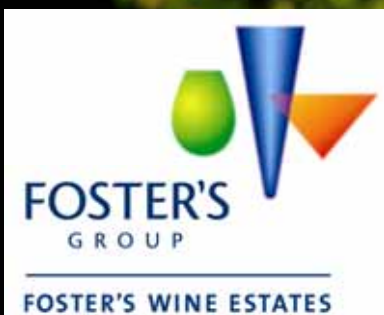


AUSTRALIAN GROWER RELATIONS HANDBOOK



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Reference Document

‘Winegrapes Assessment in the Vineyard and at the Winery’. Wendy Allen (2004). Winetitles. Prepared for and endorsed by Winegrape Growers’ Council of Australia (WGCA) and the Winemakers’ Federation of Australia (WFA) Liaison Committee.

A copy of this document can be viewed at:

<http://www.wfa.org.au/PDF/WinegrapeAssessment.pdf> but if you would prefer a printed version of this document, please contact your grower liaison manager.

Grower Relations' Handbook, February 2006

Introduction: The Australian wine industry

Australia's wine industry is worth more than \$6 billion annually, with more than 60 per cent of wine produced around the country exported, principally to the UK and USA.

However, the global marketplace has become more competitive. With the rise of the Australian dollar, the improved wine quality and marketing sophistication of competitor source countries and the persistence of global oversupply, Australian wine producers must become more strategic to ensure ongoing success.

This handbook is designed to engender a mutually sustainable future for both Foster's Wine Estates (FWE) and our grape growers.

FWE recognises that most of the work to produce good wine is done in the vineyard. As FWE sources around 70% of its wine from Australian grapes and accounts for almost one-third of Australia's wine exports, we have a considerable stake in ensuring our grape supply is high quality, consistent, and right for the wines our customers want us to produce.

FWE and grape growers have a common interest in ensuring that each other's businesses continue to thrive.

This handbook aims to provide a clear commitment from FWE towards our grape growers, and in turn details our expectations of you.

1. About us

Foster's Wine Estates, the global wine division of the Foster's Group, is the world's leading premium wine company.

Our unrivalled international wine portfolio comprises more than 50 individual brands of sparkling, table, and fortified wines, the best known and highest selling being Lindemans, Wolf Blass, Rosemount Estate, Penfolds and Beringer.

FWE was formed in 2005 when Foster's acquired Southcorp Wines and combined it with existing subsidiary Beringer Blass Wine Estates (BBWE). FWE has Australian and Californian roots dating back to the 19th Century.

1.1 Our business model

Foster's Wine Estates has established its business model on strong revenue growth through brand building and innovation, which is backed by equal priority on product quality, distribution reach, and supply efficiency and flexibility.

We call our approach "consumer led, customer driven". We are passionate about understanding and responding to what consumers are looking for across the broad range of life's occasions, then working with our distributor and retail partners to meet, grow, and broaden that demand.

Traditionally, wine companies have been supply-driven. Our business model is based on being demand-driven – our approach is to deliver what consumers want, not what the winery produces.

Ultimately, everything we do and own is directed at serving our brands and developing brand equity.

Because product quality is fundamental to brand image, we ask our viticultural, winemaking, and packaging teams to deliver the best quality product at each price point in which we choose to compete.

Our supply chain supports the quality of our brands, by using best practice and improved capabilities at best cost, and with the most efficient use of our assets.

2. Our supply chain approach

Foster's Wine Estates aims to lead the sector on the quality, cost efficiency, and delivery reliability of our wines.

Our scale enables us to take a lead role in innovation, from packaging through to sophisticated demand planning systems. Our global structure allows us to make better decisions about improving capital efficiency because we see the satellite view. It also allows us to implement consistent best practice in terms of reporting, metrics, transparency, and control.

Flexibility is perhaps the most important advantage of all, because it's fundamental to managing supply risk in wine.

As lead times are long, we need to constantly update our information and be ready to operate all levers under our control.

With a flexible supply base that is directly aligned to global demand, we are able to respond more rapidly to changing supply and demand circumstances. This is vital to our “consumer led, customer driven” approach.

2.1 Our grape supply philosophy

Only people can bring a business model to life, therefore we place great emphasis on building and nurturing effective external partnerships, as well as our own internal capabilities.

Nowhere is this more important than in our relationships with grape growers.

We recognise the importance of maintaining strong, sustainable relationships with growers to ensure:

- the quality of our wines,
- that we respond effectively to changing consumer tastes and challenges in the domestic and international market place,
- and that we deliver against our public commitments to sustainability, safety, the environment, and the community.

We have a mutual interest in getting the right balance between supply and demand, and growing the overall market for Australian wine.

Grower relationships will always provide the cornerstone of our fruit sourcing requirements.

However, the basic points are:

- We do not intend to invest significantly in any further vineyard assets – our growth will come almost entirely from growers.
- We have developed an outsourcing model for part of our requirements. Essentially, this means we will use other people’s assets to produce wine for us. This model will not change the overall volumes of fruit we ultimately source, but it may mean that we no longer deal directly with some growers.

