

Second Reading

The Hon. HENRY TSANG (Parliamentary Secretary) [5.01 p.m.], on behalf of the Hon. Ian Macdonald: I move:
That this bill be now read a second time.

The bill 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 wine makers. 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 grape 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, and it 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, and many are 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 purpose of the bill is to extend the power of 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 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 only become fully operational 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. It is, however, 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. Also, 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 further extend 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 wine makers in the region. Extending the board's powers in the circumstances I have set out will ultimately 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.