

## **Discussion paper on amalgamation of Australian Vignerons (AV) and Winemakers Federation of Australia (WFA)**

### **Introduction**

There have been discussions over the years for reform of the grape and wine sector representative bodies, with a particular sentiment for greater unity and representation of the sector as a whole.

Federal politicians of all parties have also made it very clear that representation from a single body for the grape and wine sector, would not only be most welcomed, but advocacy efforts would be strengthened.

Australian Vignerons (AV) and Winemakers Federation of Australia (WFA) have been holding discussions on how to achieve better service delivery for the whole sector. The consensus is that the creation of a single body to represent the interests of grape growers and winemakers would enable stronger advocacy and better representation for the sector. We believe that an amalgamation of the two peak bodies would best achieve these outcomes.

We believe that a single body will deliver better outcomes for both grape growers and winemakers and will lead to practical reform for the long-term and sustainable representation and advocacy for the Australian grape and wine sector.

### **What will the new body do?**

The main goal of AGWI will be to provide united national advocacy on behalf of grape growers and winemakers, by:

- (a) representing the interests of Australian Winemakers and grape growers of all sizes on national and international issues affecting the Australian Grape & Wine Sector, through a single organisation;
- (b) promoting and protecting the reputation of Australian Wine and the Australian Grape & Wine Sector;
- (c) encouraging unanimity of opinion and action amongst Members in all national and international matters pertaining to the Australian Grape & Wine Sector;
- (d) to facilitate access of Australian Winemakers to foreign markets for Australian Wine;
- (e) initiating legislative or other regulatory activity, or government response or action, or otherwise facilitate any outcomes for the benefit of the Grape & Wine Sector in Australia;
- (f) to provide a medium through which opinions of Members may be ascertained or expressed;
- (g) to provide relevant information to Members;
- (h) to foster co-operation and goodwill between viticultural and oenological research and education bodies and all other bodies relevant to the Australian Grape & Wine Sector;
- (i) to fulfil biosecurity responsibilities as a signatory to the Emergency Plant Pest Response Deed;

- (j) to encourage good practice and standards of winemaking, grapegrowing and Wine business management within the Australian Wine Sector;
- (k) to protect and enhance community and Government support for the Australian Wine Sector; and
- (l) to promote economic, environmental and social responsibility in the production and consumption of Wine in Australia.

***How will this deal with competitive issues between winemakers and grape growers?***

We do not envisage there will be many issues that will divide the views of winemakers and grape growers. We already manage differing views from different sized businesses. Once a member of Australian Grape and Wine Incorporated (AGWI) Board, Membership Committees, Standing and Advisory Committees, Working Groups and forums they are required to enhance the ability of all industry members to compete more efficiently and effectively to provide better value for the customer or end user. The activity of AGWI will almost always involve the cooperation of competitors, therefore great care must be taken to assure compliance with trade practice laws in Australia and in other jurisdictions (including the Australian Consumer Law, the Competition and Consumer Act and in other jurisdictions).

Specifically, the following practices are prohibited:

- restrictive trade practices such as colluding with competitors;
- cartel conduct:
  - **price fixing:** agreeing to fix, signal, maintain or control prices;
  - **market sharing:** agreeing to allocate customers, suppliers or territories;
  - **restricting output:** agreeing to restrict, prevent or limit output in a production or supply chain; or
  - **bid rigging:** agreeing which parties will respond to a tender and/or the price they will bid.

This means that certain matters, which must not be discussed:

- Pricing – actual prices (past, present and proposed, whether or not published); pricing policy; margins; price levels; price differentials; price changes; and all other aspects of pricing.
- Terms and conditions of trading – discounts and rebates; discount policy; delivery terms; credit terms; any other aspect of individual trading policy.
- Sales/strategy – sales by volume or value of individual companies; market shares; marketing plans; advertising budgets or strategy; new product launches or withdrawal.
- Production – actual and future capacity; stocks of individual companies; plans for increasing or reducing capacity; costs of production.

Matters, which can be discussed, include:

- Issues affecting the industry – general tax issues; health safety or environmental issues; government policy; R&D; biosecurity; market access etc.
- Publicly available data or aggregated data in order to assess the state of the industry –Nielsen data; anonymised or aggregated data, which does not reveal the position of individual companies.