Because we are focusing on long-term relationships with our outsource providers, they are able to develop substantial relationships with the growers who supply them.

Our goal is to work together, with respect and rigour, to ensure mutual benefit and to meet common responsibilities.

2.2 Our new approach as a combined business

Our legacy businesses, BBWE and Southcorp, had similar philosophies and systems for grape supply in Australia. FWE has adopted those philosophies and systems for its current approach to wine grape supply.

- We are moving to grape supply agreements based on seasonally adjusted market based pricing with a strong focus on payment for quality.
- We use consistent FWE grape-grading systems.
- We apply leading-edge systems and processes to health, safety, and environment.
- We focus on two-way communication and grower support (e.g. via grower liaison officers).
- We are committed to maintaining our track record of longstanding relationships with growers.
- We will continue to use a combination of own-grown grapes, and contract and annual purchases of grapes and finished wine.

3. Our commitment to open communication

Foster's Wine Estates is working towards further improving our dealings with the grower community. This Grower Relations handbook is one step in the process. Other steps are:

1. Starting in 2006, working with a small group of our growers, we will begin phasing in a new grower contract, with the aim of:

- providing greater clarity and certainty on grape value at intake along with flexibility for both sides of the partnership, and
- broadening dispute resolution mechanisms regarding price and quality.

2. We will continually endeavour to improve communication and consultation, including via:

- a communication program of pre- and post-vintage meetings,
- timely written notices of contract renewals, and non-renewals, pricing, and tonnage acceptances;
- vintage vineyard reports; and
- continuous improvement of our “GrapeWeb” web site.

The core of our communication approach is to manage expectations and communicate effectively. We recognise that good communication between grape growers and wineries includes:

- a cooperative attitude and mutual respect.
- receptive listening and clear messages.
- effective and timely notification.
- solid competencies and training to cover any skills gaps.

In order to build mutually rewarding relationships, we anticipate that our grape growers will have definable expectations and follow a set of communication protocols as well.

4. Foster’s Wine Estates’ commitment to growers

In return for meeting Foster’s Wine Estates’ expectations of growers, we commit to the following.

- FWE will endeavour to adopt best practice in contractual arrangements with growers. **See Appendix 2 - Best practice elements for supply agreements.**
- FWE will reward growers appropriately for a reliable supply of consistent quality grapes that meet the designated wine style expected within a region.
- FWE will work with growers to make the quality linkage between grapes and end products clear and understandable.
- FWE grower relations and viticultural staff will provide timely support.
- FWE will give clear written and measurable wine grape specifications and tolerances prior to harvest, especially when downgrading occurs and/or pricing is potentially impacted.

- FWE will not change wine grape specifications and tolerances without reasonable notice, i.e. in enough time before harvest that the grower can take appropriate action.
- FWE confirms that its assessing staff will be trained and competent in vineyard and/or load assessment. If a problem arises, the grower will be contacted as soon as possible to discuss any problems or issues.
- Where vineyard assessment results in a disease or other quality issue being detected, FWE will conduct a formal assessment of the block as early as possible, and growers will be given the result of the assessment.
- Notification for possible downgrading, penalties or rejection will be as early as possible to allow the grower time to seek alternative arrangements and/or to prevent further loss.
- FWE will provide growers with constructive feedback on vineyard assessments and the resultant wine quality of their grapes.
- For specific details on timing expectations, see **Appendix 1 – Growers’ calendar for grape supply**.

5. Foster’s Wine Estates’ expectations of growers

As part of the mutual commitments between Foster’s Wine Estates and grape growers, FWE expects the following from growers:

- Growers will understand the quality range of FWE’s products, and the relationship of grape quality to those products.
- Growers will produce grapes of appropriate maturity, purity, and condition according to their supply agreement.
- Growers will manage crop loads to meet our grape supply agreement targets.
- Growers will take reasonable steps to produce timely and accurate crop estimates.
- The grapes will be harvested at a targeted baume set by FWE. Where the target baume cannot be met, the minimum baume must be met.

- The delay between starting harvest and delivering to the winery should be minimised unless other instructions have been given by the winery.
- Grapes harvested by machine will be harvested in the cooler part of the night to minimise spoilage and maximise quality, especially with white grapes.
- Growers will manage their vineyard with due care to the environment and according to quality assurance programs, where required.
- Growers will comply with mandatory reporting requirements, such as reporting agrochemical use in the form of a spray diary, and submitting crop estimates when required.
- Growers will inform FWE representatives of any information or changes that could affect the expected grape quality or yield.
- Growers will comply with FWE's grape sampling requirements.

6. Foster's Wine Estates' environmental expectations

Foster's Wine Estates has publicly committed to care for the environment (see www.fostersgroup.com). As part of this, we expect our growers to also take all reasonable and practicable measures to minimise their impact on the environment by:

- Conserving the quantity and quality of water.
- Conserving the sustainable productive capacity of soils.
- Protecting, enhancing, and where possible, restoring biodiversity assets.
- Protecting air quality by minimising the release of contaminants.
- Adopting all reasonable measures to minimise noise.
- Minimising waste from the vineyard.
- Managing energy usage to reduce greenhouse gas emissions.
- Complying with national, state, and regional environmental legislation.
- Complying with regional viticultural codes of practice and best viticultural practices.

