

**NATIONAL COMPETITION POLICY
REVIEW - WINE GRAPE INDUSTRY ORDERS**

SUBMISSION ON BEHALF OF

**MURRAY VALLEY WINEGRAPE INDUSTRY
DEVELOPMENT COMMITTEE**

236, 237

**written by; Mr G Greenwood,
Executive Officer.**

**Submitted to the Productivity
Commission inquiry into the Impact
of Competition Policy Reforms on
Rural and Regional Australia,
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1. Background

In October 1993 the growers in the Murray Valley partitioned the Victorian Minister of Agriculture and the NSW Minister for Agriculture for the making of marketing orders under the Victorian Agricultural Act 1990 and the NSW Marketing of Primary Produce, Products Act 1983. The orders enable levies to be collected from growers in the Murray Valley for marketing support services for growers and regional research and development projects. Separate marketing orders were sought in relation to wine grape in the two states. These two marketing orders operate independently of each other however the orders are both administered by the same committee, this committee is known as the Murray Valley Wine Grape Industry Development Committee. The Committee is made up of four voting grower members and two voting non-grower members and one Government representative from each state (that is one from Victoria and NSW). These Government members are not voting members but represent the respective Ministers on the Committee. The marketing orders were voted on in poll of producers which was held in February/March 1994 and the outcome of this poll was a vote in favour of establishing the legislation which was gazetted in June in both states in 1994. The two orders were gazetted and the NSW order was gazetted on the June 3, 1994 and the Victorian Wine Grape Industry Development Order 1994 was gazetted on June 16, 1994.

The consultation process that took place prior to the growers voting on the establishment of this legislation included a report that was prepared by the Department of Agriculture in each state and mailed to all the growers on the electoral roll in the Murray Valley region. This report outlined a number of issues for the growers to consider prior and leading up to the poll. It recognised that the Victorian Wine Grape Growers Council was the peak body of the industry representing wine grape growers in the region. This council comprised delegates from the three sub-district grower associations being the Mildura and District Association, Robinvale Wine Grape Growers Association and the Swan Hill Wine Grape Growers Association known as mid-Murray. The Victorian Wine Grape Growers Council represents growers in the region on the national industry body known as The Australian Wine Grape Growers Council Inc. The members of the Committee are nominated by the Council in priority to the respective ministers in both states from which the minister then makes his appointment. The members of the Committee are seen to be representatives of the growers and the wine makers in the Murray Valley region.

The key functions of the Committee were spelled out in this inaugural report as follows:

- a) to obtain, analyse and disseminate relevant market information including the development of a wine grape production forecasting service for wine grape growers
- b) to provide resources to enable the Murray Valley Wine Grape Growers Council (now known as the Victorian Wine Grape Growers Council) to better represent the interests of wine grape growers in meeting relating to wine grape marketing
- c) to support regional wine grape or multi purpose grape research where alternative funding was not available

The report went on to outline what the levy funds to be collected from growers would be used for, and the following points were noted in that report:

- 1) Employ the part time services of consultant with experience in the wine industry and marketing expertise
- 2) develop and implement a crop forecasting system to provide an accurate basis for price negotiations and advice to growers on development opportunities
- 3) fund the Victorian Wine Grape Growers Council share of cost of conducting the annual Murray Valley Wine Grape Utilisation survey which is a key resource used in the annual market outlook and price negotiation process
- 4) fund the Victorian Wine Grape Growers Council's cost of affiliation and consultation with Wine Grape Growers Council of Australia, Grape & Wine Research and Development Corporation, Wine Makers Federation of Australia, Murray Valley Wine Grape Industry Advisory Council
- 5) conduct periodic conferences or seminars for growers on wine grape and wine grape marketing issues
- 6) publish a regular growers newsletter on vineyard management and marketing issues
- 7) fund high priority regional research of specific benefit to Murray Valley growers that would not otherwise be funded from other sources

The report went on to say Government Agencies would have no direct access to these levy funds other than to be remunerated for undertaking specific contracted services as specified by the Committee.

Included in the report was also the aspect covering collection of the levies, whereby it recommended that the levies would be deducted from grape payments from wine makers under an agreement made between the Committee and the regional wine makers once the order was established. When the voting papers were prepared and sent out to the growers, the growers clearly voted in favour of payment of the levy and also that the levy be deducted from grape payments made by wineries purchasing grapes from the production area. This eliminated the need to provide separate authorisation from each grower to have the levies deducted by the wine makers in the region.

The report circulated to the growers also covered the administration of the levy funds and pointed out that the Industry Development Committee appointed by the minister would be responsible for:

- managing the collection of the levies
- Preparing and submitting to growers and the minister a plan of operation
- Allocating funds according to the priorities established in that plan of operation
- Preparing for growers and the Minister an annual report detailing the Committees activities
- Keeping appropriate records and accounts for examination by the Auditor general

The Committee had its first meeting in June 1994 and its financial year now runs from August 1 until July 31 each year.

