

# Why should wine continue to receive a differential tax rate compared to other alcohol types?



## Wine industry's contribution to national economy



### Wine Economic Contribution

**\$1.77b**

Most of which is reinvested in regional Australia

**14x** more than spirits | **1.5x** more than beer



### Wine Employment Contribution

**16,122** direct jobs

Mostly in regional Australia

**20x** more than spirits | **4x** more than beer

### Wine Tourism

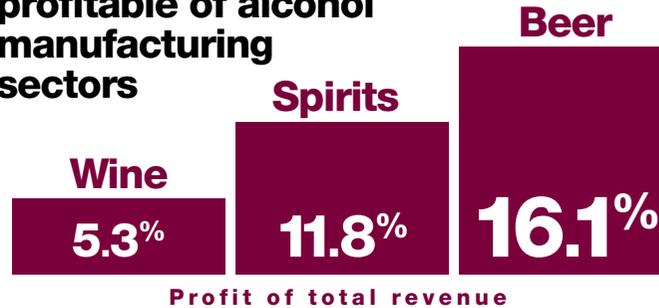
**\$8.2b**



Contributes to the overall visitor expenditure in Australia

## Competitive disadvantages of wine industry

Wine is the least profitable of alcohol manufacturing sectors

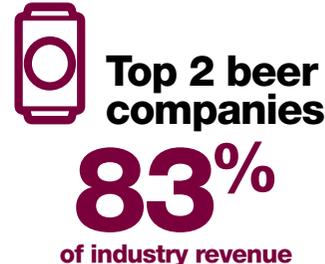
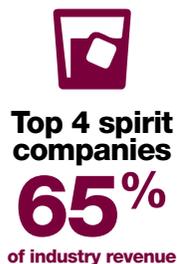
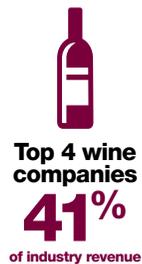


Wine is the only net exporter

**12x** more than spirits

**39x** more than beer

Wine is the least consolidated sector



Retailer margins are greatest on wine sales



Meaning lower prices for winemakers and grape growers

Wine has **2-3x** more retailer margin than beer

Wine industry has compulsory industry levies/charges other alcohol types do not



Australia taxes wine more than other wine exporting countries

Tax per standard drink:



# Why should wine continue to receive a differential tax rate compared to other alcohol types?

## Wine is more capital intensive than beer

### Fermentation equipment uses:

 **2-6** cycles per year

 **50** cycles per year in a commercial brewery

### Maturing stages:

 **10-64** weeks

 **1-6** weeks storage (commercially, typically 1-2 weeks)

### Storage:

 **1-3** years in cool storage on average

 No storage needed – beer is sold after bottling

### Supply chain:

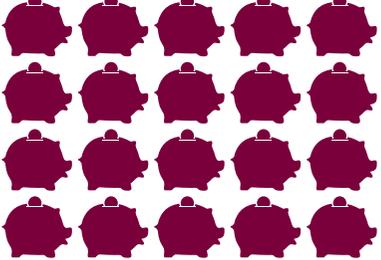
 Wine has a once-a-year production that needs to be crushed in: **6-8** weeks

 Barley can be stored and converted to malt all year round and processing only takes: **1** week

Average return on invested capital for wine is less than 1% while the beer industry is 20.3%

Return on invested capital:

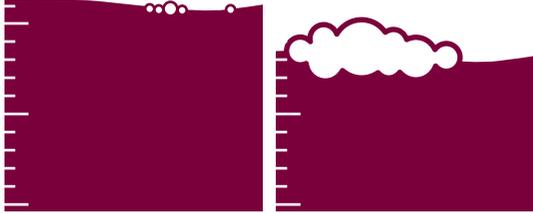
 **0.9%** wine

 **20.3%** beer

Invested capital required to generate \$1 of profit is higher in the wine industry

Invested capital per \$1 profit:

**\$11.18** wine

 **\$8.23** beer

Wine industry needs a higher level of working capital than beer and other beverages

Annual inventory turnover:

 **1.5x** wine

 **5.2x** beer