

SOUTH AUSTRALIA

SOUTH AUSTRALIAN GRAPE INDUSTRY DEVELOPMENT PLAN

1995 – 2000



PRIMARY INDUSTRIES
SOUTH AUSTRALIA

S A R D I



**SOUTH AUSTRALIAN
RESEARCH AND
DEVELOPMENT
INSTITUTE**

SOUTH AUSTRALIAN GRAPE INDUSTRY DEVELOPMENT PLAN

December 1995

This plan is a working document for consultation and negotiation between PISA/SARDI and other industry stakeholders. That consultation is crucial in assisting PISA/SARDI to progress this strategic plan into operational plans for implementation in 1996/97.

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The plan is a product of the South Australian Grape Industry Development Committee, which was established in 1981. The plan is a result of a series of workshops and consultations with the industry and government. The plan is a living document and will be reviewed and updated as necessary.

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EXECUTIVE SUMMARY

INDUSTRY VISION

To assure South Australia's position as the major grape and wine producer in Australia.

This will mean, that by the year 2010, SA will produce winegrapes with a value of \$290 million from an area of 42000 hectares.

PURPOSE OF THE PLAN

The major purposes of the PISA/SARDI Industry Planning process are, in conjunction with Industry, to:

- a examine existing industry profiles, structures and processes (such as marketing arrangements, relevant legislation and so on) and determine their strengths, weaknesses, opportunities and threats. This will enable us to determine the critical factors that enhance or impede the international competitiveness of the industry in South Australia and consider industry strategies to address those factors, and
- b determine and evaluate the major opportunities for sustainable economic development in our industries, and the role of PISA/SARDI in assisting industry to capture those opportunities. By aligning our resources in PISA/SARDI to reflect the identified opportunities, we will maximise our impact as an economic development agency.

This Plan concentrates particularly on industry development over the period 1995-2000.

SUMMARY

The grape industry is the most important horticultural industry in South Australia. Whilst South Australia's dried and table grape industries are small in comparison to other States it is the wine industry which is the key sector. A strategic analysis of the grape industry shows that the best use of Primary Industries South Australia (PISA) / South Australian Research and Development Institute (SARDI) resources lies in facilitating the economic development of the wine rather than the table and dried grape industries.

Grapes and Wine Making

The gross value of South Australian grape production in 1993-94 was estimated at \$A185 million (derived from ABARE and ABS data). According to the WFA/WGCA response to the Winegrape and Wine Industry Inquiry Draft Report, the 1993-94 value of Australian wine production reached \$1320 million. As South Australia produced 51.3% of Australia's wine in that year, the State's contribution to the total was approximately \$670 million. The grape growing and wine industry represents about 0.8 % of South Australia's Gross State Product. The wine industry is also important for South Australian tourism and contributes an estimated \$60 million a year in South Australia (Meyers Strategy Group 1994).

While South Australia is Australia's largest grape growing and wine producing state, its share has declined since 1982-83 (table 1). However, in the current planting boom, SA's proportion of total winegrape plantings is increasing, and this Plan aims to assist industry to maintain that trend.

Table 1: Share of each state in national grape production for wine making

State	1982-83 %	1993-94 %
South Australia	59.1	53.7
Victoria	15.1	25.4
New South Wales	23.9	18.7
Western Australia	1.9	1.9
Tasmania	0.0	0.2
Queensland	0.0	0.1

Industry Direction

The wine industry has undergone a number of changes in recent years, the most significant being the dramatic increase in exports. Exports have grown from 3% of sales in 1983-84 to 28% in 1993-94.

As domestic sales of wine are virtually static, the future of the wine and grape growing industry will be determined by export performance. An early target (1994) for the industry of \$1 billion of exports of Australian wine by the year 2000 appears too ambitious, with current estimates of exports reaching \$750 million by then. There is no dispute that Australian exports will grow substantially. Wine exports in 1993-94 were valued at \$365 million.

Industry Demand

The following factors have a significant affect on domestic wine consumption:

- Wine Price - affects level of demand and degree of substitution;
- Household income - positively correlated to changing demand for wine;
- Lifestyle factors - creates demand for new products and substantial shifts in demand between existing products, and
- Aging population - tends to shift beverage consumption in favour of wine.

The following factors will influence Australia's competitiveness on the world wine market:

- The availability of sufficient viticultural land with a diversity of climates and soils;
- A suitable climate offering opportunities to minimise chemical inputs;
- The relative value of the Australian dollar;
- The availability of wine styles that match market demands in key export markets;
- Production cost savings due to continual uptake of new technology;
- Continued investment in grape and wine research and development, and
- Continued industry restructuring and rationalisation resulting in production cost efficiencies.

The South Australian Industry

The major constraint to supplying these exports will be grape production. Expansion is occurring in South Australia particularly in the South East and the Riverland where substitution away from some horticultural crops into wine grapes is occurring. However, a number of factors may restrain South Australia's rate of increase in grape production. These include:

- the availability of appropriate land with adequate water;
- inefficiencies due to a predominance of small block sizes in existing vineyards;
- urban encroachment in some regions; and
- grower uncertainty about relative trends in prices and which varieties to grow.

The value of the Grape and Wine Industry to the State flows from grape production through to value added processing, packaging and support infrastructure. The wine industry provides a significant regional employment base both directly and indirectly via allied industries including tourism.

South Australia is Australia's major:

- Producer of grapes;
- Producer of wine;
- Exporter of wine;
- Source of technical expertise in grape and wine production;
- Site for wine industry infrastructure, and
- International and national wine tourist destination

The Industry is currently experiencing its most rapid expansion, however certain issues concern the industry:

- Lack of confidence in the industry's future due to traditional 'boom/bust' cycles, and
- Export competition from both the emerging "New World" producers (including Chile, South Africa, Argentina and the United States) and traditional producers (including Italy, France and Spain) which are increasingly adopting Australian technology and expertise.

CRITICAL SUCCESS FACTORS AND INDUSTRY STRATEGIES

This Plan identifies 5 critical success factors that the industry must address to enhance its competitiveness and achieve its vision.

- Wine marketing;
- Wine making;
- Regional tourism;
- Industry development, and
- Resource protection and availability.

The latter two factors present considerable opportunities for PISA/SARDI involvement to assist industry to achieve its vision.

- **Industry development** – This relates to issues associated with the cost/price competitiveness of wine grape production, and grape quality.

Cost/price competitiveness relates to a range of factors including the cost of production, productivity, market prices and industry structure and coordination.

In relation to cost/price competitiveness Australia and its major competitors all have different advantages and problems. Low cost producers have the obvious advantage of cheaper production costs. However, they are sometimes less cost competitive in other areas, incurring greater costs in other components of the distribution/marketing chain. Ensuring that agribusinesses operate to world's best practice is a crucial ingredient in the overall competitiveness of our wine grape industry.

Key industry strategies to address issues of cost/price competitiveness include:

- increasing the efficiency of production by protection and continuing performance improvement of existing plantings in particular areas;
- improving market intelligence information for growers and potential growers;
- encouraging viable restructuring of existing grape growing enterprises;
- encouragement to replace less economic horticultural (or other) enterprises with higher value grape enterprises;
- review regulations/policies impacting on all industry sectors;
- foster continued industry organisation for research and development, and technology and information transfer;
- industry and individual enterprises at all stages of the production, transport and marketing chain undertaking and updating benchmarking studies to determine their deficiencies and introducing world best practices to address these;
- encouraging agribusinesses to avail themselves of available State and Commonwealth Government programs to enhance their efficiency and effectiveness as transporters, input suppliers and marketers;
- continuing support for the specialised university/educational programs operating in South Australia such as the Waite Campus; and
- support micro economic reform;

The issue of quality in the wine grape industry refers to the need to continually maintain quality specifications and standards required by the wine makers who are responding to the demands in the market place.

Key strategies appropriate in this respect include:

- greater promotion to make producers (and other industry sectors) more aware of the importance and benefits of quality management and assist them to implement quality management systems;
- employing research, development and extension resources to improve grape quality, and

- promote SA's clean, green product and image.

Resource protection and availability – Viticulture impacts on soil and water and other natural resources in South Australia. The resource base must be sustained in line with the environmental expectations of the general community.

Industry strategies to address this factor include:

- ensuring that pest and disease incidence in vineyards is minimised
- improvement in the management and use of viticultural soils and water
- identification of the most suitable viticultural soil types
- implementing the most efficient use of available and procurable water resources for viticulture.