By June 1995 the Committee had developed a four year operational plan which essentially covered all of the activities that had been outlined to the growers prior to the poll. This four year operational plan was contained as part of the first annual report for the Committee that was prepared in August/September 1995. This four year operational plan was further updated in June 1996 and again contained in the annual report for that year. During the calendar year 1997 the Committee took it upon itself to review its objectives and its mission and to do this it decided to publicly consult with its stakeholders, the growers, in a series of meetings and workshops throughout the Murray Valley. The end result of this was the Committee formulating a regional strategic plan 1997 to 2003. The Committee finally commissioned this document in November 1997 and circulated it to all growers, wine makers and other members of the industry with a positive response. A summary of the objectives outlined in that strategic plan are as follows:

- 1) Increased ability and investment confidence through accurate market supply and demand information
- 2) Improve Viticultural practices
- 3) Improve cooperation between wine grape growers and wineries for the benefit of the industry
- 4) Majority of Murray Valley wine grapes to meet optimum quality standards
- 5) Recognition and use of the geographic indicators for Murray Darling and Swan Hill
- 6) Strong network of industry organisations in the Murray Valley

This has now become the blue print for the Industry Development Committee in formulation of its activities over the strategic plan period. It has reviewed its mission statement to now read:

- to promote and strengthen the Murray Valley Wine Grape Industry by facilitating an open system for distribution of market technical and management information to sustain and improve the regions competitive edge.

The adoption of this strategic plan had become necessary with the extreme growth in the wine grape industry in the Murray Valley there was significant investment happening, with over 9,000 hectares of new vineyards being planted from either redevelopment of existing vineyards or new irrigation area being opened up over the period 1993 to 1997. The resources required by the Committee to maintain the level of activities in line with this strong growth in the industry had resulted in the Committee needing to go to the growers to increase the levy from 90 cents a tonne up to the maximum identified under the order which was \$1.20 per tonne. The Committee firmly believes that it could not go to the growers without a clear strategic plan which would cover at least the next term of the marketing order.

This strategic plan as we said earlier was developed in consultation with growers in workshops held in Mildura, Robinvale and Swan Hill where growers had the opportunity to provide what they considered to be the most important issues for the Committee to concentrate on and the most important areas in which the levies should be spent. The six objectives that are outlined above are the result or the outcomes of those workshops. This has placed the Committee in a very strong position in terms of a mandate from the growers and a commitment in terms of the \$1.20 per tonne.

During the calendar year 1997 while this strategic plan was being formulated the Committee was using up its reserves to cover the increased level of activities that were being placed upon it, due to the increase in the number of wine grape growers involved in the industry in the Murray Valley. The seminar activity had increased and the seminars were getting larger and a number of new initiatives in terms of the detailed crop forecasting program, the Viticultural production data base and the beginnings of the quality accreditation initiatives were all being worked upon by the Executive Officer of the Committee and the Secretarial support in the office. At the end of the financial year, ended July 31, 1997 the Committee was down to reserves of \$37,000 and forecasted a further deficit budget for the year 1997/98. With this financial picture it went to the growers with a detailed plan which was also circulated to industry. We have had a very positive response from members of industry and in particular many large wine companies about the high level of quality of that strategic plan and the initiative that we have taken. This platform should provide a strong basis for the Industry Development Committee to continue throughout the next marketing order period.

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2. Objectives/Activities

The objectives of the Committee as mentioned above are in line with the strategic plan 1997 to the year 2003 and are set out as follows:

- 1) **Increased ability and investment confidence through accurate market supply and demand information.** This objective clearly covers the activities of the Committee in ensuring it collects all information available on supply and demand for the overall industry by variety as well as for the Murray Valley region. This information is gathered from organisation such as Australian Bureau of Statistics, The Australian Bureau of Agricultural and Resource Economics, The Australian Wine Export Council and CO-operating and involving itself in supporting the collection of data for the Murray Valley Wine Grape Industry Advisory Council utilisation survey. The Committee also is currently surveying and collecting statistics on its own production data base on vineyards throughout the region so it can match wine makers estimated forecast with a detailed forecasting production data base of its own. This information is not only used by the Murray Valley Wine Grape Industry Negotiating Committee but is also used by the Industry Development Committee itself in advising growers in terms of investment direction and opportunities in the wine grape industry.
- 2) **Improve Viticultural practices.** The Industry Development Committee actively provides information through extension services such as seminars and field days and also co-funds and industry development officer at the local Sunraysia Horticultural Centre who collects technical articles that are published in the Industry Development Committees bi-monthly newsletter to growers. This newsletter provides a comprehensive coverage of not only Viticultural research but also the latest reports from the various marketing organisations such as the Australian Wine Export Council and all the data from the utilisation survey. This newsletter is mailed to all growers on the roll who maintains their awareness of the latest in research and extension in their industry.
- 3) **Improve co-operation between wine grape growers and wineries for the benefit of the industry.** The Industry Development Committee has commenced regular meetings with the wine makers in the region to discuss issues of concern to both the processors and the growers on a regular basis. These meeting are informal meetings with an open agenda to simply raise issues on the table that maybe able to be resolved by the two sides of the industry working together, these issues include the selection of varieties and changes in market trends which may effect investment signals which need to be given to growers. A recent example of this is the dramatic increase in demand for red grapes and the softening in demand for some white varieties in the industry. An example of the wine makers and the growers working together is the recently co-opted Steering Committee that is working on the quality accreditation program, which has been pioneered by the Industry Development Committee objective of trying to lift over all quality standards for wine grapes in the region. This is of course a similar objective to that of some individual wine makers in our region. The outcome has seen the forming of a joint organisation to manage this specific project. This quality accreditation program has now been endorsed by the rest of the Australian Industry and sees the Murray Valley leading the way in terms of wine grape quality accreditation for wine grape production.

