

VINEHEALTH AUSTRALIA FUNDING REVIEW

CONSULTATION PAPER
2022/23



The Phylloxera and Grape
Industry Board of South Australia,
trading as Vinehealth Australia



VINEHEALTH
AUSTRALIA

The Phylloxera and Grape Industry Board of South Australia, trading as Vinehealth Australia (Vinehealth) was created in 1899 to protect South Australia's vineyard assets from pest and disease threats. Since then, the value of the State's grape and wine industry has grown to \$2.84 billion.

While the biosecurity threats facing the grape and wine industry have intensified and diversified, Vinehealth's funding has stagnated.

This is compromising Vinehealth's ability to deliver the regulatory functions and services that you expect and rely on, to protect you from biosecurity shocks.

To address this, a new approach to funding is proposed. This approach represents a strategic investment in the ongoing security of your vines and wines – and the South Australian grape and wine industry.

Your feedback on this proposal is important to safeguard your vines.

This document together with the detailed Business Case describes the new funding approach.

Your feedback will be considered in conjunction with that provided by the Wine Grape Council of South Australia, the South Australian Wine Industry Association and the South Australian Vine Improvement Association, and then recommendations for rules and rates will be presented to the Minister for Primary Industries and Regional Development for approval in early 2023.





“With Vinehealth Australia, we have an industry specific body dedicated to the almost impossible task of protecting us from ourselves. It’s well coordinated, educated and responsible for putting all the hard legislative work in place. Vinehealth Australia represents a practical, technical and invisible front line that our industry ultimately looks to each time adversity appears.”

Peter Bird,
Vineyard Owner

Image courtesy of
Coonawarra Vignerons.

VINEHEALTH AUSTRALIA

Vinehealth is an independent statutory authority, funded by levies paid by Vineyard Owners in South Australia.

The *Phylloxera Act 1899* established the organisation and tasked it with keeping the South Australian grape and wine industry safe from phylloxera.

Since this time, diligent work has kept phylloxera out of the State, despite phylloxera’s expanding presence in Victoria and around the world.

While phylloxera prevention remains at Vinehealth’s core, the organisation is now much broader. This is reflected in Vinehealth’s current governing Act, the *Phylloxera and Grape Industry Act 1995 (Act)*.

Vinehealth’s role is focused on the prevention and management of exotic and significant endemic pests, diseases and weeds and any condition that could impact the health of vines in South Australia.

WHAT IS BIOSECURITY

Biosecurity is a system to reduce the risk of entry, establishment and spread of pests, diseases and weeds that threaten the economy, communities and environment. It’s also a system for managing and recovering from an outbreak by minimising its impact through eradication or containment.



OUR PURPOSE

We work alongside you – growers, winemakers, propagation specialists, and government to protect every vine in South Australia from biosecurity risk.

Through our activities, we strive to foster a profitable, sustainable and reputable grape and wine industry in South Australia.

Vinehealth’s vision, as stated in our Strategic Agenda 2021 to 2026, is that biosecurity action is integrated in every grape and wine business.

Our guiding principles are to pursue new knowledge, deliver high impact activities, collaborate with industry, government and other key partners, maintain a razor-sharp focus on biosecurity and honour our independent status.

Our responsibilities

The Act defines Vinehealth’s regulatory activities, which are:

- Ten primary functions, including investment in identifying and assessing biosecurity risks, biosecurity training and awareness, developing policies and procedures to mitigate risks, endorsement of schemes to ensure high health propagation material, research and development priority setting for biosecurity, and preparedness, prevention and response activities.
- Maintaining a Register of Registered Persons (Vineyard Owners) who own 0.5 hectares or more of planted vines.
- Administering a system to collect and recover contributions owing to Vinehealth.
- Being inspectors under the *Plant Health Act 2009*.
- In consultation with the Chief Inspector, determining the appropriate control action to take in the event of an outbreak and providing ongoing advice to the Minister regarding the outbreak.

Vinehealth’s activities assist you in your efforts to prevent and manage pests and diseases that could have significant economic and social impacts across your supply chain and your regional community.

Detailed information about Vinehealth is contained in the Business Case: refer to chapter 2.

OUR UNIQUE ROLE

Vinehealth’s collective activities and operations are not replicated by any other wine industry association or body in South Australia (or Australia).

