

**Submission
No 3**

INQUIRY INTO WINE GRAPE MARKET AND PRICES

Name: Name suppressed

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Parts of this submission have been omitted at the request of the author.

Partially Confidential

Dear Sir,

I would like to preface my submission by first introducing myself and secondly to give you a brief background of both my current and prior involvement in the Australian Wine and Wine Grapes Industry. *[omitted at the request of the author]*

Over the past 2 vintages, several of the wineries in the MIA District of the *[omitted at the request of the author]*, have adopted predatory tactics with prices paid for winegrapes as low as \$100 per tonne. This is well below benchmark production costs of approximately \$300 per tonne on yield of 7 tonnes per acre. Moreover, some wineries also placed maximum cap yields well below contracted target yield, well into the respective vintage year. This has had a significant detrimental effect on the financial viability of many winegrape growers. In many instances these predatory tactics and indeed, breaches of contracts, were meted out without impunity and complete lack of regard to the financial consequences inflicted on many growers who had little alternative other than leave the winegrapes on the vine to rot. All of this was done under the guise of oversupply of the commodity. Moreover if such was the salient cause of such rapid price collapse, then it is quite interesting to note that wineries took full advantage of such low prices (which were created by the wineries in the first place), regardless of whether they required the fruit. In other words, if one is oversupplied with the commodity, then a logical consequence of that would be to not purchase any more fruit and further exacerbate the over supply problem.

It is interesting to note that few, if any of the MIA Wineries have signed on to the Voluntary Code of Conduct. A code that was developed in consultation with all of the stake holders within this industry. Whilst one can accept that prices are a direct results of supply and demand economics, the conduct of many of the MIA Wineries does not, in my view, fall within this tenet. Regrettably the winegrape growers have little option other than to refuse to supply their fruit at such scandalous and predatory prices. I would suggest that this is not a viable option when the fruit is already been produced and is on the vine waiting to be harvested with a small window of time available to do so.

[omitted at the request of the author], I would strongly recommend that minimum codes of behaviour for both wineries and growers, be put in place to assist to minimise the very detrimental effect and financial impact that one stronger party unilaterally imposes on a weaker one in such transactions.

As a minimum I would strongly recommend that the wineries in particular be compelled to adhere to the existing Code of Conduct or that a process be put in place to ensure that these predatory tactics and breaches of in many instances Contractual obligations and Trade Practices Act be eliminated. As a further option to dissuade such offenders from such scandalous and outrageous behavior, I would further strongly suggest the creation and appointment of an industry ombudsman with adequate powers to ensure that these unilateral tactics and behaviours of market imbalance are addressed and the process of transparent and equitable behaviour rigorously enforced.