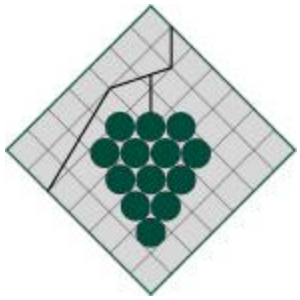
Scholefield Robinson
HORTICULTURAL SERVICES



Strategic review of optimal arrangements for the delivery of industry services to all winegrape growers, with particular reference to the roles, responsibilities, structure and funding (in relation to the delivery of industry services) of peak state and national bodies. Stage 2

FINAL REPORT to

GRAPE AND WINE RESEARCH & DEVELOPMENT CORPORATION

Project Number: **WIC 01/01**

Principal Investigator: **Mr Charles Drew**

Research Organisation: **Scholefield Robinson Horticultural Services**

Date: **18 February 2002 (revised 9 April 2002)**

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EXECUTIVE SUMMARY

Introduction

This project was originally aimed at reviewing industry services to all winegrape growers with particular reference to peak industry bodies and was initiated in early 2001. In mid year, the original principal investigator was appointed as CEO of the Victoria and Murray Valley Wine Grape Growers Council. Scholefield Robinson Horticultural Services Pty Ltd (SRHS) was the successful tenderer to complete the project.

Discussions with the steering committee led to the conclusion that the major focus of the project was a review of the Winegrape Growers' Council of Australia (WGCA) and formulation of recommendations for change within the context of the brief.

Survey

The first stage of the project was a survey of 84 industry organisations and other industry stakeholders by written questionnaire to determine the nature of services required from peak industry bodies. SRHS was responsible for analysis of the 24 returned questionnaires.

The questionnaire comprised 67 questions, mostly multiple choice allowing multiple responses, and many with the option for open ended responses. Its design created substantial difficulties for analysis and it would have been onerous to complete.

The initial analysis showed a reasonable level of acceptance of provision of services jointly by WGCA and the Winemakers Federation of Australia (WFA). This indicated that many industry bodies accept that winegrape growing interests can be catered for by a body that includes representatives of winery owned vineyards. Secondly, the state wine industry associations (which usually include both winegrape growers and wineries) are preferred providers for a wide range of industry services as well as issues representation and policy development. Thirdly, WINETAC appears to be relatively well accepted for education and training.

WGCA as a Peak Industry Body

The scope, structure, functions and funding base of the WGCA have remained virtually unchanged for at least the past decade while the industry has experienced substantial expansion and restructuring, and the development of industry wide strategies for the environment, vine health, education and training, and quality assurance has become increasingly important. As well, the scope and structure of industry organisations and the legislative and policy environment in which the industry operates has changed, and the requirements for a peak industry body for the winegrape industry have increased substantially.

This report reviewed the scope, functions, membership, resources and performance of the WGCA as a peak industry body and recommends changes in membership and structure to enable improved performance in meeting industry needs.

Review of the scope and role of the WGCA led to the recommendation that its focus of promoting "the collective interests of independent winegrape growers …. on national issues" should change to promoting "the growth, development, economic viability and sustainability of the winegrape industry … at a national level".

Functions of the national peak industry body for the winegrape industry include representing the industry at a national scale to Government and other industry bodies, developing and implementing national industry strategies and enabling the provision of selected industry services.

Current members of the WGCA are the Wine Grapes Marketing Board centred in the Riverina region of NSW, the Victorian and Murray Valley Wine Grape Growers' Council Inc, and the Winegrapes Section of the South Australian Farmers' Federation. A substantial proportion of

South Australia other then the Riverland is not represented by WGCA. Nor is there any representation of winegrapes grown by wineries, the rest of New South Wales and Victoria, Western Australia, Tasmania, and Queensland. This report estimates that membership of the WGCA represents at the most 60% of winegrape production in Australia and that it is strongly weighted towards winegrape growers in warm irrigation areas. Cooler areas and wineries produce higher value grapes and are substantially under represented by the WGCA.

The current budget for the WGCA is approximately $150,000, which allows for employment of a CEO and some administrative assistance. However, a professionally run peak industry body that provides the functions and level of performance necessary to be perceived as competent and making a meaningful contribution is estimated to need a budget of $400,00 to $600,000. Inadequate staff numbers, budgetary constraints and the constitutional requirement for consensus approval for decisions (often interpreted as unanimous approval) mitigate against adequate representation and performance by WGCA in all required areas.

Options for Change

Optimum development of the grape and wine industry requires a peak body for the winegrape industry that can perform at the level necessary to command a status fitting for a peak industry body. This will require wider representation and increased membership, changed structure and functions, and increased funding.

Wider representation and increased membership requires a change in primary focus from the independent winegrape grower to the winegrape industry thus allowing representation of winegrape production by wineries, increased membership representation in South Australia and increased representation across Australia.

Changing the structure and functions requires a new organisational structure allowing winery owned vineyards to be represented thus enabling functions relevant to all issues regarding the winegrape industry while ensuring a suitable forum for issues specifically relevant to independent winegrape growers. Achievement of both these groups of changes should result in increased funding.

Options for changed structures were presented and discussed at WGCA Council meetings at Mildura in November 2001 and Griffith in late January 2002, and at a steering committee meeting in Adelaide in early February 2002. Two major options were canvassed. The first was a new peak body for the winegrape industry representing all winegrape growers (WICA – Winegrape Industry Council of Australia). The second went a step further and suggested a new peak wine industry body representing both the wine making and wine grape growing industries (AGWIA – Australian Grape and Wine Industry Association).

Commonwealth Government approval of a levy to fund either body was seen as unlikely. However, external funding to stimulate and provide a catalyst for the above changes may be able to be obtained.

