



Australian  
Vignerons

**SUBMISSION**

**Wine grapes – A market study by the ACCC**

**Issues Paper**

**September, 2018**

## Australian Vignerons

Australian Vignerons (AV) is the National Peak Body representing winegrape growers in Australia recognised under The Wine Australia Act 2013. AV exists to be an effective advocate at the national level to address issues of concern to Australia's winegrape growers. Our vision is for a profitable, innovative and sustainable winegrape industry that has the capacity to respond to current and future challenges. AV works in partnership with the Australian Government and Winemakers Federation of Australia (WFA) to develop and implement policy and is recognised along with WFA by the Australian government as a representative organisation under the Australian Grape and Wine Authority (AGWA) Corporation Act.

The Australian Wine sector as a whole contributes \$40.2 billion in gross output to the Australian economy and supports 172 736 full time jobs, most of which are located in regional Australia<sup>1</sup>. The viability of the sector impacts upon over six thousand growers of wine grapes, approximately 2500 entities making and selling wine, and numerous allied businesses across the nation. The winegrape growing sector is predominantly located within rural and regional areas of Australia and hence the viability of the sector is also intrinsically linked with the prosperity of rural and regional communities.

Like most industries relying on perennial crops, the wine industry (both in Australia and overseas) is cyclical in nature. In response to demand surges, a tendency for supply to outstrip demand has been a common theme since the industry began in the 1840s with five identifiable booms having been followed by plateaus in both vineyard area and growth over extensive periods. For a healthy and sustainable wine industry, it is critical that grape prices afford growers acceptable returns and that the industry can build resilience to these cycles.

The most recent cycle which commenced in the mid to late eighties was significant in its magnitude and duration. Favourable market conditions driven by a low Australian dollar, more open international trade and a number of other external forces all contributed to buoyant trading conditions. The average price received for wine grapes in 1999 was four times that in 1986 despite export prices having risen by only 140%<sup>2</sup>. Whilst largely market driven, this boom was enhanced by government interventions including the introduction of a domestic taxation policies that encouraged exports (WST in 1984, and later 29% WET and GST in 2000) and incentives to vineyard expansion through accelerated depreciation of establishment costs. The wine industry's own Strategy 2025 document that was published in 1995 also set out an optimistic 30 year target for a threefold increase in the real value of exports. With the help of these government interventions, the industry came half way to meeting its 30 year target within the first five vintages<sup>3</sup>. But the perfect wave that fuelled a significant surge in exports, was almost as spectacular as the perfect storm that ended it. Whilst wine grapes prices have recently hit a 10 year high, a number of years of hardship preceded this.

An increase in the proportion and scale of medium and large companies has been an important enabling factor to generate the levels of supply required to fuel the rapid growth that occurred in the last cycle. In many regions the market is dominated by a relatively small number of buyers, each

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<sup>1</sup> Gillespie Economics, 2015 *Economic Contribution of the Australian Wine Sector* Gillespie Economics sourced from <https://www.wineaustralia.com/WineAustralia/media/WineAustralia/PDF/Market-Insights/2016/Final-AgEconLus-Economic-Contribution-Australian-Wine-Sector.pdf>

<sup>2</sup> Anderson, K (rev. 2018) *Australian Wine Industry Competitiveness: Why So Slow to Emerge?* University of Adelaide and Australian National University Wine economics Research Centre p19 Sourced from [https://www.adelaide.edu.au/wine-econ/pubs/working\\_papers/WP0317.pdf](https://www.adelaide.edu.au/wine-econ/pubs/working_papers/WP0317.pdf)

<sup>3</sup> Anderson, K (rev. 2018) *Australian Wine Industry Competitiveness: Why So Slow to Emerge?* University of Adelaide and Australian National University Wine economics Research Centre p20 Sourced from [https://www.adelaide.edu.au/wine-econ/pubs/working\\_papers/WP0317.pdf](https://www.adelaide.edu.au/wine-econ/pubs/working_papers/WP0317.pdf)

purchasing a significant volume of fruit, in particular in the warm inland regions. Market power of grape purchasers and reduced competition has meant that many growers claim that their negotiating power is limited or non-existent, and the relationship between grape growers and winemakers has suffered. Inequitable sharing of agricultural and market risk in favour of producers has for a long time been a point of contention for growers. In future a better alignment of supply and demand and minimisation of demand side risk to growers is critical to reduce the impacts of supply and demand imbalances on grape growers across Australia and to ensure that a resilient and sustainable grape growing industry prevails.