4) Majority of Murray Valley Wine Grapes meet optimum quality standards.

We've already mentioned the quality accreditation program but in addition to this our meeting with wine makers and our advice to growers is now covering a range of quality issues in terms of irrigation management to lift quality prior to harvest, and we are facilitating field days and workshops for growers to improve water use efficiency and end quality of fruit. Our seminar programs laid out for the next twelve months clearly have an emphasis on providing growers with as much information as is available to meet optimum quality standards for the fruit that they grow.

This effort in terms of dissemination of new technical information and the quality accreditation training program should help lift the image of the Murray Valley overall. We are conscience as an Industry Development Committee that the image for the Murray Valley region is one of a warm climate non-premium area despite the fact that it contributes significantly to the growing export effort. This objective will lift that image gradually and we hope eventually provide long term recognition for producers and wine makers in our region.

5) Recognition and use of geographical indicators for Murray Darling and Swan Hill. The Industry Development Committee has played a part in the applications to the Australian Wine and Brandy Corporation for registration of the geographic indicators "Murray Darling" and "Swan Hill" which are the two regions covered within the Murray Valley area under the marketing order. The Committee is committed to continually facilitate and encourage the promotion of these two geographic indicators to provide long term recognition for investment by producers in this region.

6) Strong network of industry organisations in the Murray Valley. The Industry Development Committee recognizes that the stakeholders who contribute the levies are the growers that form the membership of the industry organisations in the Murray Valley. Those are the Mildura and District Wine Grape Growers Association, Robinvale Wine Grape Growers Association and the Mid-Murray Wine Grape Growers Association at Swan Hill. It was clearly identified in the workshops with the growers that they wanted to ensure that adequate levy funding was distributed to their respective organisations for the growers to have a strong organisation maintained in their respective townships to enable them to have a voice back to the Committee themselves through their organisation and not necessarily through members of the Committee. This objective is being met by the Executive Officer attending regularly the meetings of those organisations providing updates and reports on market research information, and the industry organisations 'Presidents' write an article for each bi-monthly newsletter that is distributed to every grower.

Over the four year period of the first term of the marketing order the Industry Development Committee has been building a regular program of seminars and field days providing dissemination of the latest in research and technical information in market research for growers throughout the region. During the year ending July 1997 there was a large number of activities actually held during that year which included seminars on vine yellows, soils research, pest & disease and spraying, vineyard management, wine grape quality management and market outlook.

The Committee also ran a crop estimation training program which approximately 200 growers attended and this program was completed leading up to the 1998 harvest, we have just recently commissioned a video on this crop forecasting method which will be distributed to all the growers so that they can collect this crop estimation information and send it in to the Industry Development Committees data base to provide accurate forecasting for the increased production in the Murray Valley region.

The level on return on investment that growers are receiving in the Murray Valley has been recognized by many other industry peak bodies including the Grape & Wine Research and Development Corporation who consider that the Industry Development Committee in the Murray Valley is an accepted or recommended model for other wine grape producing areas to adopt.

3. Appropriateness of legislation

3.(1) Industry Demand

Earlier in this submission we made mention of the tremendous growth of the wine grape industry in the Murray Valley region. We outlined that there has been an increase of some 9,000 hectares of wine grapes over the last five year period and we are now producing approximately 1/3 of the industries wine grapes. This increase in vineyard area represents an investment by independent growers of some \$300 million in new vineyards in this region. The demand on the Industry Development Committee has increased at a tremendous rate by growers seeking information on supply and demand to make accurate investment decisions in terms of varieties and also they are looking for information constantly on Viticultural practices, irrigation techniques & management and any form of research to make them more efficient and more cost efficient producers. This form of marketing order legislation represents a low cost per unit to growers for them to maintain the latest information about the latest technology operating in their industry. The marketing order clearly is an equitable way to fund a service organisation which provides an equitable return on investment to all participants.