AN INDUSTRY WORTH SAFEGUARDING

The grape and wine industry continues to navigate challenges arising from the COVID-19 pandemic, geopolitical forces and trade tariffs, natural disasters and rising cost pressures.

It is within this operating environment that Vinehealth continues to work tirelessly to ensure that the South Australian grape and wine industry doesn't encounter

another significant burden; being a biosecurity shock of a significant pest or disease that devastates the health of vines.

With 72%¹ of Vineyard Owners concerned about the exposure of their business to a biosecurity risk, there is much work to do together.

The South Australian viticulture and wine industry is a powerhouse

 **76,153 HECTARES OF GRAPEVINES**

 **3,252 VINEYARD OWNERS**




>70%
of vineyards planted on own roots and susceptible to phylloxera



A network of vine improvement associations and specialist grapevine nurseries curating and propagating SA's vine genetic material

 **641,113 TONNES**
of winegrapes crushed

\$3.4 BILLION IN REGIONAL VISITOR EXPENDITURE



More than 340 cellar doors

 **\$1.65 billion in wine exports**

8,440 PEOPLE directly employed in grapegrowing and winemaking, and many more indirectly employed

 **More than 680 wineries**

99%
of hectares planted to winegrapes



8.72%
OF VINES ARE AGED +35 YEARS (INCLUDING 0.45% AGED 100+ YEARS)

\$827 MILLION
of grape value

\$2.84 BILLION
in wine value

¹ Respondents to Vinehealth's 2021 Vineyard Owner Survey

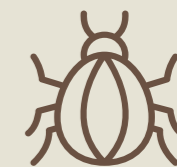
THE RISK OF AN OUTBREAK HAS NEVER BEEN GREATER

The number, complexity and scale of biosecurity challenges facing the South Australian grape and wine industry is intensifying, and the work required to manage these risks is increasing.

The pressure on our national and state borders, and on your property boundaries, has never been greater.

Industry factors such as increasing consolidation, international ownership, inbound tourism, and increasing specialisation with the use of contractors, combined with tight margins placing pressure on investment in farm-gate hygiene activities, are contributing to this heightened risk environment.

Cost of phylloxera



The financial impact of phylloxera in the Yarra Valley has been estimated at \$1 billion, based on replanting nearly the whole region to rootstock and accounting for losses due to production lag. South Australia's vineyard area is approximately 30 times that of the Yarra Valley.

Replanting infested vineyards with grafted vines tolerant to phylloxera costs approximately \$60,000 per hectare, and relies on the availability of sufficient high health grafted material.

Add to this loss of production while new plantings mature, loss of brand continuity and value, and the cost of ongoing quarantine controls

More than 70% of South Australia's vineyards are susceptible to phylloxera attack, as they are planted on their own roots.

Cost of Xylella (Pierce's Disease)



In 2017, the cost of a Pierce's Disease incursion on the Australian wine industry was predicted to be up to \$7.9 billion over a 50-year period.

In California, this disease causes more than \$100 million in yearly losses to the grape industry.

Cost of Grapevine Red Blotch Virus

Detected in Australia in 2022, this virus in the presence of a vector, has been calculated to cost up to \$US68,548 per hectare in Napa County over a 25-year production period.





OUR FUNDING JUNCTURE

Vinehealth has been working alongside you for more than 120 years, which is an outstanding demonstration of industry's investment in biosecurity.

We are extremely proud of the work delivered for you and for government over the past five years (refer to Business Case: Appendix 5).

Currently, Vinehealth funding comes from mandatory contributions paid by Vineyard Owners of \$9.50 per hectare, with a minimum of \$50, resulting in approximately \$740,000 of annual income.

There has been no change to this rate of \$9.50 per hectare since 1996.

Since this time, inflation alone has diminished the purchasing power of Vinehealth's funds by around 20%. This, combined with the level of work required to meet current biosecurity challenges, has caused ongoing budget deficits which are eroding equity and the sustainability of the organisation. If annual indexation of 2% had been applied to contributions payable since 1996, the contribution paid today by Vineyard Owners would be \$15.90 per hectare, with a minimum of \$72.84, providing almost \$1.3 million of annual income.

Vinehealth does not receive any ongoing or matched funding from the South Australian government.

Funding constraints are restricting Vinehealth's capacity to support you to the level required to respond to the increasing biosecurity pressures your vineyards face.