The Issues Paper notes that during the most recent period of oversupply and restructuring that there may have been opportunities for winemakers purchasing grapes to take advantage of the power balance. Whilst it is not the role of AV to interfere or negotiate on individual issues of a commercial nature, the equity of commercial arrangements across industry remains a concern. In 2008, following a recommendation from the Senate Committee inquiry in 2005 both WFA and Australian Vignerons (at the time WGGGA) with support from the Federal Government's Department of Agriculture, Fisheries and Forestry jointly released the Australian Wine Industry Code of Conduct. The Code of Conduct established minimum standards for managing price and quality assessments and a common Australian wine grape supply contract framework. Under the Code, unfair agreements would be phased out and replaced by those which have been designed according to the principles set out in the code. The Code of Conduct has its own website with information about operations, processes and a list of current signatories.

The Code has two main aims:

- to establish a common Australian wine grape supply contract framework and
- to provide a dispute resolution system to manage disagreements which arise over price or quality assessments.

The two representative bodies, WFA and AV have agreed to publicise and promote the Code and its dispute resolution procedures, and to work to maximize its adoption within the industry, although in spite of these efforts, support for the Code is still relatively low.

Due to the nature of the industry, neither organisation has strongly advocated for a mandatory code. This will be discussed in further detail under Issue 3.

AV are supportive of the ACCC in their commitment to undertake this study and welcomes the opportunity to better understand whether market failures or trade practices issues are preventing the functioning of competitive markets to the detriment of wine grape growers. AV maintains a strong commitment to promoting the importance of recognising and rewarding value in a transparent way, of establishing clear market signals and the need for fair and lawful contracts. We thank the ACCC for inviting us to make a submission.

## **Issue 1 - Markets for the sale and purchase of wine grapes**

Winegrapes are distinctly different from many agricultural commodity products. Not only are there 65 regions across Australia, each imparting different characteristics on the fruit produced there, but there over 100 different varieties all of which offer different stylistic parameters that impose demands upon growers and winemakers. Due to the degree of these factors that influence whether winegrapes are fit for purpose, it is standard practice for vineyards to be inspected by an individual

qualified to assess winegrape readiness for harvest and suitability for the desired end product prior to it being scheduled for delivery. This assessment usually includes a determination of the value of that fruit.

While in many cases there is opportunity for winegrape growers to switch between different purchasers, logistical issues impact upon the extent to which this occurs. These can include transport costs, quality impacts, risk of spontaneous fermentation, regulatory costs, and the added overhead cost burden on wineries of sourcing from multiple sites. Increased costs will influence the ability and willingness of a grape purchaser to consider fruit grown further from their preferred processing site.

The Issues Paper suggests that transport of grapes can readily occur without deterioration within South-eastern Australia and separately within western Australia. This is not always the case, and this fact should be considered with a sound understanding of the nature of the industry. The decision by wineries to transport fruit over long distances is dependent upon quality and style parameters. For example, the greater extraction of phenolic compounds that occurs during periods of extended transportation may be detrimental to quality (particularly in the case of white grapes) and hence render the grapes unsuitable for the target end product. Some wine companies have policies about purchasing white or aromatic varieties large distances from processing centres.

In warm inland regions the distance that fruit is transported for delivery at harvest is often greater than in cool regions, due to the concentration of large scale production in these regions. This is also associated with a higher degree of competition for freight in warmer regions. During periods of oversupply the low value of fruit has meant that wine producers have been less prepared to contribute toward the cost of freight. As demand for fruit has increased in recent years, more wine companies have been prepared to pay for at least part of the freight cost.

Finally, there are also biosecurity regulations that either prevent or complicate the movement of grapes between certain areas in South eastern Australia. Restrictions on movement around different phylloxera zones are a good example.

As the Issues Paper highlights, there are at least 5000 grape growers across Australia. While there exists a similarly large number of wine producers (approximately 2500), the industry could be classed as having a moderate level of buyer concentration with 55% of winegrape intake being processed by the top 5 producers and 84% coming from the top 20 producers (according to latest published figures from in 2016)<sup>4</sup>

The make-up of warm inland regions and cool temperate regions is very different and this strongly influences trading and the ease of opportunity to switch between buyers. Warm inland regions typically have a large number of growers, but are dominated by a small number of very large wine producers. For example, Casella Wines dominates production in the Riverina, and Accolade regularly processes in excess of 200,000 tonnes of wine grapes and so dominates the Riverland region.

