



Australian Government

Wine Australia

The Senate Rural and Regional Affairs and Transport References Committee

inquiry into the

Australian winegrape purchases code of conduct

Wine Australia submission

October 2024

On 19 September 2024, the following matter was referred to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 28 February 2025.

The adequacy of the voluntary Code of Conduct for Australian Winegrape Purchases (code), with reference to:

- a. the structure of, and any inequities in, the Australian winegrape and wine processing market;
- b. the nature and impact of current market and trading arrangements on the winegrape and wine processing industries;
- c. the impact of the current market structure on employment conditions for workers in the supply chain;
- d. the availability, transparency and accessibility of winegrape market price information and its effectiveness in forecasting winegrape prices and demand;
- e. the effectiveness of the current administration of the code;
- f. the adequacy of winegrape and wine industry representation at regional, state and national levels;
- g. policy and regulatory options to improve market competition and address any inequities, including the potential benefits and limitations of a mandatory code, and the applicability of existing mandatory codes of conduct in other primary industries; and
- h. any other related matters.

About Wine Australia

Wine Australia welcomes the opportunity to provide this submission to the Senate Rural and Regional Affairs and Transport References Committee inquiry into the *Australian winegrape purchases code of conduct*.

As the statutory body responsible for supporting the development of the Australian wine sector, this inquiry aligns with our statutory functions. However, certain aspects of the Committee's inquiry fall outside the Wine Australia remit and will not be addressed in this submission.

This submission aims to contribute insights that will support a profitable, sustainable and resilient grape and wine sector.

Established under the *Wine Australia Act 2013* (the Act), Wine Australia is a Commonwealth Corporate Entity (CCE).

Wine Australia empowers the success of the Australian grape and wine sector across three key functions, established by the Act:

- Research and development to enhance the global competitiveness, sustainability, profitability and resilience of the Australian grape and wine sector and promote the adoption and commercialisation of research outcomes.
- Expanding marketing and promotion opportunities for Australian wine that increase the demand and premium paid for Australian wine domestically and internationally.
- Regulatory services to safeguard product integrity through the control of Australian wine exports.

Wine Australia is funded by the sector, for the sector, through grapegrower, winemaker and exporter levies and user-pays charges, with matching funds from the Australian Government for research and development. In accordance with the Act and Statutory Funding Agreement applicable to all Rural Research and Development Corporations (RDC) including Wine Australia, the primary sources of funding are:

- Research and Innovation (R&I) funding
 - Grape research levy: grapegrowers pay \$2 per tonne of winegrapes crushed
 - Wine grape levy: wine producers pay \$5 per tonne of winegrapes crushed
 - These levies are matched dollar-for-dollar by the Australian Government.
- Marketing funding
 - Wineries pay the promotion component of the wine grape levy, and a stepped amount per tonne is applied once a threshold of 10 tonnes has been reached.
 - Wine export charge: the amount of levy payable is based on the free-on-board (FOB) sales value of wine for the levy year and is paid by exporters on wine produced in and exported from Australia.
- Regulatory funding
 - Regulatory activities are funded on a cost-recovery basis through activity-based fees.
- User-pays activities
 - Wine businesses, regional associations and state governments pay voluntary contributions to participate in marketing activities.

Under the Act, Australian Grape & Wine Incorporated (AGW) is Wine Australia's representative organisation. AGW is the national sector body that represents Australia's grape and wine producers on political, social and regulatory issues across the production and supply chain. This includes the voluntary code of conduct for Australian winegrape purchases.

a. The structure of, and any inequities in, the Australian winegrape and wine processing market

- The Australian winegrape crush has been decreasing, with the 2023 vintage reaching a 23-year low. The 2024 crush saw a modest 9% year-on-year increase; however production remains significantly below historical averages.
- Prices for winegrapes vary depending on region and grape type. Warm inland regions have experienced dramatic price declines for red grapes (55% since 2020), while cool and temperate whites experienced price increases.
- One of the sector's current priorities is to address the supply-demand balance for red wine. Red wine inventories remain high, equating to over two-and-a-half years of sales, despite efforts to reduce stock.