Various authorities and departments at the regional, state, and national level administer environmental legislation. These include the Environmental Protection Authority, Departments of Agriculture or Primary Industries, and Departments of Natural Resources. Growers seeking help on environmental legislation should request assistance from the appropriate department. The environment portal at <http://www.environment.gov.au/> is a good place to start if in doubt about which department to contact.

FWE acknowledges the resources that the Winemakers' Federation of Australia are delivering through the Australian Wine Industry Stewardship (AWIS) program, and the contribution this has made to developing these guidelines. We encourage growers to seek further guidance from the following documents:

- WFA (2005) *Wine & Environment – What's going on in the Australian wine industry?*
- WFA (2005) *Oiling the Chain – Trends in environmental assurance in the European market.*

6.1 Environmental guidelines

Foster's Wine Estates endorses the principles of sustainable development, which are central to our company's values and which guide our business activity. We are conscious of the need to minimise our environmental footprint wherever possible, and have made a number of public commitments that aim to do this. These include:

- Planning for, and adopting, cleaner production and resource conservation.
- Minimising packaging and maximising recycling in our internal processes, including a preferential buying policy for recycled products.
- Working with government, industry, and the community to maximise post-consumer recycling, including funding litter research and education, and voluntarily participating in relevant initiatives.
- Achieving energy efficiency best practice, in line with our support for the principles of the Kyoto Protocol on reducing greenhouse emissions, and our voluntary participation in energy efficiency initiatives.

- Meeting or exceeding all environment regulations in each of our operations around the globe.
- Providing support and training for all employees, engendering a culture of responsibility and accountability among our employees through a system of environmental performance indicators, and by encouraging open communication with all stakeholders on environment issues.
- Working with our supply chain to encourage suppliers to adopt similar commitments, and with our customers to help them achieve their environment objectives.

This last commitment is particularly relevant in our relationship with grape growers. Our grape growers are a major community in our supply chain, and in environmental terms. Growers are essential partners in our effort to extend best practice environmental viticulture across the industry. We will make progress by actively collaborating and clearly articulating ‘best practice’ standards and commitments on both sides.

6.2. Australian Wine Industry Stewardship

Consumers demand “clean and green” wines. In response to changing consumer expectations we need to be able to track that effective activities have been used to ensure our wines meet the highest environmental standards. FWE supports the Australian Wine Industry Stewardship (AWIS) program that captures and communicates the Australian wine industry’s approach to environmental stewardship, and provides grape growers with an increased capacity to contribute to regional natural resource management goals.

Through AWIS, Foster’s Wine Estates is improving its ability to:

- Understand the environmental assurance needs of our stakeholders, including customers, consumers, governments, and communities.
- Communicate stakeholder requirements up and down the supply chain.
- Provide a flexible approach to environmental stewardship that allows individuals to work towards both individual and shared community and business goals.
- Recognise regional diversity in environmental stewardship at a national level.

- Pursue excellence to ensure that grape growers will have an increased capacity to contribute to an improved environment.
- Provide a transparent process so that grape growers will be able to demonstrate good citizenship and community spirit.

7. Foster's Wine Estates' health & safety expectations

Foster's Wine Estates recognises and takes seriously our responsibilities for the health and safety of our employees and the employees of our supply chain partners. We are publicly committed to a goal of zero injury, and are working towards this goal through a number of specific commitments. See our website www.fostersgroup.com for details of our health & safety guidelines. We have confidence that you, as our valued suppliers, will abide by these.

8. Trading guidelines

Foster's Wine Estates recognises that trading is at the heart of the relationship between our company and wine grape growers. Enhancing clarity, transparency, commonality, and certainty in our trading relationship will enhance our relationships and our businesses.

FWE believes that grape purchasing agreements should provide security for growers, and a reliable supply of wine grapes to FWE for the term of the agreement. At the same time, our supply agreements should foster positive relationships between FWE and our growers to our mutual advantage.

The following guidelines outline what both parties should undertake as current best practice, and provide specific commitments and actions to achieve this. These guidelines are based on 'Best Practice Contract Elements for Winegrapes' and 'Winegrape Assessment in the Vineyard and at the Winery' endorsed by the Winegrape Growers' Council of Australia, the Grape and Wine Research and Development Corporation, and the Winemakers Federation of Australia (WFA). We acknowledge in particular the work done by the Wine Industry Relations Committee of WFA in negotiating and refining these guidelines.

8.1 Wine grape quality, specifications, and assessment

Foster's Wine Estates' supply agreements incorporate quality control requirements and specifications. We write the wine grape specifications and standards into our supply agreements so that both parties understand what FWE expects of our suppliers, and in return, suppliers commit to ensuring product tolerances are met.