Vinehealth's preparedness, prevention, response and recovery activities will decrease further if funding is not addressed.

As a result, the likely outcomes for you and the grape and wine industry are:

1. A decrease in adoption of farm-gate biosecurity practices
2. An increase in non-compliance with the South Australian Plant Quarantine Standard
3. A loss of leadership and sector specific biosecurity expertise
4. A decrease in awareness of biosecurity issues across the supply chain
5. A loss of industry support for continued and future funding for biosecurity activities

The consequence of these outcomes is a significant biosecurity shock to you and other South Australian grape and wine businesses, leading to financial, social, environmental and community impacts.

FUNDING REVIEW

The Board of Vinehealth has completed a comprehensive review of funding for the organisation with input from an independent advisory firm.

The funding review centered on:

1. Identifying the activities required for Vinehealth to deliver its regulatory functions and services to meet the expectations of industry and government, and the cost associated with these activities
2. Who should pay for the regulatory functions and services delivered by Vinehealth?
3. What is the most equitable, effective and efficient system?

As part of this review, parties who benefit from the work of Vinehealth, and those who create the risk that gives rise to the need for Vinehealth's work were identified.

Vineyard Owners were confirmed as the primary beneficiaries of Vinehealth's activities and very high creators of biosecurity risk, thus driving the need for Vinehealth's activities.



PROPOSED FUNDING SOLUTION

The Vinehealth Board acknowledges that industry conditions are challenging.

But in light of the immense biosecurity pressures that confront us and Vinehealth's ongoing constrained resources to safeguard your business from a devastating pest outbreak, a conversation with you about Vinehealth's funding is needed.

Following a considered and extensive funding review, the most efficient and equitable funding solution for Vinehealth is to continue to leverage the existing provisions of Section 23 of the Act to collect contributions from Vineyard Owners (known as Registered Persons in the Act) to enable Vinehealth to carry out its regulatory activities.

Three new rules and rates are proposed for industry consultation.

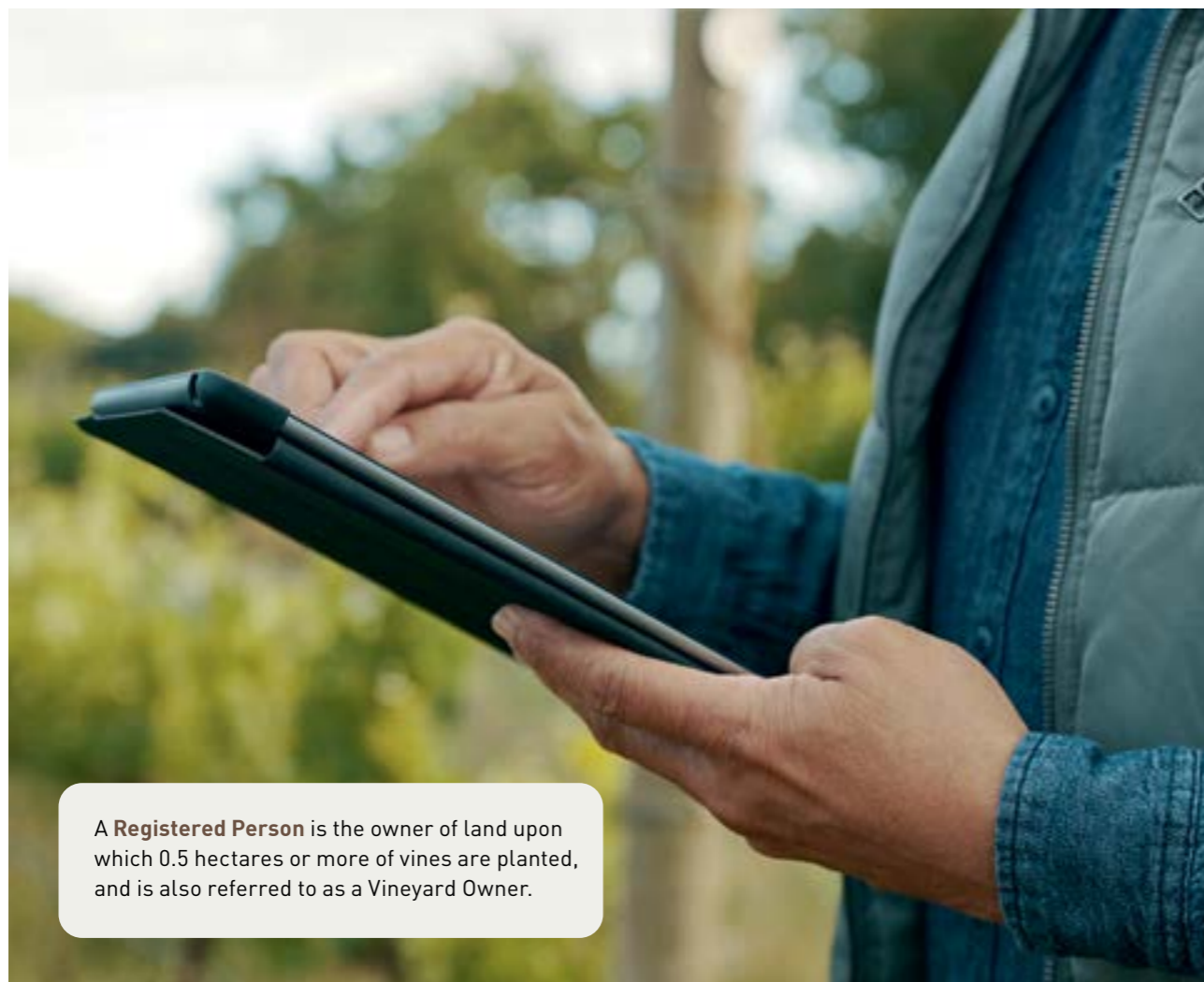
These proposed rules and rates are set against the context of no adjustment for over 25 years.