Australia is the world's fifth-largest grape wine producing country, with a vineyard base of around 150,000 hectares and an average annual grape production of 1.75 million tonnes making approximately 1.2 billion litres of wine.

The Australian wine industry is a significant contributor to the national economy, with an estimated value of \$45 billion. Winegrape production accounts for nearly \$1 billion, while wine processing contributes approximately \$5 billion. The industry provides economic benefits beyond its direct output, supporting jobs in agriculture, manufacturing and tourism. Over

160,000 people are employed in Australia’s 65 wine-growing regions, including more than 6,000 winegrape growers and over 2,000 wine producers.

Wine Australia’s annual Wine Production, Sales and Inventory Survey demonstrates that the sector is dominated by large businesses — around 30 wineries account for at least 75 per cent of total Australian wine production.

Winegrape production

The Australian winegrape crush has experienced a downward trend in recent years (see Figure 1), with three of the past five vintages falling below the 10-year average of 1.73 million tonnes. The 2023 vintage marked a 23-year low, with just 1.31 million tonnes crushed. However, the 2024 vintage saw a modest recovery, increasing by 9% to 1.43 million tonnes.¹

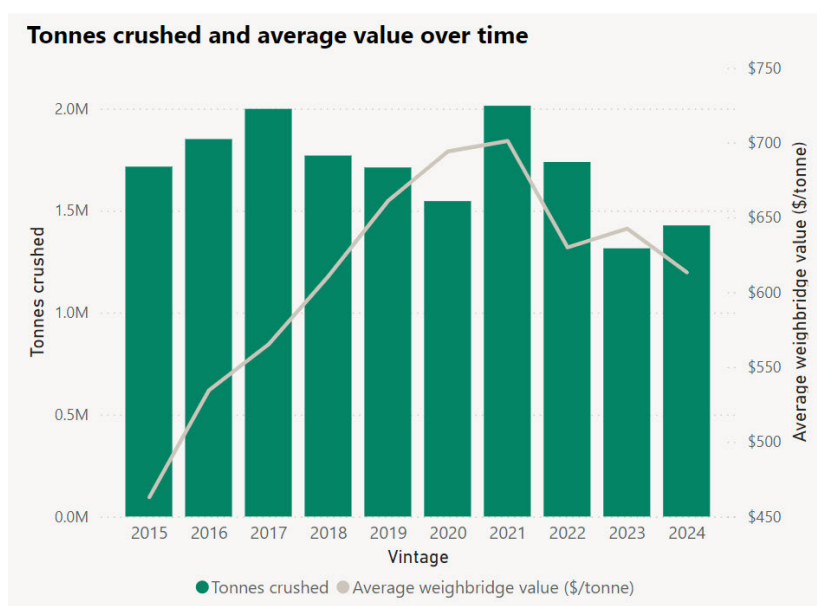


Figure 1: National crush data by volume and average value.
Source: Wine Australia National Vintage Survey 2024

Despite these lower crush levels, there is no substantial evidence of a decline in the vineyard area, suggesting the potential for larger crops still exists. For instance, South Australia's vineyard area decreased by only 1.8% between 2023 and 2024, but the crush fell by 33%, indicating that yield management and seasonal factors, rather than vineyard reduction, may be responsible for lower production.

The value of the 2024 crush is estimated at \$1.01 billion, representing a 2% increase year-on-year. This rise was due to the 9% increase in volume, offsetting a decrease in average value per tonne from \$642 to \$613.

The price disparity between regions is a critical factor in understanding market signals.

The decline in average value was driven primarily by lower prices for grapes from warm inland regions. The three large inland regions account for 72% of the national crush (Riverina – NSW, Murray Darling/Swan Hill – NSW and Vic, and Riverland – SA).