Recommendations consistent with the discussion above were approved at the WGCA Council meeting at Griffith on 24 January 2002, and are set out in the report.

Next Steps

The recommendations as approved are now being considered by the three organisations that comprise the WGCA. Implementation will require constitutional and other changes within the current WGCA. Implementation will also require the development in association with WFA of a joint approach or strategy to attract a range of wineries and corporate grape growers to become members of the new organisation and contribute to its growth and development.

The implementation process can be seen as having two stages, preparation of an initial case for the development of WICA as the national peak industry body for the wine grape industry; and development and implementation of a strategic plan to establish WICA.

1 PROJECT HISTORY

1.1 Initiation and First Stage

A proposal to the Grape and Wine Research and Development Corporation (GWRDC) for this project was prepared by Mr Michael Stone in conjunction with the CEO of the Winegrape Growers' Council of Australia (WGCA) in early 2001. The GWRDC wrote to Mike Stone approving the application for funding in a letter dated 27 April 2001.

A steering committee for the project was formed comprising the following:

- Rhett Marlowe, CEO, WGCA as project manager;
- Mike Macnamara, Assistant Secretary, Horticulture and Wine Branch, Agriculture, Fisheries and Forestry – Australia (AFFA);
- Stephen Strachan, Policy Director, Winemakers Federation of Australia;
- David Hall, Executive Director, GWRDC;
- Clark Ingham, winegrape grower, Clare;
- Tony Devitt, Principal Research Officer, Horticultural Science, Agriculture Western Australia;
- Don Lester, National Viticulture Manager, Orlando Wines; and
- Mike Stone, Project Consultant.

A workplan for the project was designed and a survey questionnaire was distributed.

Mike Stone was then appointed to the position of Executive Director of the Victorian and Murray Valley Winegrape Growing Council, a member association of WGCA, resulting in a perceived conflict of interest if he continued in the role of project consultant.

A revised contract for the project reflecting work already carried out and the work remaining was then offered to Scholefield Robinson Horticultural Services Pty Ltd to enable Charles Drew to accept the role of project consultant starting in early September 2001.

1.2 Project Focus

A brief supplied to Scholefield Robinson Horticultural Services Pty Ltd as part of the information forming the background to their proposal for the remainder of the project included the following project title – "Review of Optimal Arrangements for the Delivery of Industry Services to ***all winegrape growers,*** with particular reference to the roles, responsibilities, structure and funding of peak state and national bodies". Discussions with members of the steering committee led to the conclusion that the major focus of the project was required to be a review of the WGCA and formulation of recommendations for change within the context of the brief. This was supported by several references in the original proposal to substantial industry changes over recent years and their impact on the ability of the WGCA to deliver the required services and functions needed to contribute effectively to industry development. This focus on the WGCA as a peak industry body is reflected in the conduct of the project and the content of this report.

1.3 Project Methodology and Report Structure

The project was conducted in the following phases:

- Data collection – analyse survey, review reports, consultation with stakeholders;
- Initial review and options – prepare and present to WGCA council meeting in Mildura (November 2001) to obtain feedback to proposed directions;
- Finalise review including options for change, prepare and present recommendations for next steps – WGCA Council meeting in Griffith (January 2002);
- Revise report in response to feedback and formulate strategy – present to Steering Committee (February 2002)
- Prepare final report.

2 SURVEY

2.1 Methodology

Initial data collection regarding the nature of services required by industry organisations was by responses to a written questionnaire. The questionnaire was distributed to the wine industry organisations listed in the Wine Industry Directory 2001 on pages 485 to 495.

It comprised 67 questions, mostly multiple choice allowing multiple responses, and many with the option for open ended responses. The design of the questionnaire created substantial difficulties for analysis. It also would have been onerous to complete.

The questions were grouped in the following sections:

- Respondent characteristics;
- Research and Development – Communication services;
- Research and Development – Extension (R&D application) services;
- Research and Development – Setting project priorities;
- Profitability of winegrape production;
- Winegrape quality measurement framework;
- Education and Training;
- Member services;
- Issues Representation and Policy Development;
- Services for winegrape supply/demand information;
- Quality assurance;
- Environmental Management;
- Occupational Health and Safety; and
- Soapbox.

2.2 Analysis

2.2.1 Respondents

There were 84 questionnaires distributed and the numbers returned by each category of respondent are shown in Table **1** below.

Table 1 : Survey respondents by Category

Description	#
Independent winegrape grower	2
Industry association	15
Other	1
Winemaker with vineyards	3
Not specified	3
Total	**24**

The number of questionnaires returned from each state is shown in Table 2 below.

Table 2 : Respondents by State

State	#
South Australia	9
New South Wales	3
Victoria	9
Tasmania	1
Western Australia	1
Queensland	1
Total	**24**

2.2.2 Responses to specific questions

Most sections of the questionnaire (see section 2.1 above) included a question in the following format:

"Which organisation(s) do you believe should have ultimate (in some questions, major or mainly) responsibility for delivering ……service in the winegrape industry?"

Frequency rates for responses to these questions have been analysed and are shown in Table 3 below.

