



## Wine Grapes Marketing Board (Reconstitution) Bill.

### Second Reading

**The Hon. IAN MACDONALD** (Minister for Agriculture and Fisheries) [4.32 p.m.]: I move:

That this bill be now read a second time.

The Wine Grapes Marketing Board (Reconstitution) Bill, which I now put before the House, is a proposal to reconstitute the Wine Grapes Marketing Board as an agricultural industry services committee and for other related purposes. This will mean that instead of being constituted under the Marketing of Primary Products Act 1983, as the board currently is, it will be constituted under the Agricultural Industry Services Act 1998 and supplemented with some additional powers that will expire on 31 December 2007.

The Wine Grapes Marketing Board represents wine grape growers in the Murrumbidgee Irrigation Area, an area consisting of the city of Griffith and the shires of Leeton, Carrathool and Murrumbidgee. The board was originally constituted in 1932 under the Marketing of Primary Products Act 1927, which is now the Marketing of Primary Products Act 1983. The main purpose of these Acts was to vest in the boards the ownership of all the products of the growers they represented, with the intention that the boards could market it, or influence the marketing of it, on the growers' behalf. Until 31 July 2000 the Wine Grapes Marketing Board vested all grapes grown in the Murrumbidgee Irrigation Area and used that power to act on behalf of the growers to negotiate a yearly price for each variety.

The board also set terms and conditions of payment for wine grapes. Under national competition policy, the Wine Grapes Marketing Board was reviewed in 1996. The review recommended that the board continue to set and enforce terms and conditions of payment but that the emphasis be on encouraging more growers to trade under contract and reduce their need for the reserve powers of the board. A second review of the board was carried out in 2001, which recommended that the board be allowed to continue with the power to set terms and conditions of payment but only as a default position in cases where growers had not developed contracts with wineries.

With the end of vesting in 2000, the Marketing of Primary Products Act 1983 is no longer suitable legislation under which to provide these powers. In any case the intention is to grant these powers only as a transitional measure until 31 December 2007, when it is expected that most sales will be made under individual contracts. In this case, it is more appropriate to achieve this aim under specific legislation than try to use the Marketing of Primary Products Act 1983, which is based on the concept of vesting. That is why I am now introducing this bill before the House as a proposal to reconstitute the Wine Grapes Marketing Board under specific legislation, with sunsetted powers. As this bill is designed especially for the wine grapes industry of the Murrumbidgee Irrigation Area I would like to digress for a moment to outline briefly the significance and special features of the wine grapes industry in this area.

The Murrumbidgee Irrigation Area currently produces around 200,000 tonnes of wine grapes, which is about 48 per cent of New South Wales production. These grapes are produced by some 520 growers who deliver to 16 wineries in the area. The typical Murrumbidgee Irrigation Area farm size is between 10 and 20 hectares—or 25 to 50 acres—and is commonly a mixture of citrus and wine grape production. The South Australian Riverland and the Murray Valley, together with the Murrumbidgee Irrigation Area, all have similar production systems, with large numbers of growers selling their grapes to a limited number of wineries. This feature is linked to the original development of these irrigation areas, with small-holder fruit blocks for soldier settlers and later new immigrants. In contrast, the wine industry in most other wine regions of Australia is based on a more universal production system in which wineries have their own vineyards or vineyards produce for specific wineries under contract. In that system, the going price for wine grapes and the application of terms and conditions of payment are not such an issue.

The few wineries of the South Australian Riverland, the Murray Valley and the Murrumbidgee Irrigation Area produce a large proportion of Australian wine output. Wine is an agricultural product with a long time lag between picking the raw product and selling bottled wine to the consumer, and this is an environment in which many small growers need to conduct business with their customer—the winery—with some security. In the South Australian Riverland 80 per cent of the grapes are either produced by, or sold to, wineries under some form of contract, and in the Murray Valley the proportion is about 50 per cent. In the Murrumbidgee Irrigation Area this proportion is less than 25 per cent. Under these circumstances it is obvious that government intervention could be employed to encourage the greater use of contract trading in the Murrumbidgee Irrigation Area for the benefit of both the grower and the winery that he or she supplies. That is what this legislation aims to do.

This legislation will empower the Wine Grapes Marketing Board to assist growers in the drawing up and negotiation of individual contracts for the sale of their grapes to wineries and encourage the board to develop a code of conduct for contract negotiations. Until 31 December 2007 the board will also be able to set default terms and conditions for payment that will apply when no contract has been arranged. The legislation will also authorise the board to collect and

disseminate market and price information that will help growers remain up to date with the market factors that will influence the prices that wineries are likely to offer. In addition to this, the board will be authorised to provide growers with industry services such as supporting viticultural research and development, facilitating access to education and training in relation to viticulture and supporting generic promotions of the region's wine products. I turn now to the main provisions of the bill.