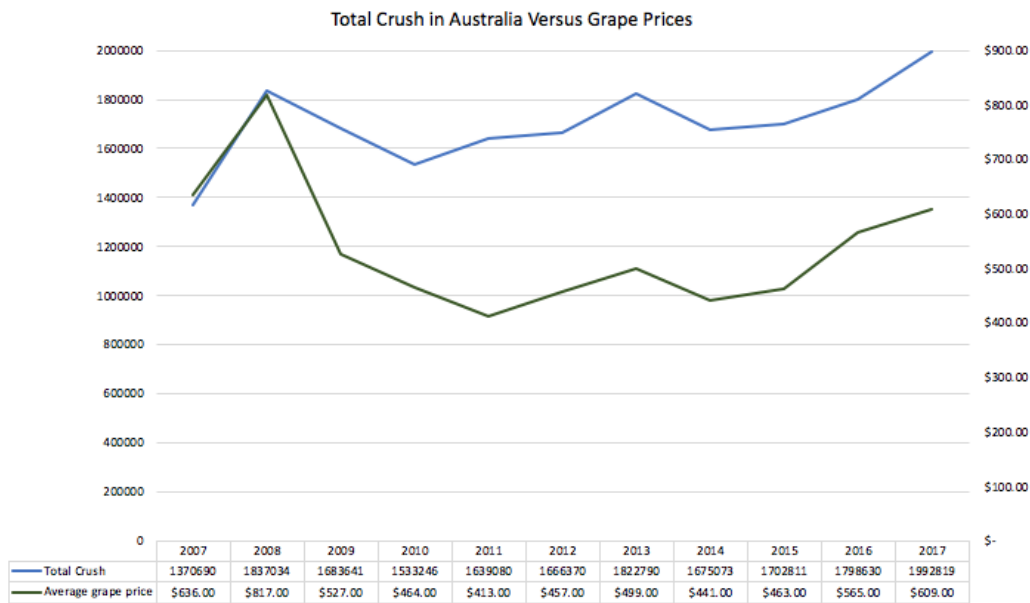
Many of the cooler regions have a much larger number of smaller volume processors of higher value wine and fruit, so the competition for buying wine grapes is often higher as is the potential price that can be paid.

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<sup>4</sup> <http://winetitles.com.au/statistics/wine-companies/australias-largest-wine-companies-by-winegrape-intake/>

The sensitivity to commercial dealings between growers and winemakers, and the pricing differential between different growing regions is not well understood by all in the wine sector. The difference in prices paid for wine and fruit from cool regions in comparison to warm regions emanates not only from wine and fruit characteristics, but also from the marketability that is often associated with a well-known or high value wine region. This was referred to as ‘branding’ in the background notes of the market study. These differences between warm inland and cool temperate regions are broadly accepted across the industry and regional branding will continue to be recognised as an important and legitimate value parameter, that is independent of the value linked to fruit quality.

The main external factor that has the potential to impact upon availability of grape supply and hence price is related to seasonal conditions and the impacts are often more significant in cooler regions than warmer regions. The graph below demonstrates that smaller vintages typically coincide with lower grape prices and there is little evidence of supply shortages driving an increase in price over the last 11 years. The degree to which yield caps have influenced total crush in Australia over the years is uncertain, however the Winemakers Federation reported in their 2012<sup>5</sup> report that production caps were not a factor in determining vintage size. 2011 was widely accepted as being a difficult season in terms of meeting quality standards in many parts of Australia. It is likely that low demand has led to fruit being left unharvested in certain years however the extent of this is uncertain.