Table 3 : Frequency rates for preferred providers of industry services

Q				WGCA/				State			Regional						
#	Service	WGCA	WFA	WFA	CRCV	GWRDC	AFFA	Govt Dept	Authority	WIA	Grower Body	Winery Body	Uni, TAFE	WINETAC	AWRI	Other	Total
8	Communicating R&D issues	2	1	2	12	16				0	0	0				4	**37**
16	Winegrape extension	1		2	11	13				5						5	**37**
25	Services to improve profitability	5	1	10						14	4	5				6	**45**
30	Quality framework	3	2	10												8	**23**
34	Education and training (dev, coord)	3	2							7			9	15		1	**37**
39	Issues Representation, Policy Development	7	11					7		17	6	6				5	**59**
49	QA services (dev, coord)	1	2	7		10	1								3	4	**28**
55	EMS (dev, impl, admin)	1	2	3	2	9	0	4	7	8	5	3					**44**
61	OH&S (dev, impl, admin)	3	3	3					13	11						5	**38**

Note that zeroes signify that a specified choice received nil preferences, and blank signify that the service provider was not specified for that particular industry service. Note also that all questions included the opportunity to tick "other" and identify the organisation envisaged.

The interpretation of this table is difficult due in part to the wording of the questions (the meaning of ultimate responsibility is unclear) and in part to the question structure (part multiple choice, part open response). However, at least three points can be made. Firstly, there is a reasonable level of acceptance of provision of services jointly by WGCA/WFA. This leads to the conclusion that many industry bodies accept that winegrape growing interests can be catered for by a body that includes representatives of winery owned vineyards. Secondly, the state wine industry associations (which usually include both winegrape growers and wineries) are preferred providers for a wide range of industry services as well as issues representation and policy development. Thirdly, WINETAC appears to be relatively well accepted for education and training.

Analysis of the rest of the survey responses has been accorded low priority because of the small likelihood that useful findings will be able to be extracted due to the relatively poor questionnaire design and response rate.

3 ASSESSMENT OF WGCA AS A PEAK INDUSTRY BODY

3.1 Need for Review

The scope, structure, functions and funding base of the WGCA have remained virtually unchanged in the past decade and probably much longer. The following factors underpin the need for a review of the structure, functions and funding of the WGCA:

- Substantial expansion in wine grape production expansion and restructuring in the wine industry in the past decade;
- Increasing importance of the development of industry wide strategies for the environment, vine health, education and training, and quality assurance;
- Increased acceptance of the overall concept of supply chain management, its importance to international competitiveness of the industry and its implications for relationships between wine grape growers and wineries;
- Change and restructure of peak grape and wine industry organisations eg WFA;
- Reduction in Government (particularly State Government) funding of industry services;
- Advent and development of the GWRDC and the CRCV;
- The development of the National Competition Policy leading to the removal of much of the statutory support for existing grape marketing functions and restricting the use of compulsory levies to areas of market failure; and
- Legislative requirements for input from peak industry bodies to the determination of strategic directions for levy funded organisations.

This section discusses the characteristics of peak industry bodies in agriculture in general using WGCA as an example where necessary. It aims to identify and clarify the necessary characteristics of a peak industry body to enable assessment of the WGCA against those characteristics. In particular, the scope, functions, membership, resources and performance of the WGCA as a peak industry body are assessed. This section draws on information and data obtained in this project and previous experience with, and exposure to, a number of peak agricultural industry bodies[1].

3.2 Scope

Fundamentally, the role of the organisation should be consistent with the scale of the organisational structure and the resources required. Achievement of a role that has a wide scope and range of functions requires an organisation with sufficient resources and suitable structure.

Agricultural industry peak bodies can be based primarily on specific commodities irrespective of the type of business entity operating the enterprise. In this case, the primary focus of the peak body would be on the production and marketing of winegrapes, its context and place in the supply chain.

Peak bodies also can be based on the type of business entity (eg small business) often irrespective of commodity. The WGCA information kit states that its purpose is to "promote the collective interests of independent winegrape growers as represented by its member organisations on national issues". Thus, the WGCA is a peak body based on the type of

[1] An initial literature search and consultations with officers from AFFA failed to locate any articles or publications that specifically identified, defined and described the necessary and sufficient characteristics of a peak industry body.

commercial entity and restricted to a particular commodity (eg independent wine grape grower) and therefore caters for a relatively constrained constituency.

A change of focus from the type of business entity (independent winegrape growers) to the commodity (production of winegrapes) is consistent with many other rural industry organisations which are commodity based. A new statement of role and purpose suitable for inclusion in a mission statement could include "to promote the growth, development, economic viability and sustainability of the winegrape industry through policy and strategy development at a national level" by functions to be specified later.

3.3 Functions

The functions of a national peak industry body for the winegrape industry include:

- Representing the industry at a national scale to Government and other industry bodies;
- Developing and implementing national industry strategies; and
- Enabling the provision of selected industry services.

3.3.1 Representation

In order to represent the industry to Government and other industry bodies and gain approval as a peak industry body, it must adequately represent the full range of its constituents. Representation functions include the following:

- To represent industry views to Government, Statutory bodies, Industry bodies, and other parts of the supply chain;
- To contribute to the policy development process, including representation regarding current issues; and
- To provide legitimacy to striking the level of industry levies and to contribute to setting the priorities for the use of levies.

3.3.2 Strategy Development

Functions under this heading include:

- Develop an industry strategy to ensure growth and sustainability – eg environment, education and training, vine health, information and promotion; and
- Develop a strategic outlook for industry to ensure that negotiations with Government and other peak bodies is effective and that the formation of strategic alliances between different parts of the supply chain can be negotiated from a well informed position of strength.

3.3.3 Provision of Services

A range of industry wide services may be provided or enabled to be provided, that are consistent with, or aimed at achieving an industry strategy. These include:

- Improving industry technical knowledge and capability; and
- Enhancing commercial viability and sustainability.

Improving industry technical knowledge and capability includes:

- Prioritisation of investment in R&D and Extension (levy funds provided by winegrape growers);
- Management of delivery of technology transfer services developed by other agencies eg Research to Practice, Viticare, etc;

- Education and Training – policy development and QA through representation on WINETAC; delivery through existing or new providers;
- Development of frameworks for fruit quality measurement; and
- Vine Health policies through NVHSC – participation, project management.

