

WINE GRAPES MARKETING BOARD

For the City of Griffith and the local government areas of
Leeton, Carrathool and Murrumbidgee



MEDIA RELEASE

29 January 2009

RIVERINA ECONOMY DEVASTATED

The Wine Grapes Marketing Board has made a dire warning that with a downturn in winegrape pricing the region's economy will suffer and business that once relied upon the winegrape will likely close their doors following many growers being forced from the industry.

According to the Board winegrape prices that have been released by a number of wineries in the region have collapsed as wineries respond to a downturn in export demand and high wine stocks. For the first time in 15 years exports have declined and some wineries are dropping Chardonnay and other varieties to prices that have not been seen in the region since prior to 1980.

Chardonnay grape production in the region in 2008 accounted for 25 percent of total production with an estimated value of \$34 million (farm gate). Chardonnay is the largest variety produced in the Riverina and while still a marketable product, consumers are moving toward other varieties such as imported Sauvignon Blanc.

"The prices being offered are as low as \$150 for bulk wines which is at least \$200 below the cost of production," Brian Simpson Chief Executive Officer of the Wine Grapes Marketing Board said, "This price signals that these wineries do not want the fruit. They should pay a reasonable price like many of the major companies are doing. Growers knew there would be price pressures this year but the fall in the market has exceeded their worst nightmares."

With returns for Chardonnay as low as \$150 per tonne once the cost of harvest is taken out growers will likely be left with less than half. The Board encourages wineries to make a single payment to growers for low priced fruit as it will assist the industry in coping with the downturn for the short period. Average district price for Chardonnay in 2008 was \$482 with payment terms in the region being three equal instalments paid in May, June and October. One 2008 instalment on Chardonnay will be greater than the lowest price being offered by some wineries.

The Board is fearful that the reactive pricing by regional wineries will not only force a market adjustment but trigger a major walkout of the industry by growers. The region's economy in 2009 is heading to lose tens of millions of dollars and it will impact negatively throughout.

The Federal Government recently signalled a Small Block Irrigators Exit Grant Package for irrigators within the Murray-Darling Basin who wished to exit irrigated farming but continue living on their farms. The package is being finalised and will be available only to farm sizes of 15 hectares or less. The Wine Grapes Marketing Board is now looking to get the government to consider increasing the grant and farm size limit to 25 hectares to enable more growers to exit the industry as the signal to leave has come loud and clear this season. The package includes a taxable exit grant of up to \$150,000; up to \$10,000 for advice and training, including skill development, direction setting, succession planning and business advice; up to \$10,000 for removal of permanent planting and other irrigation production related infrastructure.

END

ENQUIRIES:

Brian Simpson CEO
Wine Grapes Marketing Board
Ph: 02 69623944