

**Submission
No 26**

INQUIRY INTO WINE GRAPE MARKET AND PRICES

Organisation: NSW Wine Industry Association

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Inquiry into the wine grape market and prices

Standing committee on state development

From David Lowe

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Price Formation

Supply

There are no current inhibitions existing for the supply of grapes for commercial sale. There is adequate availability of water, arable land, quality of horticultural management and production capacity.

There are no barriers to produce grapes, legislative or local government except where local government LEP specifically restricts spraying and conventional vineyard management.

Demand

There are opportunities to find new markets outside of our global competitors, where the exporter holds an export license. There is increased demand from Asia, from enquiries and importer visitation.

At present a large amount of grapes have been and will continue to be sold below cost due to a number of factors.

Exchange rate of the Australian dollar strengthening against our exporting competitors and against our existing markets.

Health and anti alcohol pressures from a promotional and also advocacy point of view

Reduced competition at a retail/supermarket level.

Rapid growth of production compared to market demand not only in Australia but also globally

Vineyard practices that compromise quality and overproduce yield

consolidation of production facilities close to existing major wineries and therefore a move away from smaller regions. This recognizes the freight efficiency of grapes close to production facility and logistics

increased efficiency of management , increased yields as a result of research and better use of water, combining research to practice improvements over the last 15 years.

Role of the wine grapes marketing board

Work must continue to gain broad agreement on a mutual voluntary code of conduct, and the code is almost there in terms of dealing with demand and supply conduct, from a commercial point of view.

The agreement must be voluntary not legislated.

Efficient market

Like all forms of agriculture wine and grapes find their own price and at the present oversupply situation until plantings move into balance with existing and future market, prices remain in many cases below cost.

Equally some sectors of the industry are experiencing profit, as a result of innovation, promotion and increase in quality rewarded by higher grape returns and more certainty of demand. Organic wine is one such example.

Market signals

The AWBC statutory authority is charged with providing market information and assistance in export and domestic sales. Additionally the state government increasingly recognizes the economic multiplier value of the wine industry through Primex, and much can be done from NSW executive arm of government to continue with sales of wine internationally which would alleviate pressure on a crowded domestic market increasingly under threat from New Zealand cheaper wine.

Yours faithfully

David Lowe