



Welcome to our Winter Newsletter for 2008. Despite the down-turn in the wine industry, drought and unprecedented water restrictions for irrigators, and the prospect of global economic recession, Scholefield Robinson has been very busy working with growers, industry groups, R&D Corporations, government agencies and corporate and legal companies. The broad expertise and experience of our consulting team has given us the flexibility to carry out such a diverse range of work during difficult times.

## INDUSTRY COMMENT

### Wine Industry - 2008 Vintage Report

The WFA 2008 Vintage Report shows that the Australian crop was 1.8 million tonnes, 31% higher than the previous 2007 vintage, but much higher than the initial estimates for 2008 made in spring 2007.

This larger than anticipated vintage, over-supply of Chardonnay and other varieties and changes in the AUD/USD relativity, have led to lower prices than anticipated for warm region grapes. Many growers in the warm regions are unsure about future prices for grapes, the price of water, and their viability and future in the industry.

### Drought & Irrigated Horticulture in MDB

Current seasonal allocations for Victoria, NSW and SA for High-Reliability (HR) water shares or High Security (HS) entitlements and the availability of water carried forward from 2007/08 are shown below.

River System	Seasonal Allocations Announced on 15 August 2008 (% of HR/HS licence)	% of Carry-Over Water in Irrigators' Accounts
All regulated water systems in northern Victoria including the Murray and Goulburn	0%	100%
NSW Murray	25%	100%
NSW Murrumbidgee	40%	100%
NSW Lower Darling	100%	100%
SA Murray	6% on 1 Sept	100% on 1 Sept

Outlooks from Goulburn-Murray Water for the Victorian Murray system, as reported on 15 August, are shown below. The predicted seasonal allocations for each date are based on current inflow conditions and monthly inflow records from seasons with low winter inflows. SA Murray predictions reported on 24 July are shown in brackets.

Inflow Conditions	Predicted Seasonal Allocation (% of HR water share) at date shown		
	15 Oct 2008	15 Dec 2008	15 Feb 2009
<b>Wet</b> (inflow volumes that have 1 chance in 10 of being exceeded)	43%	77%	100%
<b>Average</b> (inflow volumes that have 5 chances in 10 of being exceeded)	26% [32% in SA at end of Sept]	46% [56% in SA at end of Nov]	61% [72% in SA at end of March]
<b>Dry</b> (inflow volumes that have 9 chances in 10 of being exceeded)	0% [9% in SA]	0% [9% in SA]	3% [9% in SA]

A repeat of 2007/08 inflow conditions is expected to produce a final seasonal allocation of 30% of HR water shares in the Victorian Murray system. Contact Lauren Thompson to discuss further.

## MAJOR PROJECT

### Capacity Building for Australian Wine Industry

Scholefield Robinson has just completed a major project for Wine Grape Growers Australia (WGGA), the national body representing wine grape growers. The project was funded by DAFF under the Action Partnerships Program. The main component of this project was to develop a workshop

called VineBiz to provide grape growers with the capacity to assess their businesses and understand the key drivers of income and costs.

This program is structured as a module based workshop format, which allows the content to be split and staged over a period of time.

The main modules of the VineBiz program are;

- Vineyard Performance Benchmarking;
- Wine Grape Business Analysis;
- Relating Wine Price Points to Grape Prices; and
- New Vineyard Business Models.

Three of these modules were combined into a financial "Ready Reckoner".

The VineBiz program was presented at Pilot workshops in the Barossa Valley, Riverland and Sunraysia to a total of 45 growers. The responses were very positive and a final VineBiz presentation is ready for "roll-out".

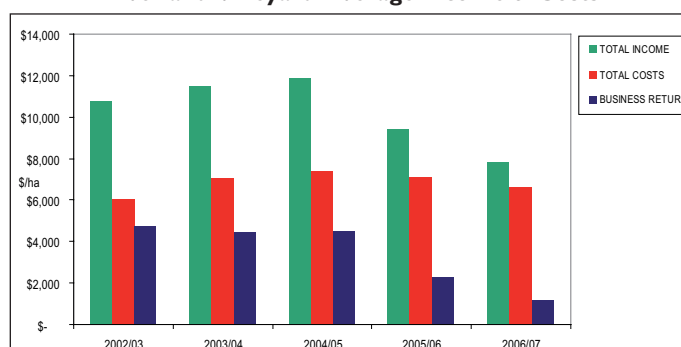
The Final Project Report was submitted to WGGA and DAFF in July.

The financial benchmarking of wine grape growers in the warm irrigated regions of the Murray Darling Basin between 2002/03 and 2006/07 has shown that;

- Costs (operating and overheads) have increased but many growers have "tightened their belts" and reduced vineyard inputs, with potential long-term consequences;
- Debt levels have increased as a result of increasing interest rates and extra costs for purchasing of water;
- Debt levels were not assessed for 2007/08 but they are expected to show further increases over the 2006/07 debt levels; and
- Business income and owner salaries have been adversely affected.

An example of financial changes facing Riverland growers over the past five years is shown in the graph below.

Riverland Vineyard Average Income & Costs



The performance of 27 Riverland vineyards shows that:

- Total income (\$/ha) of Riverland vineyards increased between 2003 and 2005 but has declined steadily over the past 3 seasons. This is attributed to reduced grape prices and vine yields.
- Total costs have followed a similar pattern to income, with total vineyard expenditure declining over the last 3 years, even though unit costs for production inputs have increased. This suggests that growers are reducing vineyard inputs as grape prices fall.
- Business Return has steadily fallen to a point where the enterprises cannot cover any capital repayments, owner's salary depreciation or renewal of vineyard plant and equipment.
- Few growers declared an owners salary. The data collection template has been modified to capture this cost in the future.