3.(2) Free Rider Issue

Prior to the marketing order covering the Wine Grape Industry Development Committee the Victorian Wine Grape Growers Council operated a voluntary levy system from wine grape growers. This system resulted in approximately 20% of the wine grape growers paying the voluntary levy which was insufficient to fund what was required to provide professional services to provide market research and Viticultural research to support the growers in the region. It was clear to those growers who had been paying the levy voluntarily over a number of years that there was a number of growers who would never contribute to the levy but used the services unless there was a compulsory charge legislated. The producer poll indicated that there was clear support for the provision of the services and the marketing order is the most equitable way to fund this service which the growers in the area have clearly demonstrated they need and want to support long term.

The attendance at seminars when they are provided free to growers is a clear indication that if you provide something free you will always get a full house, we have had up to three hundred growers and more attending our seminars when they are provided free. If there is a small charge imposed when we feel there will be a high percentage of growers from outside of the district attending we find that the local growers only attend in very small numbers. This is confirmation that the Free Rider Issue will be significantly a factor if this marketing order legislation does not continue. It is obvious that a voluntary levy scheme will not support the growers organisation for their long term benefit. An example of this issue is the newly legislated levy on the exporters in the Australian Wine Industry to fund the activities of the Australian Wine Export Council. It was clearly necessary that to ensure the long term future of our export marketing officers a compulsory levy was imposed on exporters right across the industry as there was not sufficient funding coming from our voluntary levy based to maintain that activity. This scenario is identical to what would exist in the Murray Valley if a compulsory charge under a marketing order did not continue.

4. Market Failure

4.(1) Adequate Funding

The Industry Development Committees objectives and activities have been outlined in detail earlier in this submission and currently require an annual financial commitment of approximately \$300 thousand per year to maintain. If the marketing order and compulsory charge was not to continue almost all these activities would cease. The infrastructure required to deliver these activities is currently very streamlined and has a low level of overheads and costs are directly related to the specific objectives set down.

It is very clear that if we were to return to a voluntary system of funding that there would be inadequate funding to maintain the services and co-funding arrangements that have been set up over the four year period under the marketing order. Simple examples of this are the bi-monthly newsletter to the growers that we now produce 1,500 copies at an annual cost of \$35,000 per year covering a six issues. We have co-funding arrangements in place for Industry Development Officers at the Sunraysia Horticultural Centre and at the Department of Agriculture Centre at Swan Hill. These arrangements and of course our seminar and field day program would not be able to continue unless we had a guaranteed funding base. Any voluntary funding that was received would be devoted to attempting to maintain a base level of market research information.

The farm gate value of wine grapes delivered to wineries by independent wine grape growers in the 1997 vintage in the Murray Valley was \$102 million and is estimated to exceed \$140 million in the 1998 vintage. The levy income from those grapes in 1998 will represent some \$280,000 which is a very small percentage of that farm gate value.

4.(2) Size of Producers

The Murray Valley Wine Grape Industry is made up of approximately 1,200 independent wine grape growers who are in the main small and medium producers farming between 10 & 50 hectares of wine grapes. These specialist wine grape producers or mixed farmers are producing on an average one hundred tonnes of wine grapes each and it would not be feasible for those small producers to fund in their own right a market, technical or extension research which is required to provide them with the service and technical information that they have available to them from the current Industry Development Committee. Even though these producers are small they all demand the same level of support as the large corporate growers in terms of level of information whether it be market research or the latest outcomes of federal or regional Viticultural research for their enterprise.

5. Cost Benefit Issues

5.(1) Cost of Levy

The current level of the levy for the Murray Valley Wine Grape Industry Development Committee marketing order is set at \$1.20 per tonne which is still a small amount of money for the average size grower that we have mentioned earlier is growing approximately one hundred tonnes of fruit which represents \$120 per year for a service that that grower can access for 52 weeks of the year, five days a week. Clearly the cost of the levy is not prohibitive and does not represent an uncompetitive position or prohibit a grower from entering the industry. It should also be noted that the levy is only paid after the grower sells some fruit, so his entry into the Industry has already taken place. This rate of \$1.20 per tonne is considered to be low compared to levies applicable in other horticultural industries such as the Murray Valley Citrus Marketing Board that levies a rate of \$10 per tonne and the Dried Fruits Industry that levies growers at the rate of \$100 per dried tonne to cover the Australian Dried Fruit Board and the Dried Fruit Research and Development Council. The Industry Development Committee currently proposes to set the levy at a maximum of \$1.50 per tonne for the next marketing order period of 1999-2002. This would be a maximum ceiling and the levy may not be lifted above \$1.20 per tonne unless the growers feel that it was warranted to do so.

