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HD **AUSTRALIA's 2500 wine companies have come up with a**

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AUSTRALIA's 2500 **wine** companies have come up with a plan to stop a big profits slide.

Winemakers' Federation of Australia (WFA) president Tony D'Aloisio has outlined measures to improve the profitability of the industry, which has been hit hard by a strong dollar that hurts exporters, tough negotiations with big retailers and an oversupply of grapes that has finally started to diminish.

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The WFA said the total value of the industry in 2007 was $5 **billion** and it shrank by 13 per cent to $4.4b by 2012, and profit margins dropped an estimated 38pc.

About 70pc of Australia's **wine** grape production is uneconomical, according to the WFA.

It is concerned about the uphill battle that small and medium **wine** companies have in negotiations with Coles and Woolworths to get their products on the shelves.

It wants a code of conduct covering the treatment of **wine** companies in their supply negotiations similar to the one signed by big supermarket chains with grocery manufacturers.

Coles and Woolworths said they would resist a code governing their relationship with winemakers.

Vineyard areas expanded in Australia from 96,000 hectares in 1999 to a peak of 157,000ha in 2008 because of tax incentives on managed investment schemes and over-zealous planting by companies chasing overseas sales supported at the time by a lower dollar.

The WFA proposes a more concerted drive to increase demand for Australian **wine** around the world, get more equal access to big markets such as **China** through tariff cuts, and strip away $25 **million** in tax rebates that 205 New Zealand **wine** companies selling into Australia have been able to share in, under a **Wine** Equalisation Tax rebate scheme.

It wants clear labelling of private-label wines **sold** by Woolworths and Coles so that buyers know they are supermarket house brands.

Mr D'Aloisio, a former chairman of the Australian Securities and Investments Commission, said the code signed by grocery manufacturers with Woolworths and Coles last month was a good approach to follow and **wine** companies will push hard for a similar code to be implemented by mid-2014.

He said there were three main ways to increase profits: "It's growing the demand, keeping watch on the grape supply and providing for a much greater level playing field from the retailers."

Mr D'Aloisio said having a vine-pull scheme was "too heavy-handed" and market forces had put grape supply back into balance.

A Coles spokesman said the **company**, which is owned by Wesfarmers, would rather **wine** companies became part of the code of conduct with grocery manufacturers.

"Our preference is for one code of conduct," he said.

Woolworths said while it wouldn't rule it out entirely, it didn't see the need for a new code.

- SIMON EVANS

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