



ACCC Wine Grapes Market Study

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Introduction

ACCC market studies are in-depth industry reviews to:

- improve our knowledge of industries
- help to inform growers, businesses and consumers
- encourage public debate and help inform policy considerations.

The Wine Grapes market study

- focused on warm climate wine grape regions
- examines market features and practices, their impact on industry performance
- based on industry consultation and research
 - Strong input from the Murray Valley Winegrowers

Focus areas

- Competition
- Price information & trends
- Contracting practices
- Quality assessments
- Voluntary code of conduct



Key themes

- Persistent lingering effects of the oversupply period
- Low levels of competition in most regions
- Poor quality information about price and product quality assessments
- Problematic contract terms for growers

Competition for grapes

Competition in the three regions doesn't appear to be strong:

- Grape prices have been increasing since 2014 but are still well below the long-run average – low price competition?
- Low levels of switching by growers, reinforced by multi-year contracts
- Market concentration and poor price information hinder choices
- Contracts impose barriers to switching and other unfavourable T&Cs for growers

But:

- While the market features are not conducive to strong competition, it is difficult to distinguish these from the prolonged period of oversupply to explain the state of competition:
 - Growers still place higher value on securing a buyer than on price
 - We would expect to see low prices in an oversupplied market.

Indicative prices: useful?

On one hand...

- Often similar to final prices (quality-adjusted)
- Used as a starting point for negotiation with winemakers, and can lead to higher final prices.

On the other hand...

- Seem to be offered too late in the season to make any difference to farming decisions for many growers
- Winemakers are not able to provide reliable indicative prices early in the year due to export market uncertainty

The ACCC is thinking about ways to improve the usefulness of price information

Quality assessments

- Significant variation in measures, methods, procedures and targets used by winemakers
- Winemakers are able to unilaterally change specifications or delay colour measurements
- Colour measurements have potential if carried out using standardised processes
- Winemakers have discretion over timing of harvest, but growers bear the associated risks.



Contracting practices: some observations

- Many different types of grape supply contracts
- Most growers have multi-year written contracts with winemakers
- Growers are vulnerable to accepting contracts with detrimental terms: ACCC considering UCTs
- Historical oversupply continues to influence agreements negotiated today
 - Persistent reluctance to sell to more than one winemaker

Voluntary code of conduct

- Some growers have negotiated increases on indicative prices
- Contracts lack meaningful mechanisms for settling disputes at the winery – the Code does not require an independent expert to make a determination over quality disputes
- Minimum payment requirements entrench lengthy payment terms.



The ACCC's next steps

- Interim report late May 2019
- Consultation – what does the ACCC need from you?
 - Have we understood the industry correctly?
 - Responses to ACCC's interim recommendations
 - Concerns?
 - Suggestions?
 - Final report ~August 2019

