



Improving market transparency in perishable agricultural goods industries

Wine grapes industry second workshop 21 September 2021: Workshop communique

Background

In late 2020, the Australian Competition and Consumer Commission (ACCC) conducted an inquiry into bargaining power imbalances in supply chains for perishable agricultural goods (PAG) in Australia. The inquiry recommended that the government explore measures to increase price transparency in PAG industries to increase competition in those industries.

In response to this recommendation, the Australian Government, through the Department of Agriculture, Water and the Environment (DAWE), has committed \$5.4 million to improve price and market transparency in PAG industries by:

- delivering co-design workshops with PAG industries to understand their market transparency issues, opportunities and requirements
- delivering a grants program to develop and implement tailored mechanisms to improve price and market transparency.

The workshops provide an opportunity for participants to discuss price and market transparency issues in their sector, brainstorm ideas to improve transparency and co-design the details of solutions going forward.

Workshop 2 outcomes

Eighteen industry and government representatives attended the second wine grape price and market transparency workshop. The objective of the second workshop was to generate ideas that form the basis for potential projects for the grants program, and to identify further areas of work that can be undertaken outside of this program.

Prior to breaking out into small groups, 2 organisations provided an overview of some projects underway within the industry:

- Australian Grape and Wine – Current voluntary wine industry code of conduct.
- Australian Wine Research Institute – Developing objective measures for grape quality assessment.

Participants ([Appendix A](#)) worked in small groups on the following opportunities that had been prioritised in the first workshop:

- 1) More powerful analytics
- 2) Increase Code of Conduct participation.

Individuals self-selected into working groups to generate ideas for potential projects. The whole group then came together to consider each idea including purpose, details, stakeholders, risks and benefits, and next steps. Groups presented to each other to gather further input, look at next steps and prioritise which project should be progressed, for either application to grants funding during the first half of 2022, or for industry-led development.

Table 1 provides an overview of the potential projects that were prioritised by participants' vote.

At the end of the workshop, participants were asked to select their preferred project to be progressed either by industry or through a future government grant funding round. Participants generally favoured the Digital Analytics Platform project.

- 1) Digital analytics platform (64%).
- 2) Code Awareness & Education Campaign (36%).

Next steps

We recommend that Wine Australia and Australian Grape & Wine continue to engage and collaborate with key stakeholders in the industry to further develop respective proposals for grant funding, or to develop a business case for the industry to lead the development of projects.

Table 1 Potential projects

Project	Key purpose, risks and benefits	Stakeholders and resourcing	Next steps
<p>Digital analytics platform</p> <p>An interactive web-based platform that provides an objective perspective of pricing.</p> <p>The project would have 3 phases, pending outcomes of a feasibility study:</p> <ol style="list-style-type: none"> 1) Feasibility study 2) Collection of data 3) Build econometric model for price determination and a web platform <p>Data collection would include the whole industry. Price determination econometrics would apply to warm inland region wine grapes only.</p> <p>Data collected would include price points, volumes, varieties, consumer retail data and inventory levels.</p> <p>It may also include export data, exchange rates and data on factors that affect supply such as environmental data, freight costs, etc.</p> <p>A web-based platform similar to existing Wine Australia dashboards would make the tool accessible to users and allow users to input their own data.</p> <p>The development of an app accessible from smart phones could also be explored.</p>	<p>Purpose</p> <p>Introduce an objective perspective of pricing to:</p> <ul style="list-style-type: none"> • allow better informed decisions such as forward planning and general management • enable fairer negotiations • address information asymmetries • provide more timely and accurate data. <p>Allow better understanding of markets and prediction of trends based on real time information on what is selling at what price</p> <p>Address the current gap in accessibility of data on the domestic market</p> <p>Risks and mitigation strategies</p> <p>Availability of accurate data. Tools are only as good as the underlying data – imperfect data can still provide useful insights.</p> <p>Differences in pricing of premium and commodity market could lead to oversimplified results – data would need to be collected for the entire industry and differences built into model to determine price range for warm inland region wine grapes.</p> <p>International factors influence pricing and are complex.</p> <p>Additional survey to obtain data may be burdensome – may be ways to streamline surveys.</p> <p>Data on inventory levels are at a point in time (c.f. the USA which has a running track of inventory).</p> <p>Benefits</p> <p>Growers are better informed on pricing leading to better informed decisions on managing their businesses.</p> <p>Addresses information asymmetries, allowing for more balanced negotiating positions.</p> <p>Provides more timely information on pricing and trends.</p>	<p>Stakeholders</p> <p>Wine Australia would be the appropriate body to manage the project and resulting tool. Wine Australia would need to go out to tender to obtain the appropriate expertise to build the econometric model.</p> <p>Wine Australia already collate vintage data and hold data on exports wine production, sales and inventory.</p> <p>Wine Australia also has existing dashboards for export, the national vintage survey, market explorer, and wine geographical indications</p> <p>Australian Grape & Wine would be a key partner and would manage industry reference groups.</p> <p>Data inputs may be required from other organisations, such as consumer data or data affecting supply (environmental, shipping, etc)</p> <p>Resourcing</p> <p>Funding and resourcing will need to be costed for:</p> <ul style="list-style-type: none"> • conducting a feasibility study • collecting data from existing sources (domestic first) • building econometric model • building and maintaining a web-based platform and possible smart phone app. <p>Existing data held by Wine Australia includes:</p> <ul style="list-style-type: none"> • export data • global supply monitor • global trade atlas • national vintage survey • inventory levels. <p>Data may be available from other sources:</p> <ul style="list-style-type: none"> • environmental information • exchange rates • logistics (for example, freight, shipping) • consumer retail data. 	<p>Proof of concept</p> <ul style="list-style-type: none"> • What information is available • Who would collect the data • How complicated • How accurate • How well data could be analysed <p>Wine Australia as an independent organisation would have the role of data collection.</p> <p>Australian Grape and Wine industry reference groups to enable stakeholder representation from all regions (especially warm inland regions).</p>

