



Australian Government

Department of Agriculture, Fisheries and Forestry

Rural and Regional Affairs and Transport
References Committee
Australian Senate
Parliament House
Canberra ACT 2600

Dear Ms Weeks

**Public Hearing Wednesday, 10 August 2005 – Response to Questions
Reference: Operation of the wine-making industry**

Thank you for your letter of 23 August 2005, concerning the questions the Australian Government Department of Agriculture Fisheries & Forestry agreed to provide further information on.

Attached is the information that the department agreed to provide during the course of the hearing.

Yours Sincerely

Michael Ryan
Manager
Wine Policy

September 2005

**Questions Taken On Notice at Public Hearing into the Operation of the Wine-making Industry,
Wednesday, 10 August 2005.**

*Question No. 6: Senator Ferris to DAFF – vine pull: **Senator Ferris** – Can you recall what the government spent on that at the time? **Mr Mortimer** – No, I would have to take that on notice.*

The Commonwealth spent \$1,431,000 on the Dried Vine Fruits Assistance Scheme and \$4,848,000 on the Wine Industry Adjustment Scheme. These two schemes represented what was known as the Vine Pull Scheme, with a total Commonwealth expenditure of \$6,279,000. This expenditure was incurred in the years 1985-86 through to 1987-88.

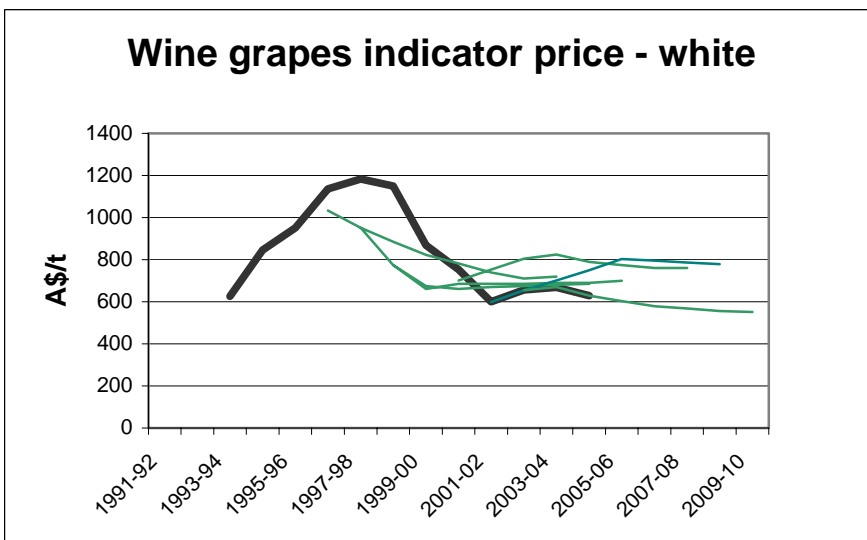
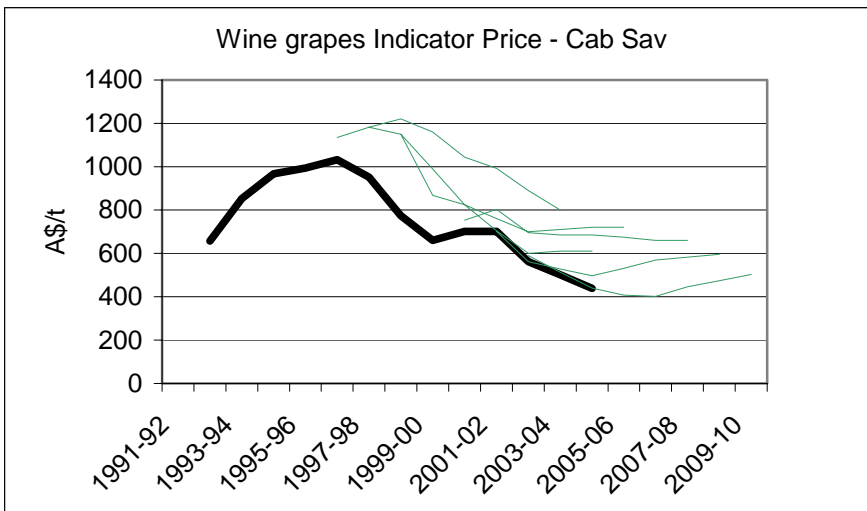
When announced, the Vine Pull Scheme was focused upon dried vine fruits. In response to subsequent disruptions in the wine grape industry the Vine Pull Scheme was extended to all grape growers.