## OTHER PROJECTS

### Vegetable Biosecurity

Prue McMichael is currently leading a review of vegetable biosecurity for Horticulture Australia Ltd (HAL). It encompasses investigation of imported fresh produce, exported fresh produce, domestically-moved produce and vegetable seed; current and emerging biological threats and regulatory impediments that affect the safety of produce movement or market access to provide the industries with a clear picture of the nature of their risk exposure.

### Signposts for Agriculture – Wine Grapes Report

Charles Drew has completed the Signposts for Agriculture Wine Grapes report for the National Land and Water Resources Audit. The report, which provides a plain English assessment of the contribution of the wine industry to sustainable development, and was reviewed by WINEC, will be publicly available later in the year.

### Planning For Recovery

More than 20 family farm businesses have engaged Scholefield Robinson staff from Adelaide and Mildura to review their operations and develop business plans under the PIRSA funded "Planning for Recovery" scheme. Staff providing this service include Mary Retallack, Charles Drew, Peter Scholefield and Garth Swinburn, and farm businesses in the Riverland, Langhorne Creek and Mid North regions have been involved.

### Angle Vale Almond Leaf Tatter Disorder

In the first half of the year Prue McMichael completed the final report on Angle Vale Leaf Tatter disorder (LTD) in almonds. Unfortunately the research did not uncover the specific cause. However after three trial years Lucy and Prue have concluded the cause is chemical-related and occurs in particular environmental conditions. We do not believe there is a pest or pathogen responsible for LTD.

### Irrigation Extension

Scholefield Robinson Mildura have been contracted by Horticulture Australia Ltd (HAL) to provide extension services to horticulturists in the Murray Darling Basin under a Federal Government program "Manage Today, Plan for Tomorrow". The program offers one-on-one information sessions to assist growers with decision making, and work through their options by tailoring agronomic and financial information to each client's situation.

### NLP Sustainable Practices Project

In conjunction with Riverland West Local Action Planning, Scholefield Robinson secured NLP funding to investigate the effect of high fertiliser inputs on soil conditions in almond and citrus orchards. Soil samples have been collected from 3 citrus and 3 almond blocks and FullStop™ wetting front detectors installed at each site.

### Provision of Expert Opinions

Senior staff continue to be engaged to provide expert opinions in a wide range of matters including spray damage (cause and estimated loss), cause of fire, effects of delays in the provision of advice re chemical application, disputes under grape supply contracts etc.

## SERVICES

### Grapevine Bud Fruitfulness Dissections

It has been a busy time for Sarah and Kate throughout May and June with around 20,000 buds coming through the office for bud fruitfulness assessments. Bud dissections allow grape growers to vary pruning levels based on the number of inflorescences found in the buds.

### Soil Salinity

Whilst the availability and cost of water has been dominating the news and most growers' thinking, it is important not to forget other critical management issues associated with drought conditions. Of these, soil salinity has the potential to cause considerable damage in vineyards and orchards especially as growers begin to utilise more saline water for irrigation. Compounding this problem is the lack of leaching rains to flush any accumulated salt out of the soil prior to the start of next season. Ben Thomas can assist growers in this regard with advice on soil salinity and soil sampling requirements.

## Plant & Soil Analysis

With more financial pressure on growers with rising water and fertiliser prices, the use of soil and/or plant tests may indicate that applications of fertilisers are not required thus enabling growers to save money. Our experience is that the potential savings in reduced fertiliser costs far outweigh the costs for soil and plant testing.

Another way that growers may save money is to have their fertiliser and foliar spray programs reviewed. If you are interested in this service or any other aspect of soil and plant analysis, please contact Ben Thomas at our Adelaide office.

## STAFF

### New Technical Officer



Scholefield Robinson welcomes new Technical Officer, Sarah Kivi, to the team at our Adelaide office. Sarah is a recent graduate from the University of Adelaide with a major in Viticulture and will provide technical support to our consultant team. Sarah replaces Lucy Pumpa, who moved to Canberra in early January to take up a position with DAFF.

### Future Leaders - Succession for Australian Wine Sector

Mary Retallack completed the Future Leaders Program in June 2008 when participants delivered their final presentations to members of the peak Wine Industry Boards (WFA, WGGA, GWRDC, AWBC) and patrons. This was followed by a celebration dinner. Peter Scholefield attended and was greatly impressed by the calibre of these future leaders of the wine industry.

### Australian Rural Leadership Program

Mary Retallack is also a participant in the Australian Rural Leadership Program which runs over the next 18 months. It kicked off with a two week session in the Kimberley in May. Participants undertake a program of personal growth and develop the skills, knowledge and networks needed to be effective in regional, state, national and international arenas. This culminates in a two week session overseas in 2009. For more information visit: [www.rural-leaders.com.au](http://www.rural-leaders.com.au), or contact Mary at our Adelaide office.

### Institute of Arbitrators & Mediators Conference

Charles Drew presented a paper entitled "Mediation and Expert Determination under Producer Processor Contracts in Agriculture – Some Practical Issues" at the annual conference of the Institute of Arbitrators and Mediators Australia (IAMA) in Perth in April 2008.



### Cut Flower Information Day

In late July, Kate attended the 8th Annual Information Day for Cut and Potted Flower Growers, organised by the NSW DPI, at Dural, NSW. The theme for this year was Growing Media and Greenhouses. For more information on our floriculture services contact Kate Delaporte at our Adelaide office.



### Baby News

Ben Thomas and Nicole were pleased to announce the arrival of their third child, Beatrice Nicole Thomas, born 4th June 2008 weighing 7lb 2oz. Congratulations Ben & Nicole!