



Riverina
WINEGRAPE
GROWERS

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17/10/2024

Committee Secretary
Rural and Regional Affairs and Transport References Committee
Senate Standing Committees on Rural and Regional Affairs and Transport
Parliament House
Canberra ACT 2600

Re: Submission to the Senate Inquiry on the Adequacy of the Voluntary Code of Conduct for Australian Winegrape Purchases

Dear Committee Members,

On behalf of the Riverina Winegrape Growers, I am pleased to make this submission to the Senate inquiry into the adequacy of the voluntary Code of Conduct for Australian Winegrape Purchases. As representatives of one of Australia's largest winegrape-producing regions, we believe that significant reforms are required to ensure fairness, transparency, and sustainability in the winegrape industry.

a. Structure and Inequities in the Australian Winegrape and Wine Processing Market

The current market structure is characterized by a high level of consolidation among wine processors, with a few dominant companies controlling the majority of winegrape purchases. This concentration of market power leads to significant bargaining imbalances, where growers have little ability to influence contract terms or pricing. The voluntary code lacks the enforcement mechanisms needed to address these inequities, resulting in systemic disadvantages for independent growers.

We advocate for a mandatory code of conduct that establishes clear standards for fair trading and limits the ability of large processors to exploit their market position.

b. Impact of Current Market and Trading Arrangements on the Winegrape and Wine Processing Industries

The nature of current market and trading arrangements often results in unfair pricing practices and contract conditions that negatively impact growers. Many growers face unilateral changes to contract terms, delayed payments, and non-transparent deductions for quality assessments. These practices undermine the financial stability of winegrape producers, particularly smaller operators who rely heavily on timely and fair payments.

A mandatory code should include provisions for transparent contract terms, binding dispute resolution mechanisms, and penalties for breaches to ensure that trading arrangements are conducted in a fair and ethical manner.

c. Impact on Employment Conditions for Workers in the Supply Chain

The current inequities in the winegrape market also extend to employment conditions for workers in the supply chain. When growers face financial pressures due to unfavourable market arrangements, it directly affects their ability to hire and compensate workers fairly. Addressing the market power imbalance through a mandatory code would lead to more stable employment conditions, fair wages, and better working environments for all individuals involved in the supply chain.

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d. Availability, Transparency, and Accessibility of Winegrape Market Price Information

The availability and transparency of winegrape market price information are currently inadequate. Growers often lack access to timely and reliable data to make informed decisions about their production and sales. The voluntary code has not been effective in promoting greater transparency in pricing, which remains a significant challenge for predicting demand and setting realistic price expectations.

A mandatory code should require wine processors to provide clear, accessible, and standardized price reporting, giving growers a stronger basis for negotiating fair prices.

e. Effectiveness of the Current Administration of the Code

The current administration of the voluntary code is insufficient, with limited accountability and enforcement. Many wine processors do not adhere to the code's guidelines, knowing there are no substantial repercussions for non-compliance. This undermines the code's credibility and its intended purpose of protecting growers from unfair practices.

To enhance its effectiveness, we strongly recommend transitioning to a mandatory code with clear enforcement mechanisms, penalties for breaches, and an independent body to oversee compliance.

f. Adequacy of Winegrape and Wine Industry Representation

Representation of growers at regional, state, and national levels varies significantly, with some regions lacking the necessary resources and support to advocate effectively for their interests. For a truly equitable winegrape industry, it is essential to ensure that all regions, including the Riverina, have a strong and unified voice in industry discussions and policymaking.

We propose that a mandatory code include measures to strengthen industry representation and ensure that the perspectives of growers are considered in decision-making processes at all levels.

g. Policy and Regulatory Options to Improve Market Competition

A mandatory code of conduct is a critical step toward enhancing market competition and reducing existing inequities. Drawing from successful examples in other primary industries, such as dairy and horticulture, a mandatory code in the winegrape industry would help protect smaller players from the power imbalances that currently favour larger processors.

The benefits of a mandatory code include the establishment of clear rules for fair trading, improved transparency in market transactions, and a stronger legal framework to address disputes. While there are limitations to any regulatory approach, the implementation of a mandatory code is a necessary step to level the playing field and support a more competitive market.

h. Other Related Matters

Beyond the specific issues outlined, there are broader challenges that affect the sustainability and resilience of the winegrape industry, including the impact of global market dynamics, climate change, and shifting consumer preferences. Addressing these

challenges requires a holistic approach that not only includes a fair code of conduct but also supports innovation, adaptation, and long-term investment in the industry.

Conclusion

The Riverina Winegrape Growers strongly believe that the voluntary Code of Conduct for Australian Winegrape Purchases is inadequate in its current form and fails to protect growers from the significant power imbalances that exist in the market. We urge the Senate committee to recommend the transition to a mandatory code of conduct that provides clear guidelines, transparency, and enforcement to create a fair and sustainable winegrape industry.

Thank you for the opportunity to provide our views on this critical issue. We look forward to the committee's findings and to working collaboratively to ensure the future prosperity of the Australian winegrape industry.

Yours sincerely,



Jeremy Cass
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