

Agreement in Principle

Ms LYLEA McMAHON (Shellharbour—Parliamentary Secretary) [5.35 p.m.], on behalf of Ms Verity Firth: I move:

That this bill be now agreed to in principle.

The Wine Grapes Marketing Board (Reconstitution) Amendment (Extension) Bill 2009 makes a small but necessary amendment to the Wine Grapes Marketing Board (Reconstitution) Act 2003. The bill will extend the operation of the Act until 1 January 2012. This will allow the critical functions of the Wine Grapes Marketing Board to continue for a further two years, providing ongoing support for the wine grape industry in the Riverina area of New South Wales. The Wine Grapes Marketing Board's area of responsibility covers the city of Griffith and the local government areas of Leeton, Carrathool and Murrumbidgee.

The Wine Grapes Marketing Board was originally established as a statutory marketing authority in 1933 to represent the interests of wine grape growers in the Riverina. The board's main role was to undertake marketing on behalf of growers by negotiating prices for the supply of wine grapes with winemakers. Following a national competition policy review, the Wine Grapes Marketing Board was reconstituted in 2003 as an agricultural industry services committee under the regulations to the Agricultural Industry Services Act 1998. The board now performs a number of service functions for the wine growing industry in the Riverina. These functions include marketing and promotional activities on behalf of growers, research and development, education and training, and the collection and dissemination of market and industry information.

In addition, the board has an important role in helping growers improve their own private marketing arrangements and promoting the sale of wines under private contracts. The board does this by developing draft contract provisions growers can use in negotiating with wineries. The board also has an important role in developing a code of conduct for contract negotiations that wineries can adopt. The Wine Grapes marketing Board (Reconstitution) Act 2003 vests certain additional powers in the board. These powers are designed to further promote the development of supply contracts between growers and wineries—that is, to promote the development of a competitive wine grape market in the region. These powers were only ever intended to operate for a transitional period. It is for this reason that the Act includes a sunset clause.

Specifically, under the Act the board has the power to set and enforce terms and conditions of payment for sales, which are not sold under a "complying contract"—these are referred to as "spot market" wine grape sales. A complying contract is one that operates for two or more vintages, fixes the way prices will be calculated and how payments will be made. Many of the wine grape growers in the Riverina are small operators, many from non-English speaking backgrounds. Until 2000 the board had significant powers over the supply and sale of wine grapes in the Riverina. As I have already noted, these powers were wound back following a national competition policy review of the board in 2001. This change marked the first move away from centralised vesting and price controls towards an open market. The objective of the competition reforms was to encourage wine grape growers to operate in a market in which prices for their product were individually negotiated with wineries.

The main effect of the bill will be to extend the power for the board to set default terms and conditions of payment for wine grape sales that are not the subject of contracts operating for two or more vintages. These sales are commonly referred to as spot market sales. This is not the first time that the Act has been extended. The Act was originally drafted to sunset on 1 January 2008. In 2007 this Parliament agreed to extend the Act until 1 January 2010. The Act was extended to enable a voluntary code of conduct to be developed between growers and wineries.

The Wine Grapes Marketing Board worked with Wine Grape Growers Australia, the national body, to develop a national code. The object of the code is to increase the adoption of contract sales in the industry. The Australian Competition and Consumer Commission supported the development of the code. I can now inform the House that the Australian Wine Industry Code of Conduct was finalised in December 2008. The code took effect from 1 January 2009. Unfortunately, by this time most growers in the region had already entered into arrangements for the sale of their 2009 vintage grapes. As such the code will become fully operational only for the 2010 vintage.

I am advised that two wineries are now operating under the new national code. This accounts for 45 growers or 20,280 tonnes of wine grapes. However, it is anticipated that the code will be in use by most growers and wineries in the region by the end of the 2011 vintage. I also inform the House that since the Act was extended 270 of the 500 growers in the region are using contracts, and contracted wine grape sales in the Riverina have grown to around 53 per cent of the harvest. This represents significant progress towards an open market. In view of the late adoption of the Australian Wine Industry Code of Conduct and the gradual increase in contracted wine grape sales, the Government proposes to extend further the operation of the Act until 1 January 2012.

Another reason to extend the operation of the Act is the impact of the current oversupply of wine grapes on

growers. Without the current arrangements in place, the oversupply of grapes will increase the pressure on small growers to agree to unfavourable conditions in their negotiations with large wineries in the upcoming 2010 vintage. The board's powers to set default terms and conditions of payment will provide transitional protection for those growers who have not yet done so to consider and develop sales by contracts. This bill has the support of growers and winemakers in the region. Extending the board's powers in the circumstances that I have set out ultimately will increase competition in the market. It will give growers another two years to develop their marketing and negotiation skills, ensuring a smooth transition to an unregulated market. This is in keeping with the original intention of the Act. I commend the bill to the House.

Mr GEORGE SOURIS (Upper Hunter) [5.42 p.m.]: On behalf of my colleague the Hon. Duncan Gay, the shadow Minister in another place, I have pleasure in leading for the Coalition in debate on the Wine Grapes Marketing Board (Reconstitution) Amendment (Extension) Bill 2009. This bill, which was originally introduced and passed in the Legislative Council, is now being debated in this Chamber. I am pleased to inform the House that the Opposition will not oppose the bill. The purpose of this amendment bill is to extend the operation of the Wine Grapes Marketing Board (Reconstitution) Act 2003 until 1 January 2012 due to the late adoption of the Australian Wine Industry Code of Conduct and the gradual increase in contracted wine grape sales.

The bill extends the power of the board to set default terms and conditions of payment for wine sales that are not the subject of contracts operating for two or more vintages. In 2007 the Parliament agreed to extend the Act until 1 January 2010 to enable a voluntary code of conduct to be developed between growers and wineries. The Australian Wine Industry Code of Conduct, which was finalised in December 2008, took effect from 1 January 2009. By this time most growers had already entered into agreements for the sale of their 2009 vintage grapes. For this reason, the code will become fully operational only for the 2010 vintage and it is envisaged that most growers will use the code by the end of the 2011 vintage. It is for this reason that the Government is proposing to extend further the operation of the Act until 1 January 2012.

The Hon. Duncan Gay recently met with representatives of the Riverina Wine Grapes Marketing Board in Griffith, who raised this extension with him. The Riverina Wine Grapes Marketing Board requested the extension for the following reasons. Firstly, the level of signatories to the Wine Industry Code of Conduct in the Riverina—one winery—is extremely low. Secondly, some wineries are interested in signing into the code but, as it is voluntary, there is no compulsion to adopt it. The code contains formal dispute resolution procedures whereas complying contracts do not.

Thirdly, the current legislation sets the ability for the board to collect its statutory fees and charges from growers via the purchaser of the wine grapes—that is, the winery processor. In the absence of the Act via an extension, the board's costs of obtaining its fees and charges from growers would rise exorbitantly. Fourthly, the industry oversupply generally will create difficulty in the prices for growers. Without legislated terms of payment they could face not being paid on time. As the Government said, it is important to continue the board's powers in relation to default terms and conditions of payment in view of the present low price and oversupply environment. I commend the bill to the House.