A grower may contract with a winery for a delivery at harvest, which fixes the price that will be paid, the conditions relating to quality that may affect that price, and the dates by which the price will be paid, either in full or in instalments. To be eligible for exemption from the board's default terms and conditions of payment, a contract must be made before the first Monday of December in the calendar year preceding delivery unless it covers more than one harvest whereby it may be entered into at any time before the first delivery of wine grapes under the contract. When such a contract has not been made, a delivery of grapes by a grower to a winery or other buyer will be subject to the terms and conditions of payment that have been set by the board and published in the *Government Gazette* and in a newspaper circulating generally throughout New South Wales. Payments that are late according to the board's prescribed terms will be subject to interest, and any money due to the board may be recovered as a civil debt. I seek leave to have the remainder of my second reading speech incorporated in *Hansard*.

### **Leave granted.**

The bill contains three important provisions designed to facilitate competition in the Murrumbidgee Irrigation Area wine grape market. I will address each of these in turn. Firstly, buyers of wine grapes grown in the Murrumbidgee Irrigation Area will not be permitted to take delivery of those wine grapes, without a complying contract, unless a price schedule has been given to the Board on or before the 30<sup>th</sup> of January preceding harvest. Buyers will be required to supply the Board with a price schedule of the minimum prices they will pay for each variety of wine grape and the conditions under which any price offered can be altered after delivery. Secondly, downward variations may be made to the price schedule as the season progresses. These variations will only come into effect if before 30 January the Board has been provided with at least 48 hours notice of the variation or in respect of a variation on or after 30 January if the Board has been provided with at least 24 hours notice of the variation.

Thirdly, buyers of wine grapes grown in the Murrumbidgee Irrigation Area who are not buying under a complying contract must, on delivery, provide documentation to the person who delivers the load that specifies the date of delivery, quantity and variety of wine grapes delivered and any other matter that may influence the final price to be paid as well as any details from the price schedule relevant to the delivery. To ensure that the Board's revenue base is secure and in order to collect and disseminate useful market information, wineries are to provide the Board by 1 May each year with a report that sets out all the deliveries it has taken during the period commencing 1 July and ending on 14 April in that year. In terms of contract wine grapes the report will give details of who has delivered the wine grapes and the quantity and variety of the wine grapes. The report in respect of non-contract wine grapes on the other hand will include all these details as well as the price.

There is also provision for a subsequent report to be provided to the Board on or before 30 June which is designed to account for wine grapes bought at the end of the season. As an agricultural industry services committee under the *Agricultural Industry Services Act 1998* the committee may perform prescribed services for its constituents and collect a compulsory charge from those constituents in order to cover the cost of providing the services. The Board will retain its corporate name—"The Wine Grapes Marketing Board" which as far as membership is concerned will continue to consist of 7 members. Of these members, five are to be elected by the Board's constituents and two are to be appointed by the elected members. The Board's constituency will be the same as that of the present Board: all wine grape growers in the Murrumbidgee Irrigation Area (excluding wineries that also grow grapes) and who harvest more than 20 tonnes of wine grapes in a year.

The services that the Board will provide are those that were recommended in the recent National Competition Policy review of the Board's functions. Some of these services are:

1. Providing assistance with developing contracts, contract provisions and a code of conduct,
2. The promotion of the use of contracts,
3. The collection and dissemination of market and industry information,
4. The facilitation of research and development,
5. The provision of education and training in relation to grape production,
6. Providing assistance with generic promotion of the area's wine products in association with organisations representing wineries in the Murrumbidgee Irrigation Area, and
7. Representing the local wine industry in relation to the provision of these services.

In addition, the Board will be empowered to set and enforce terms and conditions of payment for wine grapes. Although the proposed bill contains this, along with other countervailing powers designed to implement the recommendations of

the National Competition Policy review of the Board, the proposed legislation is designed to sunset in December 2007. At that time the Wine Grapes Marketing Board will automatically be constituted under the *Agricultural Industry Services Act 1998* and thus only have the powers of an agricultural industry services committee under that Act.

There will however be an opportunity for the Board, before its current powers expire, to request the Government of the day to undertake a further review of these powers under National Competition Policy principles. If the Board can establish that some or all of its powers in relation to the setting of terms and conditions of payment, provide a net public benefit, the Parliament could be asked to extend the sunset date in respect of those powers.

This Bill that I now put before the House will assist the wine grape industry of the Murrumbidgee Irrigation Area to move from its past regulated market environment, with the disadvantages of government intervention in the market place, to a future in which suppliers and purchasers of wine grapes will increasingly deal together with commercial contracts. The legislation will provide a protective mechanism for a defined transitional period by controlling the setting and enforcement of terms and conditions of payment in a way that is agreeable to both parties.

I commend the Bill to the House.

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