

A photograph of a wine cellar filled with wooden barrels. The barrels are stacked on metal racks. Several barrels have white chalk markings, including "FILED LAST", "17MAKHYDE 1", "17MAKHYDE 2", and "TYH 12 46". There are also small square logos with a checkmark and the letters "MT" on some barrels. The lighting is warm, highlighting the texture of the wood.

# Submission

**Submission to the Panel report:  
Independent assessment of social  
and economic conditions in the Basin**

**April 2020**

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## Who we are?

Australian Grape and Wine is Australia’s national association of winegrape and wine producers. Our activities focus on providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future. We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winemakers and winegrape growers across Australia. Australian Grape & Wine is recognised as the representative organisation for winegrape and wine producers under the *Wine Australia Act 2013* and is incorporated under the *SA Associations Incorporation Act 1985*.

Australian Grape & Wine’s voluntary membership represents over 75% of the national winegrape crush. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit.

Wine businesses across Australia make a significant contribution to growing regional economies by driving growth in jobs, regional exports and food and wine tourism. There are estimated to be 2468 wineries and 6251 grape growers across 65 winegrowing regions in Australia, contributing over \$45 billion gross output annually to the Australian economy. <sup>1</sup> Wine regions are considered intensive in their use of labour in both vineyards and wineries - in almost all of these regions the industry’s share of regional employment is more than twice the national average, and for nearly half of them it is more than ten times. <sup>2</sup> The sector directly employs 68,395 and indirectly supports a total of 172,736 full and part-time employees. Any major impact to the viability of winegrape growers will have widespread ramifications in these regional economies.

<sup>1</sup> <https://www.wineaustralia.com/report-downloads/e2ad0473-60d8-4486-a7e4-b07321231335>

<sup>2</sup> [https://www.adelaide.edu.au/wine-econ/papers/0110\\_Aust\\_wine\\_regions\\_0210.pdf](https://www.adelaide.edu.au/wine-econ/papers/0110_Aust_wine_regions_0210.pdf)

## Executive Summary

Australian Grape and Wine Incorporated (Australian Grape & Wine) welcomes the opportunity to submit feedback to the Independent Assessment of Social and Economic Conditions in the Basin. A significant majority of Australia's grape and wine producers rely on the health of the River Murray to ensure sustainable water supply for irrigation. Grape production contributed an estimated 11 per cent of the total gross value of irrigated agricultural production in the Basin in 2014–15. As well as the major wine regions along the river in NSW, Victoria and South Australia, other regional grape growing communities use water from the Murray Darling Basin through pipelined supply. The Murray Darling Basin accounts for about 80% of irrigated grape production in Australia with 60% of grapevine area being in the basin itself. These warm inland regions use between 0.5 and 0.1 ML per tonne of fruit grown.

The impact of significant increases in water pricing on winegrape production and supply is likely to be substantial. The hardship imposed by the current water market not only means that affected industries such as winegrape growers and producers will suffer, but there will be both short and long term flow on effects to the rural and regional economies where these businesses are based. Winegrapes have a requirement for water not just to produce a crop but in most Australian environments, to stay alive. Winegrape growers' living balance sheet also presents a significant barrier to exit in any given season. If they can afford to, growers reluctant to risk the loss or damage to a significant asset will may choose to irrigate despite lack of profitability.

Australia's winegrape growers have, and continue to, strive for improvements in water use efficiency. Our innovative environmental sustainability program Sustainable Winegrowing Australia supports the industry in monitoring its achievements. Apart from irrigation efficiency there are options for growers to reduce their water use such as rootstock selection for drought tolerance, strategies that focus on high tonnage or high value per ML or looking to different varieties. But adaption in the wine sector involves considerable expense and is often a slow transition.

Australian Grape & Wine policy principles relating the management of water are available on the [website](#). Of particular relevance to this report is the principle that supports the need for improvements to water management. Specifically, where changes to the way that water is managed are proposed, Government or relevant authorities must give appropriate consideration to the economic, environmental and social impacts and allow time for adjustment.

This submission will endeavor to address the questions raised by the panel with particular focus on recommendations of relevance to the Australian Wine Sector. Recommendations that are unlikely to be directly relevant to the sector have not been discussed.

## Bring communities back to the heart of conversations and action that decide their future

Australian Grape and Wine agrees with the findings in recommendation 1, 3, and 4. It is essential that irrigators have a better understanding of Government decision making with respect to water policy and the ability to participate in these decisions. Understanding of water management and policy arrangements in the Murray Darling Basin has been found to be low, which can be explained by the fact that water management in the basin is highly complex and information sources often contain disparate information. Inconsistency between states, along with concerns regarding market manipulation contribute to this challenge.

As we have highlighted in our submission to the ACCC study, Australian Grape & Wine supports any measure that would improve transparency in the water trading market. Concerns regarding market manipulation, compliance and enforcement of rules have led to reduced confidence in the water market. Greater co-operation between States and the development of either a centralised or common reporting platform for trades so that information can be

available in real-time would address existing concerns regarding complexity and inconsistency of information available to irrigators.

