



Australian Government

**Department of Agriculture,
Fisheries and Forestry**

**Department of Agriculture,
Fisheries and Forestry submission
to the Rural and Regional Affairs
and Transport References
Committee Inquiry into the
Australian winegrape purchases
code of conduct**

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Introduction

The Department of Agriculture, Fisheries and Forestry (the department) welcomes the opportunity to provide a submission to the Rural and Regional Affairs and Transport Committee's inquiry into Australian winegrape purchases code of conduct.

At a time when the industry is under pressure due to recent trade issues, shifts in consumer preferences, and a global decline in wine consumption, it is important to ensure a fair and functioning wine, grape and retail market.

Roles and Responsibilities

The department has primary portfolio responsibility for policy matters relating to the grape and wine sector. The department provides advice to the Australian Government on matters related to wine including international market access, policy settings and responding to issues affecting the industry. The department works closely with Wine Australia, the statutory authority for the sector established under the *Wine Australia Act 2013*. Wine Australia's key functions are to:

- coordinate or fund grape or wine research and development activities
- facilitate the dissemination, adoption and commercialisation of research and development results
- promote the consumption and sale of grape products, both in Australia and overseas
- control the export of grape products from Australia.

Australian Grape and Wine Incorporated (AGW) is Australia's national association of winegrape and wine producers. AGW is recognised as a representative organisation for winegrape and wine producers under the *Wine Australia Act 2013*. AGW also administers the current voluntary Code of Conduct for Australian Winegrape Purchases

The Australian grape and wine sector

The Australian grape and wine sector comprises more than 2,000 wineries and 6,000 grape growers across 65 wine grape growing regions.¹ Wine grapes are grown across the continent – from Margaret River in Western Australia to Hastings River in New South Wales, and from Tasmania to South Burnett in Queensland.

Australia has more than 200 years of viticulture history and grows more than 100 different varieties. There are 146,244 hectares of land under vine² that produce around 1.73 million tonnes of wine grapes annually.³ From this, on average 1.25 billion litres of wine is produced each year, making Australia the fifth largest wine producer in the world by volume and sixth largest by value.

This is a valuable industry to our rural and regional economies, supporting the lives and livelihoods of thousands of farming families. Nevertheless, it remains a challenging time for the Australian grape and wine sector.

¹ Wine Australia, [National Vintage Report 2024](#), 9 July 2024.

² Wine Australia, [National Vineyard Scan](#), 29 January 2020.

³ Wine Australia, [Australian Wine Sector at a glance](#), 23 January 2024.

Challenges facing the sector

Trade disruptions, a global decline in wine consumption, and shifts in consumer preferences have negatively disrupted the market and prices for traditional red grape varieties.

In 2020, the imposition of duties of almost 220 per cent on Australian bottled wine to China reduced the value of Australian wine exports by around \$1 billion per year, or over a third of total export value.⁴ This contributed to an oversupply of red wine grapes, with consequential impacts on the industry. The average price of red winegrapes in the nation's warm inland regions fell in each of the three vintages to 2024, to near-record lows. Wineries with unsold wine also struggled, especially those with tanks full of wines from previous vintages.

Australian wine exports have begun to recover following the removal of duties, with around \$600 million in exports to China in just six months. However, it is too early at this stage to know whether the value of Australian wine exports to China will sustain the previous peaks experienced in 2020 or whether this immediate surge in demand will resolve the structural imbalance between demand and supply currently faced by the industry.

The government's primary focus in responding to this challenge has been to support the industry to build long-term, sustainable demand for Australian wine through market diversification and expansion. Introducing and establishing Australia's world-class wine into new markets assists in redressing the imbalance between supply and demand over the long run.

More recently, the Australian Government announced funding of \$3.5 million to further support the sector's long term viability. This includes funding to develop a National Vineyard Register, which will provide growers and winemakers with information to make better informed decisions. Other support through the package includes market development in Japan, China and the US, a domestic consumer campaign to promote Australian wine, and research and tools to help growers reach new markets, diversify crops and move to lighter alternative alcohol products.

Viticulture and Wine Sector Working Group

In March 2024, Commonwealth, State and Territory Agriculture Ministers established a Viticulture and Wine Sector Working Group (Working Group) to develop a national approach to the oversupply of red wine grapes and to support grape growers and producers. Chaired by South Australia, the Working Group was made up of officials from the department, states and territories, as well as representatives from Wine Australia and the national industry body, Australian Grape & Wine.

The Working Group consulted with grape growers, winemakers, industry representative bodies, local councils, other key stakeholders and community members in each of the three warm inland regions (Riverina, Riverland and Murray Valley/Swan Hill), as well as engaging with impacted parties in other areas. The Working Group's findings were also supported by specially commissioned research and analysis from eminent wine economist, Emeritus Professor Kym Anderson AC.

⁴ ABARES, [Australian wine in China: Impact of China's anti-dumping duties](#), July 2021.