A basic responsibility of growers is to abide by the code of Food Standards Australia New Zealand (FSANZ) and deliver grapes in a ripe, clean, and cool condition. In addition, our supply agreements specify tolerances concerning maturity, condition, and purity. Purity and condition specifications include fungi, dust, matter other than grapes, or residue from agrochemicals. For specific details, see **Table 1 – Summary of vineyard assessment specifications**.

Just as FWE is responsible for wine production, vineyard owners carry the responsibility and risks associated with grape production, including general effects of the season, frost damage, and specific pests and diseases.

This section should be read in conjunction with the annual '**Foster's Wine Estates Guidelines for Grape Supply**' (See latest edition issued to growers in September each year) that provides specific detail of the latest agrochemical list, plus specifications and tolerance standards for grapes in the vineyard and at the point of receipt.

8.2 Wine grape quality

8.2.1 Maturity, purity and condition

Maturity, purity, and condition refer to those criteria that can be readily quantified or ascribed a value. The criteria that FWE commonly uses in its grape supply agreements are listed in the two tables below: **Table 1: Summary of vineyard assessment specifications**, and **Table 2: Summary of load assessment specifications**. For a fuller background on those criteria please refer to the attached WFA publication: 'Winegrape Assessment in the Vineyard and at the Winery'.

8.2.2 Flavour and character

Flavour and character requirements are determined by FWE's winemakers according to our product requirements and our winemaking styles. These are often difficult for

external parties to relate to, both as a specification and as an assignment, without direct knowledge of our brands and styles. Nonetheless, these characteristics are vitally important, and our grape pricing is influenced by flavour and character.

Consequently, FWE makes a point of:

- ensuring our growers appreciate our product portfolios, typically through structured tastings.
- giving growers clear and realistic wine end-use expectations with reference to variety, region, and vineyard.
- having specified assessment protocols that are consistently adhered to.
- communicating with growers about quality results.

8.3 Definitions

In order for growers to be clear about FWE's expectations, the following terms are defined.

'Specification' means the physical and chemical properties that distinguish one load of grapes from another.

While that obviously includes properties such as the variety and vineyard block from which the grapes are sourced, and when the grapes are anticipated at the winery, it also includes all the properties listed in Tables 1 and 2. For example, load temperature is one specification for a load of grapes.

'Criterion' means the measure or rule by which a judgment or estimate is made.

Using the above example, the criterion for load temperature is degrees Celsius as measured by a calibrated thermometer.

'Tolerance' means the permitted variation.

Again using the above example, the tolerance for load temperature at a particular winery may be that red grapes need to be delivered at less than 30°C and that grapes delivered in excess of 30°C may be liable for penalty.

'Assessment' –

When used in relation to maturity, purity, and the condition of grapes, the term “assessment” refers to methods commonly used by the industry in both vineyards and at the receival point.

When used in relation to grape or wine quality, the term “assessment” refers to FWE-specific methods as there is no common industry system for assessing grape or wine quality. FWE has deployed considerable resources and expertise in developing the field and wine quality assessment and grading methods which underpin the specifications in our supply agreements.

Improved knowledge and innovation is providing growers and winemakers with new alternatives to help them ensure that grapes more closely match winery requirements. FWE is open to the prospect of adopting an industry standard system for grape or wine quality assessment should this be developed in the future.

Foster’s Wine Estates places emphasis on quality assessment criteria in the vineyard, as well as at the receival point, as most problems identified at the receival point can also be identified in the vineyard. Growers and FWE should be able to identify problems as early as possible, preferably in the vineyard, so that effective action can be taken to avoid grapes being downgraded or rejected. Grapes downgraded or rejected represent a missed opportunity for both the grower and the winemaker. Importantly, legal ownership of the grapes passes from the grower to FWE at the receival point.

8.3.1 Vineyard assessment (Table 1) is a form of vineyard quality assurance that is a critical step in the winemaking process. It enables FWE to identify the grapes’ winemaking potential before being received at the winery. More importantly, it prevents unsound grapes being delivered to the winery.

By inspecting grapes during the growing season and especially during ripening, the grower liaison officer and/or winemaker is able to follow progress and determine the optimal time of harvesting that will result in the best combination and expression of flavours and other attributes. Although the focus is on berry development, the vineyard and vine characteristics may also be assessed. This allows FWE to batch similar parcels of grapes and optimise winery efficiency.

FWE staff perform assessments in the vineyard within 1-2 weeks of harvest to:

- make an assessment as close to harvest as possible, and
- give growers sufficient notice about when to harvest, and notify about concerns against specifications.

Formally assessing vineyards involves observation and measurements, which can help explain differences in quality between blocks. Some characteristics such as flavour cannot be easily or quickly measured using a tool or laboratory test, and require subjective assessment following specific guidelines.

Other vineyard assessment criteria that are not yet covered by industry standards (such as various canopy and berry characteristics) are assessed by FWE using a form of scorecard. FWE's vineyard and grape assessment tools have been developed and evaluated over a number of years and represent leading practice for the industry. Typically, FWE assesses vine balance, leaf condition, bunch exposure, berry size, berry shrivel, sugar/acid balance, skin chewiness/thickness, and tannin intensity. These assessments help us batch grapes.