Proposed rules and rates for Vineyard Owners (Registered Persons)

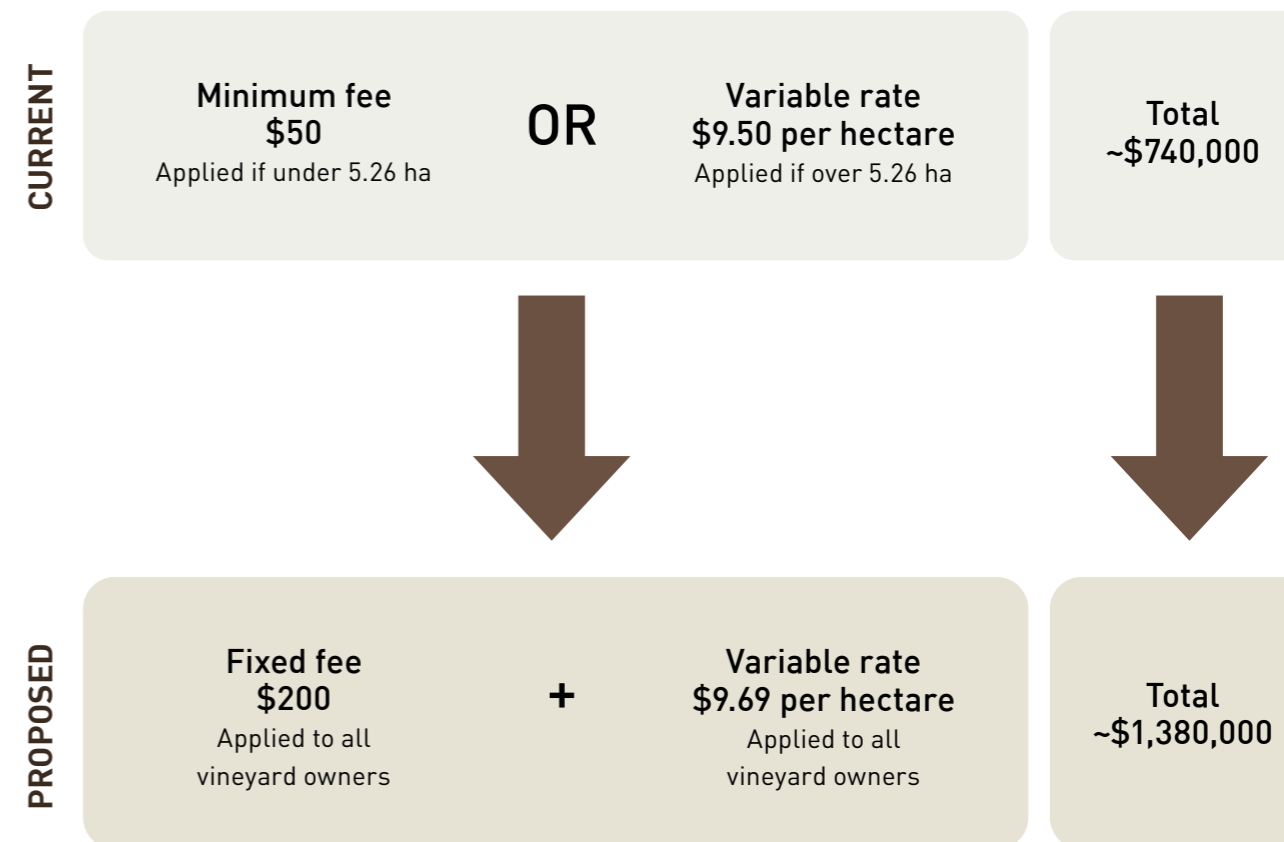
1. That the current variable rate of \$9.50 per hectare be adjusted by an indexation factor of 2%, to \$9.69 per hectare for the 2022/23 period, payable by all Registered Persons.

