

**Senate enquiry into aspects of the Australian grape and wine industry.**

Submission by:  
Norina De Stefani, Proprietor  
Reedy Creek Estate

First I would like to thank the Government for taking the time to look into the grape and wine industry. Following are my key comments with regards to the current state of the Australian grape and wine industry.

**REGION IDENTIFICATION**

- Regions should be zoned. The regions' name on the bottle should reflect only grapes grown in that region. For example, grapes purchased in South Australia should not be bottled in Stanthorpe and state on the wine label that the wine is produced in QLD.

**CONTRACTUAL AGREEMENT**

- Many of the larger wineries make it clear that a contract is not binding in the purchasing of grapes.

**PRICE AND PAYMENT PROCESS**

- An agreed price is made with the purchasing winery at time of viewing and/or inspecting the grapes in the vineyard. It is not uncommon for the purchasing winery to try and negotiate the rate down once the grapes are delivered to their site, using excuse of quality of grapes even though the grape quality had not changed. There needs to be some quality control processes, which will safeguard both grape vendor and purchasing winery.
- There is a trend for payments from the large purchasing wineries to be made to the grape growers as late as 12 month after the initial purchase date of the grapes. This is very much in contrast to other agricultural produce, for example cattle sales, where payment is made within two weeks of the cattle sale. There needs to be some control or guidelines for grape purchase and "bullying", especially from smaller wineries/vineyards that rely on grape sales for sustaining their business operations.
- Growers/grape vendors have no control over the price they want for the grapes because if the price is too high or the purchasing winery is complaining about quality on delivery, the purchasing winery will tell the grower to take his grapes back home. Small growers without a winery cannot do this and that is the reason they sell the grape in the first place. As a boutique winery, transport costs to take the grapes back home and then oversupply of grapes leads to accepting a lower negotiated rate. There is a need for contractual guidelines and setting minimum prices for the negotiation of prices to reduce the "bullying" by larger wineries.

**BAUME**

- Alcohol content where a buyer and the grower will check the Baume of the grapes before they are picked and within one or two days the grapes are sent to the purchasing winery where they then dispute the Baume. Sometimes they will dock the grower 1.00 Baume less and quote you \$400 or \$1000 less per ton.

**MARKETING**

- Smaller regional wineries are trying to work together as collectives to have a larger voice, however the industry continues to be dictated to by the large wineries and vineyards who have the financial strength to pay for privileges and access to information.

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- There is quite a lot of information and marketing opportunities accessible to all levels of wineries to support the market growth however, many of the opportunities are not within price of the smaller wineries so its always the same larger wineries accessing this information and opportunities and "representing" the regions/the industry. There is no incentives or nurturing growth of the smaller wineries.

#### TOURISM

- Anecdotal research indicates that wine tourism is a growth industry and a driver to bring tourists into the regional areas, visiting the local cellar door operations.
- Backpackers are often engaged to undertake seasonal work such as harvest in regional wineries and again this assists in bringing money into the area.

#### LAWS & REGULATION

- Any current laws the Government has on the grape and wine industry are not binding, as there is no control over the industry.
- Laws and regulations relating to the grape and wine industry should be consistent in all States & Territories.

#### EXAMPLE of GRAPE SALES

The following example, based on a real transaction, shows the difference between the grower making his own wine VS the buyer purchasing the grapes and the large margin of profit they can acquire enabling them to pay more for the grapes.

- Purchasing winery takes 10 ton of grapes at \$2,000.00 per ton. The grower receives \$20,000.00.
- If grapes kept by the small winery (winery on site), 10 ton grapes crushed approximately 7000ltr. 7000ltrs = 9333 bottles. Sales price \$20 per bottle, total \$186,666.00.
- Based on same per bottle sales price, purchasing winery has made up to \$166,666 profit, less grape transportation and winemaking costs.
- There should be regulation on minimum prices, possibly based on grape varietal. As the above example indicates, purchasing wineries are able to make a very large margin of profit even after excluding the winemaking costs. Smaller wineries and/or grape growers instead work almost a 12 month work cycle from June or July to February or April to receive a top price of about \$20,000.00.
- If Government wants the wine industry to grow it will have to start from the beginning and assist the growers to receive more for the product they are producing, namely implementing a set or minimum price.