

## NSW GOVERNMENT RESPONSE TO THE LEGISLATIVE COUNCIL SELECT COMMITTEE REPORT ON THE WINE GRAPE MARKET AND PRICES

December 2011

### Terms of Reference:

That the Standing Committee on State Development inquire into and report on the factors affecting the wine grape market and prices, and in particular:

- a. Price formation, including factors affecting supply and demand
- b. The role of the Wine Grapes Marketing Board has played in facilitating the use of voluntary codes of conduct and sale contracts
- c. The potential for collective bargaining and/ or codes of conduct to contribute to an efficient market
- d. Whether there are any measures which could improve market signals which would be consistent with competition principles and law
- e. Any other related matter

In making a submission to this inquiry, the NSW Government has provided responses only to recommendations which are relevant to the actions and processes of the NSW Government.

**Recommendation 1: p 15 - That Industry and Investment NSW and the Wine Grapes Marketing Board fund a consultant to provide targeted business advice for grape growers in the Riverina district to assist in responding to industry re-structuring.**

### Response

The Rural Financial Counselling Program already provides business advice in the region, funded by the NSW and Australian Governments.

**Recommendation 2: p 37 - That the NSW Government consult with stakeholders, including other governments as appropriate, to determine the cost-effectiveness of scientific methodologies for analysing red wine grape colour.**

### Response

The NSW Government is already supporting research being undertaken by the National Grape & Wine Industry Centre at Wagga Wagga – a joint Department of Primary Industries and Charles Sturt University facility.

**Recommendation 3: p 44 - That the NSW Government seek an amendment to the *Wine Grapes Marketing Board (Reconstitution) Act 2003* to require wineries to publish by 30 June each year an indicative price list for wine grapes for the forthcoming season.**

**Response**

The introduction of this recommendation has been previously attempted and was rejected by both growers and winemakers.

**Recommendation 4: p 44 - That the NSW Government consult with the wine grape industry to determine the most effective safeguards to ensure that the indicative price list system provides an accurate source of information to wine grape growers.**

**Response**

An annual price dispersion report is already published in July each year, four months after the end of vintage.

**Recommendation 5: p 54 - That the NSW Government investigate the feasibility of requiring that all wineries offer the same terms of payment for wine grapes to growers.**

**Response**

This would be anti-competitive for the market, as it would put NSW winemakers and growers at a competitive disadvantage with other regions where such requirements do not apply.

**Recommendation 6: p 54 - That in the absence of a mandated Wine Industry Code of Conduct, which includes a terms of payment schedule, the Wine Grapes Marketing Board's terms of payment function continue.**

**Response**

The industry already has a national voluntary code that deals with the terms and conditions of payment. This code is currently under review.

**Recommendation 7: p 54 - That the NSW government investigate the most appropriate methods to ensure that a winery has paid in full for the previous season's vintage before it can accept any wine grapes from the next growing season.**

**Response**

See response to (5).

**Recommendation 8: p 65 - That the NSW Minister for Primary Industries pursue the introduction of a mandatory Code of Conduct through the Primary Industries Ministerial Council, including reviewing the effectiveness of penalties for breaches of the Code.**

**Response**

The NSW Government will reserve its position on this recommendation until the review of the industry's current Code of Conduct is completed, and adequate consultation has been conducted with NSW growers.

**Recommendation 9: p 65 - That if the Wine Industry Code of Conduct is mandated, the NSW Minister for Primary Industries ask the Ministerial Council to review its dispute resolution process to determine its effectiveness.**

**Response**

No outcomes have been produced from the review of the current Code of Conduct.

**Recommendation 10: p 65 - That if the Wine Industry Code of Conduct remains voluntary, the NSW Government investigate the utility of forming an independent dispute resolution body to monitor and investigate complaints and disputes concerning price determination and contractual disputes in the wine grape sector.**

**Response**

The dispute resolution facilities of the voluntary Code of Conduct would be adequate if used.