5.(2) Public Benefit

The reaction to the activities of the Industry Development Committee in the Murray Valley region is a very positive one, the local media and the local Riverlink Government research organisations work actively and closely with the Industry Development Committee to promote industry issues and areas of promotion and innovation for the benefit of both growers and processors. The members of the Industry Development Committee are actively involved with community organisations in horticulture and viticulture and work together to foster close relationships in ensuring that any new innovation available in the region is conveyed to the stakeholders being the growers in our region. The Riverlink group in our area consisting of the Department of Natural Resources & Environment Victoria, NSW Department of Agriculture and CSIRO at Merbein, meet regularly with our Executive Officer, Chairman, Vice Chairman and Industry Development Officer to manage the activities of our co-funded Industry Development Officers working in the Department. In addition to this initiative the Committee has facilitated overseas study tours for growers with a trip for thirty growers occurring to California in 1996 and forty growers about to travel to Europe in 1998. The Industry Development Committee has funded Yasmin Wilson the Industry Development Officer on the trip to California to report on restricted growth in grape vines and also provide a report on wine grape production in California. She is being funded by the Committee to travel to Europe to do a comprehensive study on the management of the disease known as Australian Grapevine Yellows and how they manage the spread of that disease in Europe. The point of contact for the Wine Grape Industry in Sunraysia is now clearly the Officers of the Murray Valley Wine Grape Industry Development Committee. This office is a very busy place and used as the focal point for inquiries into the industry whether they be the packaged market end of the industry or the investment end in terms of wine grape production.

5.(3) Administration Costs

The administration costs for the year ended July 1997 represent approximately \$70,000 which includes accountancy, administration costs, audit fees, office rent, printing & stationery, Committee expenses in allowances and traveling, secretarial, subscriptions and telephones. This administrative cost includes the cost of the accounting and audit obviously but also secretarial support and the Executive Officer costs when he is not specifically spending his time on working on specific project areas. The Industry Development Committee has adopted a policy of not having any employed staff. All services provided to the Industry Development Committee in terms of staffing are on contractual or consulting basis, this policy was adopted to avoid the high public service award costs and they employ their Executive Officer as a consultant, paid on an hourly basis for the work that he performs. The accountancy is now on a contract basis on a shared arrangement with the ADFA and the secretarial services are charged on an hourly basis again on a shared basis with the secretary employed by the ADFA. This results in the Committee not being exposed to any overhead costs in terms of Superannuation, Workcare or operating any motor vehicles or fringe benefits tax exposure. The Industry Development Committee runs a modern well equipped office but only pays for contracted services and significantly minimizes its overheads. This policy has proven to be very cost efficient in terms of being able to utilize levy funds at a high level of efficiency on a specific project basis. The contract with the Executive Officer has grown from twenty hours per week in the first year of the marketing order to in excess of thirty hours per week in the current 1998/99 budget. This part time contract arrangement still represents a significant cost saving versus a permanent employment contract arrangement once Superannuation and other overheads are taken into account.

5.(4) Allocation of Committee Funds to Grower Associations

The Committee has maintained a policy of providing sufficient funds directly back to the three wine grape grower regional Associations to ensure that they maintain their own secretariat and their own regular meeting activities. This issue came out quite strongly in the workshop with the growers in development of the strategic plan. The basis of justification of this is clearly a management of the information process back to the regional organisations so that the growers can continue to have input throughout their own locally based organisations. The marketing order area is some 350 kilometers from east to west and is essential that the network of Industry organisations is maintained to provide the communication flow back to the peak body for managing the funding of projects being the Industry Development Committee. Part of the mandate to the Industry Development Committee from the Victorian Wine Grape Growers Council is the ongoing support of the affiliation of the Murray Valley region with the Australian Wine Grape Growers Council and the budgeted contribution for the 1998/99 year is \$35,000. This contribution is constantly under review and we have been requesting a breakdown of grower service provided by the Federal Growers Council to monitor the return on that investment for growers. This issues is clearly supported by the three regional wine grape grower associations who provide delegates and are represented on that Federal Council. Some of the major issues that the Federal Council manages on behalf of growers in our region is the National Phylloxera Strategy Management Council and the input to the Viticultural Priority Reference group that manages the allocation of the National Grape Levy collected by the Grape & Wine Development Corporation. The linkage and the affiliation with the Australian Wine Grape Growers Council is vital in respect to those key research and development issues.

5.(5) Market Participants who benefit from the Activities of the Industry Development Committee

The Industry Development Committee provides benefits not only to all of the growers, who are the levy payers, but the wine maker processors who collect the levy on behalf of the Committee. The other peak bodies in the industry such as the Grape and Wine Research & Development Corporation and the Australian Wine & Brandy Corporation also benefit along with the regional Wine Grape Growers Associations. The funding that is provided by the compulsory levy paid by the growers provides the resource to ensure that the information flows to and from all participants in the industry. Whether it be market or technical information, everybody benefits from it, both the growers and the processors support the need to provide clear market signals for all participants.

