

Australian Grape and Wine Incorporated

BOARD COMMUNIQUÉ – 18 NOVEMBER 2020

The Board of Australian Grape and Wine Incorporated (Australian Grape & Wine) met on 18 November 2020. This followed Membership Committee meetings on 16 and 17 November and Australian Grape & Wine's Annual General Meeting (AGM) on 17 November. Due to the ongoing COVID-19 pandemic, all meetings were held via video-conference.

Introduction

Since the last Board meeting held in September 2020, much of our public facing activity has been around the Dumping and Subsidy cases raised by the Chinese government against the Australian wine industry and, more recently, the reports about the Chinese border being closed to imports of Australian wine. In the last few days the lockdown in South Australia has demonstrated that COVID-19 remains a clear and present threat to industry profitability and we would encourage everyone in the sector to ensure their COVID-19 management plans and risk management procedures are up to date and in place. COVID-19 outbreaks will continue to happen, and with vintage 2021 approaching we must be able to demonstrate the winegrape and wine sector is able to operate safely and effectively.

The Board is very conscious of the difficulties that many in the sector faced this year, with the bushfires, COVID-19, and now the threat to exporters in China, having serious implications for grape and wine producers. The Board expressed its thanks for the many grapegrowers and winemakers that were expressing their support for Australian Grape & Wine through membership this year. The Board also made the point that there has never been a more important time for Australian Grape & Wine to provide strong advocacy on behalf of the sector, given the difficulties we now face, and will continue to face, for the next 12 months.

Annual General Meeting

The 2nd Annual General Meeting of Australian Grape & Wine was held on 17 November. We requested that Wine Australia hold a stakeholder briefing immediately before the AGM to ensure that all industry participants had the opportunity to hear about both organisations activities over the past year and their thoughts for the future. We were pleased by the strong attendance at both meetings

Australian Grape & Wine's Chairman, Sandy Clark, and Chief Executive, Tony Battaglione, both presented to the meeting. The major issues discussed were as follows:

2019-20 has been an extraordinary year and 2020-21 has started in similar vein. For many the bushfires that started in November 2019 in QLD and Northern NSW and then continued through the first part of 2020, and the resultant smoke impacts on the grape crop were devastating. Drought and water shortages placed pressures on the vintage and bushfires and smoke impacts added to the supply concerns. We had a very small vintage, and the impacts of bushfires and smoke has placed financial pressure on growers and winemakers across Australia in 2019-20.

None of us imagined at the beginning of the year, the length, and impacts of COVID-19. We held a strategy day on 4 February 2020, which identified the coronavirus and bushfire impact on tourism, demand, and the Australian economy more broadly, but none of us predicted the extent of the global impact.



The shutdown of cellar doors and closures of on-premise venues made it very tough for small producers, although more recently, the opening of intrastate and interstate travel has thrown a lifeline to many.

The off-premise market has thrived, and the big retailers have emerged the clear winners from COVID-19. The concentration of retail power, the stranglehold on the e-commerce market, and the increasing vertical integration of the big two retailers, are a worrying portent of the future to come.

Anti-alcohol lobby

When all this was going on, the anti-alcohol lobby was flexing its muscles. Mandatory pregnancy labelling was introduced after a valiant effort from the whole sector to mitigate the worst excesses of the regulations. The industry did not oppose pregnancy labelling, but we did try for a cost-effective solution. However, we lost the battle after Health Ministers from key States and Territories, including Victoria, Tasmania and Western Australia ignored the industry and the science.

Trade and Market Access

Market access continues to be a major plank in our strategy. The case the Australian Government has taken against Canada in the World Trade Organization (WTO) has been resolved through negotiation 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 which we monitor and seek to mitigate. The Free Trade Agreement negotiations with the European Union and the United Kingdom provide risk and opportunity. Brexit is also trundling along towards a very uncertain conclusion.