¹ Wine Australia, *National Vintage Survey Report 2024*, <https://www.wineaustralia.com/market-insights/national-vintage-report>

While the average price for red grapes in warm inland regions has dropped sharply by 55% since 2020, the average red grape purchase price in cool and temperate regions decreased by 7% in the same period.

Meanwhile, the price for cool and temperate whites continues a long-term upward trend, reflecting strong demand for premium white wines. In contrast, prices for white grapes from warm inland areas have softened, falling 5% compared to 2020, indicating weaker demand in the commercial white segment.

Wine production

Approximately 60% of all wine produced in Australia is exported to international markets. As a result, global market trends significantly impact wine producers and grapegrowers, with considerations around the supply required to support demand, and the appropriate mix of varieties, wine styles and price points.

In 2022–23, total Australian wine production was estimated at 964 million litres (107 million 9 litre case equivalents), the lowest level since 2006–07 and the first time since then that national wine production has dropped below 1 billion litres.² This represents a drop of nearly 300 million litres below the 10-year average of 1.26 billion litres. The decline was largely expected due to the small 2023 vintage.

Red wine production was particularly affected, with a larger total volume and percentage drop than white wine, resulting in white wine's share of production rising one per cent to 46%, the highest since 2017–18.

Wine inventory and supply-demand balance

Due to sales exceeding production, the national wine inventory decreased by 82 million litres (4%) to 2.2 billion litres as of June 2023.³

Red wine stocks led this reduction, falling by 10%, while white wine stocks remained stable. Other wine categories, including sparkling and fortified wines, saw a 45% increase from 141 million litres to 205 million litres, though these products account for only 9% of the total inventory.

Despite the decrease in overall stock, the national stock-to-sales ratio (SSR) — a key indicator of the supply-demand balance — remains high, particularly for red wines. The SSR for red wine stood at 2.57, meaning that red wine stocks represent more than two-and-a-half years' worth of sales. While this ratio has decreased by 7% since 2022–23, it remains 45% above the 10-year average, reflecting continued oversupply challenges (see Figure 2). This oversupply puts downward pressure on demand and prices for red winegrapes.

Conversely, white wine is in a relatively healthier position. The SSR for white wines declined by 2% to 1.49, closer to a balanced level. This decrease is primarily due to a slight increase in white wine sales. While 10% above the 10-year average, the SSR for white wines suggests that supply and demand are more aligned than for red wines.

² Wine Australia, *Product, Sales and Inventory survey 2023*, <https://www.wineaustralia.com/market-insights/australian-wine-production-sales-and-inventory>