The potential actions/programs that PISA/SARDI might institute in relation to these industry strategies have been identified in an opportunities analysis, and are as listed below:

PISA/SARDI OPPORTUNITIES TO ENHANCE INDUSTRY DEVELOPMENT

Industry development:

- Supply and demand trend analysis;
- Policy development and legislation review;
- South Australian industry promotion;
- Encouraging the uptake of improved certified propagation material;
- Encouraging implementation of a Winegrape industry Quality Assurance (QA) scheme, and
- Encouraging the restructuring of existing nonviable viticultural enterprises and redevelopment of less economic horticultural (or other) enterprises into winegrapes.

Resource protection and availability:

- Minimisation of pest and disease incidence in vineyards;
- Improved management of soils, irrigation and nutrition;
- Land capability analysis and mapping, and
- Water resource planning and allocation.

The actual projects that will be undertaken by PISA/SARDI will be identified in the next stage of the planning process. Projects will be evaluated against criteria such as market failure and benefit/cost ratios to assist in the prioritisation of projects for funding.

Summary of critical success factors, industry strategies and potential PISA/SARDI actions

Critical Success Factor	Industry Strategy	Potential PISA/SARDI Program
<ul style="list-style-type: none"> • Industry development - Cost/price competitiveness 	<ul style="list-style-type: none"> • Improve market intelligence • Review of regulation/policies • Increase efficiency of production • Encourage restructuring 	<ul style="list-style-type: none"> • Supply and demand trend analysis • Policy development and regulation review • Encourage update of certified propagation material • Encourage restructuring
<ul style="list-style-type: none"> - Quality 	<ul style="list-style-type: none"> • Promote/differentiate SA clean/green product • Promote/implement QA schemes 	<ul style="list-style-type: none"> • Maintain clean green produce • Encourage QA schemes
<ul style="list-style-type: none"> • Resource protection and availability 	<ul style="list-style-type: none"> • Ensure pests and diseases are minimised • Improve management of soil/water • Identify suitable soil types • Efficient water use 	<ul style="list-style-type: none"> • Minimisation of pests and diseases • Improved management of soils/irrigation/nutrition • Land capability analysis and mapping • Water resource planning and allocation

SOUTH AUSTRALIAN GRAPE INDUSTRY DEVELOPMENT PLAN

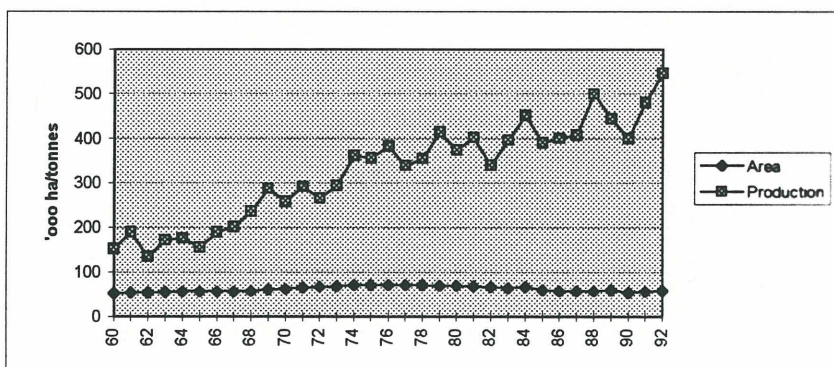
1 INTERNATIONAL PERSPECTIVE

By world standards the Australian grape industries are young, dynamic and comparatively small. As is typical for many of the "New World" vineyards (compared to the established European "Old World"), the adoption of improved grapegrowing and wine making technology has significantly enhanced the value of production of these vineyards.

1.1 AUSTRALIAN PRODUCTION

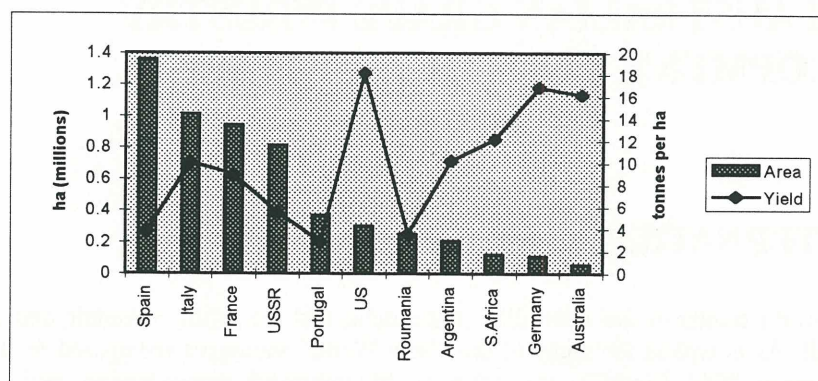
Australia is regarded as being a world leader in the development and adoption of this technology. An impression of the impact of this technology may be gained through examination of Figure 1. While the total area planted to vines in Australia has shown only small changes with time (currently the most rapid increases to date are occurring), the production has trebled in 30 years in response to improvement in production techniques.

Figure 1: Australian area versus production - 1960-1992



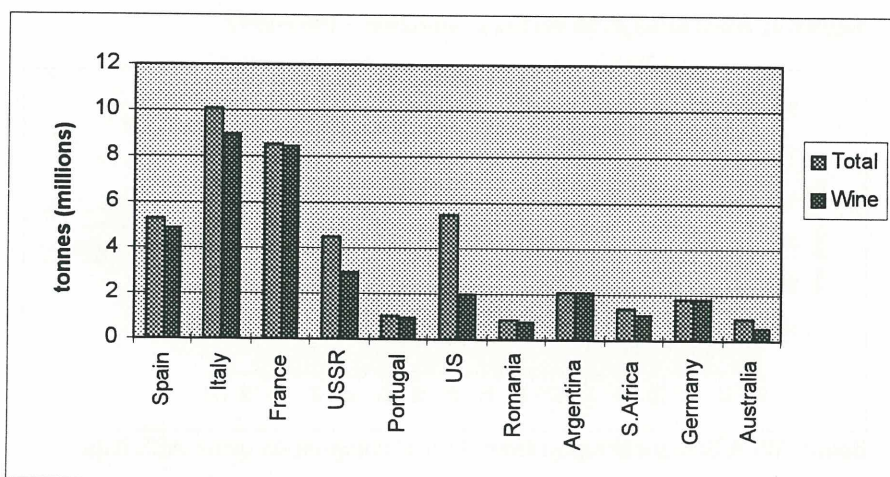
Source WFA Statistical report from AWBC compilation using ABS data.

Australia has a total area of 61,000 hectares under grapevines which is less than 1% of total world plantings (see Figure 2). Comparison of Australian plantings with those of Spain, (worlds largest area under vineyard), shows an industry approximately 22 times that of Australia. An indication of the technical advantages in Australian grape growing may be seen in Figure 2 where Australian average yields per hectare are estimated at 16.2 tonnes.. Only the United States and Germany achieve higher returns per hectare (through intensive management). The World average is 7.4 tonnes per hectare comprising 60 million tonnes from 8.23 million hectares.

Figure 2: International vine area versus yield - 1992

Source ABS Catalogue 1329.0, 1994

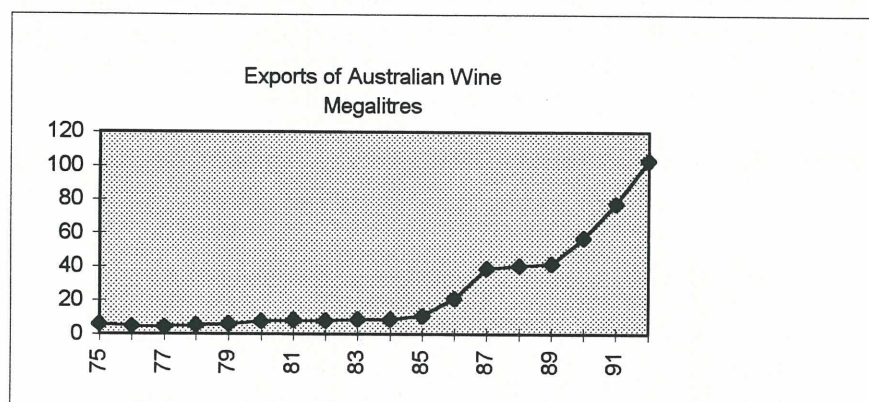
Total grape production in Australia is 1.6% of world total. Details on the proportion of wine grapes as compared to drying and table grapes in the major grape growing countries in the world are presented in Figure 3. Fifty-seven percent of all Australian grapes were used in winemaking in 1992 as compared to Italy, France and Spain, with over 90% of all grapes used for winemaking. In contrast Turkey processes only 2.6% of its grapes into wine with the majority being used for dried and table grapes.

