

Australian Grape and Wine Incorporated

Board Communique – 13 November 2019

Australian Grape and Wine Incorporated (Australian Grape & Wine) held its inaugural Annual General Meeting on 12 November 2019 in Adelaide. This was followed by a Board meeting on 13 November.

Annual General Meeting (AGM)

Chief Executive, Tony Battaglione, and Chairman, Sandy Clark, reported on the first-year performance of Australian Grape & Wine. The amalgamation officially took place on 1 February 2019, and we are pleased to report the first ten months have proceeded smoothly. It was particularly pleasing to have such a strong financial performance following the merger of the two parent bodies. This solid revenue and membership base has underpinned a strong policy and advocacy performance.

It has been a challenging year, in which the sector has navigated the uncertainty of a Federal election and faced threats from international trade wars, anti-alcohol campaigners, mandatory pregnancy labelling, the extension of container deposit schemes, drought, water shortages and an ACCC market study into the sector. However, Australian Grape & Wine's good relationship with parties across the political spectrum has enabled strong political and policy advocacy on these critical issues. Our united body has been well received, and has served to strengthen the sector's advocacy with the Federal government.

The AGM also paid tribute to the three giants of the industry who have died this year. Peter Wall AM, Colin Campbell OAM and Tony Jordan OAM each contributed greatly to the industry.

As this was the first AGM following the amalgamation, the membership of the Board and Committees was opened up. The new Board and Committee member details can be found at:

<https://www.agw.org.au/assets/media/2019-AGM-Media-Release-Final.pdf>

Board meeting

The Board meeting was held on 13 November 2019 in Adelaide. Key issues discussed included:

Mandatory pregnancy labelling

The decision in October 2018 to introduce mandatory pregnancy labelling has involved a mountain of work. It has also demonstrated the growing rise in power of State governments in the health space and their willingness to pursue populist policies that can lead to long-term harm to wine businesses.

The draft warning label developed by Food Standards Australia and New Zealand (FSANZ) presents an example of extraordinary regulatory overreach, and has required a significant and protracted advocacy campaign with Ministers and Bureaucrats at the State and Federal level. The battle is by no means over, and we continue to stand up for the sector in our effort to seek a more effective, balanced and reasonable label design.

The FSANZ Board will consider the final recommendations on the design and implementation process in early December, with a recommendation to the Australia - New Zealand Ministerial Forum on Food Regulation shortly thereafter.

The forum will then have 60 days to review or accept the FSANZ recommendation. We would then expect an announcement by FSANZ on the final Pregnancy Warning label in mid-February.

ACCC market study

The Final Report of the ACCC's Market Study into the Wine Grapes Sector was released on 24 September 2019, presenting a mixed bag of recommendations for grape growers and winemakers alike.

In line with its clear focus on contract terms, the ACCC has been undertaking meetings with a range of medium and large wine businesses to assess their contract terms, and encourage amendments in line with its market study recommendations. While contract terms are essentially a matter for the ACCC and individual companies, we believe the ACCC does have an obligation to do more to ensure grape growers and winemakers understand what should and should not be in their contracts. To help provide some certainty, we are considering ways in which we can work with the ACCC to help inform businesses about these issues, perhaps in the same style as the successful ATO workshops held in recent years.

The voluntary wine industry Code of Conduct (the Code)

The review of the Code and our efforts to strike a balanced outcome, which weighs incorporating the ACCC recommendations with making the Code attractive enough to improve take-up, is the most significant issue we face going forward. The threat of a mandatory Code of Conduct is real, and it is likely the ACCC will recommend such action if we cannot develop a strong Code with substantial uptake by vintage 2021.

The Code Management Committee (the Committee) is actively engaging in the process of reviewing the Code, with a genuine enthusiasm around the table to drive improvements and the number of signatories. However, it is still early in the process, and there is considerable ground to cover before consensus will be reached on a number of issues, including those relating to payment terms.

We believe that our modifications to the Code, better market information and increased understanding of fair and unfair contract terms will lead to better commercial relationships in the sector. Our objective is to get a more transparent and open market place in which all participants are treated fairly and commercial relationships can thrive.

Market access

Market access continues to be a major plank of our strategy. The case the Australian Government has taken against Canada in the World Trade Organisation is moving towards a conclusion and some of the provinces have already made changes in their regulations. Of course, our battle to retain the right to use the grape variety name 'Prosecco' continues along with an ever increasing number of trade barriers we monitor and seek to mitigate.

Biosecurity

Biosecurity was identified by the Board as one of our major policy areas, and we are making steady progress in enhancing our engagement on these issues, and addressing the current under-resourcing of biosecurity in the wine and grape sector.

As a signatory to the Emergency Plant Pest Response Deed (EPPRD), Australian Grape & Wine has a critical role in biosecurity risk mitigation through the development and implementation of biosecurity strategies and programs.

Australian Grape & Wine has appointed a National Wine Biosecurity Committee (NWBC) to assist in the development of a National Wine Biosecurity Strategy.

A Biosecurity Response Team has been convened to undertake the responsibilities and procedures associated with a biosecurity incident, in accordance with Plant Health Australia's PLANTPLAN guidelines and Australian Grape & Wine's agreed Biosecurity Emergency Response policy (under development). However, this goes only part way towards solving the problems associated with biosecurity, and the ever-increasing threat that serious pests and disease pose to the wine sector remains.