³ Wine Australia, *Product, Sales and Inventory survey 2023*

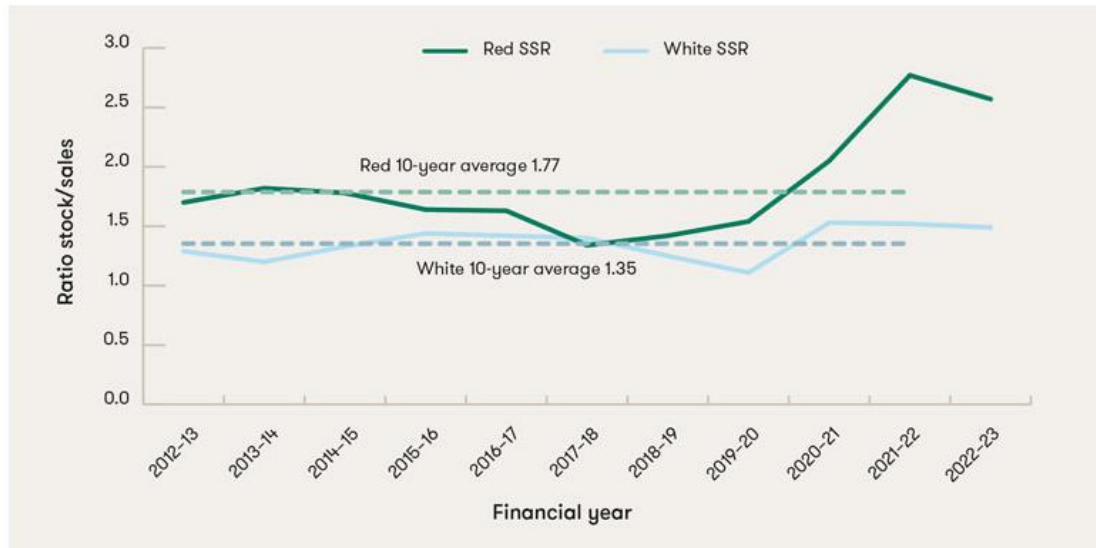


Figure 2: Stock-to-sales ratio (SSR) for Australian wine by colour over time.
Source: Wine Australia Production, Sales and Inventory surveys and ABS

b. The nature and impact of current market and trading arrangements on the winegrape and wine processing industries

- Globally, wine consumption is declining faster than other alcoholic beverages, with a 4% annual decline, driven by changing consumer preferences, health concerns and cost-of-living pressures.
- While consumption of lower-priced commercial wines is declining, there is a growing trend toward premium wines (over \$10 per bottle), though this growth is slowing.
- Australia is heavily reliant on the declining commercial wine segment, with 90% of its export volume in this category, making it vulnerable to global market shifts.

The Australian domestic wine market is the largest single market for Australian wine, accounting for more than 40 per cent of all Australian wine sales by volume. The following global trends are also reflected in Australian consumption.

Global consumption trends

The global alcoholic drinks market has been in decline for the past decade, with wine consumption dropping faster than other alcoholic beverages. Since 2020, wine consumption has decreased by 4% annually, compared to a 1% drop for other categories. This accelerated decline is largely driven by health-conscious consumers and, more recently, cost-of-living pressures, causing a shift in consumer habits. Wine, once an everyday drink, is now more occasion-based, with fewer people drinking it regularly.

Younger consumers are abstaining or drinking less wine, while older consumers are moderating their intake. The result is a shrinking pool of wine drinkers who are also consuming less overall. Furthermore, the on-premise market (restaurants, bars) has been hit hard by pandemic-related closures and cost pressures, with fewer people frequenting these venues. Younger patrons, in particular, prefer experiences beyond food and wine – wine ranks last in the drinks categories they consume in the on-premise. Baby Boomers, traditionally wine drinkers, are visiting venues less often and spending less.

Premium vs. commercial wine segments

Global wine consumption trends vary by price segment. While premium wines (over US\$10 per bottle) have seen growth, the commercial segment (under US\$10) is in decline. This indicates that consumers are drinking less wine but choosing to purchase at higher price points – although cost of living pressures have seen this premium growth slow in the last two years.

Commercial wines, which represent 84% of global wine volume and 60% of value, will remain the major segment of the market – but the segment is in steady decline. Although premium wine sales are forecast to rise, this growth will not be enough to offset the overall decline in global wine consumption.

Australia’s wine exports are disproportionately concentrated in the commercial wine segment, with 90% of its export volume falling in this category. As global demand for commercial wines continues to shrink, Australia is particularly exposed to these market shifts.

The *Agricultural Commodities Report* published by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) in March 2024 shows that the outlook for Australia’s major red winegrape varieties of Shiraz, Cabernet Sauvignon and Merlot remains very challenging, particularly in Australia’s big producing inland regions.