Enhancing commercial viability and sustainability includes:

- Quality assurance systems;
- Environmental management systems;
- OH&S;
- Collection and dissemination of market intelligence;
- Model produce contract terms and conditions; and
- Development of a code of conduct.

Most of these industry services are focussed on the commodity and thus are equally relevant to winery and non-winery grown grapes. Services where the interests of the two groups may differ include model winegrape supply contract terms and conditions, development of a code of conduct and representation to government on some issues, eg tax.

3.3.4 Appropriate level

The peak industry body should assess at what level (National, State, regional) the efficiency and effectiveness of implementation of any specified function will be maximised. It follows that the national peak industry body should focus on those functions that can be performed most efficiently and effectively at the national level. Table 3 has some relevance to this discussion.

3.4 Membership

3.4.1 Current Membership

The members of the WGCA are organisations representing independent winegrape growers or associations of independent winegrape growers and which pay affiliation fees to WGCA. The members are:

- The Wine Grapes Marketing Board (WGMB) – a statutory authority which markets grapes grown by independent winegrape growers in designated parts of the Riverina region of NSW;
- The Victorian and Murray Valley Wine Grape Growers' Council Inc. (VMVWGGC) - an incorporated association representing independent winegrape growers on both sides of the Murray River from Wentworth to Kerang as well as the King Valley Grape Growers' Association; and
- The Winegrapes Section of the South Australian Farmers Federation (SAFF-WGS) which represents independent growers through regional organisations and individual membership.

The Wine Grapes Marketing Board was formed to protect the interests of winegrape growers established under the post war serviceman's land settlement scheme in respect of their dealings with wineries. It is geographically constrained to four local government areas – City of Griffith and the Shires of Carrathool, Leeton and Murrumbidgee. However, it is considered to represent all independent winegrape growers in the Riverina region of NSW.

VMVWGGC represents all independent winegrape growers in the prescribed area as it is funded through a levy imposed under an IDO.

The situation in South Australia differs from the WGMB and VMVWGGC. SAFF, unlike WGMB and VMWGGC, is totally reliant on voluntary subscription income. The membership of the SAFF – WGS comprises a relatively low proportion of SA independent winegrape growers. For example, only about 25% of Clare winegrape growers are SAFF members, and Padthaway and Coonawarra have only a few members and no specific winegrape grower branches. A complicating factor is that many growers of winegrapes are multi-commodity or mixed farmers.

Representativeness will be increased by the recent formation of the Riverland WGGA covering all Riverland growers, and the Langhorne Creek WGGA covering all Langhorne Creek growers. The Riverland WGGA is funded through a levy collected by the Riverland Industry Development Council and the Langhorne Creek WGGA is funded through a levy collected by the Langhorne Creek Industry Development Council, both under the Primary Industry Funding Schemes Act 1998. One possibility is that they will pay membership funds directly to WGCA, but the situation is under review by SAFF and the relevant grower groups.

3.4.2 Representativeness

The degree to which the WGCA represents national winegrape production is incomplete in a number of ways as shown below:

- While membership of VMVWGGC and WGMB is based on universal levies, membership of SAFF Winegrapes Section has a small coverage;
- Winery owned winegrape production is excluded from membership;
- Queensland, Tasmania, WA, Greater Victoria and the rest of NSW are not represented; and
- Except where a state sanctioned levy is collected to fund an organisation which directly or indirectly is a member of WGCA, corporately owned vineyards do not appear to be members (at least active members).

Data extracted from the National Utilisation Project 2001 report allows some estimates of the current level of representativeness of WGCA. The first stage of estimating representativeness focuses on the percentage of the crush produced by wineries, an analysis of SA production and the amount of the crush produced by non member states or regions and is shown in Table 4.

Table 4 : National Crush 2001 by percent Winery Production and Major Region

Region/State	Winery	Non-winery	Total	% Winery	Non-winery prod. % of Australia
SA Riverland	53,490	273,614	327,104	16.4%	20.1%
Riverina	27,764	131,508	159,272	17.4%	9.7%
Murray Valley (NSW + Vic)	28,167	298,098	326,265	8.6%	21.9%
Total (major irrigated areas)	**109,421**	**703,220**	**812,641**	**13.5%**	**51.8%**
SA (not Riverland)	155,908	195,752	351,660	44.3%	14.4%
NSW (not Murray Valley, Riverina)	35,996	44,002	79,998	45.0%	3.2%
Vic (not Murray Valley)	21,318	38,900	60,218	35.4%	2.9%
WA	22,493	29,492	51,985	43.3%	2.2%
Queensland	1,061	875	1,936	54.8%	0.1%
Total other	**236,776**	**309,021**	**545,797**	**43.4%**	**22.7%**
Total (excl Tas)	**346,197**	**1,012,241**	**1,358,438**	**25.5%**	**74.5%**

This table shows that winery produced grapes comprised more than 25% of the total crush in 2001. The WGCA can claim to represent all non winery produced grapes in the major irrigated

areas (51.8%) plus a proportion of the SA (not Riverland) crush (say half of 14.4% ie 7.2%) making an estimated total of 59% of the total crush by tonnes.

The proportion by value of the crush represented by WGCA is likely to be less than by tonnage as the wineries produce a higher proportion of grapes in higher value categories (see Table 5).

