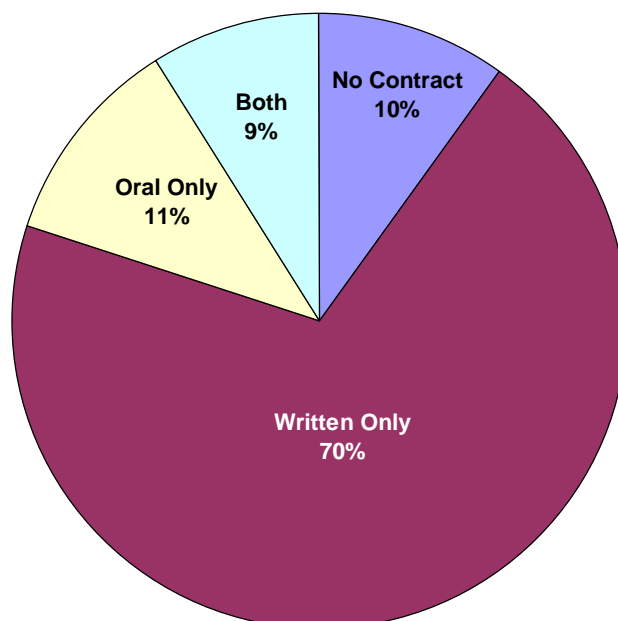


## IV.2 Contracting

**T**he extent of contract usage in agriculture varies by commodity. Nationally, almost all broiler chickens, turkeys and processed vegetables are marketed under contract, as are about half of the fresh vegetables, but almost no feed grains. Within California, almost all of the processing tomatoes are under contract, as are a significant amount of winegrapes.

FIGURE 57

### Written and Oral Contracts for California Winegrapes, 1999



Source: Goodhue et al., "Contract Use in the California Winegrape Economy," *AIC Issues Brief*, no. 11, 1999.

- A recent Agricultural Issues Center survey looked at contract use in the California winegrape industry. From a grower's perspective, winegrape contracts can help secure financing for vineyard development, confirm the price to be paid and assure a buyer for the grapes. From a winery's perspective, contracts can assure a supply of grapes at a predetermined cost and can enable them to influence viticultural practices through bonuses and penalties.
- About 30% of all winegrape contracts had evergreen (renewal) clauses. About 10% of surveyed growers reported contracting before the vines were planted.

- California winegrape contracts had various price determination methods, including bonuses and penalties for grape characteristics.

TABLE 42

### Price Determination in California Winegrape Contracts, 1999

	Percent
<b>Price Determination Provisions</b>	
Reference Price	35
Stated in Contract	31
Negotiated Yearly	27
Minimum	15
Maximum	8
Other	5
Per Acre Price	2
<b>Bonuses</b>	
Sugar	18
Defects	10
Material Other than Grapes	9
Acids	4
<b>Penalties</b>	
Defects	47
Material Other than Grapes	43
Sugar	42
Acids	10

Source: Goodhue et al., "Contract Use in the California Winegrape Economy," *AIC Issues Brief*, no. 11, 1999.