ABARES forecast that the average price paid for the three grape varieties across the inland regions will fall well below the cost of production in 2023–24 (vintage 2024) and again in 2024–25 (vintage 2025) (Figure 3).⁴

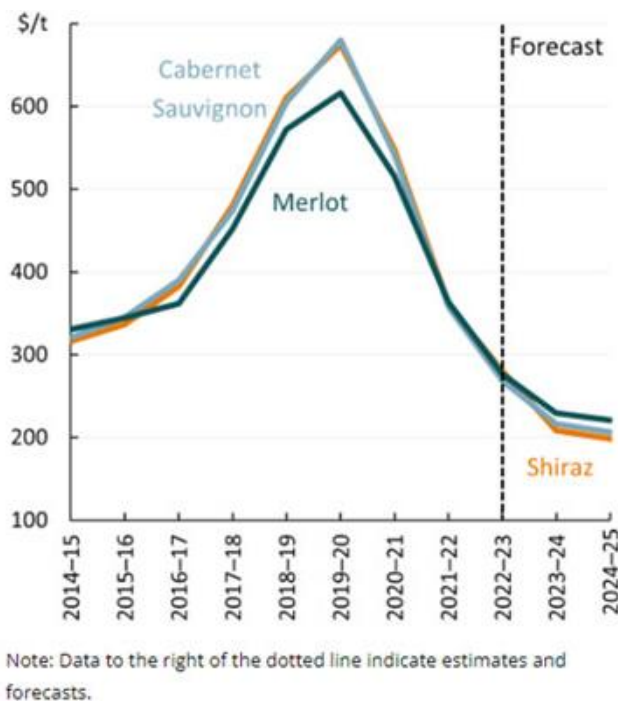


Figure 3: Average nominal price per tonne, red grape varieties from warm inland regions
Source: ABARES Agricultural Commodities Report, March 2024

⁴ ABARES, Agricultural Outlook - Wine, March 2024 <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/wine#high-stocks-and-weak-demand-to-depress-wine-grape-prices>

c. The impact of the current market structure on employment conditions for workers in the supply chain

As part of Wine Australia's investment into research and development, people development projects include capability building and career pathways information to enhance the long-term sustainability of the sector, as prescribed by our functions under the Act. Wine Australia's role under the Act does not include industrial relations instruments or policy-related employment conditions for the sector, which are undertaken by the sector's representative organisations.

Wine Australia notes that current publicly available datasets in the agricultural sector, including the grape and wine sector, are limited and do not provide a comprehensive and nuanced understanding of the workforce.

d. The availability, transparency and accessibility of winegrape market price information and its effectiveness in forecasting winegrape prices and demand

- The Australian Competition and Consumer Commission (ACCC) and Australian Government have made several attempts to understand and improve access to market price information in the winegrape industry, most recently culminating in the *Improving Market Transparency in Perishable Agricultural Goods Industries* initiative in 2022.
- The Grape Price Indicators Dashboard and other tools provide winegrape growers with real-time market data and forecast trends, helping them make informed decisions. These are supported by quarterly price forecasts from the independent ABARES.
- A National Vineyard Register is in development to help balance supply and demand by providing detailed data on Australia's grape and wine production.

The ACCC's 2019 winegrape market study explored competition, contracting practices, transparency and risk allocation in the wine grapes supply chain, focusing on three inland warm climate regions: Riverland, Murray Valley and Riverina. The final report identified ten recommendations, including improving price transparency.

In late 2020, the ACCC conducted an inquiry into bargaining power imbalances in supply chains for perishable agricultural goods (PAG) in Australia. The inquiry recommended that government and industries explore measures to foster price transparency and increase competition.

In 2022 the Australian Government, through the Department of Agriculture, Water and the Environment (DAWE), committed \$5.4 million in response to this recommendation, forming the *Improving Market Transparency in Perishable Agricultural Goods Industries* initiative.

Consultation with the grape and wine sector identified a need for more powerful analytics, including the development of a digital analytics platform to provide an objective assessment of pricing.

The *Improving Market Transparency* initiative has delivered several outcomes to date and will run until 2025.