Table 5 : Grape Categories Produced by Wineries - 2000 and 2001

Grape Category	% Winery owned	
	2000	2001
Premium white	25%	30%
Nonpremium white	19%	25%
Premium red	24%	27%
Nonpremium red	12%	14%
Multipurpose	3%	2%
Minor	28%	32%
Total all grapes	**21%**	**26%**

Table 5 shows that winery owned vineyards produce higher proportions of higher value premium red, premium white and minor varieties and lower proportions of non premium grapes. This is shown for each year by comparing the percentage of the total all grapes grown by wineries, with the percentage for that year for each of the grape categories.

Further, the increases in production from vintage 2000 to 2001 have been greater in those areas not represented by WGCA – grapes produced by wineries and geographical areas not covered. Table 6 shows that the percentage of the crush grown by wineries increased from 21.2% in 2000 to 25.5 % in 2001. Further analysis of the 2001 crush showed that grapes produced by wineries comprised 52% of cool region production.

Table 6 : Change in Winery Production of Grapes 2000, 2001

Region/State	Production (tonnes)		Change	
	2000	2001	tonnes	%
SA Riverland	43,219	53,490	10,271	23.8%
Riverina	26,049	27,764	1,715	6.6%
Murray Valley (NSW + Vic)	24,583	28,167	3,584	14.6%
Total (major irrigated areas)	**93,851**	**109,421**	**15,570**	**16.6%**
SA (not Riverland)	73,408	155,908	82,500	112.4%
NSW (not Murray Valley, Riverina)	37,497	35,996	-1,501	-4.0%
Vic (not Murray Valley)	14,188	21,318	7,130	50.3%
WA	21,047	22,493	1,446	6.9%
Queensland	na	1,061	na	
Total other	**146,140**	**236,776**	**90,636**	**62.0%**
Total (excl Tas)	**239,991**	**346,197**	**106,206**	**44.3%**

Table 7 : Change in Non-winery Production by Region 2000, 2001

Region/State	Production (tonnes)		Change	
	2000	2001	tonnes	%
SA Riverland	250,566	273,614	23,048	9.2%
Riverina	137,672	131,508	-6,164	-4.5%
Murray Valley (NSW + Vic)	301,469	298,098	-3,371	-1.1%
Total (major irrigated areas)	**689,707**	**703,220**	**13,513**	**2.0%**
SA (not Riverland)	115,043	195,752	80,709	70.2%
NSW (not Murray Valley, Riverina)	36,272	44,002	7,730	21.3%
Vic (not Murray Valley)	31,324	38,900	7,576	24.2%
WA	18,579	29,492	10,913	58.7%
Queensland	na	875	na	
Total other	**201,218**	**309,021**	**107,803**	**53.6%**
Total (excl Tas)	**890,925**	**1,012,241**	**121,316**	**13.6%**

Table 6 and Table 7 show that there was a higher percentage increase in production of grapes by wineries than by non wineries, and that there was a higher percentage increase in production of grapes by non wineries in areas partially or not covered by the WGCA (Total other), than by the areas covered by WGCA (major irrigated areas). This means that the representativeness of the WGCA decreased from 2000 to 2001.

Several states and regions have wine industry organisations that, to a varying extent represent winegrape growers at a major regional or state level. These organisations include:

- New South Wales Wine Industry Association;
- Victorian Wine Industry Association;
- South Australian Wine and Brandy Industry Association;
- Wine Industry Association of WA;
- Vineyards Association of Tasmania; and
- Queensland Wine and Grape Producers Association.

Except for Tasmania, these organisations cater for both winegrape producers and wineries and are industry oriented. Membership of WGCA by these organisations would increase its representativeness.

3.5 Resources

3.5.1 Budget

The current income for the WGCA is approximately $150,000 which is insufficient for the operation of a professionally run organisation. This is illustrated by a strategic plan developed in April 1997 that included an objective to increase the total income of WGCA to $300,000 in 3 years.

The current income enables the employment of one staff member and some administrative assistance which is insufficient to fulfil all operational requirements and it does not allow for payment of membership fees to other organisations eg Plant Health Australia.

3.5.2 Membership Fees

Each member association is expected to pay an equal affiliation fee even though there are substantial differences in the tonnages of grapes produced in each association's area. This

suggests that there are inequities in contributions which may have the potential to lead to disharmony. Further, a schedule of yearly increases in the annual fees up to $50,000 was agreed to several years ago but has never been achieved. The implications of changes occurring in SA such as the formation of levy based winegrape grower bodies in the Riverland and Langhorne Creek are not yet clear.

3.6 Performance

Assessment of the performance of a peak industry body such as the WGCA in part depends on whether it is seen as a professional player in the game of industry politics. At present, consultations reveal that for WGCA, this is not necessarily so at many levels in the industry and in Government.

Inadequate staff numbers, budgetary constraints and the constitutional requirement for consensus approval for decisions (often interpreted as unanimous approval) mitigate against adequate representation and performance by WGCA in all required areas. Examples reported during consultations include:

- lack of participation in policy development at the Commonwealth level;
- lack of a decision to join and inability to fund membership of PHA;
- variable support for industry education and training; and
- lack of a presence and media exposure in existing and prospective membership areas.

4 OPTIONS FOR CHANGE

4.1 Introduction

The development of the grape and wine industry will be constrained unless the peak industry body for the winegrape industry can perform and command a status fitting for a peak industry body. This will require:

- Wider representation and increased membership;
- Changed structure and functions; and
- Increased funding.

4.2 Wider representation and increased membership

The examples of incomplete membership referred to above provide opportunities for increasing representativeness. The likelihood of converting these opportunities into actual membership thus increasing funds and representativeness depends partly on whether the prospective members perceive that the benefits of membership exceed the costs. The following three changes should be made to widen representation and increase membership:

- Change primary focus from a business entity to a commodity – from the independent winegrape grower to the winegrape industry;
- Adapt and improve the situation to increase the membership representation in South Australia; and
- Increase geographic representation.