8.3.2 Winery assessment (Table 2) involves the weighbridge or load assessment station, which is FWE's critical checkpoint for grapes. This is referred to as the receive point.

Load assessment verifies how well the grapes comply with specifications. FWE uses consistent and reliable methodology, and accurate measurements. We also aim to determine most specifications within 15 minutes to prevent delays in the production process.

Currently it is not easy to quantify an overall quality rating at the load assessment stage. For some grape types, wine quality can sometimes only be finally determined after fermentation, particularly as post crushing processes can influence the expression of some quality factors in wine.

See Attachment – 'Winegrapes Assessment in the Vineyard and at the Winery'. Wendy Allen (2004). Winetitles. Prepared for and endorsed by Winegrape Growers' Council of Australia (WGCA) and the Winemakers' Federation of Australia (WFA) Liaison Committee.

See Table 3 – Summary of FWE grading process.

More Information

You can find more details on our business by logging into Foster's Group website www.fostersgroup.com.

We welcome your feedback

We welcome feedback on this Handbook. Please let your Foster's Wine Estates Grower Relations Manager know what you think of it.

We will update this handbook annually

We commit to updating this handbook annually, to reflect ongoing process improvements and user feedback.

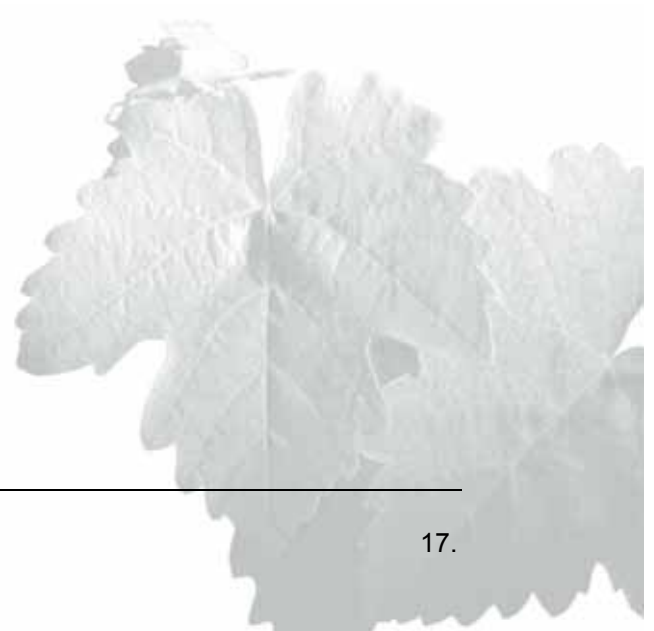


Table 1: Summary of vineyard assessment specifications

After years of research, Foster’s Wine Estates has established criteria for measuring the quality of grapes in the vineyard and some of the issues that impact the quality of the wine in the bottle. This is outlined below. **See also ‘Foster’s Wine Estates Guidelines for Grape Supply’**

Specification	Criterion and current measurement method	Timing of assessment before harvest	Recommended grower and winery tolerances	
			Best practice	Downgrade/rejection
Maturity				
Baume	Quantitative – most commonly refractometry, densimetry, and hydrometry. Based on representative sample	Starts post veraison, usually on a weekly basis	Achieve target baume for a designated wine style	Outside baume tolerance range
PH	Quantitative – pH meter, units	As for baume	Achieve target pH where defined	Where defined in winery supply agreements
Titrateable acidity (TA)	Quantitative – g/L as tartaric acid	As for baume	Achieve target TA where defined.	Where defined in winery supply agreements
Crop load (and yield estimation)	Formal crop assessment and estimation	Throughout season, depending on method: 10cm shoot growth, post fruit set and veraison	Achieve within target range	Exceeds winery maximum crop load
Purity				
Powdery mildew Downy mildew Botrytis Moulds and rots –other	Visual, quantitative assessment procedure	Throughout the growing season	No disease	Exceeds winery tolerance
Agrochemical residue	Spray diary check. Random or targeted sampling of vineyards. Follow-up quantitative analysis by AWRI or other laboratory	Pre-receival	Compliance with winery spray diary and withholding periods	Non-compliance with spray diary, or exceeds export maximum residue limit (MRL)

Varietal integrity	Visual and DNA.	Pre-receival	100% expected variety	Nil tolerance
Condition criteria				
Uneven ripening	Visual	Veraison/post-veraison	Even ripening	Below winery minimum Baume tolerance, or exceeds winery tolerance for immature bunches
Damaged berries ♣	Visual, sensory, and formal assessment procedure	Post-veraison	No damaged berries	Exceeds winery tolerance
Other FWE vineyard specifications that are not yet widely assessed by other companies (used to determine potential wine style and assist with batching parcels of fruit)				
Various canopy and fruit characteristics ♦	Visual and sensory – records details on a formal assessment sheet to score vineyard.	Post-veraison onwards with final assessment near target baume.	Best practice: Provides growers with feedback on assessment before pruning to help the grower optimise quality for the following season.	