2. That the current minimum contribution of \$50 be replaced by a fixed fee of \$200 for the 2022/23 period, payable by all Registered Persons.

3. That the fixed fee and variable rate be adjusted by no greater than the annual indexation factor set by the South Australian government each year, to commence in 2023/24.



A **Registered Person** is the owner of land upon which 0.5 hectares or more of vines are planted, and is also referred to as a Vineyard Owner.



This proposal will deliver \$1,380,000 in funding for Vinehealth in 2022/23.

This represents a 0.049% industry investment in grape and wine biosecurity activities.

$$\begin{array}{rcl}
 \$1,380,000 & : & \$2.84 \text{ BILLION} \\
 \text{proposed Vinehealth} & & \text{SA wine industry value} \\
 \text{Australia funding} & & \\
 & = & \\
 \mathbf{0.049\% \text{ INVESTMENT}} & &
 \end{array}$$

Detailed information about the proposed rules and rates is contained in the Business Case: refer to chapter 8.

The variable rate

The variable rate of \$9.69 per hectare reflects the relationship between the area under vine and potential risk creation. This generates income to enable Vinehealth to deliver its regulatory activities, including 10 primary functions.

The fixed fee

The fixed fee of \$200 reflects your contribution (regardless of vineyard size) to the base level of biosecurity risk you create by owning a vineyard, thus generating the need for Vinehealth's services. In addition, this covers registration of your vineyards on Vinehealth Australia's Register, and management of contributions payable.

The underlying principle of this fixed fee is around shared responsibility, in that the decisions you make on your vineyard in relation to biosecurity not only impact your vines, but have a ripple effect on your neighbours, your region and your state. For example, checking machinery/equipment for cleanliness, knowing and recording who comes on your property, and adhering to the SA Plant Quarantine Standard.

VALUE DELIVERED TO YOU

The proposed funding solution will enable Vinehealth to work to safeguard your vines and the South Australian grape and wine supply chain from a significant biosecurity shock.

Specifically, the value delivered to Vineyard Owners is:

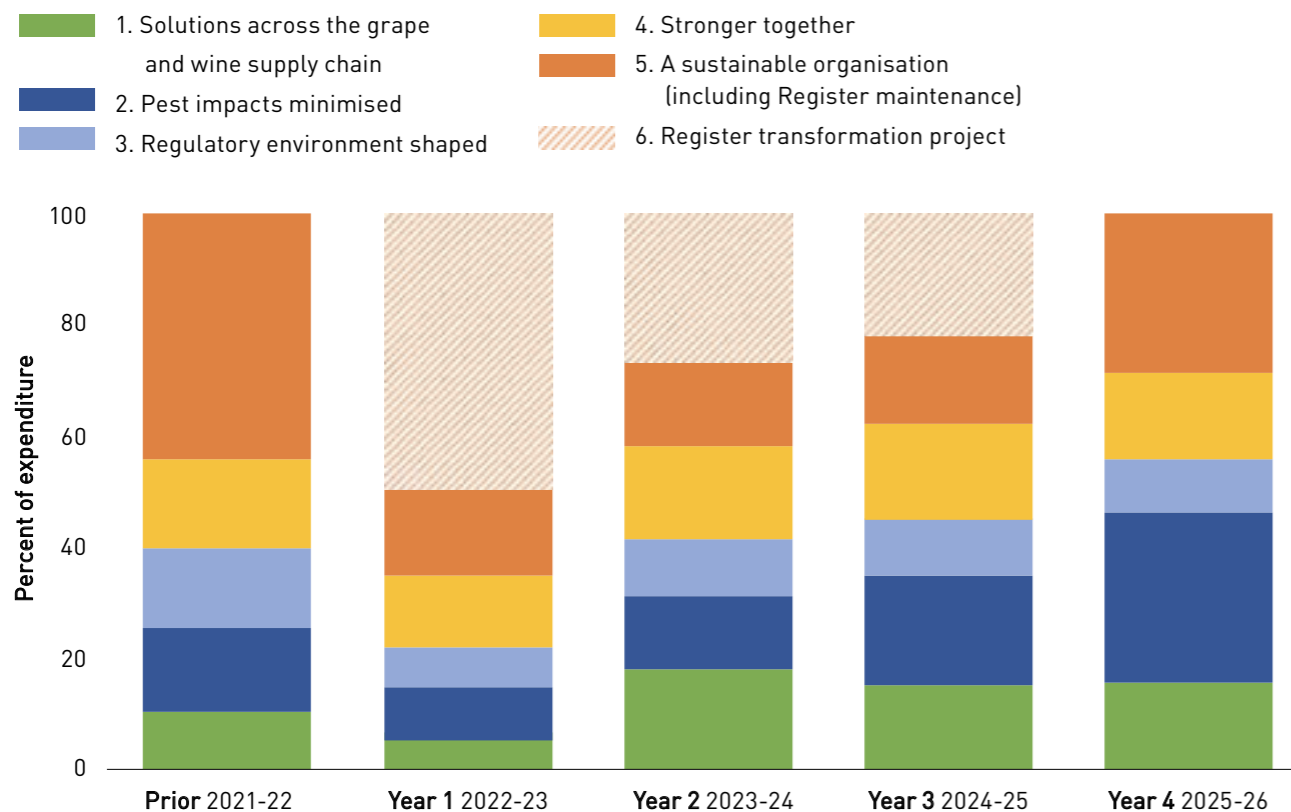
1. Access to tailored biosecurity tools and resources.
2. Timely updates of important biosecurity matters through a range of communication and engagement channels, including our monthly e-news and regional and business visits.
3. Rapid notification through Biosecurity Alerts of pest outbreaks relevant to the grape and wine industry, and importantly, the action required.
4. Registration of your vineyards on Vinehealth Australia's Register.

5. Access to Vinehealth's help desk to:
 - a. Investigate and resolve significant pest concerns
 - b. Assist with compliance with the SA Plant Quarantine Standard
 - c. Report a biosecurity incident or concern for investigation
6. Protection via Vinehealth's legislative power, capacity and biosecurity expertise to rapidly respond to biosecurity threats and pest outbreaks, with PIRSA.

Our legislative powers provide us with a unique view into government and access to information on incidents and outbreaks that cannot always be provided to industry given confidentiality requirements. This enables us to proactively shape biosecurity activities, policy and legislation of government for the benefit of the South Australia grape and wine industry.

How funding is split

The graph below shows the split of expenditure across Vinehealth's five priority areas (Strategic Agenda 2021 to 2026), plus our strategic project to transform the Register into a practical biosecurity solution. It is important to note, however, that the split of funds on priority areas 2 and 3 each year will flex depending on the number of biosecurity incidents/outbreaks and regulatory matters that Vinehealth must address together with PIRSA. The level of flex is largely unpredictable, with Vinehealth having to maintain a base capacity and capability to respond.



Detailed information about expenditure is contained in the Business Case: refer to chapter 7.

In the first year, additional funding received through these new rules and rates will be injected into:

Delivering the transformation of the Vinehealth Australia Register

We have listened to your feedback and developed plans to transform the Register to enable Vineyard Owners and Vinehealth to better use information held in this unique asset.