Assistance to those eligible took the form of a loan secured by a mortgage over the land upon which the vines were pulled. Provided all terms and conditions of assistance were met (including the condition that land not be replanted to vines for a period of five years) the loan converted to a grant. Assistance was given to growers to “clear fell” or to “partial pull” vines. Clear fell involved the total clearance of vines on a property while partial pull allowed growers to selectively remove unwanted varieties. Assistance was provided on a \$ per hectare basis with differing rates for clear fell and partial pull.

Question No. 7: Senator Ferris to ABARE – **Senator Ferris** – If you could do that and supply it to us, that would be useful. **Mr Dickson** – The history of ABARE outlook? **Senator Ferris** - Yes.

ABARE undertakes an assessment of the medium term outlook for the wine industry annually. The assessment is published in the March edition of the ABARE journal *Australian Commodities*. The two figures below summarise the price forecasts released by ABARE since 1999 for both red and white wine grapes, and compare these forecasts with actual prices (the solid black lines).

That the family of forecasts consistently trend down over the medium term reflects ABARE’s ongoing assessment that increases in the area planted to grapes worldwide (and particularly red wine varieties) would lead to future price declines. Having said that it is evident that ABARE did previously under estimate the decline in prices of red wine grapes over the medium term. (Note: differences between the starting points in the forecasts and the historical data reflect subsequent revisions and definitional changes).



Question No. 8: Senator Heffernan to ABARE – Senator Heffernan – Please provide us with details on how you gather your information to make a judgement on it all. Mr Mortimer – I am happy to provide more accurate information about that.

ABARE provides information and market analysis of global wine markets, domestic supply and Australian wine grape prices. In addition, ABARE conducts surveys of economic performance of wine grape growers each year in two defined wine grape growing regions.

ABARE's undertakes market analysis utilising statistical information from a range of industry sources. These sources include the Australian Wine and Brandy Corporation (AWBC), the Winemakers Federation of Australia (WFA), the Australian Bureau of Statistics (ABS) and the International Organisation of Vine and Wine (OIV). Information and statistics from these sources cover:

1. Global wine grape areas and production by country;
2. Australian area, new plantings, removals and production by region and variety;
3. Australian wines exports by country, variety and unit price.
4. Australian import and domestic sales;
5. Australian wine grape prices by variety and region.

Market based analysis focuses on international trade, consumption and industry investment trends. This analysis is a combination of statistics and a broad range of analysis and market based information. This market based information is sourced from industry contacts in the major broking and consumer information firms such as Citigroup Smith Blarney, ABN-Amro, KPMG and AC Nielsen. In addition, regional supply and price information is gathered from grower organisations and State Departments of Agriculture. This statistical and market information is then drawn on to generate ABARE's short and medium term supply and demand forecasts for the Australian wine grape industry.

ABARE economic performance surveys have a long history of providing timely and accurate information for costs of production, productivity and farm income. A sample of between 30 and 50 wine grape growers are surveyed, providing financial, physical and demographical information. The survey has so far covered six wine grape growing regions including, the Riverland, Victorian Murray Valley, Griffith, McLaren Vale, Clare and Mudgee districts.

The results of these surveys are delivered through both written and oral formats and provide timely information to industry on a range of benchmarking tasks. Presentations to industry and grower stakeholder groups are an integral and important part of the research program. These presentations have included the Australian Wine Grape Growers conference in Mildura, grower forums in Griffith, Mildura, Clare and Adelaide and key professional groups such as the Association of Australian Chartered Accountants. This research is funded by the Grape Wine Research and Development Corporation (GWRDC).

All ABARE research reports are available free of charge on ABARE's website.