♦ **Various canopy and fruit characteristics** – parameters assessed vary between wineries and can incorporate: shoot length, leaf condition, fruit exposure, berry size, berry shrivel, flavour intensity, sugar/acid balance, skin chewiness/thickness, tannin intensity, colour in red berries, and phenolics in white berries.

♣ **Damaged berries** – incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, and bird or insect damage.

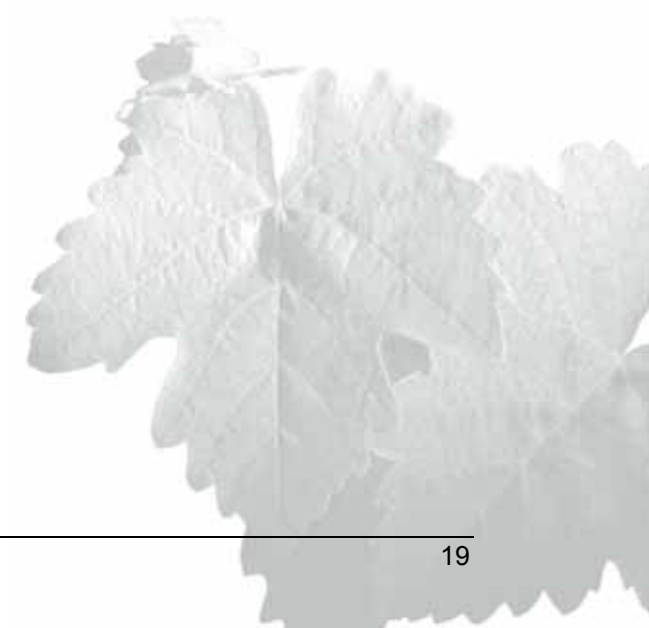


Table 2: Summary of load assessment specifications

Load assessment made at the receival point, is FWE’s critical checkpoint for grapes. FWE uses consistent and reliable methodology, and accurate measurements that have been developed over many years. **See also ‘Foster’s Wine Estates Guidelines for Grape Supply’ and ‘Winegrapes Assessment in the Vineyard and at the Winery’. Wendy Allen (2004).**

Specification	Criterion and current measurement method	Timing of assessment before harvest	Recommended grower and winery tolerances	
			Best practice	Downgrade/rejection
Maturity				
Baume	Quantitative – refractometry, densimetry and hydrometry	At receival	Achieve target baume for a designated wine style	Outside baume tolerance range
PH	Quantitative – pH meter, units	At receival	Achieve target pH where defined	Where defined in winery supply agreements
Titrateable acidity (TA)	Quantitative – g/L	At receival	Achieve target TA where defined	Where defined in winery supply agreements
Purity				
Powdery mildew Downy mildew Botrytis Moulds and rots –other	Visual and sensory	At receival	No disease	Exceeds winery specification
Agrochemical Residue	Confirmation of spray diary	Before and at receival	Compliance with winery spray diary and nil residue	Non-compliance or no spray diary
∞ MOG (Matter other than grape)	Refer MOG standards as per <i>Australian Winegrape Load Assessment Manual</i> and <i>posters</i>	At receival	MOG 0 rating (< 1% MOG).	Exceeds winery tolerance
Contamination ♥	Visual and sensory (smell)	At receival	No contaminant	Nil tolerance
Varietal integrity	Visual	At receival	100% expected variety	Nil tolerance

Specification	Criterion and current measurement method	Timing of assessment before harvest	Recommended grower and winery tolerances	
			Best practice	Downgrade/rejection
Condition				
Uneven ripening	Visual	At receipt	Even ripening	Below winery minimum baume tolerance, or exceeds winery tolerance for immature bunches
Temperature	Quantitative - degrees Celsius	At receipt	Meets winery seasonal and wine style specifications	Exceeds winery tolerance
° Spoilage	Visual and sensory (smell)	At receipt	No spoilage	Nil tolerance
Damaged berries ♣	Visual and sensory	At receipt	No damaged berries	Exceeds winery tolerance
Other				
Supply agreement tonnes	Quantitative - weighing	At receipt with notice given before final delivery	Achieve target tonnage	Tonnage exceeds supply agreement tolerance

∞ **MOG** – “matter other than grapes” and incorporates: all vine matter, or foreign objects such as trellis parts, stones, metal, etc.

♥ **Contamination** – incorporates soil, oil, non-food grade material, fuel or any other lubricant, dilution with water, animal matter, unwanted additives or any other contaminant not acceptable by FSANZ.

° **Spoilage** – incorporates fermentation, oxidation, and acetification.