Discussions with the viticultural managers of several leading winemakers provided a range of views regarding membership of WGCA or a peak industry body for winegrape growing. One considered that the payment of levies to the regional bodies and their subsequent affiliation with WGCA was sufficient. He was also concerned that past antagonisms between wineries and members of WGCA did not augur well for the future. He acknowledged that the WGCA/WFA liaison committee was a step in the right direction.

Another had the view that membership was necessary and he acknowledged possible concern within the WGCA regarding the commercial strength of wineries. He suggested a temporary period of one member one vote to get over this concern.

A third manager was willing to consider membership but had yet to be convinced of the benefits to his firm and of the likelihood of influencing the running of the organisation commensurate with the financial commitment.

Within SA, the opportunities to increase the representativeness of membership of the SAFF Winegrapes Section are limited by the:

- low membership level of SAFF throughout the farming sectors; and
- development of Wine Industry Development Councils and accompanying winegrape grower associations funded through levies collected under the Primary Industry Funding Schemes Act SA 1998.

However, the regulations allow affiliation payments by the regional winegrape grower organisations to the national (and state) industry bodies. Arrangements with SAFF regarding allocation of funds to WGCA are under negotiation.

Affiliation with or membership of WGCA by the remaining peak state wine industry bodies appears difficult to achieve. Queensland has very limited funds but is interested in observer

status. The attitudes of the remaining bodies listed Section 3.4.2 to affiliation have not been ascertained.

The likelihood of corporately owned vineyards affiliating with WGCA is also uncertain. Some are automatically members by contributing to the compulsory levies to fund the WGMB, the VMVWGGC and under the two approved South Australian industry funding schemes. As well, a small number are voluntary members of SAFF. While there is some positive feeling towards membership of WGCA, several appear to be satisfied with levies being paid to regional bodies and their subsequent affiliation with WGCA.

Wineries that also own vineyards have a positive attitude to contributing to federal matters of relevance to viticulture but have reservations about contributing directly to the commercial/political activities of independent wine grape growers.

Further consultation with winemakers with viticultural interests is necessary. This should be preceded by the development of a strategy to attract corporate growers including a clear and succinct statement of benefits of membership and how it would be envisaged.

4.3 Functions

The vast majority of functions listed in Section 3.3 and tabulated below (Table 8) are relevant to the winegrape industry as a whole, not specifically to independent winegrape growers.

Table 8 : Functions of a Peak Body for the Winegrape Industry

Function	Relevance of issue		Initial Priority
	All Viticulture	Ind. Growers' focus differs	New Peak Industry Body
1. Representation at a National level			
- industry views to Govt, industry bodies, supply chain	Yes		High
- policy development	Yes		High
- R&D levies: level, priorities for use	Yes		High
2. Strategy Development			
- industry strategies for growth and sustainability	Yes		High
- strategic outlook to underpin negotiations	Yes		High
3. Provision of Services to implement 1 and 2			
a. Improve industry technical knowledge and capability			
- manage technology transfer services	Yes		Medium
- technical information dissemination	Yes		Medium
- education and training - policy development and QA	Yes		High
- fruit quality measurement framework	Yes	Partly	High
- vine health	Yes		High
b. Enhance commercial viability and sustainability			
- QAS	Yes		High
- EMS	Yes		High
- OH&S	Yes		High
- Market and industry information, collection, dissemination	Yes	Partly	High
- model produce contract terms and conditions		Yes	Medium
- code of conduct		Yes	Medium
- represent grower interests in corporate collapses			Medium
- insurance policy conditions	Yes		Low

While wineries that grow winegrapes may have a different point of view regarding a small number of issues, at present some of these are being dealt with productively by the WGCA/WFA liaison committee. A new peak industry body focussed on winegrape production appears to be an excellent negotiation and dispute resolution forum for such issues. Many of these functions will require a high level of priority and attention. Some are shown in the above table.

4.4 Structure

4.4.1 Current

WGCA is an association of associations – SAFF winegrapes section, VMVWGGC, WGMB. The council comprises 10 people, 3 members from each member association plus an extra Chairman elected annually. The council meets quarterly and the constitution requires decisions by council to be by consensus. This structure means that each member body is equally represented.

While the structure is aimed at achieving equal representation, the WGCA office is at Wine Industry House, Adelaide. Consequently, access to the office is easier for members based in SA than in the Murray Valley or in the RIVERINA REGION OF NSW. However, this is partly compensated for by meeting on rotation in Mildura and Griffith as well as Adelaide.

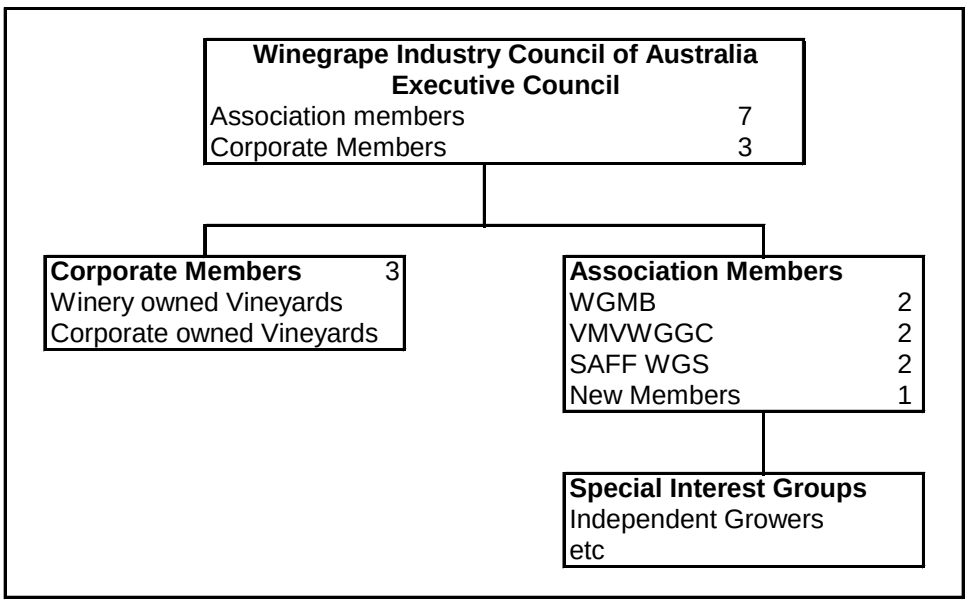
Options for changed structures have been presented and discussed at WGCA Council meetings at Mildura in November 2001 and Griffith in late January 2002, and at a steering committee meeting in Adelaide in early February 2002. Two major options were canvassed. The first was a new peak body for the winegrape industry representing all winegrape growers. The second went a step further and suggested a new peak wine industry body representing both the wine making and wine grape growing industries.