Project	Key purpose, risks and benefits	Stakeholders and resourcing	Next steps
<p>Code of conduct awareness and education campaign</p> <p>An awareness raising educative campaign to highlight the benefits and scope of the Code.</p> <p>Educate for a better understanding of dispute resolution mechanism, contracts and the research component within the industry.</p> <p>To include material such as case studies, how-to guides, contract templates, podcasts, dedicated web hosting of material.</p> <p>Badging 'I've signed up to the Code' to promote the code within industry.</p>	<p>Purpose</p> <p>Improving relationships between growers and makers and putting everyone on the same level/playing field.</p> <p>Generate trust in the Code as effective, working well and knowing the boundaries within which to operate.</p> <p>Create a pool of experts adequately trained in applying the code.</p> <p>Raising awareness that participation in the Code is a part of being a professional industry.</p> <p>Increasing transparency in pricing and thereby increase competition.</p> <p>Risks and mitigation strategies</p> <p>Funding to resource a campaign is insufficient – have well prepared proposal for funding.</p> <p>Timing of delivery of campaign is mis-aligned – be flexible with timing of delivering the campaign.</p> <p>No more adoption of the Code by industry – set realistic, achievable milestones and KPIs, demonstrating transparency in the process, messaging benefits.</p> <p>Relationship breakdown with oversupply situation – demonstrate through case studies when and how the code has worked well.</p> <p>Poor targeting of campaign – audience, channels, messaging – co-develop and build in success measurements.</p> <p>Benefits</p> <p>The following benefits of having a high level of participation in the Code include:</p> <ul style="list-style-type: none"> • a united industry • improved relationships with more certainty in commercial relationships leading to an increase in resilience within the industry • reduced costs to business and improve efficiency • access to resources and an increase in expert resources • reduced cost to dispute resolution and access to the process. 	<p>Stakeholders</p> <p>Australian Grape and Wine have an obligation to manage the process for the code of conduct, noting that the Code Management Committee sits with them.</p> <p>Collaboration with:</p> <ul style="list-style-type: none"> • AWRI regarding technical issues • Wine Australia regarding funding • Regional associations regarding connecting to wine grower networks to deliver training • Signatories to the Code regarding including them in education workshops • Department of Agriculture, Water and the Environment wine team regarding policy clarity • ACCC regarding legal clarity. <p>Resourcing</p> <p>Funding and resourcing (skills) will need to be costed for:</p> <ul style="list-style-type: none"> • development and delivery of training and training materials – contingencies for both in-person and virtual delivery • development of how-to guides and case studies, guides to explain research • hosting material on a website • preparation of podcasts • development and delivery of a 'I've signed up to the Code' campaign. 	<p>Australian Grape & Wine to further develop a proposal for grants funding with comprehensive consultation with key industry stakeholders.</p>

Appendix A: Participant list

- Treasury Wine Estates
- Australian Grape and Wine
- Inland Wine Regions Alliance
- Murray Valley Winegrowers Inc
- Casella
- Wine Australia
- Pernod-Ricard Winemakers
- Endeavor Group
- Riverina Winegrape Growers/Wine Grapes Marketing Board
- Australian Competition and Consumer Commission
- DAWE Agricultural Policy Division

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