

Code conundrums

an extended article from the September 2013 issue of *The United Grower* newsletter

It is interesting to note the current media reporting on codes of commercial conduct in Australia.

In May 2013, Coles was reported to be upset with a one of their multinational suppliers, Coca-Cola, for being charged three times as much for Coca-Cola's famous fizzy drink compared to some Asian destinations.

It seems that the same problem was occurring with wine and shampoo.

This reporting is on the back of two major investigations by the ACCC into this subject and finalising a code of conduct between retailers and multinational manufacturers.

At the same time, Coles "hosed down the ACCC's concerns that supermarkets were bullying suppliers" meaning, local suppliers. Wow, kettle and pot?

And what were the ACCC concerns? The ACCC was reported to be in receipt of a significant number of allegations about big supermarket chains abusing market power.

It also reported that local suppliers were reluctant to speak to the ACCC for fear of consequences.

The picture that emerges is a chain of allegations about abuse of market power – multi-national suppliers of local retailers, local retailers of local manufacturers/suppliers and local manufacturers/suppliers of growers. And let's face it, this abuse occurs simply because they can. Little wonder an outside influence, like the ACCC, is being called in to ask questions.

Funny thing is – they all see codes of conduct as a part of the solution.

Familiar?

All of this should sound very familiar to the wine sector.

Spurred on by a history of alleged undue exercise of market power by local wine producers, winegrape growers have a Code of Conduct with wine producers which was collaboratively devised by the WFA and WGGA. And the word is that WFA is seeking a code of conduct with retailers.

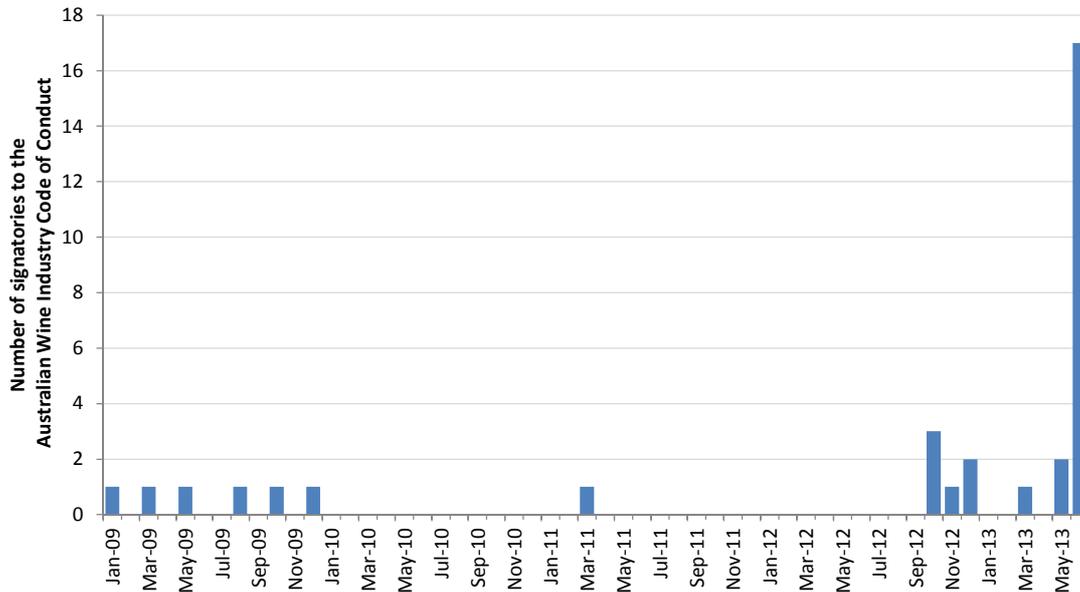
In addition, both growers and winemakers recite, in one way or another, reluctance to complain because of the consequences with the respective parties they deal with.

Our Code going well for the moment

So how is the Australian Wine Industry Code of Conduct (the 'Code') going? Surprisingly well is the answer!

Over the last year, of the four and a half years the Code has existed, winemaker signatories have increased by something approaching four-fold.

But actually, 26 new signatories occurred in the last 12 months. Moreover, a full 17 of these happened in one month, June 2013 (see the associated graph).



Nevertheless, this outcome comes close to meeting the first of a two-phase target for signatories set by the Code’s creators. The target of the first phase was for 25% of the top 100 wine producers to sign up, the second was for 50%.

Of the total 33 signatories at June 2013, 21 are members of a generously interpreted top 100 wine producers (120 actually).

While this approaches the first phase target for the number of signatories, it is six months late and there’s only six months left to achieve another 29 signatories from the top 100, to achieve the second-phase target.

Winemakers can take heart at the number of their peers becoming signatories and they should follow the lead.

Research into the reasons why some winemakers decline to sign the Code reveals that in most instances, the reasons for not signing are based on ignorance about the Code - either about its existence or what it requires. The requirements are just basic good commercial practice that most winemakers operate under.

Being a non-signatory should be an indicator of intent to behave badly rather than a statement about ignorance of the Code.

Signing up to the Code is advocated, and the need is urgent

Unfortunately, the downside to the analysis of existing Code signatories is that meeting the second target (50 of the top 100 wine producers) is looking like a stretch.

In addition, more than half the WFA Board, the same Board that approved the Code, are not signatories themselves.

A little effort by non-signatories to research what the Code is really about should allay any concerns.

Growers offered contracts can help to promote the Code by being knowledgeable about the terms of the Code themselves, asking the buyer if they are a signatory and ensuring their contracts are consistent with the Code's requirements.

To assist growers, the list of signatories can be found in the break-out box that follows.

<p style="text-align: center;">Signatories to the Australian Wine Industry Code of Conduct (and joining dates)</p> <p style="text-align: center;">WGGA congratulates the following winemakers as signatories to the Code and recommends them to growers as responsible industry citizens.</p> <p style="text-align: center;">Accolade Wines (January 2009) Orlando Wines (March 2009) Tyrrell's (May 2009) Treasury Wine Estates (August 2009) Balnaves of Coonawarra (October 2009) Henry Holmes Wines (December 2009) Rusden Wines (March 2011) d'Arenberg (October 2012) Seppeltsfield Wines (October 2012) Tinlins Wines (October 2012) Ballast Stone Estate Wines (November 2012) Wirra Wirra Vineyards (December 2012) Yalumba Wine Company (December 2012) Ramco Wine Group (March 2013) Bleasdale Winery (May 2013) Colbinabbin Estate Vineyard (May 2013) Heartland Wines (June 2013) Shingleback Wine (June 2013) Shaw and Smith (June 2013) Fleurieu Vintners (June 2013) Tahbilk (June 2013) Fowles Wine (June 2013) Cheviot Wine Group (June 2013) Eden Road Wines (June 2013) Trentham Estate (June 2013) First Creek Wines (June 2013) Serifino Wines (June 2013) Gemtrees Vineyards (June 2013) Cumulus Estate Wines (June 2013) Brown Brothers (June 2013) Fox Gordon (June 2013) Limestone Coast Wines (June 2013) DiFabio Estate (June 2013)</p>
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WGGA congratulates the listed wineries on their support for good commercial practice in the industry.

WGGA also encourages growers to give preference to these wineries as purchasers.

It goes without saying of course, that any winemaker supporting a Code between themselves and the retailers would do well to be a signatory of the Australian Wine Industry Code of Conduct, least they appear hypocritical.

Go to www.wineindustrycode.org or www.wgga.com.au for an application form – it's for free!

L Stanford

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