

## performance of wine grape farms in the Riverland region of South Australia, 2005-06

- » The Australian wine industry is facing the challenge of maintaining profitability in a global market environment of relatively flat demand, increasing supply and declining prices. Understanding the physical, financial and environmental characteristics of wine grape growing farms as well as the management practices of farmers is important for strategic planning.
- » ABARE's report profiles wine grape growers in the Riverland region of South Australia in 2005-06. The Riverland is a well established, warm climate grape producing region and is the largest wine producing region in Australia.
- » Around half of South Australia's wine grapes crushed in 2005 were from the Riverland, equating to a quarter of Australia's total crushed wine grapes.
- » Results from a face to face survey conducted by ABARE with 60 wine grape growers in the region indicate that the scale of operation was the principal factor influencing farm cash income, and hence rates of return, in 2005-06. Large farms have higher rates of return than medium and small size farms.
- » Around 27 per cent of wine grape producers in the region indicated that irrigation infrastructure was an impediment to farm expansion. More than 30 per cent of producers planned to invest in irrigation infrastructure over that period.

### financial performance of growers

- » Total cash receipts for wine grape growing farms in the Riverland region averaged \$174 700 in 2005-06. On average, wine grape receipts accounted for around 56 per cent of all farm receipts.

### financial performance, by farm size

- » More than 75 per cent of all wine grape farms in the region in 2005-06 were small to medium size farms. Large farms, however, accounted for around two-thirds of total wine grapes produced in the region in that year.

#### farm sizes – area of grape vines

**small** – less than 10 hectares

**medium** – 10–20 hectares

**large** – more than 20 hectares

- » Although large farms had relatively lower costs, receipts and farm cash income per hectare than medium and small farms, they had much higher rates of return (excluding capital appreciation).
- » On average, large farms had total cash receipts of \$451 400, middle size farms \$158 700 and small farms \$49 800.
- » Large, medium and small farms generated farm cash incomes (receipts minus costs) of around \$220 000, \$46 100 and \$9600 respectively in 2005-06.
- » Wine grape growers in the large farm category generated a sufficiently large cash surplus to record a farm business profit (farm cash income plus changes in trading stocks minus depreciation and imputed labour costs), on average, of \$138 800. In contrast, medium and small farms recorded farm business losses of \$4200 and \$14 300 respectively.

## irrigation management

- » Reflecting the relatively dry climate in the Riverland region, wine grape growers rely heavily on irrigation. More than 90 per cent of producers irrigated their farms in 2005-06.
- » Around 27 per cent of wine grape producers in the Riverland region indicated that irrigation infrastructure was an impediment to farm expansion and more than 30 per cent of producers planned to invest in irrigation infrastructure in the next five years.

## land management

- » Around 12 per cent of wine grape producers in the Riverland region indicated that salinity was a significant environmental problem on their property in 2005-06. As part of normal farm management, almost 70 per cent of producers in the region undertook soil and plant tissue tests to determine fertiliser requirements, while a quarter of producers regularly monitored the quality of their irrigation water.
- » While chemicals are important for maintaining the optimal condition of vines and fruit, more than 80 per cent of growers indicated that they were attempting to reduce chemical use.

## farmer intentions

- » More than 50 per cent of wine grape producers in the Riverland region indicated that they did not expect to alter their level of involvement in their farming enterprise within the next five years. Only 6 per cent of wine grape producers planned to increase their level of involvement.
- » More than 30 per cent of wine grape producers in the region planned to invest in irrigation infrastructure within the next five years. Around 25 per cent of producers planned to change their enterprise mix and 27 per cent of producers planned to purchase land in the Riverland region within the next five years.

**grape producers' plans for capital investment in the next 5 years, 2005-06**