A draft Wine Biosecurity Strategy was presented for approval by the Board. The Strategy notes the critical importance of biosecurity to ensuring supply security across the sector, and places biosecurity issues at front of mind for every wine, grape or vine producer.

Australian Grape & Wine will now develop a business plan to underpin the strategy to ensure it is fit-for-purpose and that the appropriate resources are available to deliver it.

Reviews

Australian Grape & Wine is responding to a plethora of reviews, including the \$100 billion Agriculture Industry inquiry; Pregnancy Labelling public consultation; Modernising the R&D system; Parliamentary Inquiry into Foetal Alcohol Spectrum Disorder (FASD); Export Market Development Grant (EMDG) Review; ACCC Murray Darling Basin Water Markets Inquiry; and the Pre-Budget Submission.

One of the big ticket items on our agenda at the moment is the Federal Government's review of the Research and Development Corporations (RDCs), including Wine Australia. The Department of Agriculture released a [discussion paper](#) in September 2019 outlining key focus areas for the review and called for submissions by [25 November 2019](#).

One key question posed in the discussion paper surrounded the ability to deliver effective advocacy for the agricultural sector. It recognized that the agricultural sector needs strong and effective advocacy to promote its interests and priorities to the Australian public and to Government. This provides an opportunity to consider whether we can get enhanced policy activity through the Wine Australia model.

] An advisory panel will consider all submissions and advise Government of the key issues and emerging themes. The panel will present its recommendations to Government in the first half of 2020.

Governance

Australian Grape & Wine also has committed to reviewing its governance structure within the first three years of operation to ensure we have a strong platform for the future. That review will be undertaken in the context of the broader government debate surrounding RDCs and representative bodies.

Strategic Planning

Wine Australia and Australian Grape and Wine Incorporated (Australian Grape & Wine) have agreed to develop a Wine Sector Strategic vision. This will provide a 30-year vision for the sector and become a key planning and advocacy tool with government/s. In addition, Wine Australia's (obligatory) five-year plan *Strategic Plan 2015–20* is up for renewal in 2020. Some of the issues raised in the Wine Sector Vision will be highlighted as issues that will need to be dealt with in the next five years, to help achieve the longer-term goals.

The consultation for the two plans will include a review of the existing Wine Australia *Strategic Plan 2015–20*, including what has been delivered under that plan, as well as looking at what has changed since that plan was developed.

The Wine Australia Strategic Plan needs to be provided to the Minister for Agriculture in April 2020. Before that, it needs to be approved by the Wine Australia Board. The Wine Sector vision will inform the Wine Australia Strategic Plan. The aim is to have it complete by mid-December 2019. This will also help efforts to seek additional government funding for Wine Australia.

Container Deposit Schemes

We have been working closely with the South Australian Wine Industry Association and the South Australian Government to advocate for the retention of the South Australian Container Deposit Scheme (CDS) as it is, and not to extend it to wine bottles. Australian Grape & Wine continues to play an active role to continue the status quo.

The Wine Tourism and Cellar Door Grant

The Wine Tourism and Cellar Door Grant opened on 1 July 2019 and closed on 30 September 2019. The grants were significantly over-subscribed and the \$10 million pool was exceeded by around \$5m. This means that each applicant received around 66% of the requested grant amount. The importance of this grant to regional wine tourism was emphasised by the Board table, and Australian Grape & Wine committed to seeking a continuation of the grant and an expansion of the funding pool.

Organics

On 2 August 2019, Australian Grape & Wine on behalf of the working group proposed an Organic Wine section to be added to the National Standard for Organic and Biodynamic Produce. It has been 5 years since Winemakers' Federation of Australia lodged its submission with the NSSC and it is great to have progressed the project to the next phase of public consultation and checks by the Department of Agriculture. Successful progression of this will enable the progression of equivalence with the European Union standards.

Modern Slavery and Labour Hire

Any business that uses casual labour needs to be aware of added scrutiny on employment practices. A number of recent reports have identified major shortfalls in Australian agriculture producers' treatment of workers, and in particular, in relation to migrant workers hired through labour hire companies. Along with horticulture, viticulture has been identified as a particular risk hotspot.

Modern slavery legislation in Australia presents a set of challenges for wine businesses along the supply chain, from the perspective of both risk management and monitoring and compliance. The primary reputational risk for grape growers and winemakers relates to poor behaviour from labour hire companies and the mistreatment of migrant workers, potentially without any knowledge by the wine business that mistreatment has occurred. The compliance issues stem from large purchasers, such as retailers, potentially imposing burdensome reporting and traceability requirements onto wine businesses to aid in their reporting obligations under new legislation. Australian Grape & Wine is working with Woolworths, Coles and other organisations to develop an approach that is balanced and reasonable.

Diversity and Equality

The Diversity and Equality in Wine (DEW) Committee was formed in February 2018, when Australian Grape & Wine (formerly Winemakers' Federation of Australia) identified a gap in the sector around Diversity and Equality in the workplace.

We are discussing the development of a program that could be rolled out and accessed by all interested participants in the Australian wine sector. As part of the DEW Action Plan, further research into the statistics of gender participation in the undergraduate and post graduate courses in viticulture and oenology is underway. Australian Grape & Wine will seek support from the Federal Government to access funds through appropriate programs. We will also seek to collaborate with Wine Australia.

Tony Battaglione

Chief Executive

18 November 2019