The recommendation for a Basin wide water resource platform is also strongly supported, however provision of information alone is no substitute for the benefits of local leadership and face to face communication with irrigators within regional communities. The decrease in the capacity and knowledge of Governments in local regional areas is a recurring message we hear from the sector.

Continuation of the Murray Darling Basin Economic Development program is supported, along with ensuring that investment in irrigation infrastructure is prioritised and the importance of agricultural industries is recognised. We would hold concerns about a move to remove the neutrality test without further consultation with the sector.

### **Implement water reform with greater care so potential harms are minimised**

Australian Grape and Wine agrees with the findings in recommendation 2. Irrigators are in recovery from a significant drought event. The impact of both drought and water reform are being felt on employment in regions, with sectoral and distributional impacts being disproportionate. Winegrape growers are significant contributors to regional employment. Australian Grape and Wine holds concerns for the future of many of growers impacted by recent price rises, particularly those reliant on temporary trade. The entire production of white grapes in warm inland regions is particularly vulnerable. Pursuit of economies of scale through consolidation and expansion or an exit from the industry by grape growers are likely flow on effects that may exacerbate socio economic challenges at the local level.

Agriculture is cyclical and the current high prices for other horticulture such as almonds makes them more competitive for the available water at this particular point in time. With time to transition, the wine sector has the potential to adapt through new and more water efficient varieties, site selection, precision viticulture, or premiumisation. However, for this to occur, it is essential that businesses and communities have the time and capacity to transition and that investment by Government supports this transition through ongoing financial support and adoption of research and innovation. Current levels of funding may not be sufficient to support communities to transition through reforms. The rapid rate of water recovery of the 450GL by 2024 should be reviewed in order to allow for this adaption. Australian Grape and Wine notes with concern that the panel findings that \$40 million is not sufficient support for communities transitioning through Basin water reform impacts and that past investment may have been poorly targeted.

Recommendation 6 regarding delivery constraints should be prioritised. The majority of winegrape irrigators are situated downstream of the Barmah Choke. Significant increase in demand for water due to development of permanent horticulture over recent years has caused major concern for these grape growers. The constraints have driven lack of confidence amongst irrigators and effectively creating two separate water markets. Australian Grape and Wine supports the recommendation that management of delivery requires a long-term plan prior to the expansion of water licences.

It is not the role of the Government to make commercial decisions however Government interference through high incentives for buy-backs is likely to have an ongoing impact on many winegrape growers. Despite winegrapes having a high reliance on water, year in year out, a number of grape and wine producers elected to sell their permanent entitlement. ABS figures from 2015, suggest that around 5% of grape growers elected to sell part or all of their permanent water access entitlements *each* year between 07-08 and 14-15. <sup>3</sup>

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<sup>3</sup> [http://data.daff.gov.au/data/warehouse/9aas/2015/WineGrapeFarmsMDB/WineGrapefarmsMDB\\_v1.0.0.pdf](http://data.daff.gov.au/data/warehouse/9aas/2015/WineGrapeFarmsMDB/WineGrapefarmsMDB_v1.0.0.pdf) at p16

Water policy in Australia should provide irrigators with flexibility as to how they manage their irrigation requirements, catering for differing appetites for risk as well as the contrasting needs of perennial and annual crops in terms of water security. However, it will take time for markets to reach a level of maturity that allows this to function as planned. There remains scepticism about the impact of trading by non-irrigators.

Australian Grape and Wine supports the need to meet environmental water needs, however believes that there is a need for greater transparency and understanding of the benefits of environmental flows, along with assessment and promotion of environmental outcomes against project deliverables. We therefore support recommendation 14.

Recommendation 15 highlights gaps in translation of R and I knowledge into on ground. This is a challenge that industry is well aware of. While this recommendation is supported, we would also encourage a greater focus on understanding of the drivers of adoption including the benefits of a more industry led approach and in taking a longer term approach to investment that allows for the additional time required to drive adoption.

## Support the capacity of communities to adapt to change

Australian Grape & Wine supports the need to maintain safe and secure supplies for all regional towns where possible, through alternative supply sources. While these users reportedly use less than 4% of total water consumption, it is important that the whole community is part of the solution and that the burden does not fall on irrigators alone. Water in towns presents different opportunities for water savings such as re-use and recycling of wastewater, some of which may be relatively easier to achieve than savings. Recommendations 7 and 8 for alternative urban supply sources is supported although we recognise that this may be complex in some towns and needs to be cost effective in the long term.

Finally, since the time of writing this draft report, there has been a dramatic turn of events relating to the coronavirus that now extend well beyond the initial impacts on exports to China that were raised in the report. Consideration of these new additional pressures on social and economic conditions in the basin should be incorporated so as not to impose additional economic hardship during difficult times and that funding to support the plan is not diminished.

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