent of total production, but only 54 per cent of grape growing establishments. This suggests that the size of the establishments in these states is larger than in other states. Western Australia and Tasmania both have reputations as wine growing regions, however they only accounted for 4.6 per cent of total production but 11 per cent of total establishments.

Industry structure

A major feature that has emerged in the Australian wine industry is a concentration of production among the biggest producers. This is true in both the winemaking industry and the grape growing industry. Table A.3 shows the structure of the winemaking industry in 2003.

Australia's winemaking industry is highly concentrated in large-scale production. In 2003, the 11 largest wine makers accounted for 69 per cent of the total grape crush and 72 per cent of total wine produced. In contrast, the smallest wine makers, crushing between 50 and 400 tonnes, accounted for 56 per cent of total wine makers, but just 2 per cent of the total grape crush and wine production. It should be noted that these figures do not include wine makers that crush less than 50 tonnes, which amounts to a significant number of wine makers, probably over 1000.

There is less information about the distribution of wine grape growers. The main information reported by the ABS relates to the physical size of grape growing establishments (area of holding) and the distribution of the value of operations. ABS does not publish information on the distribution of grape growing establishments by volume of production. Table A.4 shows the distribution of grape growing establishments by area of land.

It is clear from the table that grape growing establishments are concentrated at the small end of the scale producing low volumes of grapes. Over 76 per cent of grape growing establishments in Australia being less than 50 hectares, while just 0.4 per cent are greater than 25 000 hectares. However, as table A3 shows, grape production is dominated by the large-scale establishments, which are represented in the establishments with greater than 2 500 hectares.

Table A.5 shows the distribution of grape growing establishments by value of operations.

The distribution by the value of production on grape growing establishments is concentrated at the lower end, however less so than the size of establishments. There will be differences in the value of establishments both based on quantity of grapes produced and the price growers receive for their grapes. These differences are both captured in these statistics, but it is impossible to separate the effects without additional data.

A.3 **Distribution of wine makers: Australia**

Size (tonnes crushed)	*Wine makers*	*Grapes crushed*	*Wine produced*
	No.	'000 tonnes	'000 litres
50-99	59	4 314	Na
100-149	37	4 319	Na
150-199	26	4 493	Na
200-400	59	16 922	Na
401-1 000	53	33 336	23 964
1 001-3 000	42	81 961	54 717
3 001-5 000	16	64 521	43 111
5 001-10 000	10	70 079	43 311
10 001-20 000	11	158 881	108 660
20 001 or more	11	959 702	764 627
Total	**324**	**1 398 528**	**1 059 423**[a]

[a] Includes wine produced from wineries crushing under 400 tonnes, amounting to an estimated 21 million litres.
Source: ABS (2003).

A.4 **Size of grape growing establishments**

Area of Holding	*Number of establishments*	*Share of total establishments*
Ha	No.	%
0-49	4 875	76.4
50-99	696	10.9
100-499	631	9.9
500-999	81	1.3
1 000-2 499	68	1.1
2 500-24 999	25	0.4
25 000-99 999	1	0.0
Total establishments	**6 377**	**100.0**

Source: ABS (2002).

A.5 Value of grape growing establishments

Value of operations	*Number of establishments*	*Share of total establishments*
$'000	No.	%
Less than 22.5	664	10.4
22.5-49.9	897	14.1
50.0-99.9	1 564	24.5
100.0-149.9	1 177	18.5
150.0-199.9	465	7.3
200.0-349.9	722	11.3
350.0-499.9	383	6.0
500.0-999.9	314	4.9
1 000.0-1 999.9	106	1.7
2 000.0 or more	85	1.3
Total establishments	**6 377**	**100.0**

Source: ABS (2002).

References

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