Finances

It is particularly pleasing to have such a strong financial performance following the merger of the two parent bodies. A solid revenue and membership base has underpinned a strong policy and advocacy performance. In what has been a difficult year, with COVID-19 and the direct and smoke impact of bushfires putting many businesses under threat, it has been pleasing that the number of members continues to increase and our revenue base has remained strong. The ability to build our reserves has meant that we are well placed to face the challenges of 2020-21, in particular the enormous financial resources required to respond to the Chinese investigations into dumping and subsidies launched in August 2020.

However, 2020-21 will be just as challenging as 2019-20 and we rely on the support of our members to continue to be able to deliver.

Committee and Board members

Sandy Clark has been confirmed as Chairman of Australian Grape & Wine for a further 12 months. There were several changes in the committee membership and Board membership. Full details are available at <https://www.agw.org.au/media-and-events-centre/media-releases/wine-sector-well-placed-to-prevail-in-the-face-of-its-greatest-challenges/>.

Board meeting

The Australian Grape & Wine Board met on 18 November. Key issues on the agenda included:



China

After welcome rains and the prospect of a good crop for 2021, the launch of the anti-dumping and countervailing duties investigations by the Chinese Ministry of Commerce in August 2020 have placed a cloud of uncertainty over the sector for vintage 2021. What we do know is that if a punitive tariff is placed on our exports to China, then the whole sector will feel the pain. The flow-on effect to the domestic market, other export markets and grape prices would be serious and long lasting.

At this stage we don't know if a provisional or final tariff placed on Australian wine exports to China. Australian Grape & Wine, the 31 companies who registered for the investigation, and in particular, the four companies who were selected for the sample to fill in the full questionnaires, have invested a lot of resources and money into ensuring that we have the best possible case. TWE, Casella, Auswan and Pernod-Ricard who have worked collaboratively and selflessly to fill in 1000's of pages of documentation to meet the requirements of the two questionnaires.

However, it is not only these four companies that are in the sights of the Chinese Government – the investigations are on the Australian industry as a whole. Damien Griffante has worked tirelessly through this process to ensure that our responses have been timely and accurate.

The recent media announcement of a border closure in China for wine and other products was never officially confirmed by the Chinese Government. However, all shipments currently entering Chinese ports are undergoing additional testing and scrutiny of documentation. This has resulted in delays in clearing customs. There is no indication for how long this situation will remain like this and we understand many importers have suspended or cancelled shipments for the foreseeable future.

Australian Grape & Wine continues to work with the Australian Government on responding to the Chinese investigations into dumping and subsidies. We will continue to update our website and issue media statements as information becomes available.

Anti-Alcohol Lobby

The anti-alcohol lobby is powerful, well connected (witness the recruitment of Quentin Bryce in the pregnancy warning campaign), and above all well-funded. They also are masters at manipulating the media and don't rely on science to justify their public statements. We do have a clear strategy on how to deal with this. We need to elevate the debate to talk about the relative risk of wine consumption versus consumption of other foods and beverages. We must energise our consumer base to defend the sector. We must demonstrate that the grape and wine industry has many small family businesses, as well as large businesses, and we provide a vital economic boost to regional and rural Australia. And above all we need to be proud of our industry and enlist the public on our side. The next big targets for the anti-alcohol sector are mandatory nutrition labelling, cancer warnings, tax increases, and a ban on advertising. Australian Grape & Wine has declared this a major priority of 2020-21 and will be implementing our strategy to defend the rights of our sector to operate.

COVID-19

The COVID-19 crisis remains a major focus for Australian Grape & Wine. We believe we must work with broader government and Wine Australia and start promoting domestic tourism and the wine sector.

We also need to deal with a shortage of labour in the coming vintage and of course, the latest COVID-19 outbreak in South Australia means all grape and wine businesses need to be COVID safe to ensure we can continue to operate through the coming vintage period.



It is important that we work now with State governments to ensure that if there are future outbreaks of COVID-19, then we can continue to work our vineyards, pick grapes and operate wineries during vintage 2021.