Figure 3: 1992 World comparison of grape end use

Source ABS Catalogue 1329.0, 1994

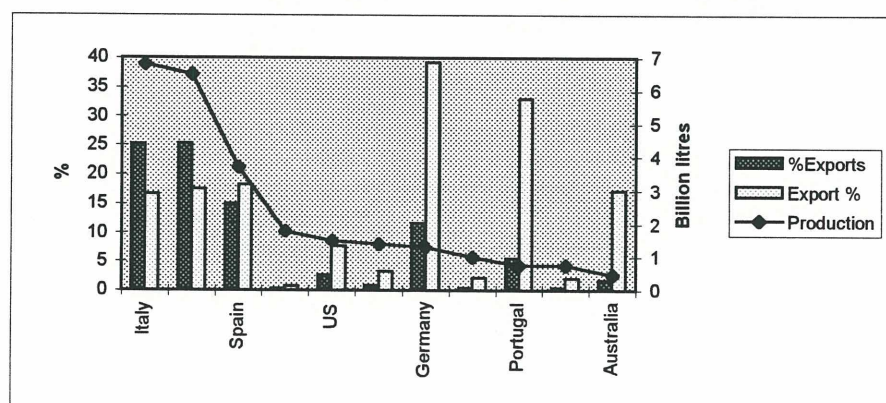
1.2 AUSTRALIAN EXPORTS

Australia has only become recognised in the international wine market in the past decade. By taking advantage of best practice (viticulture and wine making) and through industry marketing strategies, Australia has had the ability to focus on its success in exports and undergo a rapid increase in plantings for new markets. Figure 4 depicts exports of Australian wine since 1975. 1986 was the beginning of a major export drive for Australian wine and, apart from a small check in 1988 and 1989, this increase in exports has continued to a total of 103 megalitres in 1992-3. In contrast imports of wine declined from a peak of 13 megalitres in 1985 to a 1992-3 figure of 7.8 megalitres. The majority of this imported wine (in terms of value) is in sparkling wine (55.8% including bottle and bulk fermented as well as carbonated wine).

Figure 4: Exports of Australian wine 1975-92

Source WFA Statistical report, page 11, 1994.

Despite the recent enormous growth in exports, Australia remains a minor producer on the world scene (see Figure 5) with an annual production of 458 million litres which is 1.6% of world production compared with Italy with 23.3%. The world share of export volume for Australia is 1.5% compared with Italy with 27.8%. However for exports as a percentage of production, Australia matches Italy, France, Spain, Hungary (20.6%) and Chile (23.4%).

Figure 5: International production and export - 1992

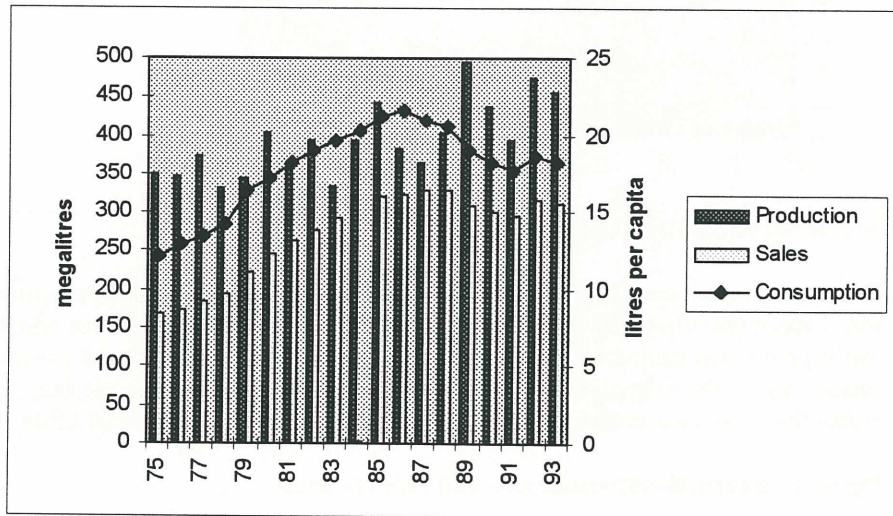
Source ABS Catalogue 1329.0, 1994

The Australian wine industry does not rely solely on its export markets; the health of the domestic market is critical to the industry's future. Domestic consumption of wine showed a steady increase from the early 1960's, coinciding with Australia becoming a more multicultural society. This trend peaked in 1985-6 followed by a steady decline as Australian society became more health conscious.

Australia's current per caput consumption is modest (18.3 litres) in comparison to other key wine producing countries. Italy and France for example have a per caput consumption of wine of over 60 litres, ranging through 40 litres in Spain, 22 litres in Germany and 7 litres in the United States. Production and sales of Australian wine has steadily increased with time with the disparity between sales and production decreasing as wine stocks (for maturation) were run down as a cost saving measure.

The balance between production and domestic sales then is the material which is currently available for the export market. For comparison, the production of wine in Australia in 1992-93 was 457 megalitres, with domestic sales at 311 megalitres as compared to export sales at 103 megalitres. Figure 6 provides data on the production and sales of Australian wine in comparison to apparent per caput consumption.

Figure 6: Production/sales of Australian wine and per caput consumption 1975-92

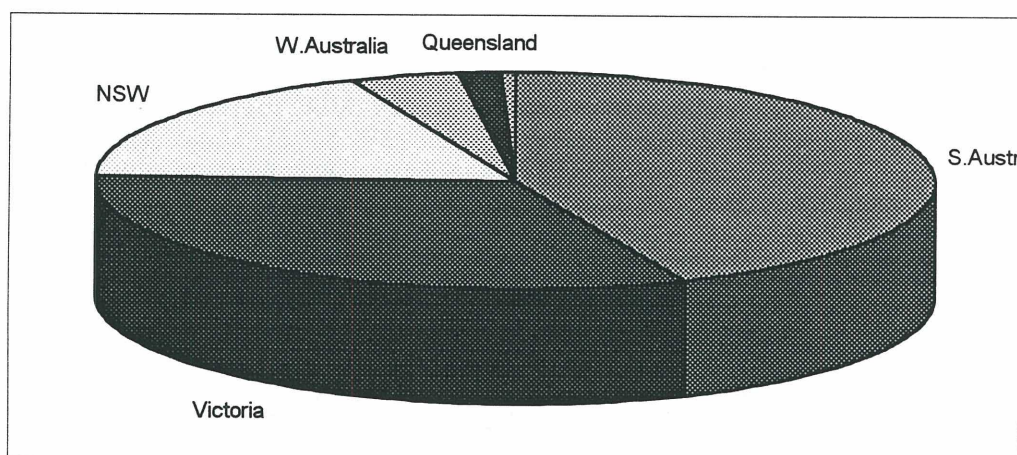


Source WFA Statistical report, page 6, 13, 21; 1994

2 AUSTRALIAN PERSPECTIVE

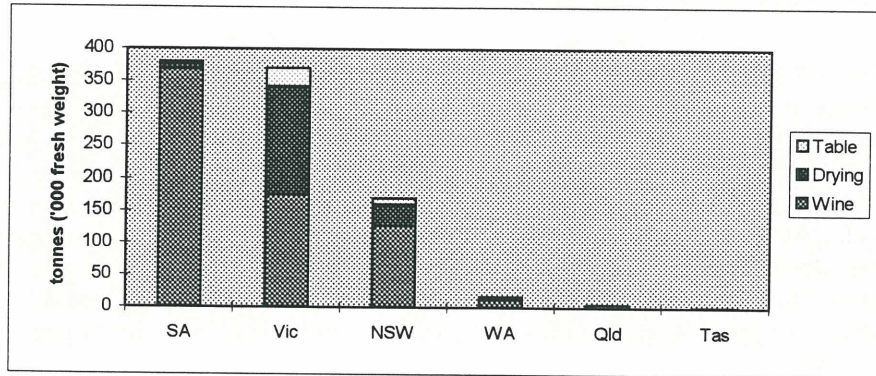
South Australia is the major grape producing State in Australia, with a concentration on production of grapes for wine. An indication of the distribution of plantings in Australia is presented in Figure 7. South Australia currently has 43.4% (being 29,480 hectares of the national area of 67,942 hectares) of Australian vineyard plantings. Data from the Australian Vine Improvement Association indicate that the current rate of plantings is greater in South Australia than elsewhere in Australia. This situation reverses a previous trend which has seen South Australia's share of plantings decline from 72% of Australian plantings in 1970, to 60% in 1980, down to the current 43.4%. A national survey completed in 1994 indicated plans for expansion of plantings by 6,000 hectares by 1997 with 65 % planned for South Australia.