♣ **Damaged berries** – incorporates sunburn, shrivelled or dehydrated berries, split berries, berry breakdown, and bird and insect damage

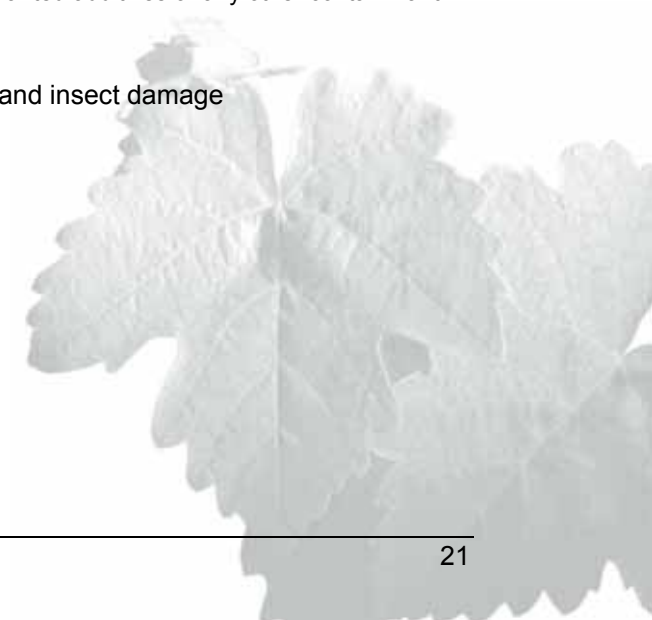


Table 3 – Summary of FWE grading process.

	Inputs	Timing	Outcomes
Growing	Grower Liaison Officer conducts block assessments on yield and grade targets, vineyard condition and uniformity	Growing Season	<p>Feedback to grower on vine condition, block uniformity and management</p> <p>Growers may adjust management practices based on feedback</p> <p>Reduced risk of missing grade requirements</p>
	<p>Grower Liaison Officer and Winemaker conduct block assessment just prior to harvest</p> <p>Grape Supply and Contracts staff record and check field grades</p>	Harvest	<p>Final decisions on field assessments determined</p> <p>As much as practical, ensure 'like with like' fruit batched together as required</p> <p>Input and audit of field grades into a central database</p> <p>Growers provide signed Grape Despatch Dockets with every load</p>
Receival	<p>Intake Officer assesses fruit at weighbridge</p> <p>Grape Supply and Contracts staff record and track weighnotes</p>	Receival	<p>Fruit is assessed against winery and contract specifications</p> <p>Weighnote recording and tracking against Grape Despatch Dockets</p>
Winemaking	<p>Panels of site winemakers regularly assess wines through the winemaking</p>	Post-Crush Tasting	<p>Initial wine potential assessed</p>

		Post-Ferment Tastings	Decisions on wine batching
		Grower relations & Winemaking 'Sign-off'	<p>Ensure consistency in grading with national perspective</p> <p>Wine parcels are managed to their potential</p>

Feedback	Grower Relations staff and winemakers provide feedback on vintage	Post-Vintage Meetings	<p>Grower Vintage Report</p> <p>Growers can alter their management approach if required for following season</p>
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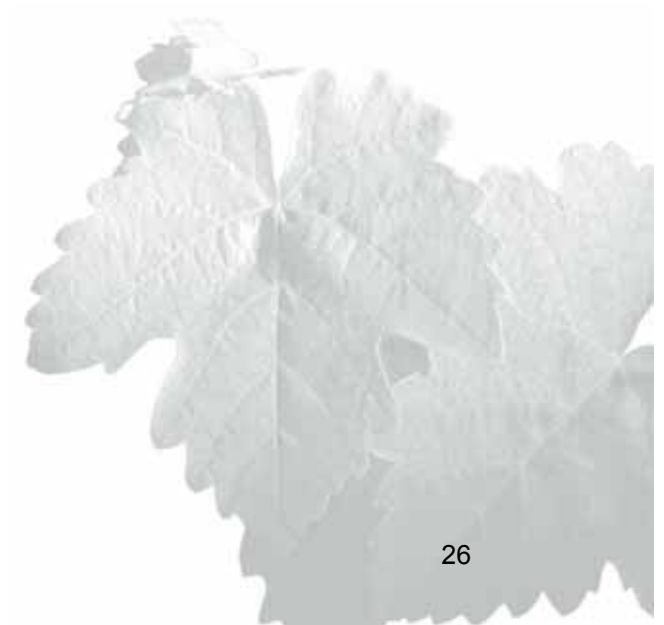
Appendix 1: Growers' calendar for grape supply

Unless exceptional circumstances disrupt our normal business cycle, we would expect to observe the following timing. However, growers should refer to the specific requirements and dates set out in their grape supply agreement.

Key date		Event	Comments	Contractual issues
NOVEMBER	7 November	Growers requested to supply tonnage estimates.	All growers are asked to fill in a form sent by Foster's Wine Estates (FWE) to notify FWE of their grape estimates and availability.	In the case of uncontracted or annual purchase growers, this does not constitute a commitment by FWE to purchase any grapes on offer.
	23 November	Growers submit tonnage estimates to FWE.	All estimates to be sent back to regional Grower Relations for data entry.	
JANUARY	14 January	FWE issues Acceptance Advice and relevant newsletter.	Growers whose grape supply estimates are accepted are mailed an Acceptance Advice confirming the varieties, blocks, and tonnages expected and agreed for the current vintage. It also lists contract grades and a price on which the first grape payment is based.	Second and final payments may be adjusted for penalties and attained grade performance, depending on individual contractual arrangements.
	28 January	Price negotiations completed.	Growers with price negotiation clauses in their agreements need to complete such negotiations by 28 January, or 14 days after notification if that notification occurs after 14 January.	
JAN TO FEB	January to February	Regional pre-vintage meetings with growers.	Growers are informed about upcoming arrangements for vintage and intake. Growers are issued Grape Dispatch Dockets.	