This transformation will enable Vineyard Owners to:

- View your vineyards in high-resolution geospatial format.
- Control and value-add your vineyard data layer, such as feeding into AgTech solutions and vineyard accreditation programs (e.g., Sustainable Winegrowing Australia in the future), or permissioning to other organisations.
- Access movement requirements relevant to your vineyard's location in light of current pest outbreaks (e.g., fruit fly), enabling you to make real-time decisions around harvest logistics and general vineyard operations.
- Store and display surveillance and diagnostic records for significant pests on your vineyard (e.g., viruses, Eutypa).
- Report real-time harvest status of your blocks into a landscape view, as an input into the Department of Environment and Water's decision-making process on whether to undertake prescribed burns, and thus minimise the risk of smoke taint to your grapes.

The Vinehealth Australia Register will also support:

- Vastly improved asset management of germplasm and source blocks by the grapevine propagation sector in South Australia, thus advancing the production of high health planting material.
- Rapid and effective response to pest outbreaks by enabling trace back and trace forward analysis, timely notification to Vineyard Owners of actions required, and surveillance activities.
- Preparedness and prevention activities undertaken by Vinehealth.
- Work by government agencies, such as:
 - o PIRSA: River Murray flood modelling, red and white grape mapping to assist with assessing response to oversupply, fruit fly outbreak management, bushfire and storm response activities
 - o DEW: water allocation planning and prescribed burns
 - o SAPOL and Federal agencies: criminal investigations

From the second year, additional funding will be injected into:

Delivering practical farm-gate biosecurity solutions and resources for Vineyard Owners, including a toolkit and training

Conducting state-wide surveillance for phylloxera and other key priority pests

Transforming South Australia's Phylloxera Outbreak Plan

Building industry preparedness for pest outbreaks, including challenging our readiness through simulations

Reforming the National Phylloxera Management Protocol

Delivering influential biosecurity communications

Delivering on-demand grape and wine biosecurity services and advice on biosecurity policy and regulation to the South Australian government

Advancing the supply of high health planting material including rootstocks

Managing the transformed Vinehealth Australia Register

Detailed information about activities required is contained in the Business case: refer to chapter 7 and 8.

CONSULTATION AND FEEDBACK

Your feedback on the proposed funding solution to safeguard your vines is important.

Vinehealth will send a letter to all Vineyard Owners in South Australia with this Consultation Paper, a feedback form and Q&A. The feedback form can be returned via email or mail to an independent third party who will collate and deidentify feedback before providing to Vinehealth.

Feedback is open until 5pm on 31 January 2023.

Regional Q&A sessions will be held in the following regions at dates and times to be confirmed:

- Riverland
- Barossa/Clare
- Adelaide Hills/Langhorne Creek
- McLaren Vale
- Limestone Coast

The dates and times for regional Q&A sessions will be advised on the Vinehealth website.

We will also meet with state and regional grape and wine associations to discuss the proposed funding solution in November and December 2022.

If you would like to discuss this funding proposal, please contact Vinehealth's CEO Inca Lee on 0418 818 543 or inca@vinehealth.com.au

Your feedback will be considered in conjunction with that provided by the Wine Grape Council of SA, the South Australian Wine Industry Association and the South Australian Vine Improvement Association, and recommendations for rules and rates will be presented to the Minister for Primary Industries and Regional Development for approval in early 2023.

If approved, the rules and rates will apply in arrears for the 2022/23 period, for which Notice of Assessments will be raised and sent to Vineyard Owners in May 2023.

A comprehensive suite of material to support industry consultation is available on the Vinehealth website: www.vinehealth.com.au/fundingreview. A detailed Business Case document that underpins this Consultation Paper is available on request from Vinehealth's CEO, Inca Lee at inca@vinehealth.com.au.

STRONG INDUSTRY SUPPORT FOR VINEHEALTH

Vinehealth greatly values the partnership it has with industry and Vineyard Owners across South Australia.

Our 2021 Vineyard Owner survey highlighted strong support by you for the services and functions that we deliver.



94% agree that Vinehealth's activities are vital in protecting South Australia's vineyards and the wine industry against significant pests and diseases

90%

AGREE THAT VINEHEALTH IS A TRUSTED SOURCE OF BIOSECURITY INFORMATION

95%

support for the activities and functions of Vinehealth

Detailed survey feedback is contained in the Business Case: refer to chapter 2.

"Following the discovery of unusual leaf symptoms in a young vineyard, we called Vinehealth. The quick response and fantastic service was invaluable and helped us solve the problem."

Sue Trott, Vineyard Owner



Phylloxera and Grape Industry Board of South Australia
(trading as Vinehealth Australia)

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