## Governance arrangements

AV and WFA will proceed with a merger by the amalgamation of the two Associations pursuant to Section 22 of the *Associations Incorporation Act 1985* (SA) (**AI Act**), which would result in the formation of a new incorporated association (and the deregistration of the Existing Associations). The new body will also be registered as a 'registered Australian body' under the Corporations Act (**RAB**).

The name of the new Association will be Australian Grape and Wine incorporated (AGWI).

AGWI will have four membership categories with voting rights:

- Vignerons, members of which are persons who grow grapes in Australia on a commercial basis for use in the production of Wine, either as owner or manager of a vineyard, except such a Person whose principal business is producing Wine;
- Large Winemakers, members of which are Winemakers which have (together with their associates) in the last Financial Year sold more than 72,500,000 litres of Wine or crushed more than 100,000 tonnes of wine grapes;
- Medium Winemakers, members of which are Winemakers which have (together with their associates) in the last Financial Year sold more than 1,450,000 but no more than 72,500,000 litres of Wine or such other volume, or crushed between 2,000 and 100,000 tonnes of wine grapes or such other volume;
- Small Winemakers, members of which are Winemakers, which have (together with their associates), in the last Financial Year: sold between 0 and 1,450,000 litres of Wine, or crushed between 0 - 2,000 tonnes of their own wine grapes.

Membership will be on an individual voluntary basis, but vignerons may be able to join if their Regional Association pays a levy on their behalf. For example, under an agreement made with Wine Grapes Industry Council of South Australia, vignerons from South Australia will be represented by AGWI, if they have paid contributions into the South Australian Grape Growers Industry Fund.

Other vignerons will be able to join at a rate of 50 cents per tonne crushed and sold to a winery, or as decided by the Board.

### AGWI Board

The AGWI Board will be made up of 16 members, plus an independent Chair (appointed by the Board). Each Membership Category will elect four members to the Board. Each director has one vote. Motions for consideration by Directors at Board meetings will **be determined by** a majority of votes, being cast in favour of the motion, of at least 80% of votes cast.

### Is this the end of the process?

Both WFA and AV believe that this is a first step to enable better service delivery. However, the model as proposed will benefit from streamlining and improved integration with other industry bodies. Consequently, we have built into the Constitution a review mechanism. We expect the integration will deliver substantial efficiencies – both operational and financial. A strong drive to maximise the cost efficiencies will deliver an increase to the available resources for the integrated organisation. This will be an important lever in the initial years to signal and demonstrate a stronger value proposition to members (and potential members). This review mechanism will result in a revised Constitution and structure in two to three years.

### Do we have support from the Australian government?

The Australian government has strongly supported this amalgamation. Under Section 5BA the *Wine Australia Act 2013*, WFA and AV are declared as representative organisations for the purposes of this Act. With the amalgamation of the two bodies, the Australian Grape and Wine Incorporated will become the declared wine grape growers' organisation and winemakers' organisation, in their place.

### **Will grape growers still be represented on biosecurity issues?**

AGWI will become the new signatory to the Exotic Plant Pest Response Deed (**EPPRD**), following the withdrawal of AV from the EPPRD and assume the responsibilities and liabilities. Regarding **PHA membership**, AGWI will qualify as a "Replacement Body" under clauses 12.6, 12.7 and 12.8 of the PHA Constitution and assume membership on behalf of AV and WFA. Biosecurity will become a major focus of AGWI.

### **Future work plan**

The Board, in consultation with the Member Committees, Members and other industry stakeholders, will decide the future work plan for AGWI. The first meeting of the new Board will be in early March and preceded by a strategy day.

The key functions emerging with direct relevance to grape growers are:

- An enhanced voice at a national level — the aim is to ensure that grape grower views are represented at national forums.
- Better representation of growers at national policy setting forums, including Plant Health Australia (PHA).
- Stronger grower engagement with Wine Australia and involvement in R&D policy strategy and priority setting.
- Enhanced service delivery with an emphasis on better information on demand/supply, influences on prices and a more effective Code of Conduct.
- Direct involvement in policy issues relating to, *inter alia*, maximum residue limits, biosecurity, agrichemical availability, water and environment.

### **Membership of growers**

Grape growers may join as individuals, or in the case of a Regional Vignerons Body, it may join on their behalf. Initially, WGCSA will join on behalf of those who contribute via the Primary Industry Fund. We envisage working closely with other grape growers groups in the interim to ensure the whole population of grape growers are represented and to encourage membership as the organisation continues to grow.