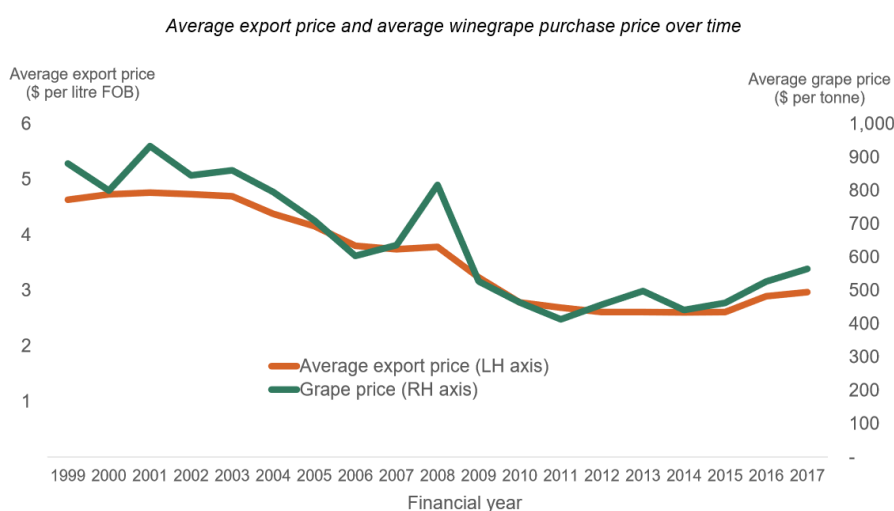


Data sourced from Wine Australia National Vintage Reports 2007 to 2018

<sup>5</sup> <http://www.wfa.org.au/assets/vintage-reports/PDFs/WFA-Vintage-Report-2012.pdf>

There is a strong correlation between export prices and grape purchase prices. The graph below demonstrates that when wine producers are enjoying better export prices, these flow through to grape growers.

## Rising export prices historically flow through to grape prices



Wine Australia

Source: Wine Australia

### Issue 2 - Contracting practices between growers and winemakers

In 2013, WGGGA reviewed a sample of 20 wine industry contracts. A number of concerns with the contracts were identified in the report<sup>6</sup>.

- Complex clauses relating to the determination and notification of pricing;
- A one-sided nature of contract price-setting mechanisms;
- Absence of penalties for late payments;
- Non-explicit nature of quality standards used in the final determination of price;
- The ability of the purchaser to make decisions at their “sole discretion”;
- The lack of dispute resolution clauses in up to 50% of contracts;
- Inconsistencies over the use of various termination clauses covering different scenarios;
- The presence of errors and poorly worded clauses;
- Complex and lengthy contracts that were hard to read and understand;
- A number of contracts that stated they were covered by the Code of Conduct where the review found them to be non-compliant.

The extent to which these concerns have been addressed in recent years is uncertain.

<sup>6</sup>Hathaway, S (2013) *Review of wine grape contracts* Wine Grape Growers Australia sourced from <https://www.australianvignerons.com.au/uploads/1/0/1/8/101804958/wgga-review-of-wine-grapes-contracts-oct-2013.pdf>

The SA Government has taken a step beyond the voluntary the Code to legislate certain standards. Pursuant to section 6 of The SA Wine Grapes Industry Act 1991 and Ministerial Order<sup>7</sup> all payments for grapes purchased in a year in SA must be made by 30 September. A processor is required to pay interest on amounts outstanding after this date. According the Act, it is illegal to accept delivery of wine grapes for processing unless

(a) all amounts that have previously fallen due for payment by the processor for wine grapes received by the processor, or any person acting on the processor's behalf, in a previous season have been paid in full; or

(b) the processor has been granted an exemption under this section.

The practice of payment described in the S.A. Act in three deferred instalments has also become common in other States (and is included in Section 2.6 of the Australian Wine Industry Code of Conduct). However a final payment not being due until 30 September is considered to be an excessive cash flow burden by a number of growers and many claim that by setting a minimum standard, such terms have been instead interpreted as an 'industry norm'. They claim that this results in their businesses effectively providing unsecured credit to the grape purchaser.

These drawn out payment terms also allow ample time for processors to reconsider their pricing. Some growers are enticed by contracts that provide such an opportunity for an increase, however AV has also received complaints from individuals stating that increases rarely comes to fruition. In some instances purchasing wineries have adjusted prices to reflect published average region prices for the previous year published in the SA Wine Grape Crush survey<sup>8</sup> released every August.

A number of contracts impose yield caps without valid and verifiable cause or demonstrable benefit and in some cases, achieving nothing more than limiting the grower's income. They might also contain clauses that allow the purchaser to participate in management decisions relating to quality control, but without the purchaser having any accountability for those decisions. AV is concerned about the impacts of measures that lead to unfettered interference in production techniques. One exception may be where the two parties agree on a commercial arrangement where the purchaser in such cases assumes accountability for any advice given and shares any risk that emanates from such input.

