

"Taking Care of Business"

Planning to manage a business in a hostile environment.

The 'Mothballing' Experience



Introduction

- Bruce Hampel
- Married to Fiona – five children
- Bought the property in 1987
- 20 ha vineyard
- 7 varieties
- 65% drip irrigation, 35% under vine sprinklers
- Soil – majority of the property is clay loam, some small areas of the vineyard are planted on sandy clay loams.
- 35% Rootstock
- Annual purchase agreements for the last 4 years



- Introduction
- Decision Making (financial position)
- Production Methods
- Outcomes/ Results
- Key ingredients for decision making
- Personal – no escaping emotions



Decision Making

These are my decisions and are specific to my circumstances – they may not necessarily be the right decisions for everyone.


- Up to and including the 2005 vintage we believed we were running a viable business and had *plans to expand!*
- Late 2005 – Industry telling us that 2006 vintage would be very difficult (possibility that a fruit sale could not be achieved).
- February 2006 – Sourced a part-time job (3days/week). Fiona started 3 TAFE courses (aged and disabled care). Trying to re-skill in case things got worse.
- April 2006 – Financially, vintage was a disaster (\$135/tonne).



Decision Making


- May 2006 – Prepared 2 year budgets
 - to grow fruit
 - Mothball

Decision made to continue growing fruit – looked as if we would lose some \$90,000 in two years even with my off farm income (3day/week job).




Decision Making

- Mid December 2006 – Wineries show interest in fruit purchase. Came to an agreement to sell all fruit.
 - Looked at costs verse potential crop.
 - Decided to limit inputs as crop load was very low.
- Harvest completed March 16th
- April/May – reassess decision.
 - with an average price of \$332/t received, we would have needed to grow 15t/ha just to cover costs – no living or depreciation expenses.
 - would have struggled to maintain a part time job if we had tried to achieve this!



Decision Making

- June to September 2006 – Maintained contact with wineries...no interest for 2007 vintage
- October 2006 – Industry telling us that 2007 vintage could be even tougher than 2006.
 - Introduction of 60% water restriction
 - Frost damage (4ha)
 - No September payment from previous vintage
 - **Decided not to grow fruit**
 - Continued to maintain contact with wineries




Decision Making

Production

Vintage	Tonnes produced	Tonnes/ha	Water use (ML/ha)
2004	407	21.42	7.96
2005	484	24.21	7.80
2006	510	25.5	7.79
2007	114	5.7	3.2

❖ Full water allocation = 8.25 ML/ha 3.2 ML/ha = 38.8% of allocation




Decision Making

Cost of production


Vintage	Costs/t (no living or depreciation)	Costs/t (including living and depreciation)	Price received/t
2004	\$294	\$442	\$667
2005	\$255	\$395	\$450
2006	\$191	\$357	\$135
2007	\$574		\$332

❖ Wage \$45,000 including super & work cover
❖ All figures are averaged across the property




Results/Outcomes

- **Water consumption down 60%**
- Production down 75% (district is reported to be 30-40% down)
- Good replacement canes on most varieties
- Vine health appears to be generally good – minimal run down of asset (vines)
- Financially in better position than twelve months ago!!!



2006/07 Production Methods

- Box pruned vineyard as per normal (July/August)
- Hand clean up and feathering completed at the same time (December/January).
- Slashed once in September.
- First irrigation on the 18th of November.
- Sprayed twice in two weeks starting the 19th of December.
- First herbicide spray in twelve months sprayed in early January.
- Harvest commenced on the 8th of February and finished on the 16th of March.
- Second herbicide applied March/April.




Shiraz vines – post harvest



Key ingredients for decision making

Stay informed!!!

Maintain contact with;

- Banks
- Wineries
- Other business partners (Wife)
- Other financial organisations.

❖ *Plan – be sure to document the decision making process*



Merlot vines – post harvest



Personal – no escaping emotions

Things not to say to fellow growers:

- At least you've sold your grapes
- Your block doesn't look as good as it used to!
- But, you had plenty of good years
- That's agriculture
- The water problem won't worry you if you're not trying to grow grapes this year
- So, you're not making as much (\$) as you use to
- At least you have a job
- Now you know what it's like to work for a living
- It will only be the poor operators that will leave the industry
- Maybe you should do a course on how to grow good fruit



So what have I learnt?

• Now confident, with good winter rains, vines can survive with out irrigation until December. The sandier ground, however, may prove a little more difficult to manage but the experience of 06/07 will be invaluable.

- The dry 2006/07 season helped to reduce disease and weed pressures – less than 500L of diesel was used on 20ha.
- Read the season and adapt accordingly – a wet spring could have set more crop than the vines could have carried under a reduced input regime...different management would have been required.
- Escaping the emotions is *bloody hard!*



Optimism



Pessimism



Realism

- Plan – know your running costs
- Communicate
- Informed Decision Making