Figure 7: Area of vineyards in Australia, 1993-94



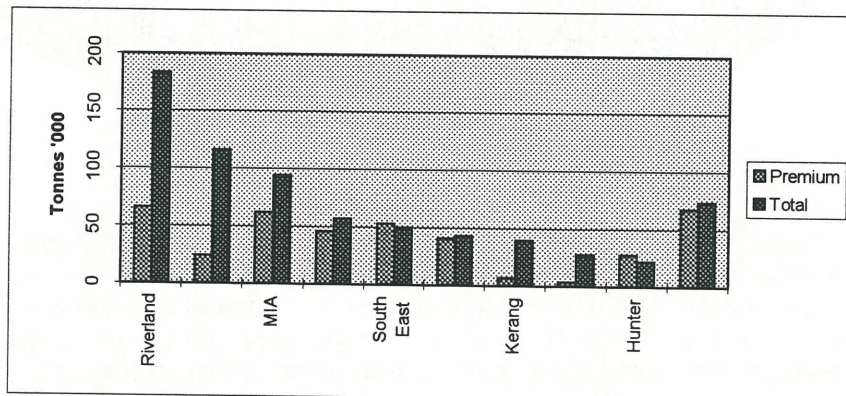
Source ABS 1329.0, 1994

South Australia produced 40.2% of Australia's grapes in 1993-4 and Victoria produced 39.2% (see Figure 8). Comparison of the composition indicates the importance of winegrapes in South Australia (39% of Australia's 1993-94 grape production) and of drying grapes in Victoria (17.8% of Australia's 1993-4 grape production). Victoria is also Australia's predominant tablegrape producer with its tablegrapes accounting for 2.9% of the total grape crop in Australia in 1993-4. New South Wales also has significant drying and table grape production industries in addition to its wine production. Western Australia produced 1.8% of the Australian crop in 1993-4, predominantly for wine making (77.2%), with Queensland at 0.45% (91% table grapes) and Tasmania 0.11% (exclusively for wine).

Figure 8: Grape production (fresh weight) by state - 1993-94

Source ABS 1329.0, 1994

Production of premium grapes (Cabernet Sauvignon, Cabernet Franc, Merlot, Shiraz, Pinot Noir are the main red varieties, with white varieties including Chardonnay, Semillon, Sauvignon Blanc, Traminer and Riesling) as compared to total production (including Muscat Gordo and Sultana) is shown in Figure 9. In terms of total production the Riverland, Sunraysia and Murrumbidgee Irrigation Area (MIA) provide a substantial proportion of winegrapes in Australia (including both NSW Sunraysia and the Kerang - Swan Hill districts), being almost 60% of winegrape production in Australia with a key contribution to premium winegrape production.

Figure 9: Winegrape production by regions, 1993-94

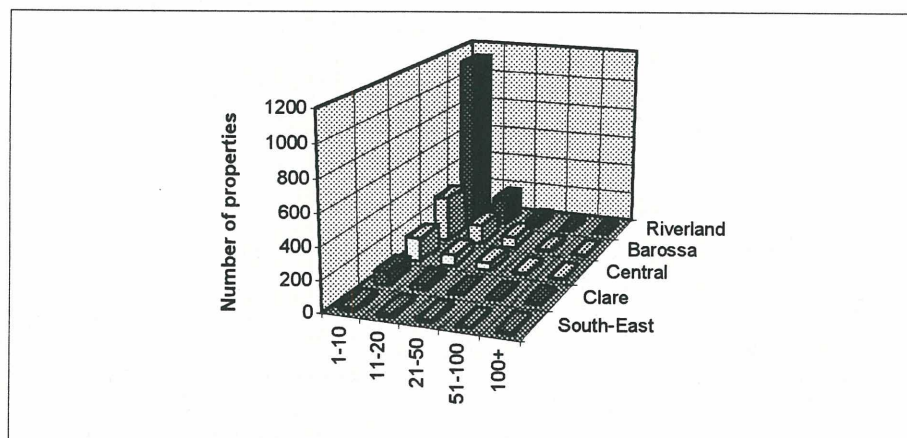
Source ABARE, 1994

3 SOUTH AUSTRALIAN PERSPECTIVE

Corporate wine companies dominate the large holdings in all districts (particularly in the South East) in contrast with the many small holdings particularly in the Riverland, Barossa and Central districts. The small holdings tend to be owned by independent grape growers supplying grapes under contract to the corporate wineries.

Figure 10 demonstrates the diversity of grape holdings in South Australia.

Figure 10: South Australian vineyard holding size distribution, 1995

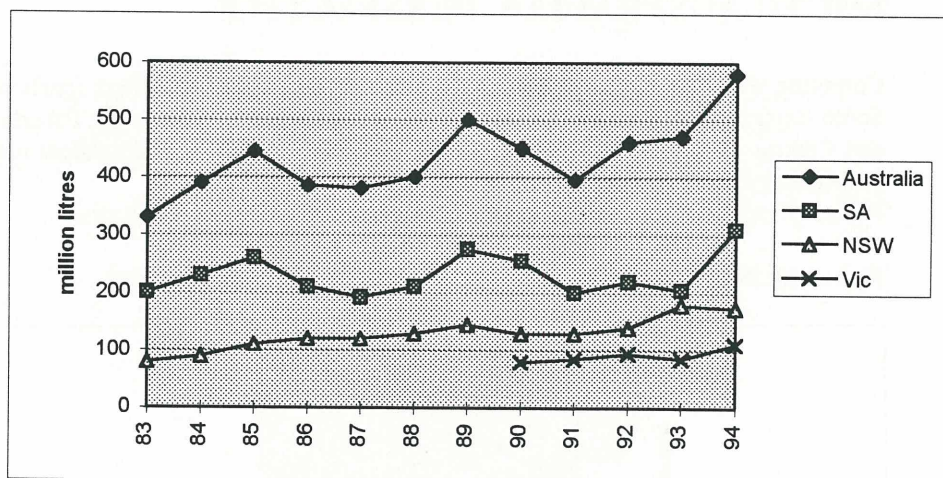


Source: Phylloxera Board of South Australia, 1995.

In the past, the irrigated districts have been regarded as merely producers of bulk wine material to provide the majority of cask and lower priced bottled wine. However, examination of the data for premium production indicates the large proportion of premium varieties which come from the large irrigated districts (approximately 40% of Australian premium production). It is the planting of premium varieties both through new and redevelopments in the irrigated districts which has provided material which has helped to improve the quality and image profile, as well as international competitiveness of Australian wine.

The importance of the South Australian contribution to production in Australia includes not only the fact that it produces the largest volume of grapes but also that it is the major source of premium material. Further, the traditional location of the major wine companies has been in South Australia where the majority of large grape crushing facilities have been established. In the last decade this situation has changed (see Figure 11). New South Wales production has steadily increased, although the 1994 vintage showed a dramatic recovery to South Australia. South Australia clearly dominates the wine industry with ABS Figures indicating that in 1992-93 wineries in South Australia had a turnover of \$476 million compared with \$255 and \$285 million respectively for New South Wales and Victoria.