In certain circumstances the absolute discretion of some wine companies to dictate harvesting schedules has resulted in reduced grower returns. This has occurred through sub-optimal ripeness and quality, fruit desiccation and yield loss and/or increased capital and labour costs. In the 2018 vintage there were a number of complaints from growers concerned that harvest dates were scheduled up to two weeks beyond the date when fruit had achieved the specified maturity parameters. Subsequent desiccation of fruit reduced tonnages by up to 30%, in many cases without compensation. This issue coincided with a change to the Australia New Zealand Food Standards Code that allowed the addition of water to high sugar (over-ripe) grape must. The dissatisfaction from grower gained some media attention that implied that winemakers were taking advantage of the

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<sup>7</sup> [https://www.wgcsa.com.au%2Fuploads%2F5%2F9%2F7%2F5%2F59756067%2Fwine-grapes-industry-act-1991\\_ministerial-order\\_\\_1\\_.pdf&usg=AOvVaw0ZsJ7hQ16m6qZkR3zwbhk](https://www.wgcsa.com.au%2Fuploads%2F5%2F9%2F7%2F5%2F59756067%2Fwine-grapes-industry-act-1991_ministerial-order__1_.pdf&usg=AOvVaw0ZsJ7hQ16m6qZkR3zwbhk)

<sup>8</sup> <http://vinehealth.com.au/industry/sa-winegrape-crush-survey/>

reduced urgency this placed on harvest<sup>9</sup> <sup>10</sup>. Delays may be due to stylistic preferences, logistical issues, the impact of heat waves or processing bottle-necks. Berry desiccation can also occur as a result of poor cultural practices such as insufficient irrigation. One winery claims to provide a formula within its contracts for providing financial compensation in cases where unforeseen delays have been imposed by the winery.

AV continues to receive feedback from its members that would indicate that historically grape growers have a limited ability to negotiate any meaningful variations to purchase agreements. There is no ability to change terms of payments nor quality parameters.

### **Issue 3 – voluntary industry Code and dispute resolution processes**

The Code is a voluntary industry code collaboratively developed by the Winemakers' Federation of Australia and Australian Vignerons (formally Wine Grape Growers Australia). Both AV and WFA had planned to undertake a formal review of The Code of Conduct however a decision was made to defer this pending the results of this study. Some of the issues that have arisen during preliminary discussions about the review are outlined below.

The dispute resolution process is limited by the need to raise the dispute within 7 days of the final price being released. The process can become lengthy and time consuming and as a result, growers can feel compelled to resolve or accept offer(s) they may otherwise refuse. Time frames for price notification do not provide adequate time to resolve any disputes regarding pricing.

While some contracts may contain a dispute resolution clause, the perishable nature of wine grapes means that any delay in resolving disputes close to harvest date invariably results in the grower losing income during a protracted dispute. Even in the event that a dispute is found in the growers favour, a delay as little as one week can lead to considerable reduction in yields as wine grapes desiccate and lose weight until they are harvested. This puts the grower in a very weak position during such negotiations. In many cases wine companies insist that growers are not to accompany the field assessor inspecting vineyards. This is in part understandable, however in the absence of being able to attend an assessment in person it is reasonable that a field assessment is provided to the grower in writing, demonstrating the process and any outcome (adverse or otherwise) that has resulted from that process. It is preferable that decisions relating to grape intake are sorted out well before harvest, and that any disputes are managed in a timely manner so that the grower is not made to wear excessive loss, or placed in an invidious position at harvest.

Terms of payment in three deferred instalments (as outlined in the previous section) should be negotiable outside of whatever is deemed industry standard. There is a risk that by setting these payment terms as a minimum standard, that this becomes an acceptable norm. AV would support measures that encourage terms of payment that are common in other agricultural crops, many of which are paid within 30 days.

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<sup>9</sup> Laskie, A (2018) Water into wine: New law allegedly used to force grapes to dry out on vine sourced from <https://www.weeklytimesnow.com.au/agribusiness/wine/water-into-wine-new-law-allegedly-used-to-force-grapes-to-dry-out-on-vine/news-story/1e83413b880555e5109032cb4df75c14>

<sup>10</sup> White, P (2018) *Is this the Age of the Snake? Typical rotr rumours arise as law relaxes* sourced from <https://drinkster.blogspot.com/2018/03/watch-that-water-in-your-wine.html?m=1>



The Senate Inquiry published in 2015<sup>11</sup> contains a number of comments about the Code made on behalf of the warm inland regions that are worth considering:

Murray Valley Winegrowers described a commercial advantage that has emerged for those who do not sign, stating:

‘Not only does this failing expose growers to unethical and unregulated treatment, it imposes certain standards on signatories that non-signatories are able to ignore. For example, the requirement on signatories to publicise indicative prices leaves others able to “piggyback” on those, and to experiment with their own brand of dispute resolution.’