Code of Conduct

The redraft of the wine industry Code of Conduct has been completed and we are now trying to ensure we get as many signatories as possible. The Code is not a silver bullet but it does play an important role in providing a safety net for growers. Importantly it has already provided a platform for greater communication between growers and winemakers and we are seeing positive negotiations on payment terms and other issues. Good relationships and trust between growers and winemakers are essential for the effective working of the industry, particularly in the uncertain times created by the issues with China and the ongoing impact of COVID-19.

Industry restructuring

While it is always dangerous to look inwardly while the world is falling apart around you, it is clear that the industry needs to look long and hard about how our representative organisations and levy-funded government bodies best deliver services to the sector. The next 6 months will enable us to review how we deliver our services, the activities of Australian Grape & Wine and Wine Australia and determine if there is a better model.

Issues

Geographic Indications in China

Working with Wine Australia, we have applied for the protection of 'Rutherglen' as a Geographical Indication (GI) in China. If this application is successful, we will then seek to protect all our GIs, as an added line of defence against fraud and cyber-squatting. Through our legal partners in China we are also seeking to collaborate with the China Alcoholic Drinks Association (CADA) on our opposition to the registration of Prosecco in China.

Free Trade Agreement negotiations

The Australian Government has opened public consultations on a possible new GI right as part of the negotiations for a Free Trade Agreement (FTA) with the European Union (EU). Consistent with its approach toward other FTA partners, the EU has identified the protection of GIs as one of its key objectives in the negotiations. The Government has made no commitment to protect specific EU GIs and has made clear it would only consider doing so if the overall FTA deal was good enough for Australia, including by delivering on Australia's agricultural market access interests. Should Australia agree to protect specific EU GI terms through the FTA and change the way we currently protect GIs, we would need to amend our law. Were we to do so, the Government would amend the *Trade Marks Act 1995* to create a GI right. This may also result in transfer of the responsibilities of the Geographic Indications Committee (GIC) to IP Australia and inclusion of wine GIs in the same system as other food GIs.

Research and Development (R&D)

The national R&D environment is undergoing rapid change. Minister Littleproud announced the National Agricultural Innovation Agenda in September. The Australian Government will also invest \$86 million to establish eight Adoption and Innovation Hubs across regional Australia and will develop a Digital Foundations for Agriculture Strategy (the Digital Strategy). The Department of Agriculture, Water Resources and Environment (DAWE) will be engaging consultants to support the development of a *National Agricultural Innovation Policy Statement*, including mission-oriented investment priorities and a *Digital Foundations for Agricultural Strategy*. The consultants will be used to undertake targeted stakeholder consultation and provide advice on key performance indicators for the innovation agenda.



The *National Agricultural Innovation Policy Statement* and the *Digital Foundations for Agriculture Strategy* will be Australian Government products and not consultant reports.

As part of this process, the government has identified priority themes, is developing a mission (or missions) relevant to each priority theme, and will work with to focus efforts to achieve the missions.

The priority themes that have been selected are:

- Climate, water and drought
- Biosecurity
- Soil
- Environment and sustainability
- Social licence
- Technology, digital and data
- Animal welfare
- Trade and exports
- Workforce

In addition, Wine Australia has partnered with the other Research and Development Corporations (RDCs) to invest in Research, Development and Adoption to deliver solutions to the major cross-sectoral challenges faced by Australia's agricultural sector. As part of this there is the formation of a new body to manage the cross sectoral research, funded by the RDCs. One example is a sector- wide response to climate change in terms of adaptation strategies and mitigation of greenhouse gas emissions.

I hope that you will have a Merry Christmas and a prosperous New Year, driven by an excellent vintage. I would like to thank you all for your support during the past year. Rest assured, we will continue to support you over 2020-21 and beyond. As always, please give me a call if you wish to talk about these issues or any others. You can call me directly on 0413 014 807 or email me at tony@wfa.org.au

Tony Battaglione
20 November 2020