Figure 11: Total wine production by State, 1993-94



Source ABARE, 1994

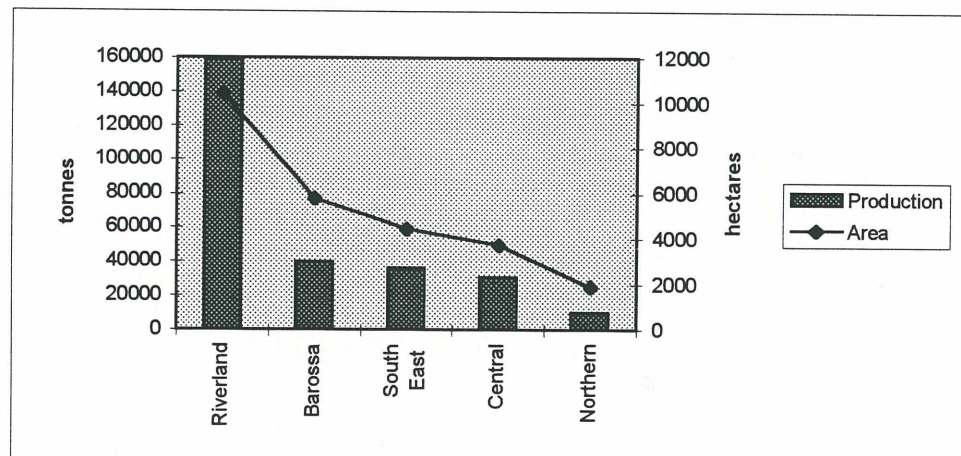
South Australian winegrape production in 1994 was 368,368 tonnes compared with 687,215 tonnes in Australia. The gross value of winegrapes produced in South Australia in 1992-93 was \$107 million. South Australia produced 9,780 tonnes (fresh weight) of grapes for drying in 1994 which was 4.5% of the Australian production of 212,306 tonnes. The production of dried vine fruit in South Australia in 1991/92 was valued at \$11.7 million comprising 57% sultanas, 38% currants and 5% raisins. ABS estimated that South Australia produced 2,417 tonnes of tablegrapes in 1994 which was 4.7% of the Australian production of 45,400 tonnes. Gross value of state production in 1991/92 was estimated at \$2.4 million.

In South Australia, grapes are currently produced in 7 defined districts. These include:

- Riverland - Australian Bureau of Statistics (ABS) districts of Waikerie / Lower Murray, North and South Murray
- Barossa - Includes some of the Barossa Hills area
- South East - Includes Padthaway and Coonawarra
- Southern Vales - Part of the ABS Central district
- Adelaide Hills
- Langhorne Creek
- Clare regions. - ABS Northern district

NB: The Phylloxera Board defined the ABS regions which provide the majority of data for South Australian production estimates.

Almost 40% of South Australia's vineyards are in the Riverland, with the Barossa and South East contributing 22.1% and 16.9% respectively. In terms of production the Riverland produced 57.8% of South Australia's 1992-93 crop with the Barossa and South East producing 14.3% and 13.1% respectively. Information on the area and production of these districts is provided in Figure 12.

Figure 12: South Australian area and production, 1993-94

Source ABS, Viticulture Australia, Catalogue Number 7310.0, 1992-3.

The number of vineyard holdings in South Australia has declined from 2,971 to 2,327 in the last 15 years according to Phylloxera Board Figures. There are presently 1,343 holdings in the Riverland, 499 in the Barossa, 280 in Central region, 132 in the Northern region and 73 in the South East, which is the fastest growing region in the State. Whole new areas are being established in the South East including the Jessie and Joanna districts together with plantings at Robe and Mt Benson.

4 ECONOMICS AND MARKETING

4.1 AUSTRALIA'S INTERNATIONAL PERFORMANCE

Australia, as a wine exporting country, is competing in a market with key requirements for high quality, well balanced flavoursome wines. The five major competitor countries or regions in this market include California, Chile, Argentina, South Africa and Southern France. Australia's sustainable competitive advantage in relation to the above countries is derived from:

- superior research, development and adoption of technology translating into a higher technical quality of product;
- low costs of production, through the use of technology allowing sophistication in vineyard management and wine production and reduced costs in terms of mechanical harvesting and pruning, thus contributing significantly to Australia's reputation as a provider of quality product at all price points;
- innovation and expertise of wine makers combined with high quality fruit inputs which have created a distinctive and sought after Australian flavour;
- environmental factors which have helped create a "clean, green" image for Australian products; and
- the already substantial upgrading of vineyards to premium varieties in response to changing consumer tastes both domestically and in export markets.

The above listed countries provide the major threats to the maintenance of Australia's position in wine export markets. However they each exhibit significant disadvantages as well as opportunities as listed in Table 2 (following page).

In California the threat to Australian exports is based on the improving quality and international perception of the wine produced and level of technical efficiency. The relatively high cost of land (and cost of production generally) is to Australia's advantage in the export market.

Chile, Argentina and South Africa have the advantage of low production costs, and with the exception of South Africa have abundant low cost land and high quality water. All three countries have a plentiful but low skilled labour source and the reputation for producing a low quality product.

Southern France, although having a desirable market image, requires improved technical capability and will continue to be constrained by Government production regulations and EEC pressure on the area of plantings.

Table 2: Comparison of major opportunities with key competitors

Australia	California	Chile	Argentina	South Africa	Southern France
World production 1.5%	5.2	1.1	4.8	3.3	21.8
World Exports 1.7%	2.6	1.6	0.9	0.5	25.2
Large areas of land at relatively low cost available and suitable for viticulture	Land available at greater cost than Australia but lower than Europe	Almost unlimited low cost land available	As for Chile	Somewhat limited	Expected reduction in plantings due to EEC pressures
Water availability restricted in some districts	Strong competition for water for people and agriculture	Unlimited and high quality	Unlimited and high quality	Difficulties with availability	Traditional resistance to irrigation
High labour costs with regional shortages	Good sources at acceptable cost	Plentiful but with problems in skilled sources	As for Chile	As for Chile	Plentiful
Development of new regions ongoing	Concentration on development of upper end of market	Limited realisation of opportunity	As for Chile	As for California	Limited opportunity
High level of practical and academic training	As for Australia	Limited	Limited	Limited	High potential but not apparent at regional level

In addition to the above countries, Italy, Spain, Germany, Eastern Europe and USSR derived countries are potential wine export competitors for Australia.

Based only on the preceding factors, it is unlikely that the countries listed will have a substantial affect on Australia's export markets in the short term. The extent to which Australia's advantage will be competed away in the longer term will depend on its ability to maintain its position at the forefront of research and development, adoption of new technology and marketing effort. Acquiring a small additional portion of the world wine market results in a large percentage increase in Australia's wine exports.

Maintaining, and preferably reducing, Australia's per unit cost of production will be critical in maintaining the growth impetus in the nation's wine exports. There will be a requirement for ongoing examination of all input costs at all levels of the production chain as well as innovation in blending and winemaking skills to maximise quality, to maintain export growth.

4.2 FACTORS AFFECTING DEMAND AND INTERNATIONAL COMPETITIVENESS

4.2.1 Grape and Wine Industry Costs

The following information shows the percentage (of the value) of the contribution of the various components and/or activities involved in the production of a bottle of wine to the point of retail sale. The data which present a representative view of the contribution of the of the various components in the production process (of the main wine types) was derived from the Meyers Strategy Group Report on the Australian Wine Industry.

Grape cost	11.75%
Packaging cost (glass, bags, plastics, etc)	8.27%
Other materials and services	5.78%
Wages	3.56%
Winery gross operating surplus	8.92%
Wholesale margin	11.48%
Government taxes	16.92%
Retail margin	33.32%

4.2.2 Local Demand

In the period from 1960 to 1988 sales of domestic wines increased from 53 million litres to 330 million litres. In the period from 1988 to 1994 sales of domestic wines have fluctuated between 296 and 320 million litres. Since 1983 per capita consumption of Australian wine increased from 19.7 litres to 21.6 litres in 1986 then declined to 17.7 litres. It has since recovered to 18.2 litres. As the only outlet for winegrapes is the production of wine, the factors that affect the demand for wine are indirectly responsible for the demand effect on winegrapes.

The following factors are deemed to have a significant affect on local demand.

- **Price** is a key determinant of wine demand and also determines the extent to which the consumer shifts between alcoholic and non-alcoholic beverages. Price perceptions are also important for the way in which the consumer differentiates wine from competing alcoholic beverages. The demand for the product will be influenced or reinforced by its price. Australians have access to a broad range of wine types at relatively low prices when compared to similarly developed countries.
- **Household income** and private consumption expenditure changes are positively correlated to changing demand for wine, especially premium quality table and sparkling wines. The most recent recession in the Australian economy is reflected in the most recent downturn in per capita wine consumption in 1991/92.
- **Lifestyle factors** have created demand for new products and substantial shifts in demand between existing products. Within beverages containing alcohol, beer has experienced an ongoing decline despite the popularity and lesser taxation of low alcohol beers.

The most identifiable of the cultural shifts which have driven the changes in consumer beverage preferences are:

- a change in diet preferences;
 - increased incidence of dining out;
 - increased concern for health;
 - road safety programs, and
 - changes in the role of women in society.
- **An aging population** is a major factor in the shifting beverage demand in Australia. Analysis of the alcohol consumption of various age groups reveals that a higher proportion of older persons drink wine, thus shifting beverage consumption in favour of wine.

