

## Should prices ever be fixed?

11 Aug 2010 by Jancis Robinson

I wonder how cheap own-label sherry would have become if the sherry producers hadn't naughtily ganged up and decided to agree on a fixed minimum?

Decanter.com reported [here](#) on Monday that nine major sherry bodegas, and the official trade organisations, have been fined almost €7 million in total for operating a cartel on supplies and prices of own-label sherries in the UK, Holland and Germany between 2001 and 2006. These are the three biggest markets by far for such wines, but the prices have been so low anyway, and the big-volume sherry market in such a parlous state, that presumably if there had not been some sort of price fixing, the wine might have been virtually given away. Even today, four years post cartel activity, Tesco are selling their own-label sherries such as this Fino for barely £4 for a 75cl bottle, including duty at £2.25 and VAT at 17.5% leaving pathetically little for the wine itself. As I have long argued, own-label sherry offers wine lovers some of the best value in the world.

No one would have known about the cartel had it not been for one of the participants, Grupo Bellavista y Zoilo Ruiz Mateos, who blew the whistle on their fellow plotters Williams & Humbert, José Estévez, Barbadillo, González Byass (who celebrate their 175th anniversary next month), Emilio Lustau, Pedro Romero, J Ferris and Caydsa, ie virtually all the major, quality-conscious players in Jerez. It's not cricket to rat on your peers, especially not in such a tight-knit community as that of the sherry producers of Jerez. Those fined are appealing, and the trade association is arguing that these penalties will penalise the thousands of families who depend on sherry, already 'in grave crisis', for their living



Of course I do not condone price fixing, but as blogger Oliver Styles pointed out [here](#), comparing the EU competition regulations with the way that the pricing of Bordeaux first growths seems to work provides plenty of food for thought. This fascinating issue also suggests a way of dealing with the increasing power of the handful of powerful retailers who have come to dominate distribution.

I should also point out that there have been strong political moves in Scotland in particular to fix a minimum *retail* price for alcoholic drinks in response to the problems associated with binge drinking and alcohol-related harm there. When a government does it, it's okay then.

**12 Aug** - Commenting on proposals to introduce minimum pricing in Manchester, UK Wine and Spirit Trade Association spokesman Gavin Partington said:

'The WSTA supports a ban on selling alcohol below the level of duty plus VAT and we are working with Government as they consult on this issue, not least to ensure any future legislation does not discriminate against any particular section of the drinks industry. Our view is that such a policy would have to be applied nationally to work effectively and it does not make sense to propose local minimum pricing which is both illegal and impractical.'