

WINE GRAPES MARKETING BOARD

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



MEDIA RELEASE

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Economic Slump Hits Growers Hard

The Wine Grapes Marketing Board is concerned for the future of many of the regions growers as pricing information indicates that regional farm gate returns to growers have fallen on average by 30% and greater in many individual instances. The region produced almost 300,000 tonnes of winegrapes, a regional record but only marginally higher than the 2008 season record.

Brian Simpson, Chief Executive Officer stated, "The Board is extremely concerned given the downturn that has occurred in the region. Based on reports provided to the Board the winegrape contribution to the regional economy in total has fallen by almost \$50 million to around \$100 million farm gate value. Growers are reeling trying to come to terms with the plummeting market, rising debt, doubt about water security and availability and their future options. Many growers are being advised by their buyers to expect more of the same and possibly prepare for further declines in prices"

Many growers in the region suffered declining yields through heat stress, storm damage, grapes with no buyers and sold winegrapes in many instances below the cost of production. If these growers were aware of some of the price offers by wineries prior to investing in water, chemicals and labour they may have taken another direction. Groups of growers are now being advised by some wineries not to expect a recovery in winegrape prices in the short term due to the deepening global financial crisis, exchange rate concerns and the possibility that the federal government may alter the taxation regime on wine. Some growers have reported being advised to exit the industry, there are now many farms on the market with even less buyers.

"Given the future forecast is poor, growers that are not under contract to supply a winery could now be seriously looking to mothball their vineyards and trade their water as an alternative," Mr Simpson stated. "It is a difficult decision for growers to make but economically it could provide a financially sustainable solution than continuing to grow and deliver at below cost. Many of the older farms that still have good entitlements of water could reduce their irrigation to below 3 mega litres per hectare, keep the vines alive with minimal tending and temporary trade their remaining entitlement on the market. Receiving an income without the added costs of production and harvest could assist them through these difficult times."

Wine Grapes Marketing Board cost of production information shows that for the average sized grower to be profitable they must return greater than \$6,500 per hectare (\$2,630 per acre). It is also understood that some producers can grow grapes cheaper than this rate but ultimately profitability is the key for any grower.

"What growers have been dealing with is a run of years where many of the prices received are not covering all on farm costs and as such they are not able to adequately reinvest in their properties." Mr Simpson said, "While this region is fortunate in having committed buyers of grapes and secure water to trade to supplement many growers' incomes such positives do not apply to all growers in the region."

Growers are urged to discuss their options directly with the winery that traditionally purchase their winegrapes as the Board does not want a situation to occur where the growers that seek to look after the industry by reducing supply and themselves financially to possibly be rejected by buyers when they choose to return to production.

END

ENQUIRIES:

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