Riverland Wine submitted that the Code had ‘fostered an unhelpful practice whereby stipulating the latest date for price notification in the Code had created a ‘default announcement date’, providing less notice to growers than previously.’

AV is committed to investigating these issues further during the pending review of The Code. Indicative pricing is also covered in the code and will be discussed in the next section.

Despite occasional complaints that certain wineries choose not to become signatories, AV has not received evidence of grape grower industry-wide support for a mandatory code due to the often restrictive nature of mandatory codes. There is a high degree of diversity in wine styles and hence desirable winegrape quality and style parameters, and there is a general sentiment that market forces should be allowed to prevail. Indeed there are many processors and growers who have indicated that they are strongly opposed to such an approach. The Australian Small Business Commissioner reported ‘no consensus’ on a mandatory code.

#### **Issue 4 – transparency and timing of pricing information**

The provision of indicative prices early in the season (whether it be December or January) as described in The Code was intended to allow growers to adjust their practices and/or search for alternative buyers. It was intended to specify the latest date at which that information might be known by a grower, however as there is no advantage in grape purchasers announcing prices early, this date has in effect become the first and final date where the majority of companies release their prices.

In practice, feedback from growers suggests that this does not allow time for growers to adjust their practices. While it is true to say that in volatile markets this date may not be known with any accuracy, at this time in the season growers have committed almost all of their annual discretionary expenditure (except late irrigation, freight and harvest cost) by the time the price notification is made. As such, there is no opportunity to modify spending to respond, and to make informed

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<sup>11</sup>[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Rural\\_and\\_Regional\\_Affairs\\_and\\_Transport/Australian\\_wine\\_industry/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Australian_wine_industry/Submissions)

business decisions in response to the anticipated business return. Due to the perishable nature of winegrapes, such time frames provide limited opportunity to enter into dispute resolution.

There is a tendency for pricing information to quickly become common knowledge potentially leading to reduced competition between buyers. Growers have expressed some concerns to the effect that inductive pricing sets a base or minimum price point that other buyers can (and do) use as a reference. Finally, the fact that indicative pricing is non-binding provides no guarantee to the grower, questioning its net benefit over the risks.

Some wine producers have made it clear that the inclusion of this date has deterred them from signing the voluntary Code. In some years growers have reported early varieties reaching maturity and harvest commencing prior to the price having been finalised. This practice is concerning.

Industry is currently investigating alternative opportunities for providing pricing signals to growers based on market information.

#### **Issue 5 – quality assessment**

AV advocates for a whole of value chain approach across industry. Value chains function most effectively when participants share benefits and this can occur through flow of not just products, but important information that links value chain participants (growers) to markets. This information includes price, quantity and quality requirements.

The issue raised in the paper about downgrading remains a concern to AV and our members. Specifically, the paper highlights the concerns that winemakers who have already met their quota for a particular quality grade will use ‘a quality assessment as a reason for lowering the price paid to growers’ and then goes on to state that this practice ‘reduces transparency and sends unclear and distortionary signals’. AV acknowledges the rights of winemakers to downgrade products however this right has almost certainly been subject to abuse, highlighting a need for price determination to be made in a more transparent manner, and a review of the whole concept of ‘quality grading’ and a move towards the final product meeting criteria that relate to it being ‘fit for purpose’.

Finding an acceptable definition of ‘quality’ presents challenges that cannot be simply resolved. For example, whereas sugar level was once considered an effective objective measure, winemakers more recently have added parameters such as flavour, colour and tannin to their suite of assessment parameters. Indeed, some winemakers are now intentionally seeking lower sugar levels to meet a shift in consumer demand from full-bodied to lighter bodied wines. Furthermore, consumers are known to fall into different clusters that are revealed in sensory tests to provide different quality targets, thus presenting further challenges. For this reason, attempts to link quality to an objective measure will continue to be problematic, and even more so at the premium end of the market where these measures do not often reflect limiting factors. That said, in the absence of any better practical alternatives, objective measures such as baume, pH, berry size and colour continue to be appropriate quality indicators in certain circumstances such as basic/commodity wine styles.