FEBRUARY TO MAY	February to harvest	Growers to notify FWE of any significant change in their tonnage estimates and condition of the grapes.	This includes both anticipated increases, and likely reductions in yields. These changes would be considered significant if changing by more than 10% or 10 tonnes, whichever is smaller.	
	January to April	Growers submit final Agrochemical Spray Diaries 14 days before harvest.	Any concerns regarding the selection of agrochemicals or their use should be raised with Grower Relations staff as soon as they arise.	
	February to May	First grape payment made at the end of the month following the month of delivery.		This timing represents industry standard payment terms. A small number of FWE contracts have other payment terms.
MAY	May	FWE reviews future grape requirements from growers.	These are reviewed for variety, grade, and region, based on internal sales plans and supply risk assessments.	
JUNE	By 30 June	FWE notifies growers if their contracts will <i>not</i> be renewed or renegotiated. Alternatively, FWE notifies growers that their contracts <i>may</i> be renegotiated.	By this time we will know with certainty that we will not require fruit from certain growers and will advise them immediately. At this time we will also confirm candidates for potential renewal that our agreement with them is due to expire before the forthcoming vintage, and we will be in contact to start the renegotiation process.	For renegotiated contracts, execution will still be subject to FWE requirements by grade, variety, and the potential size of the upcoming vintage.
JUNE TO AUGUST	30 June	Second grape payment.	Any pricing adjustments for this payment will depend on the pricing mechanism of agreement.	
	June – August	Regional post vintage meetings will be held with growers. Grower vintage reports issued.	Review of tonnages, grades, wines, etc. Current vintage wines with winemakers and growers will be benchmarked.	

	15 August	Growers to be notified of premium payments or penalties.		
SEPTEMBER	Early September	FWE distributes guidelines for future grape supply.		
	30 September	Third and final grape payment made.	Growers will be sent written notification of any premiums to apply to their grape prices.	
OCTOBER	31 October	Most negotiations for new or renewed long-term contracts will be completed.	These contracts are for the following vintage and potentially subsequent vintages.	



Appendix 2: Best practice elements for supply agreements

Foster's Wine Estates is committed to implementing best practice contractual arrangements. FWE endorses the following list of contractual elements and protocols, developed by the Wine Industry Relations Committee, which is incorporated into all of our grape supply agreements.

Contract element	Comments
All parties identified	Seller, landowner, lessee, mortgagee, agent, buyer.
Term	Duration of agreement.
Notification/Expiration/Extension	Mechanism(s) for agreement to expire or be extended, including notification periods.
Vineyard identification	Details of land title and patches/blocks contracted.
T/Ha Yields/Tonnages	Specification of varieties, blocks, and tonnages covered under the agreement.
Vineyard details	Includes patch/block numbers, patch/block areas, varieties, rootstocks, and contracted tonnages for the period of the contract.
Vineyard map	Showing vineyard details.
Price/Offer/Acceptance	Pricing offer and acceptance mechanisms are clearly specified, recommended timing for all varieties for pricing is at least two weeks before harvest in the region.
Pricing adjustments	Specifies any bonuses or penalties.
Terms of payment	Terms of payment clearly stated (industry standard is 1/3 end month following the month of delivery, 1/3 end June, with the balance at the end of September).
Grape standards	Specifies minimum quality required (maturity, purity, and condition) appropriate to region and style.
Specification assessment	Methods of vineyard/fruit assessment stipulated.

Harvest	Process for the decisions on harvesting and delivery containers specified.
Delivery & freight	Specifies delivery point and identification of who bears the costs of freight.
Risk and acceptance	When risk changes from grape grower to winemaker is identified. Also specifies point at which winery accepts the grapes.
Force majeure	Specification of responsibilities/liabilities with respect to unforeseen circumstances e.g. hail, frost, breakdowns, and serious illness.
Dispute resolution	Procedures to resolve disagreements on price and grape assessment.
Confidentiality	Reasonable provisions for professional advice.
Variations	Variations to contract need to be specified and accepted by both parties, and must be in writing.
Assignment	Specifies the rights to transfer agreement. Need to be reasonable.
Sale of property	Sale of vineyard obligations clearly specified.

In addition to the above contractual elements, FWE endorses and follows the protocols below in all contract negotiations.

Protocol	Comments
Fair	Reasonable to all parties.
Understood	Terms are clear and concise, needs to be able to be shown that it has been explained – e.g. any issues relating to language difficulties have been addressed.
Professional advice	Recommended that legal and financial advice be sought.

Ethical	Process not corrupted by unethical behaviour including coercion or intimidation.
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