



Australian Government

**Grape and Wine Research and
Development Corporation**

**Grape and Wine Research and Development Corporation (GWRDC)
Submission to Senate Rural and Regional Affairs and Transport
References Committee Inquiry into the Australian wine making
industry**

June 2005

Background to GWRDC interest

The GWRDC is an Australian Government statutory authority that funds and manages research and development to advance Australian viticulture and winemaking. As such, the GWRDC mission is to enable a sustainable, innovative and profitable future for the Australian wine industry through strategic investment in research and development.

Funds are obtained from levies paid by grapegrowers (\$2 per tonne of grapes delivered to wineries) and winemakers (\$5 per tonne of grapes crushed), with this contribution being matched by the Australian Government once R&D investments are made. Those who fund levies include independent and corporate growers and private and public wine companies.

In an operational context, GWRDC Board and staff interact with the grape and wine industry and interested stakeholders in a number of formal and informal ways. In this way the GWRDC has developed and maintains a strong general knowledge of the industry. The GWRDC applies this knowledge to the setting of priorities, developing R&D investments, and to the evaluation and communications of R&D in progress and undertaken. An important part of these processes is the alignment of industry priorities and expectations with those of the Australian Government through the National Research Priorities.

As the GWRDC interests span the full spectrum of the wine value chain it is especially interested in ensuring that the flow of benefits from all R&D efforts can contribute to the business success of all participants in the industry. In shared forums with industry this approach is exemplified through the recognition of the consumer, increasingly an international consumer, as the key to the success of all Australian grape and wine business.

Scope of Inquiry

The Senate Rural and Regional Affairs and Transport References Committee is conducting an inquiry into the Australian wine making industry, with particular reference to the supply and purchase of grapes and the relationships between independent growers and wine makers in the current market.

Specifically, the Committee will be focussing its inquiry on the following key areas of the wine industry:

- a) **The size and nature of the winegrape glut, and the producers' inventory levels;**

GWRDC Response

- *The GWRDC invests in R&D to increase the innovation capacity of grape growers and winemakers. This delivers competitive advantage through a combination of
 - i. *cost advantage (eg efficient production systems for grapes) and,*
 - ii. *differentiation advantage (eg production of grapes and wine to satisfy specific wine style preferences at certain price points).**
- *The rapid increase in wine grape plantings during the 1990s was a clear indication of the ability of existing and new growers to make a range of capital investment decisions. Successful vineyards have been established across a range of sites in Australia. Differentiation has been driven at regional levels and also through choice of grape varieties favoured by domestic and export markets.*
- *As with all business, the success of the industry has attracted further investment, using viticultural and winemaking knowledge resulting from research. In this country there is a strong ethos for R&D and its adoption by industry.*
- *While prediction of industry growth and annual yield is always a challenge, R&D investments cover this aspect because it is considered important for planning and logistics. The GWRDC supports such data to be widely published by ABS, ABARE, AWBC and state and regional associations.*
- *GWRDC has some investment in the understanding of global markets and coupled with supply/demand intelligence they might influence policy positions that have the ability to influence global supply. This information is used by the AWBC, WFA and companies.*
- *Winemaking practices and markets have influenced inventory levels through impacts of the time from harvest of fruit to delivery of a finished wine. Details of inventory levels however remain essentially in the commercial realm and will be managed according to the market and business models of individual companies.*

- b) The structure of the industry and how this impacts on the relationship between growers and producers; the nature of the contractual agreements between them; the implementation of quality benchmarks and whether these can be standardised in an industry-wide code of conduct;**

GWRDC Response

- *As indicated in the introduction, the GWRDC is interested in, and works with all sectors of industry. While contractual agreements are essentially a risk management instrument between the grower and the buyer they will be influenced by a range of factors. Some of these factors can be reasonably informed by research, and some may be more influenced by geographic location and the nature of the relationship between the buyer and seller.*
- *One part of the relationship between growers and wine companies can be provision of technical advice and services via grower or industry liaison officers. In a number of cases these “private” advisors are a strong part of the overall communications and extension program that underpins viticultural advice during the growing season, and leading through to the process of scheduling harvest. The GWRDC actively develops and invests in a range of activities eg. Regional Innovation and Technology Adoption (RITA) to support the needs as defined by the particular region or area.*
- *On a more technical note, the GWRDC supports a strong research program to understand and quantify elements of vine and grape development that will influence the fitness of the resulting juice for the style or range of styles that will result from the winemaking process. Much of this work has been conducted through the Australian Wine Research Institute with recent strengthening of the program through the CSIRO Food Futures Flagship.*
- *The next step from quantification of factors influencing wine is to determine if such measurements are sufficiently robust to be utilised by wine companies to develop correlated price signals. In recent years the best example of such a development has been assessment of red grape colour. This has required research on the chemistry of colour, its variation over a wide climatic and variety range, and the development and calibration of rapid measurement techniques. This research is important, involves many partners, and to become an accepted part of industry practice, needs a clear understanding of how a grower might manage for a target outcome that can be repeatably measured.*

- c) The adequacy of the terms and implementation of the *Trade Practices Act 1974* in relation to winegrape growers; and**

GWRDC Response

- *Apart from contributing to improved forms of measurement, the GWRDC is not in the position to comment on this matter.*

- d) The need for a national grape growers' representative body, the powers that it might have, and the means by which it might be funded, including any possible role for Government in overseeing an industry levy.**

GWRDC Response

- *The GWRDC treats and manages its relationships with The Winemaker's Federation of Australia, the Winegrape Growers of Australia and the Australian Government as committed and interested stakeholders. While these relationships are defined in the PIERD Act, the reality is that strong, open and timely communications are essential to the success of the relationships and the shared interest in a sustainable and profitable industry for all participants and Australian society.*
- *The GWRDC is aware of, and extremely supportive of the current industry and Australian Government initiative to develop an enduring national winegrape grower's organisation.*
- *The industry currently supports a number of shared committees (eg. Wine Industry Environment Committee (WINEC); Knowledge Development Advisory Committee (KDAC)) where grape growers and winemakers are represented. These groups are important for tactical and strategic planning and often provide direct opportunities for GWRDC co-investment.*
- *With the field base of many of its research investments and those of the RITA program, the GWRDC continuously seeks opportunities to engage with grapegrowers as part of its need to stay well informed of industry challenges and needs.*
- *The question of funding an organisation itself is beyond the scope of the GWRDC.*

GWRDC
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