Grape Price Indicators Dashboard

<https://marketexplorer.wineaustralia.com/grape-price-indicators>

Provides a clear summary of major factors affecting inland winegrape prices, including export values, global bulk wine prices, stock-to-sales ratios, grape crush, and sales figures. Filtering by grape colour and varieties can help forecast pricing trends for future vintages.

ABARES Winegrape Price Forecasts

Through a strategic partnership, independent winegrape price forecasts and commodity analysis for commercial grapes are now published quarterly by ABARES, offering growers and producers an objective analysis of future grape prices. The first of these forecasts was released in March 2023 and winegrape price forecasts have since been incorporated into ABARES quarterly Agricultural Commodities Report.

National Vineyard Register

Currently in development as part of the \$3.5 million *Grape and Wine Sector Long-Term Viability Support Package*, announced in June 2024 by the Department of Agriculture, Fisheries and Forestry (DAFF), the National Vineyard Register is one of several initiatives to support the sector's response to the oversupply of red wine through building demand, providing better data for growers to make decisions and diversify, and investigate competition and regulatory issues.

The National Vineyard Register will compile data on vineyard areas, vine age, grape varieties, and geographic locations. This register will provide a critical foundation for decision-making, helping to balance supply and demand, support biosecurity efforts, and drive sustainable growth in the Australian wine sector. Expected to be completed by June 2026, it will offer essential insights into vineyard capacity and production potential.

Additional resources available

Wine Australia provides ongoing market insights through dashboards, surveys, and a fortnightly Market Bulletin. Growers and producers can consult industry analysts for informed discussions on market trends, and Wine Australia regularly presents supply and demand analyses to regional grower groups.

e. The effectiveness of the current administration of the code

AGW is the national sector body that represents Australia's grape and wine producers on political, social and regulatory issues across the production and supply chain. This includes the administration of the voluntary code of conduct for Australian winegrape purchases.

f. The adequacy of winegrape and wine industry representation at regional, state and national levels

The Australian wine sector is supported at national, state and regional levels. This reflects the diversity of the sector and the wide geographical distribution of wine producing regions.

Each of Australia's 65 designated geographical indications (GI's) has differing needs, challenges and opportunities based on climate, production conditions and production volume.

National representation

AGW – the national representative association under the Act.

State representation

NSW Wine Industry Association
Queensland Wine Industry Association
South Australian Wine Industry Association
Wine Tasmania
Wines of Western Australia
Wine Victoria

Regional representation

Regional associations represent the grape and wine businesses and interests of GI's or sub-regions. Funding levels and governance structures vary between regional associations.

g. Policy and regulatory options to improve market competition and address any inequities, including the potential benefits and limitations of a mandatory code, and the applicability of existing mandatory codes of conduct in other primary industries

Policy and regulatory issues within the grape and wine sector are addressed by AGW as the sector's representative organisation under the Act.

Current analysis of grape and wine sector competition

On 23 August 2024, the Hon Julie Collins MP, Minister for Agriculture, Fisheries and Forestry announced the appointment of Dr Craig Emerson to lead an independent impact analysis of regulatory options for the Australian grape and wine sector.

This analysis includes fair trading, competitive relationships, contracting practices and risk allocation. Both the supply and sale of winegrapes between growers and winemakers, and the supply and sales of bulk and packaged wine between winemakers and retailers are in scope.

The report is scheduled to be released in early 2025.

Previous studies and inquiries into grape and wine sector competition

- The ACCC inquiry into bargaining power imbalances in supply chains for perishable agricultural goods (PAG) in Australia resulted in the *Perishable Agricultural Goods Inquiry Report*, published 2020.
- The ACCC *Winegrape Market Study* examined competition, contracting practices, transparency, and risk allocation issues in wine grape supply chains, published 2019.
- The Senate Rural and Regional Affairs and Transport References Committee inquiry and report into the Australian grape and wine industry, 2016.

h. Any other related matters

Wine Australia has no further matters for consideration as part of this inquiry.