6. Alternative Scenario

6.(1) Government Partnerships

The Murray Valley Wine Grape Industry Development Committee currently has a strong partnership with Department of Natural Resources and Environment Victoria, NSW Department of Agriculture, and the CSIRO Merbein. Department of Natural Resources and Environment in Victoria co-fund with the Industry Development Committee, Industry Development Officers at Sunraysia Horticultural Centre and also at their centre at Swan Hill. As well as the co-funding of these industry development officers the Industry Development Committee shares the funding of Pest & Disease Management field days, Riverlink Spraying field days and many other initiatives in terms of various seminar activities and field days for growers. We believe that if the marketing order covering the compulsory charge providing the funding for these arrangements was to not continue then we would lose the partnerships and the contribution from the industry. Recent State Government cut backs in Department of Natural Resources & Environment are already placing under pressure the arrangements with them, and we have found it necessary, for 1998/99, to increase our contribution to the co-funding of our industry development officer by 50% to ensure that that program continues. If the compulsory levy income did not continue to be available it is clear that the State Government funding through DNRE would not provide for that service to be available for growers.

6.(2) Industry Partnerships

The Industry Development Committee works closely with the Grape and Wine Research & Development Corporation who collect a research & development levy from growers under a Federal Wine Grape Levy Act. We mentioned earlier in this submission how we have been able to make the contribution from growers in the Murray Valley multiply by co-funding programs with the GWRDC. Our experience prior to having the funds available from the compulsory levy was that if we did not have our own seeding funds to put towards a research project within our region we were not granted funds by the Grape & Wine Research & Development Corporation.

It is clear that it is essential for us to have an ability to raise our own regional funding to ensure that we attract further funds to make sure that regional research is carried out. If we did not have our own seeding funding we would not necessarily be granted funding ahead of any other national project.

This co-funding arrangement with GWRDC is similar to our relationship with other industry bodies such as the Australian Wine & Brandy Corporation who we are currently working with to expand the utilisation survey in Victoria and they will be offering us a grant providing we can co-fund the project. In addition to that arrangement we are affiliated with the NSW Wine Industry Association and the Victorian Wine Industry Association which we pay an associate membership, which is only possible because of the levy funding we have available. Should the marketing order covering the compulsory charge not continue these industry partnership would not be able to be maintained.

6.(3) Impact on Growers

Earlier we have talked about the services that are provided by the Industry Development Committee to growers in terms of information through the bi-monthly newsletter, the range of seminars and field days provided over the year, the market information that is provided to the negotiating Committee, and these are all functions that are funded via the collection of the levy from the compulsory charge. The years before this legislation, when we experienced only 20% of growers paying voluntary levies, growers did not fund any of these activities. It is clear that the impact on growers would be that these activities and those functions for growers would disappear if we were not able to continue to collect the compulsory charge. The free rider issue is clear, and will only re-occur unless legislation continues to cover the compulsory charge. (Recent changes in the dried fruit industry from compulsory levies to a voluntary system has resulted in less than 30% of growers continuing to pay levies) Wineries in the region have indicated that they are prepared to continue to pay a levy on their own fruit as they have been doing on an optional basis over the period of the marketing order. Those wine makers that have not been paying the levy on an optional basis have indicated that they would consider being included in a future marketing order. This must indicate that the marketing order legislation is the most appropriate to cover the servicing of industry requirements for the Murray Valley Wine Grape Industry and as long as it is maintained as a low percentage cost for the participants. Any decision to continue the compulsory charge should be left with the producers themselves under a producers poll on the continuation or the non-continuation of the marketing order.

End of Submission on behalf of the Murray Valley Winegrape Industry Development Committee.

Attachments;

1995/96 Annual Report & Operational Plan
Restricted Growth of Grapevines in South Eastern Australia
Winegrape Production in California 1996
Regional Strategic Plan 1997 - 2003

} NOT
INCLUDED

NATIONAL COMPETITION POLICY REVIEW

Wine Grape Industry Development Orders

**Supplementary Submission on behalf of
The Murray Valley Wine Grape Industry Development
Committee**

**Written by; Mr Grieg Greenwood,
Executive Officer.**

PUBLIC BENEFITS ISSUES

General Comments

Our earlier submission dealt with a number of issues in detail, as per those raised in the issue paper provided, and we now wish to deal with the general area of public benefit provided by the existence of the legislation being the Wine Grape Industry Development Orders 1994.

