



Media Release

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WGGA launches new online help for contracts

Australia's independent winegrape growers are being urged against taking a "business as usual approach" in negotiating contracts with grape purchasers for the 2012 harvest.

Wine Grape Growers Australia Executive Director Lawrie Stanford gave the warning while launching new online information tools to help growers negotiate their grape sales. The online initiative was launched today at WGGA's annual general meeting in Adelaide.

Mr Stanford said while most producers were acting fairly and ethically in the current challenging operating environment, some were exploiting the financial plight of independent growers to negotiate unfavourable contracts in a "David versus Goliath" scenario. In a chase to the bottom for prices, others follow to remain price competitive.

As a way of assisting growers desperate to sell their fruit and to hold their own in a market with depressed prices, WGGA has launched three new online information tools for growers:

- A checklist of things to consider for growers entering into grape supply contracts.
- An easy-to-use contract template that is fair to both growers and producers.
- An "at a glance" outline of the dispute resolution process within the Australian Wine Industry Code of Conduct.

These information tools can be readily downloaded from the WGGA website at www.wgga.com.au.

Mr Stanford said there is emerging evidence of a range of unfair contract practices in the lead-up to the 2012 harvest.

These include re-interpreting standard clauses in ways that are convenient to the purchaser, setting prices or price determination mechanisms that do not accurately reflect grape quality and a trend towards 'disposable' contracts that have unbalanced 'get out' clauses.

Mr Stanford said to avoid being taken advantage of, growers must be willing to "walk away" from grape purchasers who are offering financially unsuitable or damaging terms.

“It’s critical that growers are well-versed in what is needed in a contract such as clarity on the quality and price for grape tonnages or a price setting mechanism, who has liability for damaged fruit during the harvesting and sales process, and payment terms,” he said.

Mr Stanford said the online information tools provided by WGGGA would greatly assist independent growers and, by being freely available on WGGGA’s website, were instantly accessible to growers anywhere in Australia.

A revised industry Code of Conduct to be available soon

Mr Stanford said it was encouraging that WGGGA and the Winemakers Federation of Australia (WFA) had recently agreed to a revised Code of Conduct – a move expected to be ratified at WFA’s annual meeting on November 23. Nevertheless, it was disappointing that a relatively small number of winemakers had become signatories to date.

“Growers should ask grape purchasers if they are signatories to the Australian Wine Industry Code of Conduct and ideally, should only deal with those who are. By way of insurance, they should also understand the dispute resolution process in the Code.”

Mr Stanford also noted that the Code sets out only the basic requirements of good commercial practice.

“If a winemaker wishes to be unreasonable in their contract writing, and a grower is willing to sign up to potentially unfavourable conditions then these conditions are agreed and recourse to the dispute process is difficult,” Mr Stanford warned.

“Of course, there is also the problem that a large number of winemakers aren’t even signatories and are therefore not accountable to even the basics of good and fair commercial practice.”

WGGGA Chair, Mr Vic Patrick, called on winemakers to take a leadership role in setting winegrape prices that offered the industry as a whole the best chance to restore the supply-demand balance by market signals that encourage sustainable fruit production.

“In an industry that prides itself on open and accountable market determination of its fortunes, the lack of leadership by the winemaking community is regrettable,” Mr Patrick said.

In a further blow to growers, winemakers are currently using contracts to force costly compliance measures on growers such as expensive environmental accreditation and membership of WFA’s EntWine program. This is done by making contracts contingent on accreditation and membership.

“In a discriminating way, winemakers should be encouraging the production of sustainable fruit, and discouraging that which isn’t. Lower prices, applied in a blanket fashion, are not in the longer term interests of the industry,” Mr Patrick said.

“This is a last-one-standing strategy that often denies growers the ability to cover costs and supports lost-cost, low asset wine trade.

“In turn, it pays no regard to the viability of valued growers who can support a bright future for the industry and it contributes to the maintenance of oversupply while undermining of the reputation of Australian wine.

“The Australian wine sector has for a long time prided itself on a strong collegiate identity and celebrated the competitive advantage this gives the national industry.

“It seems as though the vision, and the advantage, have been lost,” Mr Patrick said.

For further information and media interviews, please contact WGGA Executive Director Lawrie Stanford on 0417 859 282.

NOTE TO EDITORS

For copies of the full 2011 AGM presentations from WGGA Chair Vic Patrick and WGGA Executive Director Lawrie Stanford, please visit www.wgga.com.au and go the News & Events section under the Communications pathway.

Key issues reported at the AGM included:

- Supply and demand balances
- A National Vineyard Database
- Vine biosecurity
- Access to the market for winegrapes
- VineBiz – vineyard finances and adjustment
- Australian Wine Industry Code of Conduct
- Research, Development and Extension
- National organisation streamlining

ABOUT WGGA

Wine Grape Growers Australia (WGGA) is the peak national organisation representing Australia's winegrape growers, providing a range of services including:

- A national voice in all key industry forums and at all levels of government.
- A range of vineyard business development programs to build industry capacity such as *VineBiz Financial Ready Reckoner*.
- Facilitating national vineyard bio-security.

Australia has about 6,800 winegrape growers, the majority in the warm inland districts of South Australia's Riverland, NSW Riverina and in the Murray Darling-Swan Hill District. Winegrape growers are an integral part of Australia's multi-billion-dollar wine sector, delivering a high quality product for an export-oriented industry that enhances Australia's international reputation while supporting regional jobs and communities.

WGGA's website is www.wgga.com.au.