4.2.3 Current Situation

Australia's continued success in the international wine market will depend on the extent to which it remains cost competitive and its ability to produce the type and quality of wine acceptable to the various categories of wine export markets. Research and development has played a key role in Australia's wine export achievements to date, with efficiencies in production resulting from application of research (and rationalisation) within the industry. The declining value of Australia's currency in the 1980's, relative to our major wine producing competitors also made a significant contribution to the growth in Australia's wine exports.

Key factors that have influenced Australia's international competitiveness in the world wine market:

- availability of sufficient viticultural land, with the diversity of climates and soils in which the grapes are grown, results in a variety of wine styles;
- climate offering opportunities to minimise chemical input and obtain consistency of production in relation to ripening;
- Australian wine styles which match market demands in key export markets;

- fluctuations the Australian dollar - depreciation in the 1980's helped export growth but more recent appreciation of the dollar has challenged the growth;
- cost savings due to continual adoption of new technology;
- research and development leading to world leading technology, and
- industry rationalisation resulting in improved competitiveness on the world market.

4.2.4 Future

The following factors have the potential to threaten Australia's wine export sales:

- **Low Capital Base**

This issue is most critical for the industry given the level of investment required to meet the required growth in the industry. Whilst there has been significant investment in the wine industry in recent years, and particularly in viticulture, this has fallen short of the amount required to meet projected wine sales growth. An important issue is the long lead time required for return on investment in viticulture and the consequent effect on cash flow.

- **Currency fluctuations**

Australia's initial strong growth in the wine export market in the 1980's related to a significant depreciation of the Australian dollar. With deregulation of the Australian financial sector, and consequent freeing up of the exchange rate, there is now a significant threat to wine export sales from an appreciation of the Australian dollar. In the short term exporters have been able to reduce margins particularly in light of the continuing growth in demand. If continuing appreciation of the Australian dollar resulted in export decline, the domestic market could not offset the loss in sales.

- **Marketing**

The Australian industry has the challenge of consolidating the current resource based competitive advantage through its marketing. Controlling markets through branding and promotion, and then being able to reliably supply the market with quality product will be critical for the industry's continuing success. Long term alliances or joint ventures with foreign companies may offer the best opportunities.

- **Stable Policy Environment**

The Meyers "Report on the Australian Wine Industry" has identified one of the critical challenges for the industry in the near future is to attract 1.2 billion dollars of investment. Because the normal seasonal agricultural risk factors and long lead times for profitability make it difficult enough to attract investment, Governments need to develop and adhere to long term policies to attract potential investors.

- **Supply**

In the past three years, Australia has experienced some problems matching supply to export demand. However the industry's viability will be severely threatened if investment in viticulture does not keep pace or there is a major crop failure due to climatic factors, pests or disease, and a consequent depletion of wine stocks.

- **Grape Prices**

If export demand outstrips supply due to insufficient investment, a loss of export market share for wine would result. Higher domestic wine prices would lead to a reduction in domestic sales. These effects may be partially ameliorated by the increased use of winemaker/grapegrower contracts.

- **Other**

Other key factors affecting the future of the wine industry include changes to packaging, urban encroachment on viticultural areas and the very significant issue of the future quantity and quality of water available for viticulture.

4.3 INDUSTRY IMPLICATIONS AND FUTURE GROWTH

Australia's bid for a greater share of the world wine export market is being made in an environment of declining world consumption and a greater number of countries seeking to increase wine exports. Because Australia's base share of the market is so small, relatively small increases in a few markets can result in significant growth.

In relation to the competitor countries studied, Australia has the following key advantages:

- A larger proportion of its production is already in grapes suitable for varietal premium wines;
- A demonstrated ability to produce styles more suited to current tastes and a broadening consumer base;
- A relatively stable economic environment;
- World leading technology and R&D programs, and
- An efficient low cost of production industry (due in part to low levels of Government assistance) that has already undergone considerable restructuring.

Despite the advantages inferred by the above, international competitiveness could be further enhanced with continued action in the following areas:

- Additional investment of \$1.2 billion is required to satisfy the estimated demand requirements by the year 2000;
- Further investment in brands and image on a product and regional basis by individual companies, to complement the generic promotions of the Australian Wine Export Council (AWEC);

- Government and industry development of a planned long term policy environment;
- Research and develop methods to further reduce packaging costs;
- Develop management techniques to dampen the impact of currency fluctuations on Australia's wine export markets, and
- Develop a forward contract system (based on quantity and price) to assist in overcoming the severity of seasonal fluctuations in grape prices.

5 INDUSTRY STRATEGIC ANALYSIS

The SWOT analyses for the Grape Industry development plan are divided into two analyses. The first is for the table grape and dried vine fruit industries (see Appendix Table 1) and the second for the wine industry (see Appendix Table 2).

The key issues to arise from the SWOT analyses will be summarised in the following groupings;

5.1 SUMMARY SWOT ANALYSES

Table 3: Table grape and dried vine fruit industries

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Clean environment • Ready access to grape growing technology • Adequate processing capacity • Adoption of Quality Assessment • Organised dried fruit marketing system • Strong industry organisations 	<ul style="list-style-type: none"> • Access to Mildura based marketing resources
WEAKNESSES	
<ul style="list-style-type: none"> • Small farm operations • Production of less desirable Table varieties • Barriers to access of new Table varieties • Lack of water • Lack of local infrastructure - Table grapes • Poor access to Eastern States' markets • Limited access to investment funds 	<ul style="list-style-type: none"> • Increased efficiency of production • Increase in tourism
THREATS	
<ul style="list-style-type: none"> • Disease and pests • Water quantity and quality • Chemical residues • International competition on export and domestic markets • Impact on sustainable resources 	<ul style="list-style-type: none"> • Restructuring of industry • Industry development funding

Table 4: Winegrape industry

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Large scale highly mechanised enterprises • Low chemical use • Multipurpose plantings • High levels of technical expertise • Strong winery infrastructure • Responsive to market needs • Co-ordinated market development • Highly organised industry structure 	<ul style="list-style-type: none"> • Displacement of some less efficient horticultural enterprises • Increased efficiency of production in some areas • Expansion of tourism • Wine export market expansion • Funding for restructuring and industry development
WEAKNESSES	
<ul style="list-style-type: none"> • Some small industry enterprises • Some non-preferred varieties • Possible future grape shortage • Lack of water • Grape payment system in general lacks quality incentive • Potential inability to satisfy market demand • Limited government research and extension funding 	
THREATS	
<ul style="list-style-type: none"> • Disease and pests • Water quality and quantity • Chemical residues • Impact on sustainable resources • Public perception of alcohol and health • Increased international competition 	

5.2 TABLE GRAPE AND DRIED VINE FRUIT INDUSTRY ISSUES

The South Australian Tablegrape and dried grape industries are small industries (3.2% and 8.9% of Australian 1992 production respectively) which are being strongly affected by the interest in the winegrape industry induced by the current wine export boom. Whilst the industry can benefit from expertise available for the production of grapes, both industries suffer from a lack of growers dedicated to table and dried production.

As the majority of the table and dried grape plantings are in the Riverland region, future development of these industries must include establishing strategic alliances with the core of these industries which are established in the Sunraysia region based in Mildura 150 - 200 kilometres from Riverland plantings. By development of agency arrangements with other states and a networking through industry organisations, South Australian table and dried grape growers may have the opportunity to develop greater potential for the future.

Opportunities

PISA / SARDI have no unique role to play in support of the table and dried grape industries other than to facilitate in developing an improved networking approach with interstate organisations for industry development. The development of alliances, particularly with Victoria are critical for future development of the South Australian table and dried grape industries.

5.3 WINE INDUSTRY ISSUES - CRITICAL SUCCESS FACTORS FOR THE INDUSTRY

With South Australia as a key focus for the wine industry the issues raised in the SWOT analysis have identified 5 critical success factors concerning wine marketing, wine making, regional tourism, grape production and resource protection. These critical success factors must be addressed if the industry is to enhance its competitiveness and achieve its vision.

5.3.1 Wine Marketing

As has been demonstrated in the overview of this plan the Australian wine industry has developed a sophisticated and internationally competitive wine marketing infrastructure. Clearly individual companies have all developed their own strategies, with the major corporate wineries (including Southcorp, Orlando, Mildara Blass and BRL Hardy) providing a solid Australian image which has assisted smaller companies in their endeavours.