The cost to industry is quite specific, and tangible, and is currently rated at \$1.20 per tonne for the producers in the defined area for grapes delivered to processors contain within the defined area. The returns provided to those producers have been outlined in detail in our earlier submission and cover a range of services including market research provision of market research information. Also there is provision of research and extension programs involving co-funding and partnership with Government departments, as well as with peak wine grape industry bodies providing detailed expertise in all aspects of viticultural research. **The producers involved in contributing to the cost of the provision of these services are all supporting families, and family businesses and we wish to identify the impact on those families in terms of the benefit that has been gained through stable industry growth within the Murray Valley or the area covered under the development order.**

These areas of public benefit include areas such as employment, investment in the community, environmental impact, wine grape quality improvement, and job skills training. We would now like to deal with each one of these issues in more detail.

Employment

The geographic area covered by the industry development order being the Murray Valley region is a typical country mixed farming region of which the wine grape industry is not the only rural industry evident in the area. The Murray Valley region has been known over a long period of time as a producer of dried vine fruits and this has provided a stable base for the community consisting of mixed origins with a higher level of European population than many other wine grape growing regions across Australia. Unemployment levels in the Murray Valley have been higher than the national average consistently over a long period of time and are currently running at around 10% which is approximately 2% above the national average. The impact of the growth in the wine grape industry in the region has been significant in providing long term employment growth over the last five years equivalent to approximately 2,100 permanent positions. This has seen the unemployment level in the region drop from 14% to 10%, but if we wished to convert this to actual numbers it has reduced long term unemployment levels from above 3,500 to below 3,000. These figures have been provided by the Government employment agency now known as Employment National, and the unemployment division of Centerlink. The Industry Development Committee has applied funding to education and training programs conducted within the range of local training providers including the Sunraysia Institute of TAFE. These programs have been specifically related to the wine grape industry but have been supported specifically due to the demand that has existed by virtue of the growth of the industry. The National Accredited Education training programs provide for broad generic programs and don't specifically cater for many of the specific needs required by viticultural producers either entering the wine grape industry or updating their viticultural practices from multi-purpose grapes to premium quality varietal grapes. We believe that there has been significant public benefit in terms of increased long term employment provided by the growth of the wine grape industry in the Murray Valley, and this employment opportunity or awareness of

opportunity has been facilitated through activities undertaken by the Industry Development Committee in the utilisation of its resources.

Local Investment

The expansion of vineyard developments and vineyard redevelopment in the Murray Valley region has been significant over the last five years for the period of the current Industry Development Order. This development or redevelopment has totaled approximately 9,000 hectares since 1993/94 and it is estimated that approximately \$300 million has been invested in this viticultural activity. This investment has provided not only jobs in the direct development or redevelopment of establishing vineyards but provided employment for local businesses in provision of materials and services to those producers carrying out that development or redevelopment. In addition to the investment in vineyards we have seen significant investment in the processing sector to cater for the increased production of fruit. It is estimated that over that five year period that a further \$550 million has been invested in winery production facilities to cope with the doubling of the crush of wine grapes over that period of time. A specific example of that investment is the establishment of three new enterprises in the Mildura Rural City for the manufacture of stainless steel wine tanks and other stainless steel piping and supporting networks within those processing facilities. The employment in those three new companies alone will provide a lifestyle and income for in excess of 100 families in the Mildura region. The indirect benefit of the investment by the wineries in addition to that gained by these three new companies has many trade offs and an obvious one is the increased level of tourism brought to our area.

We firmly believe that the Industry Development Committees role in provision of information to industry has assisted in facilitating the tremendous growth in the level of investment in the wine grape industry in the Murray Valley region. There is clearly significant public benefits flowing from the high levels of investment in the industry over the previous five years or the period of the industry development orders. We must also agree that we do not believe that this rate of investment is viable to continue in our industry and that the rate of investment will level off over the next 5-10 years. It has been said many times that money makes money and levels of investment such as this can only generate and provides stimulus for future benefit for the regional community.

We have mentioned earlier in our previous submission of the involvement of the Industry Development Committee in compiling statistical information used in the utilisation survey and also for the production of regional wine grape forecasts. Much of this information is procured from the Industry Development Committee by local real estate and valuers organisations. This information is now seen to be reliable and is sought after from our organisation on a yearly update basis. We believe that this has a direct impact in terms of public benefit to that sector of the community.

Environmental Impact

The Industry Development Committee have been involved in running a number of programs to encourage growers to improve the efficiency of water use and the management of inland water controls. Some examples of this have been the seminars that we have run on irrigation management, soil survey evaluation, water management for wine grape production-research to practice training courses, and our newest program which is irrigation management benchmarking systems which provide growers with the information to match data from soil

surveys with compatible irrigation management systems. The 2025 forward plan for the Australian Wine Industry clearly sets out that one of the challenges for the industry is providing additional vineyard production to meet the dynamic growth of the Australian industry over the next 30 years. To enable this objective to be met, we clearly need to improve the efficiency of water use to free up limited resources such as water. We have encouraged growers to involve themselves with training in improvements in irrigation management, adoption of new technology in irrigation systems, adoption of technology gained from doing soil surveys on their properties. The attendance at seminars is clearly showing that growers are taking up on this provision of information provided by the Committee directly and provided through co-operative activities that the Committee has financially supported. The environmental impact of improved land and water management in the Murray Valley area is going to become one of the major issues on which the future terms of the marketing and the Committee will be concentrating on more closely. We believe that there will be further natural expansion of vineyard areas and wine grape production directly related to the improvements and efficiencies in water use. This steady growth through provision of information provides a benefit to those families being supported by our regional industry.