The following sections have been developed taking the comments from each meeting into account.

4.4.2 WICA – A New Peak Body for the Winegrape Growing Industry

The constitution and structure of the Council will require change to accommodate new member categories such as other State/Regional associations and representatives of winery owned and corporately owned vineyards. The structure must also enable the legitimate interests of specific groups to be serviced and those functions requiring specialised technical expertise to be professionally performed. A suggested structure as a basis for discussion is shown in Figure 1 below.

Figure 1 : Structure for a Peak Body for Winegrape Industry



Variations on this model may include substitution of WFA representation for corporate members.

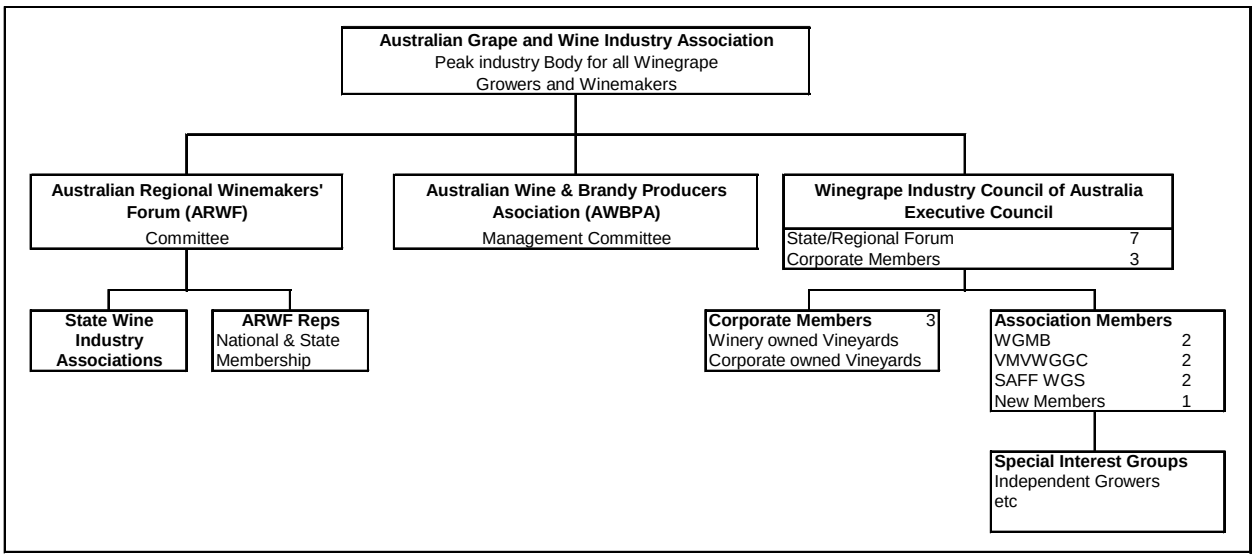
Issues to be decided include frequency of Council meetings, requirements for adoption of decisions and motions, functioning and servicing of the special interest groups (SIGs), form and frequency of annual meetings etc.

4.4.3 AGWIA – A Possible Future Peak Grape and Wine Industry Body

There are a number of advantages in having a peak industry body covering the interests of the industry as a whole, provided that mechanisms and structures are set up to cater for sectional interests. For example, the advocacy role of peak industry body would be more influential and engender more respect if it was developed in terms of the overall growth of the wine industry. This proposal engendered some positive feedback at the WGCA Council meetings at Mildura and Griffith.

A possible structure for the amalgamation of the proposed WICA with WFA is shown in Figure 1 below.

Figure 2 : Possible Future Industry Body



4.5 Resources

4.5.1 Required level

Discussions with WGCA and other peak industry bodies including WFA, and a review of the functions of a peak industry body have led to the conclusion that a budget of $400,000 to $600,000 is necessary to resource satisfactory performance. This is reasonably consistent with the 1997 strategic plan which suggested that $300,000 should be an objective to be reached by 1999. Clearly, substantial changes are required. Possible ways of increasing the funding are discussed below.

4.5.2 Levies

Consultations with several AFFA staff members, inspection of the guidelines applying to the application of the Government's 12 levy principles, and review of a number of Acts and reports leads to the conclusion that there is no likelihood that any Commonwealth Government (Liberal or Labor) will agree to the imposition of a levy to fund the agripolitical activities of the peak winegrape growing industry body.