The issue of defining quality is not limited to the problems that surround finding agreed objective measures and the degree of subjectivity that has traditionally been involved. The other issue is the whole concept that 'grade = quality = price point' and the fact that this fails to provide a mechanism to address supply: demand. AV holds concerns that there is an expectation from growers that purchasers can direct linking price to quality, an expectation that cannot always be met. Basing pricing purely on quality attributes and de bundling this from regional brand recognition and market forces is not a practical solution.

Seasonal variations may mean that a significantly higher proportion of premium grade fruit can potentially enter the market than the amount that the market can accommodate. AV supports the concept that growers receive feedback that might assist them to improve their ability to meet agreed quality measures. However, some growers appear to have an expectation that producers are in a position to purchase unlimited quantities of this fruit providing it makes the grade. Its quite feasible that producers failing to manage these expectations might instead downgrade fruit prices rather than disclosing to the grower that they have met their quota for a certain grade.

Whilst pricing based on grade is a prominent feature of many winegrape supply contracts, it is not common for grape purchasers to disclose information about the quantity that they require for the various grade categories, either from the individual grower or the market more broadly. Greater transparency surrounding requirements for various grades from various varieties and regions would allow growers to target the quality to end point demand, it would allow wineries to better manage grower expectations, and improve trust between the two parties.

Finally, it is common for the determination of fruit quality 'grade' to be conducted by the purchaser themselves. This presents a potential conflict of interest, particularly where such measures of quality are subjective. It could create a situation where the person or business assessing the grade may be inadvertently swayed by their own requirement for that particular grade of fruit. This requirement is likely to fluctuate with supply and demand in a given year. In such a case, the market signal that the grower receives may be influenced by the requirements of a particular company instead of a reflection of industry standard. Greater transparency surrounding grading could be achieved if purchasers were encouraged to conduct independent assessments of grades. It is worth noting that the wine sector is perhaps one of the last agricultural industries still to develop industry – wide objective, standard assessment of the crop grown by the primary producer. Use of objective measures is the most transparent means by which to assess grape, must or final wine in regard to its targeted end product. Development of a standard and sound process should not necessarily restrict grape purchasers to adopt a "one size fits all" process, but instead encourage the common pursuit of reliable, repeatable measurement that is clearly understood by both parties.

## **Conclusion**

AV maintains a strong commitment to promoting the importance of equitable and, indeed, lawful grape purchase contracts. Australia's wine industry has recently emerged from a number of years of hardship where both wine export value and grape prices have been in decline. These difficult conditions have placed a strain on the relationship between grape growers and winemakers and there has been a sentiment from some grape growers that the sharing of market risk has not been equitable. During this time, there have been a number of concerns raised by growers relating to contracts and the nature of these concerns has been outlined in this submission. Whilst its clear there are issues, the extent of the problem across industry is not entirely clear.

There are distinct differences between regions and in particular between cool and warm climate regions. Competition across industry varies between regions as does the degree to which growers can switch between buyers, not just due to the nature of their contracts but for logistical reasons such as transport and proximity to processing facilities. The differences between regions also influence the type of end product, thus impacting upon the appropriateness of various objective measures in determining 'quality' (or fitness for purpose). While recognising and rewarding value in a transparent way has emerged as critically important issue, defining quality continues to present challenges to this industry due to the incredibly diverse nature of businesses, wine styles and consumer preferences. Objective measures may never present a one size fits all solution, however industry could certainly benefit from a more standardised approach and an assessment method that is transparent and clearly understood by both parties.

Both AV and WFA are committed to assisting industry develop fair and equitable contracting practices and as such administer The Wine Industry Code of Conduct in order to provide a framework for grape supply contracts. Both organisations work hard to promote the code and to maximise adoption across industry. There is a recognised need to conduct a review of the Code to improve its effectiveness and in particular to consider alternatives to the current mechanism for provision of indicative pricing. Common concerns include timing of price notifications, the limited time frame for dispute resolution and the fact that drawn out payment terms have become an accepted norm. A review of The Code, as well as the provision of better market signals are known priorities of industry.

AV looks forward to hearing the views of the ACCC and is committed to working together to address any issues raised throughout the study.

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