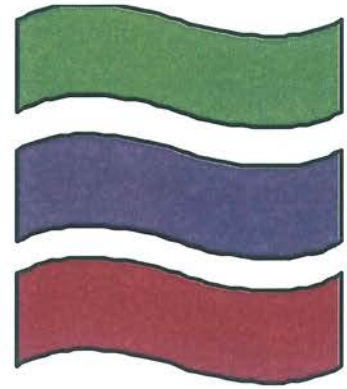




*Riverina*  
WINEGRAPE  
GROWERS CENTRE



RIVERINA  
WINEMAKERS  
ASSOCIATION

**Wine Grapes Marketing Board  
and the  
Riverina Winemakers Association**

**Joint Submission to the  
New South Wales Government  
Extension of the Wine Grapes Marketing Board  
(Reconstitution) Act 2003**

**Legislation Review  
2007**

**3<sup>rd</sup> August 2007**

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## Introduction

The Wine Grapes Marketing Board and the Riverina Winemakers' Association reached agreement that the region should maintain legislative powers to set and enforce terms and conditions of payment for wine grapes that are not purchased under a complying contract as defined by the *Wine Grapes Marketing Board (Reconstitution) Act 2003 (the Act)*.

The two industry representatives bodies continue to enjoy a sound working relationship on all matters of concern to the industry and through this relationship have been able to discuss and agree to minor required amendments of the Act to assist the market operate more transparently and effectively that will see benefits to these sectors of the industry.

It is with this joint submission that the Wine Grapes Marketing Board and the Riverina Winemakers Association hopes will assist the New South Wales Government in providing continued legislative provisions to assist and enhance effective business transactions in the region.

The following submission sets out the points of agreement and proposed required amendments to the operation of the Act so that it may be legislated prior to the commencement of the 2008 vintage.

## Key Points of Agreement

- That the Wine Grapes Marketing Board be provided with a continuation of the statutory power to set and enforce terms and conditions of payment on the purchase of wine grapes that are not subject to a complying contract as defined in the Act. The Board should continue to be provided with the ability to establish an Order under the Act on MIA wine grapes otherwise than pursuant to a complying contract. *Clause 5* of the Act requires no change.
- The Riverina Winemakers Association and the Wine Grapes Marketing Board support the principle of price notification to growers, including penalties and bonus mechanisms, but with no legislated date of notification and that notification of price increases or decreases should be made to the grower prior to harvest of the wine grapes. This therefore impacts only on *Clause 4, Sub-clause (5) and Clause 7* of the Act
- Where a delivery of grapes is made in the absence of a price notification upon delivery and acceptance of the MIA wine grapes, the price that is to be paid for the consignment would be calculated on a formula that would reflect the Weighted Average District Price paid for that variety as calculated by the Board for the current season. This therefore impacts on *Clause 9* of the Act and would work to reduce the requirement of *Clause 8* as the penalty for accepting a delivery in the absence of a known price would be the Weighted Average District Price.

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## Changes Required to Clauses of the Existing Act

The effect of the second key point made above will impact on the mechanics of the enforcement of terms and conditions, i.e. if the Board is not aware of the price lists in operation it could not calculate correctly the minimum price that would need to be paid as it is required now by *Clause 9* of the Act.

To counter this concern the third key point above would work to assist the Board in making a calculation in the absence of a price notification to the consignee by operating in the following manner(s):

- (i) Where it is shown that a consignment of MIA wine grapes have been accepted by a consignee with no formal or written notification to the consignor of the price to be paid or was paid upon delivery the consignor will be paid the Weighted Average District Price of MIA wine grape purchases not subject to a complying contract as calculated by the Board.
- (ii) The mechanism to ensure that the first two instalments (May and June) are paid to the consignor will involve a payment based initially on the previous years Weighted Average District Price of MIA wine grape purchases not subject to a complying contract as calculated by the Board. The use of the previous years price is required as the reporting process in the current legislation is that reports are to be provided in two instalments and involve a great deal of time to input into Board systems. Thus making it operationally impossible for the current year price to be known to coincide with the standard May and Jun payments.
- (iii) The mechanism to ensure that the final instalment (October) are paid to the consignor will involve an adjusting payment based on the difference between the previous years Weighted Average District Price of MIA wine grape purchases not subject to a complying contract as calculated by the Board and the current years Weighted Average District Price of MIA wine grape purchases not subject to a complying contract as calculated by the Board (subject to (iv)).
- (iv) In a year where the Weighted Average District Price of MIA wine grapes is calculated at less than 66% of the value of the previous years no final payment in October would be made to the consignor. Thus on a falling market the consignee that does not post a price etc would be subject to a price that was at minimum equal to 66% the Weighted Average District Price of MIA wine grapes from the previous vintage.
- (v) The consignee may be required to make these payments to consignors through the Board under the terms and conditions of payment order unless otherwise directed to do so.
- (vi) *Clause 12, Sub-clause 3* needs to be amended so that the report must identify if the delivery was a duly contracted delivery. This will ensure that complying contracted deliveries values do not impact of the calculation of the Weighted Average District Price of MIA wine grape purchases each year.

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## Benefits of the Proposed Arrangements

- Consignees will no longer be required to submit pricing schedules to the Board but may do so prior to acceptance of a delivery to be transparent in their dealings with potential consignors.
- Price schedules are more likely to reflect current market sentiment than currently occurs and provide the industry with more realistic offers than the price schedules that are being provided under the current legislation.
- The Weighted Average District Price of MIA wine grape purchases not subject to a complying contract as calculated by the Board provides a valid system that is more readily calculated than the mechanism in *Section 9* of the Act.
- Growers will be exposed to a greater level of marketing of their own wine grapes and be obliged to communicate with potential buyers to ascertain the price they will receive for a consignment of MIA wine grapes, further reducing their reliance on the Board for market information on price offers.
- Wineries will be more inclined to submit offers to growers through the continued growth of purchase ordering of MIA wine grapes.
- Wineries will be protected from the market implications of unscrupulous dealings and non payments by the use of a Weighted Average District Price and the retention of statutory terms and conditions of payment.

Signed this 3<sup>rd</sup> day of the month of August in the year 2007



Bruno Brombal  
Chairman  
Riverina Wine Grapes Marketing Board



William Calabria  
President  
Riverina Winemakers Association