The Working Group heard concerns during consultation, from grape growers and winemakers, regarding fairness and potential failures in the wine grape and retail markets. These concerns were perceived as long-standing, but exacerbated by the current market conditions.

Many grape growers raised concerns about issues in commercial contract arrangements with winemakers, including pricing, long payment terms and inconsistent fruit quality standards. Some grape grower representatives suggested a mandatory code of conduct or other mechanism would provide fairer trading conditions and prevent the exploitation of grape growers during the oversupply and into more stable periods of demand. Some raised that the existing voluntary Code of Conduct for Australian Winegrape Purchases (the code) is not effective to resolve disputes, promote contractual fairness, or build a culture of better transparency throughout the supply chain. Some stakeholders were uncertain what the impacts of making the voluntary code mandatory would be.

Issues such as long payment times, opaque price transparency practices, and subjective quality standards for fruit, have been known to exist in the industry for many years. The Senate Rural and Regional Affairs and Transport References Committee first recommended a mandatory code in 2005.⁵ Further investigations include the 2019 Australian Competition & Consumer Commission's (ACCC) Wine Grape market study⁶ and 2021 follow-up report on the market study.⁷ Following ACCC conclusions that competition was inhibited and there was a lack of transparency in the market there were some changes in the sector, including strengthening of the code.

Despite improvements to the code in recent years, concerns regarding fairness in commercial dealings remained prevalent during the Working Group's consultation.⁸ The ACCC's follow-up report acknowledged the sector had made progress, including an increase in signatories to the code. However, the ACCC also noted, if the trajectory of improvement to commercial practices stalled under self-regulation, a mandatory code should be considered.⁹

The ACCC noted that long payment times remain a key unresolved issue, with winemakers resisting the ACCC's recommended transition to 30-day payment times. Payment times was one of the most concerning issues raised by grape growers in Working Group consultations. Some grape growers reported to the Working Group that, in some cases, payment did not occur until more than 12 months after delivery of grapes.

While the focus of the competitive relationship was between grape growers and winemakers, stakeholders also raised concerns about the relationship between winemakers and retailers. The four largest retailers (Endeavour Group, Coles, Metcash and Aldi) hold a market share of almost 70 per cent, with Endeavour and Coles alone having a 55 per cent market share.¹⁰ Some stakeholders also noted that, despite concerns, retailers are an important part of the sector and provide economic opportunities for grape growers and winemakers. This issue was

⁵ Senate Rural and Regional Affairs and Transport References Committee, [The operation of the wine-making industry](#), 13 October 2005.

⁶ Australian Competition & Consumer Commission, [Wine grapes market study](#), September 2019.

⁷ Australian Competition & Consumer Commission, [Wine grapes market study follow-up review](#), December 2021.

⁸ A Code of Conduct forum was hosted by the Wine Grape Council of South Australia in Adelaide on June 6 2024.

⁹ Australian Competition & Consumer Commission, [Wine grapes market study follow-up review](#), December 2021, p. 3.

¹⁰ IBISWorld, *Industry Report G4123 Liquor Retailing in Australia*, 2023, p. 10

also considered by Professor Anderson who noted that the monopsony power of large liquor retailers has created issues such as crowding out shelf space in favour of private labels.¹¹

In October 2024, the Working Group's Final Report was agreed by Ministers and is published on the department's website. The report included 15 actions and 6 recommendations, including a recommendation that the Australian Government examine commercial contract arrangements across the grape and wine sector supply chain. To meet this recommendation, it was proposed the government investigate the regulatory options available to improve fair trading, competitive relationships, contracting practices, and risk allocation, across the wine and grape sector value chain, from vineyard to retail shelf.

Grape and Wine Sector Regulatory Impact Analysis

In response to the Working Group's findings, the Australian Government took forward several recommendations through a \$3.5 million Long-term Viability Support Package.

As part of this package, in August 2024, the Hon Julie Collins MP, Minister for Agriculture, Fisheries and Forestry, announced that Dr Craig Emerson had been appointed to lead an independent impact analysis of regulatory options for the Australian grape and wine sector, concerning fair trading, competitive relationships, contracting practices and risk allocation.

Dr Emerson has met with growers, winemakers and retailers, and their representative bodies, including in the inland regions of the Riverland, Riverina and Murray Valley/Swan Hill. The department also ran an open consultation process with a Have Your Say page open to receive submissions from 18 September 2024 to 20 October 2024. More than 20 submissions were received and all public submissions are available online.

Dr Emerson is examining whether there is market failure in the grape and wine sector and will provide advice about regulatory or other interventions. Draft recommendations will be provided to the Australian Government by the end of 2024. Dr Emerson is considering all options to improve fair trading in the sector, including prescribed and mandatory codes and non-regulatory interventions.

Conclusion

The Department of Agriculture, Fisheries and Forestry thanks the Committee for the opportunity to provide a submission to the Australian winegrape purchases code of conduct inquiry and would be happy to provide the Committee further information on request.

¹¹ Professor Kym Anderson, Viticulture and Wine Working Group Report, 2024, p. 61.