4.5.3 Need for a Catalyst

Attraction of new members requires a perception that the organisation is or will be producing services that are professionally conducted and are of value to existing and prospective members. This is particularly difficult given the budgetary constraints. The possibility of funding the employment of an industry development officer or project officer for a defined period should be investigated. Such an officer would also enable the development of the provision of a range of industry services. This would also increase the presence and visibility of the organisation around Australia. The organisation would also develop some credibility about its professional services which would increase the likelihood of success in obtaining new and approved services to manage and provide, along with the commensurate funding.

4.5.4 Increased fee income

Some years ago, the three associations comprising the WGCA agreed to an annual increase in fees which would have resulted in the current annual fees being $50,000. One member association has fulfilled that agreement. This illustrates one of the difficulties that the WGCA has in achieving increased income.

It is likely that the member associations' willingness to pay the increases would be enhanced if WGCA provided a better range of professional and technical industry services. Prospective member associations, although smaller than existing members, would also be more likely to become members and pay affiliation fees.

The basis for setting affiliation fees requires consideration. If possible, the basis should enable a continuing increase in income with minimum requirements to change the basis thus requiring membership approval. This means that the basis should grow with the industry. The two major options are dollar based ($ wine grapes, $ sales etc) and through put based (tonnes of grapes, litres sold etc).

Affiliation fees based on a specified rate in cents per dollar sales have the advantage of built in growth with inflation but the disadvantage of difficulties in obtaining figures which may be confidential or reflect intra company transactions and pricing. Consequently, it may be more efficient overall to base the assessment of affiliation fees on tonnages of grapes delivered, particularly for WICA. Two options are an affiliation fee based on a rate per tonne delivered, or a ladder of fees according to a set of ranges of tonnes delivered. To determine the practicality of these two options, the 2000 crush for the top 20 wine companies as tabulated in the Wine Industry Directory 2001 has been used to estimate possible income from membership fees on differing bases. Each wine company was assumed to grow 25% of its intake. Both systems were shown to be practical, but the stepwise system appeared to be easier to administer. The same methods for setting fees are applicable to corporately owned vineyards.

5 RECOMMENDATIONS

Eleven recommendations were discussed and voted on at the WGCA Council meeting in Griffith on 24 January 2002. The following set of renumbered recommendations was approved by that meeting.

5.1 Role and Functions

Recommendation 1

In order to enable broader representation, the primary focus of the organisation should change from independent winegrape growers to the growing of winegrapes.

Agreed

Recommendation 2

A new statement of role and purpose should be developed and it should include "to promote the growth and development of the winegrape industry through policy and strategy development at a national level".

Agreed

5.2 Membership

Recommendation 3

Membership of the organisation should not be constrained to independent winegrape growers and should be opened to corporate winegrape growers and wineries that grow winegrapes.

Agreed

Recommendation 4

Council should develop a strategy including a succinct statement of benefits of membership, to attract corporate winegrape producers including wineries to become members of the new organisation, possibly through a joint committee with WFA.

Agreed

Recommendation 5

Council should investigate ways of attracting participation and membership of the relevant non member regional and state associations.

Agreed

5.3 Structure

Recommendation 6

The specific interests of independent winegrape growers should be catered for by the formation of a special interest group serviced by the executive officer of the new organisation.

Agreed

Recommendation 7

Major ongoing technical industry matters should be catered for by the formation of Technical Reference Groups which can include non council members.

Agreed

5.4 Funding

Recommendation 8

A proposal for the funding the implementation of the strategy should be prepared.

Agreed

6 NEXT STEPS

6.1 Introduction

The recommendations as approved are now being considered by the three organisations that comprise the WGCA. Implementation will require constitutional and other changes within the current WGCA. Implementation will also require the development in association with WFA of a joint approach or strategy to attract a range of wineries and corporate grape growers to become members of the new organisation and contribute to its growth and development.

The underlying aim of the recommendations is the formation of a vigorous, professionally competent and well resourced organisation focussing on national issues affecting the winegrape industry (WICA).

The implementation process can be seen as having two stages:

- Development of an initial case for the development of WICA as the national peak industry body for the wine grape industry; and
- Development and implementation of a strategic plan to establish WICA.

6.2 Initial Case

A case for WICA requires further development to describe and illustrate the benefits of membership to wineries, corporate grape growers and Wine Industry Associations other than the current members. The objective of this task is to obtain agreement in principle from a proportion of organisations in the above categories to become members of WICA, as well as to support change within WGCA.

The case should include a newly formulated mission statement highlighting a commitment to take an industry wide view and specifying a number of opportunities and threats that the new organisation will be able to address substantially more effectively than previously. Examples of the opportunities and threats (including past successes) include:

- Protection of the industry from the consequences of imported pests and diseases while maintaining current and potential exports and our free trade status (eg table grape imports);
- Industry input to national coordination of plant health R&D, extension and vine improvement (eg NVHSC, Plant Health Australia);
- Development of an industry wide approach to fruit quality measurement, purity and specification;
- Development of industry policies for tax eg accelerated depreciation provisions, GST and WET etc;
- Contribute to the development of supply chain management processes;
- Development of an industry policies and positions on R&D and innovation, EMS, QAS; and
- Industry based contributions to collection, interpretation and dissemination of statistics.

The initial case, which may be in the form of an indicative business plan, could be developed by WGCA in consultation with WFA. It should be sufficiently finalised for presentation to WFA meetings in the week commencing 22 April 2002.

6.3 Implementation Project

A strategic plan on which to base implementation requires development and implementation will require manpower and funds. Successful implementation will also require substantial consultation across the industry throughout Australia. The formation of a steering committee to drive the project is also required to ensure progress and to overcome obstacles and delays.

Possible sources of funds to underpin the implementation project include GWRDC, AFFA (possibly the National Food Industry Strategy including the Supply Chain Management Fund, or discretionary funding sources), and AWBC.

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