

**Submission
No 13**

INQUIRY INTO WINE GRAPE MARKET AND PRICES

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Inquiry into wine grape market and prices

Term of reference (A)

Price offers before harvest. Many wineries make price offers very close to harvest with little time to negotiate any differences. Negotiations can be protracted and quite often can extend into harvest periods without resolution. The legal requirement(for those under contract) are strict and difficult to comply with. Many require the introduction of an “expert” to set a price. There is a low possibility of a change to the offered price being agreed to and the pressure of harvest i.e. meeting the winery delivery schedule , is a compelling influence on discussions.

The definition of “Market Value” as the price to be set by the expert is unclear, poorly defined and with little or no precedence. Experts are in some cases reluctant to offer their services because they often have close links with the industry and particular wineries.

Supply and Demand. Wineries are reluctant to offer “price indicators” as they “don’t know early in the season what their requirements are for the next season “

Underpricing of bulk and bottle wine has a depressing affect on the market. Supermarkets and bulk wine merchants have an unfair influence on price hence supply.

Water Supply . Lack of certainty in the availability of water supplies is paramount in affecting grape supply. The timing of government policy , its content and quite often changes within a season influence supply. The threat of further reductions in supply reliability and “acquisition” of entitlements by stealth, are not conducive to progressive farm planning and management.

There is no incentive to plant (normal regeneration of a vineyard) or even rework existing varieties. Wineries will not give a commitment or advice on the selection of new varieties. Choices are made in a haphazard way and in many cases out of desperation which tends to perpetuate the problems.

There is an “incestuous “ trend in the wine industry. Ones ability to succeed often depends upon the history of the relationship with a winery rather than the merits of a proposal. The association between wineries is necessary but not necessarily in the interests of all stakeholders.

Term of Reference (B)

The WGMB have been very active in bringing stakeholders to accept the Code of Conduct and fairness in Grape Supply Agreements in spite of considerable criticism from growers and wine makers. Their efforts for years were frustrated by the lack of standards and binding agreements. The board and executive have taken a forthright approach to these issues and brought about a level of accountability with the industry.

Term of reference (C)

Collective bargaining and /or Codes of conduct for **efficient marketing** should be further explored. Any mechanism that improves market conditions should be encouraged providing there is appropriate disclosure and transparency by the negotiating parties. The history of this market is a major obstacle to developing fairer systems. However, any progressive change

could be thwarted by the array of factors experienced in the global wine market ,many of which have their origins in entrenched systems and agreements.

Observations suggest that some sectors of the industry are dealing well with the current difficulties eg. Smaller growers with specialized /locally branded products. The dynamics of these business don't seem to be able to be replicated in many of the larger ones.

There are signals that further weaken confidence such as the scale of new plantings in spite of clear indicators that additional large scale plantings do not (should not) have a future. One can only conclude that some "deal" has been made to supply these grapes to wineries at the expense of existing growers. Such trends can only fragment what has been regarded as a world class reputation to date overseas.

Markets are difficult to render efficient. Definitions of efficiency are even harder. Current activities to improve brand names and highlight regional qualities are good fundamental steps to improve our market apart from efforts to simply expand it.