It is not just corporate marketing which has established Australia's reputation. There have been a number of industry organisations, including the Australian Wine and Brandy Corporation and the Australian Wine Export Council which have ensured that the marketing effort is backed up with assurances as to the quality and consistency of the wines marketed. Further there has been a concerted effort to ensure that Australia's wine interests are internationally recognised through participation in the deliberations of the OIV (L'Office International de la Vigne et du Vin) which acts as an international peak body for matters relating to the production and sale of wine.

The peak Australian winemaking body, the Winemakers Federation of Australia oversees the implementation of the policies established through the activities of the bodies mentioned above. The WFA unites the three electoral councils of the Australian Wine and Brandy Producers' Association, the Australian Wine makers forum and the Wine and Brandy Cooperative Producers' Association as well as having affiliate and associate members from other regional and State wine industry bodies.

Wine Marketing opportunities

In considering the grape industry development plan the area relating to wine marketing issues is clearly well covered by industry. It is reasonable to conclude then that PISA / SARDI have a minimal role in this area.

5.3.2 Winemaking

Two internationally recognised training institutions for winemakers, the University of Adelaide (ex Roseworthy College) and Charles Sturt University, combined with the Australian Wine Research Institute (AWRI) give Australian winemaking a considerable technical edge which is internationally recognised.

In addition to these institutions the corporate winemakers have their own not inconsiderable resources which, when combined with the number of private consultants currently active in the Australian industry, result in a comprehensive ability for dealing with winemaking issues. The AWRI is the focus for these activities, being an industry funded organisation which directly interfaces industry with the technology of winemaking from both teaching and research perspectives. Funding for the AWRI is administered by the Grape and Wine Research and Development Corporation (GWRDC) which collects levies (matched by Federal funding) at the rate of \$1.90 per tonne (fresh grape equivalent).

Winemaking conclusions

Given the unique position of Australia having an institution like the AWRI, and the fact that it is based in South Australia, gives PISA/SARDI a minimal role in winemaking issues.

5.3.3 Regional Tourism

In South Australia wine tourism has been well recognised as an important allied industry to the wine industry. Tourism issues in South Australia are handled through a number of organisations including Tourism SA and through activities of a number of the Regional Development Boards.

The development of allied activities including cellar door sales, restaurants, bed and breakfast and motel and hotel accommodation have ensured development of supporting bodies in development of an industry allied to the wine industry.

Regional tourism conclusions

Apart from participation in regional planning issues PISA /SARDI have a minimal role in Regional Tourism issues.

5.3.4 Grape Industry Development - Cost/Price Productivity and Quality Issues

Cost/price competitiveness relates to a range of factors including the cost of production, productivity, market prices and industry structure and coordination.

In relation to cost/price competitiveness Australia and its major competitors all have different advantages and problems. Low cost producers have the obvious advantage of cheaper production costs. However, they are sometimes less cost competitive in other areas, incurring greater costs in other components of the distribution/marketing chain. Ensuring that agribusinesses operate to world's best practice is a crucial ingredient in the overall competitiveness of our wine grape industry.

Key industry strategies to address issues of cost/price competitiveness include:

- review regulations/policies impacting on all industry sectors;
- foster continued industry organisation for research and development, and technology and information transfer;
- industry and individual enterprises at all stages of the production, transport and marketing chain undertaking and updating benchmarking studies to determine their deficiencies and introducing world best practices to address these;

- encouraging agribusinesses to avail themselves of available State and Commonwealth Government programs to enhance their efficiency and effectiveness as transporters, input suppliers and marketers;
- employing research, development and extension resources to improve cost/price competitiveness through productivity enhancement;
- continuing support for the specialised university/educational programs operating in South Australia such as the Waite Campus;
- support micro economic reform;
- recognising the importance of infrastructure and of investing in creating or upgrading that infrastructure.
- increasing the efficiency of production by protection and continuing performance improvement of existing plantings in particular areas;
- improving market intelligence information for growers and potential growers;
- encouraging viable restructuring of existing grape growing enterprises;
- encouragement to replace less economic horticultural (or other) enterprises with higher value grape enterprises.

The issue of quality in the wine grape industry refers to the need to continually maintain quality specifications and standards required by the wine makers who are responding to the demands in the market place.

Key strategies appropriate in this respect include:

- greater promotion to make producers (and other industry sectors) more aware of the importance and benefits of quality management and assist them to implement quality management systems;
- employing research, development and extension resources to improve grape quality, and
- promote SA's clean, green product and image.

There are a number of organisations which contribute to the oversight and coordination of activities relating to grape production research and extension issues. The GWRDC collects levies from grape growers (currently \$0.90 per tonne of fresh grapes matched by Federal funding) which provides a basis for coordinating industry based funding and its application to essential research and development projects assisting the wine industry. The inception of Federal government grants and the establishment of the Cooperative Research Centre for Viticulture, (headquartered at Waite campus) have provided a further assurance of Australia wide coordination of all research and development based activities in relation to grape production. Key organisations involved in this coordinated effort include the Universities, CSIRO Division of Horticulture and State government Departments of Agriculture. PISA/SARDI are currently recognised as organisations providing research, development and extension services, in addition to their policy and regulatory roles.

The Australian Council of Viticulture is a peak body which provides an interface between the research and development organisations and industry bodies and provides a focus for overall coordination of long term strategies for viticulture.

5.3.5 Resource Protection and Availability

Viticulture impacts on soil and water and other natural resources in South Australia. Key issues include water sourcing, sustainable land use, urban / suburban interfaces and exotic pest and disease threats to productive resources.

Industry strategies to address this factor include:

- Ensuring that disease and pest incidence in vineyards is kept to a minimum;
- Improvement in the management and use of viticultural soils and water;
- Identification of the most suitable viticultural soil types, and
- Implementing the most efficient use of available and procurable water resources for viticulture.

Industry strategies are aimed at ensuring sustainable grape production systems in accord with the environmental concerns of the general community through improving the management of soils, irrigation (including water allocation policies) and plant nutrition.

As with the grape production issues there are a wide range of organisations involved in the teaching and research issues (eg University of Adelaide, Cooperative Research Centre for Soil and Land management, CSIRO and State Departments). PISA/SARDI currently provide research, development and extension services, and are partners in programs being conducted by these organisations. Further PISA/SARDI directly administer legislation which provides resource protection and quarantine for South Australia.

5.4 THE SOUTH AUSTRALIAN WINE INDUSTRY IN 5 YEARS

Consideration of the future of the SA wine industry has been undertaken by a joint submission by the WFA and the WGGCA to the Commonwealth Winegrape and Wine Industry Commission. This recent submission provides an outline of industry targets to the year 2010 (Table 5).

Assuming that outside influences (eg global depression or an international Australian wine scandal) do not destroy the current confidence that the industry has in its future this outlook has a very real chance of success. It is predicated on the understanding that there is a sustaining of the rate of new plantings, resulting in a steady increase (vagaries of seasonal conditions excepted) in the amount of wine available for the developing export market.

Table 5: Australian wine industry 2010 - WFA/WGGCA predictions

	1993-4	2009-10	Growth	% change
Winegrape Area ('000 ha)	42.2	77.7	35.5	84
Production (kt)	777	1337	560	72
Value (\$m)	339	528	189	56
Wine production (ML)	587	1003	416	71
Wine value (\$m)	1320	3005	1685	128
Export volume (ML)	131	529	398	304
Export value (\$m)	359	1665	1306	364

Barring external crises the industry has good reason to expect a bright future as a result of considerable effort to advance the industry. In 5 years the vineyards planted in the current boom will be in full bearing providing an improved base of premium varietal grapes produced from efficient vineyards both newly established and redeveloped. There will need to be an increase in effort in maintaining and enhancing existing planting performance as there is likely to be at least 15 - 20% more vineyard area in South Australia by 2000 than existed in 1994.

6 OPPORTUNITIES ANALYSIS

During development of the Grape Industry Development Plan a workshop with industry resulted in the development of the potential opportunities for PISA/SARDI to facilitate industry development into the next century (see Table 6).

From this material an economic evaluation of the opportunities has been completed * (see Table 7). The data for development of the opportunities analysis were provided by the PISA / SARDI Grape Group.