The environmental impact, is also significantly low from wine grape production in comparison to other horticultural industries in terms of chemical use. As wine grapes must go to a winery, as we have mentioned many times before, the emphasis on control of use of chemicals in our vineyards has become more and more under the spotlight due to the controls required to protect the integrity of our export program. Wine makers are placing more and more emphasis on how important the controls are for growers to follow and the disbursement of this information has been facilitated and assisted by the Industry Development Committee. In the first year of the Committees Industry Development Order in 1994/95 the Committee produced a generic industry spray diary with a summarised list of minimum residue limits and withholding periods for the commonly used chemicals by growers. This lower use of chemicals in farming in the wine grape industry provides many direct advantages in not only exposure to the atmosphere in our environment, but also reducing the direct exposure to those people employed within our industry, and the families that live on the vineyards within our region. The long term environmental gains through the matters which we have mentioned covering land management, water management, and controls on chemical use continue to support our argument that there is significant public benefit through these activities.

Irrigators in our region have been setting themselves objectives in terms of meeting minimum quality specifications for wine makers and one of the ways that they have been able to do this is the application of technology known as deficit irrigation. This technology is to reduce the level of irrigation at certain times of the year artificially apply stress to the vine to concentrate flavours within the berries on the bunch. This activity has a direct impact in terms of efficiency of water use and therefore direct advantages in terms of land and environmental management.

Wine Grape Quality

The Murray Valley region has pioneered the establishment of a quality accreditation program for wine grape production. We have mentioned this earlier in our submission as an activity that involves not only the wine grape grower organisations but the winemakers as well in working closely together to provide training to growers. This program will result in a broad improvement in wine grape quality right across the Murray Valley region, the training program will see approximately 700 growers have been trained by the end of calendar year 1999. This training program and maintenance of this system is subsidised and supported out of funds from the Industry Development Committee. It is worth noting that not only the wine grape growers themselves tend to be involved in this quality training program, but their spouse or workman is involved as well, so it results in the entire family unit being aware and being committed to the

attention to reproduction of sustainable wine grape quality. This general improvement in wine grape quality will have a direct trade off in terms of gains that can be made by the processing sector. If fruit is of better quality, and naturally meets better quality standards the cost of processing and the cost of additives for the winemakers to achieve their benchmarks in terms of products to be marketed, is much reduced and makes them much more efficient providing benefits right through the marketing chain.

Job Skills Training

The Industry Development Committee funds its Executive Officer to convene the Murray Valley Wine Grape Industry Education & Training Committee. This Committee was established in 1994 after the establishment of the Development Committee, to set up and monitor training courses in viticulture for wine grape production. It was successful in putting together training courses under the Australian Certificate of Food Processing Standards for Viticulture 1, Viticulture 2, Viticulture 3. It now monitors student enrolments in those three levels of courses and funds external modules that are not provided for under state training board allowances. Currently in 1997/98 we have 26 enrolments in viticulture 2, 14 enrolments in viticulture 1, and 17 enrolments in viticulture 3. We believe that there is genuine public benefit in the training of growers' families, employees and new entrants to the industry through this initiative.

Summary

The existence of the legislation covering the Murray Valley Wine Grape Industry Development Committee, and the compulsory charge on wine grape producers provides a significant range of benefits, not only to wine grape marketing as a result of better market information to both processors and producers, but it also provides a significant amount of information to investors and investment managers in the industry and that investment is directly and indirectly spread right across our community. There is a full range of businesses that benefit from the stable growth of the industry that is derived from the maintenance of stable marketing activities that have been attributed to a better provision of information. This range of businesses includes everybody from the banking industry to the tourism industry, to engineering firms, suppliers of goods and services in terms of materials and resource support in our region. We have made the point in our earlier submission that one of the key roles for the Industry Development Committee is management of information, and we believe that this information is taken up by the broad community, not just the producers and the processors within our industry, which shows there has been clear public benefit in establishment of new businesses as a result of industry growth. These new businesses as a result, is confirmation of the opportunity through people accessing the information available on the development opportunities in our region. We trust this outline of the number of public benefits being gained by our community as a direct and indirect result of the operations of the Industry Development Committee will be obvious and accepted by the consultants handling this review.