

**Submission
No 2**

INQUIRY INTO WINE GRAPE MARKET AND PRICES

Organisation: Yenda Grape Growers Association

Date received: 20/09/2010

18 September 2010

The Director
Standing Committee on State Development
Parliament House
Macquarie St
Sydney NSW 2000

RE: Inquiry into Wine Grape Market and Price

Dear Sir/Madam

The Yenda Grape Growers Association represents a section of grape growers in the Riverina district of New South Wales. The area was developed back in the 1920's and the association was established some 30 years ago to give strength to growers in fighting for better and fairer conditions. Today, like in the past, growers are experiencing tough times but not all is due to market forces. We understand that all industries go through turbulent times however, we are realising that if some major changes are not made in the short term, this industry as known to be mostly family orientated will cease to exist. The mass exodus off the farm will then leave most of the casual labour which is employed during the season without work; the extended families that all have input on the farm will be forced elsewhere or onto the welfare system.

We would like to address issues affecting the grape industry in our region, some of which are:

- Terms of Payment; we see the Wine Grapes Marketing Board's 'Term of Payments' enforcement as a very important asset to this area. Like any business we need to be paid for our hard work and end produce. There have been cases of wineries going as far as 9 payments over nine months. Farmers start spending 8 months prior to harvesting and twelve months prior to receiving a first payment of usually 33%. These terms provide security and knowledge to growers so that they are better able to budget and keep banks happy when there is an overdraft. It is bad enough that we don't know what we will be paid till sometimes after we have delivered our produce. Wineries know it is a perishable product that we can't store in its raw state so they use this against us.
- Colour testing; Colour testing is used to determine a grade for a pricing structure of red grapes. It was first introduced as a bonus system. Now it is used as a penalizing system once the produce is in the winery. A grower cannot check or change colour in the field successfully during the growing cycle. Unlike Baume or sugar content which is what makes alcohol in the wine and there is a legal requirement for wineries to reach, colour has no legal measure and should not be used as a penalizing system. Wineries sometimes make growers harvest early and thus receive a penalty for low Baume which is bad enough.
- Caps on tonnes delivered; many growers have 'whole of vineyard' contracts with wineries, some growers have verbal agreements. This last season and in the past, caps on tonnes harvested per acre were imposed by some wineries and growers were forced to leave the excess behind or harvest to the ground. In some cases fruit delivered over the cap was paid at \$1.00/tonne just to make it legal.
- Prices are announced too late; many wineries tend to announce the price they will pay for grapes at the very last minute or once the fruit is in the winery. This results in many growers

delivering fruit to wineries without knowing what they will receive. Grapes being a perishable product, growers can't store them like grain or fruit or processed food in a hope prices will improve! Few wineries if any in the region have signed up to the Australian Wine Industry Code of Conduct, as it is voluntary at the moment. With the Code of Conduct the wineries would have to announce their prices much earlier giving growers the much needed tool as to what to do and make proper business decision.

- Prices differences between wineries; many of our growers deliver fruit to more than one winery. There have been many cases where fruit from the same paddock was delivered to two different wineries with incredible difference in prices.
- Burden of red tape and privacy infringement; our growers feel that they are constantly forced to comply with ever increasing rules, regulations and obligations from their wineries. They are told to conform or get out. Red tape is an ever growing burden on them. Wineries require satellite images, maps, paddock sizes, plant spacing, fertilizer applications, chemical usage and application, etc.....They know everything about each vineyard that delivers to them which is used to work out what growers are making per acre. When a grower says he can't grow for this amount, wineries turn on him saying that someone else can. Not all growers rely solely on grape production for income.
- Oversupply or not; another concern we have is that we still see wineries developing new vineyards. In this climate of over supply why are they still going ahead with new plantings? Is it possible that they want to see the market flooded or is it that they are making money and need some way to use it?

In closing, when the Parliamentary committee visits the region we would like to request a meeting to further elaborate on the issues mentioned above as well as others.

On behalf of the Yenda Grape Growers Association, thank you for taking the time to read this submission and we look forward to meeting with you in order to further explain some serious inequalities in the industry.

Regards

Pascal Guertin
Chairman
Yenda Grape Growers Association