Table 7: Opportunities for PISA/SARDI to facilitate industry development

Protection and continuing performance improvement of current plantings	Grape and Wine quality	<ul style="list-style-type: none"> • Disease and pest threats and losses • Soil and water management • Quality Assurance program
	Cost competitiveness	<ul style="list-style-type: none"> • Productivity • Sustainability of resource use
	Government policy environment	<ul style="list-style-type: none"> • Quarantine • Regional planning • Tourism
Expansion and growth of industry	Information and statistics trends	<ul style="list-style-type: none"> • Supply / demand trends • Technical resources
	Resource allocation and management	<ul style="list-style-type: none"> • Land capability • Water entitlement trading • Quality and availability of planting material
	Entry barriers to the industry	<ul style="list-style-type: none"> • Capital and financial • Education and training
	Promotion of South Australia	<ul style="list-style-type: none"> • Awareness of South Australian industry • Linkages with tourism
	Industry organisation and strategy	<ul style="list-style-type: none"> • Industry liaison • Quality assurance program

Table 8: Economic analysis of opportunities

Opportunity	Opportunity Factor	Process	Outcome	Productivity Gain (%) in five years	PI(SA)/SAR DI share of Gain	Probability of Program Success (%)	On-farm Costs or Costs Saved Assumptions	Post-Farm Valued Added (\$)	Total Benefits NPV (\$m)	Total Benefits Annualised Equivalent (\$m)
	1. Disease and Pests	Minimise disease and pest incidence in vineyards	Maximise yield potential, range 10 - 100%, maximise grape quality, minimise residue.	prevent the loss of grape yields and maintain quality net 10%	50.0%	90.0%	Integrated disease and pest management and computer models change spray programs so that a balance occurs between more time spent monitoring with reduced cost of spraying. The increase is expected to be linear to the first 5 years and then steady state.	Multiplier estimate is 5	102,710	10.105
Protection / Improvement Expansion and Growth	2. Soils / Irrigation / Nutrition	Improved management of soils, irrigation and nutrition	Maximise yield potential, improve quality, resource management, improve industry yields by 12.5% over 10 years, then steady state.	A 10.0% yield increase over the first 10years and then steady state. The increase is expected to be linear.	30.0%	50.0%	Capital and operating costs for changes in the management practises. It is estimated that \$1m will be spent on ICMS type of advice and \$1m on improving irrigation by the industry over the 10yrs.	Multiplier estimate is 5	48,714	4.76
	3. Vine Improvement	Use of improved certified propagation material.	Higher quality and yield, stocks 10 - 50%, scions 10% - 30% and whole industry 10 -50%.	10% (linear) yield gain over the next 10yrs.	15.0%	90.0%	Improvement program already established - negligible increase in cost. No other significant management requirements for 10% larger crops	Multiplier estimate is 5	43,906	4.3

SOUTH AUSTRALIAN GRAPE INDUSTRY DEVELOPMENT PLAN

OPPORTUNITIES ANALYSIS

Opportunity	Opportunity Factor	Process	Outcome	Opportunity % to increase Grape production value During Next 5 Years						
				Productivity Gain (%) in five years	PI(SA)/SAR DI share of Gain	Probability of Program Success (%)	On-farm Costs or Costs Saved Assumptions	Post-Farm Valued Added (\$)	Total Benefits NPV (\$m)	Total Benefits Annualised Equivalent (\$m)
Table grapes	4. Support for the Table grape industry	Advice for Table grape growers through networking with Victorian resources.	Improve yield, improve quality, range 10% - 30%	10% yield gain over the first 10yrs, then steady state.	30.0%	70.0%	Application of technology as detailed for wine grapes no net cost/savings. programs 1, 2 & 3. (The current market size is 2.5 kt @ \$1,000/t = \$0.25m)	Multiplier estimate is 2	1,906	0.187
Dried vine	5. Support for the dried vine industry	Advice for dried vine growers through networking with Victorian resources.	Improve yield, improve quality, range 10% - 30%	10% yield gain over the first 10yrs, then steady state.	30.0%	70.0%	Application of technology as detailed for wine grapes no net cost/savings. programs 1, 2 & 3. (The current market size is 20 kt @ \$400/t = \$8m)	Multiplier estimate is 3.5	14,970	1.466
Protection / Improvement Expansion and Growth	6. Grape Quality assessment program (QA)	Support development of industry QA requirements	Development of an industry QA scheme to maintain international markets	5% increase in the wine industry (linear) over the first 5yrs. Then maintain.	10.0%	90.0%	Implementation and maintenance costs of the QA scheme to be funded by grape returns. The on-farm costs are closely related to programs 1,2 & 3, therefore no added costs included here.	Multiplier estimate is 5	21,956	2.151

6.1 OPPORTUNITIES FOR PISA/SARDI TO CONTRIBUTE TO INDUSTRY DEVELOPMENT

The Grape and Wine Industry in South Australia is clearly internationally competitive and is of great importance to the South Australian economy. The infrastructure in South Australia is clearly established as a vertically integrated system capturing value adding from both primary production and allied industries.

This plan has identified key industry strategies aimed at the following two critical success factors identified for the winegrape industry:

- Industry development - Cost/Price competitiveness and Quality issues, and
- Resource protection and availability

The potential programs that PISA/SARDI might institute in relation to these factors have been analysed and are as listed below:

Industry development:

- Supply and demand trend analysis;
- Policy development and legislation review;
- South Australian industry promotion;
- Encouraging the uptake of improved certified propagation material;
- Encouraging the development of a wingrape industry Quality Assurance (QA) scheme, and
- Encouraging the restructuring of existing nonviable viticultural enterprises and redevelopment of less economic horticultural (or other) enterprises into winegrapes.

Resource protection and availability:

- Minimisation of pest and disease incidence in vineyards;
- Improved management of soils, irrigation and nutrition;
- Land capability analysis and mapping, and
- Water resource planning and allocation.

The actual projects that PISA/SARDI will conduct over the planning period, within these program areas, will be determined over the next phase of the PISA/SARDI planning process. Projects will be evaluated against criteria such as market failure and their benefit/cost ratios to assist in the prioritisation of projects for funding.

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TABLE B:	Winegrape Industry - SWOT analysis for South Australia	37
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Table A: Table grape and dried vine fruit industries SWOT analysis for South Australia

FACTORS	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
ON FARM FACTORS	Clean environment, low chemical usage. Proximity and access to established expertise in wine grape growing technology. Responsive to technology.	Small operating units. Non-preferred Table varieties. Barriers to obtaining Table varieties eg Sugarone Water availability/transferability.	Ability to tap in to Mildura based resources for marketing. Increased efficiency in established areas. Increased sustainability.	Diseases and pests. Water quantity and quality limitations. Chemical residues. Natural resources impact - sustainability.
OFF FARM FACTORS	Ample processing capacity. Adoption of QA systems.	Lack of local supporting infrastructure and allied industries supporting production.	Expansion in tourism.	
MARKET FACTORS	Well organised dried fruit marketing system for domestic and export consumption.	Current boom in demand for material for wine production. Access to Eastern State markets.	Potential for markets associated with wine tourism.	Increased international competition. Concerns over chemical residues in world markets. Marketing perceptions of pollution (blue-green algae).
INDUSTRY ORGANISATION FACTORS	Dried fruits have a well organised Board structure in the ADFA and associated grower organisations. Tristate agency arrangements.	Difficulty in accessing investment funds for established private growers. Limited funding of government research and extension. Little organisational structure apparent for Table grapes.	Restructuring. Development of support industries. Funding for industry development.	

Table B: Winegrape industry SWOT analysis for South Australia

FACTORS	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
ON FARM FACTORS	Large scale enterprises, highly mechanised. Efficient by world standards. Clean environment, low chemical usage. Multipurpose plantings. Technical expertise. Responsive to technology.	Small operating units in some districts. Non-preferred varieties. Shortfall of materials for expansion. Water availability / transferability. Payment system lacking incentive	Displacement of existing less profitable horticultural enterprises. Increased efficiency in established areas. Increased sustainability.	Diseases and pests. Water quantity and quality limitations. Chemical residues. Natural resources impact - sustainability.
OFF FARM FACTORS	Mature industry; winery infrastructure. SA public has a wine culture. Tourism. Supporting technical expertise.		Expansion in tourism.	Public perception of alcohol and health issues. Government taxation policies.
MARKET FACTORS	Responsive to market needs. Current boom in exports. Coordinated market development.	Current inability to supply market demand. Independent activities of marketeers.	Increased quality of products. Medical benefits of wine. Market expansion.	Increased international competition. Concerns over chemical residues in world markets.
INDUSTRY ORGANISATION FACTORS	Highly organised industry structure through AWBC, WFA, WGGCA, GWRDC (Levies in support of the AWRI and limited viticultural research).	Difficulty in accessing investment funds for established private growers. Limited funding of government research and extension.	Restructuring. Development of support industries. Funding for industry development.	

CONTRIBUTORS

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