

Australian Grape and Wine Incorporated

BOARD COMMUNIQUÉ – 17 JUNE 2020

The Board of Australian Grape and Wine Incorporated (Australian Grape & Wine) held a Board meeting on 17 June 2020. The meeting was preceded by meetings of the Vignerons Committee and the Small, Medium and Large Winemaker Committees on 15 and 16 June. Due to the ongoing COVID-19 pandemic, all meetings were held electronically.

Introduction

Since the last Board meeting held on 7 April 2020, much of our public facing activity has been around the COVID-19 response and more recently, extensive media coverage of political tensions between the Australian and Chinese governments leading to potential trade disruptions. Relationships between Australian Grape & Wine and Ministers continue to be excellent, and we have been advised that we can return to face-to-face meetings in Parliament House at the Parliamentary sittings from 10-18 June 2020.

Issues

The Board is very conscious of the difficulties that many in the sector are facing with the bushfires, and now COVID-19, having serious cash flow implications for grape & wine producers. The Board has frozen staff salaries and membership fees for 2020-21. The Board is also providing the opportunity for winemakers and grapegrowers to defer their payment of membership fees for 2020-21 until 30 September 2020 to help with the cash flow issues arising from the COVID-19 pandemic. However, 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.

With the bushfire crisis, followed by the COVID-19 pandemic, Australian Grape & Wine has tried to become recognised as an authoritative source of information by the sector, government/s and the media. This has been assisted by the close working relationship we enjoy with Wine Australia. Wine Australia agreed to support Australian Grape & Wine with our regular COVID-19 industry updates, which has enhanced the delivery and reach of our messages. In addition, we have been the first point of call for media around COVID-19 issues. We have also been in regular contact with key Ministers and their staff on COVID-19 relief and responses.

We have worked very closely with the government to seek some targeted support for bushfires and smoke impacted producers. We are hoping for an announcement shortly.

We have also tried to obtain tax relief for the grape and wine sector, but to date this has not been rewarded by any government initiatives, despite some support from key government ministers.

Political tensions with China

There has been a lot of press in the last few weeks around Australia-China relationships. This followed comments by the Chinese Ambassador, Jingye Cheng, in an interview with the Australian Financial Review where he suggested the Chinese public may boycott Australian products, or decide not to visit Australia in the future if the Government continued its push for an inquiry into the origins of COVID-19. His words were: "If the mood is going from bad to worse, people would think 'Why should we go to such a country that is not so friendly to China? Maybe the ordinary people will say 'why should we drink Australian wine? Eat Australian beef?'"



Since then Beijing announced it was preparing to slap massive tariffs on Australian barley exports, accusing the industry of dumping its product at artificially low prices, and more recently has banned exports from four Australian abattoirs citing labelling and certification issues. This was followed with threats on coal and iron ore.

The moves from China show that it is sending a message to the Australian Government around its handling of a call for an inquiry into the origins of COVID-19.

While the barley dispute has been rolling along for 18 months to two years, and the review of abattoirs is a regular occurrence, it is clear that China is willing to use technical issues to prosecute its political agenda. The usual response from China when these issues arise is to increase its border surveillance and customs procedures, resulting in slower clearances and increased scrutiny of certification and labelling requirements. **It is very important at this time that the wine sector ensures its labelling and certification is compliant.**

Market Access continues to be important for the Australian wine sector with a reliance on key export markets for much of the sector's growth.

United Kingdom-Australia FTA

We met during April with the Australian government negotiators for the upcoming United Kingdom-Australia Free Trade Agreement. Naturally these negotiations have been delayed due to the COVID-19 pandemic, but it is a clear advantage to the sector to engage in an early and comprehensive agreement that eliminates tariffs for wine and grape products, as well as protecting our interests on the technical front. In a key Brexit milestone, the United Kingdom has published its [tariff schedule](#), outlining the duties that it will apply to imports of goods from all sources that are not covered by a preferential trade agreement. The new tariffs will take effect in December, once the Brexit process is complete. These tariffs reflect those in the European Union.

The government announced the commencement of Free Trade Agreement negotiations during the Board meeting. Australian Grape & Wine is providing the government with a comprehensive submission of key sector interests to support the initial round of negotiations, expected in late June 2020.

European Union

The last round of the Australia-European Union FTA negotiations was held in May. More broadly, the European Union continues to push sustainability in its trade agreements. As part of its broader 'Green Deal,' Brussels unveiled two new publications, the 'Farm to Fork' (F2F) strategy and the 'Biodiversity' strategy. Both are aimed at increasing sustainable practices through the European – and global – food supply chains. The strategies will impact the bloc's trade negotiations and trade policy going forward in several ways. Specifically the F2F strategy outlines that the EU will "seek to ensure an ambitious sustainability chapter" in all future agreements. The draft Trade and Sustainable Development (TSD) chapter that has been tabled in the EU-Australia negotiations follows this model. The F2F strategy also sets a number of ambitious high level policy aims for the EU, including reduction in agrochemical use by 50 percent by 2030, harmonisation of voluntary green claims and the development of a code of conduct for responsible business seeking commitments from industry to improve sustainable practices.

ACCC

Following on from its 2019 wine grape market study, the ACCC has worked closely with a number of winemakers, grower groups, and Australian Grape & Wine to further implement improvements in standard form contracts, particularly in relation to wine grape quality assessments, and how contractual disputes are managed.



In parallel with this process, Australian Grape & Wine has been working to modernise and improve the voluntary Australian Wine Industry Code of Conduct, which will deliver greater transparency and certainty in commercial dealings. Furthermore, we have been working with the Australian Wine Research Institute (AWRI) to develop improved grape sampling and assessment protocols, and with Wine Australia to improve the delivery of better and more timely market information to grape growers to inform their decision making.

The Board was advised on progress of the Code and the technical work underway. Better information on market trends will help growers negotiate with wine companies on price. The work with AWRI will also lead to more transparent wine grape assessments, removing one of the key areas of contention between growers and winemakers.

Pregnancy Labeling

On 17 February 2020, [Food Standards Australia New Zealand \(FSANZ\) notified Ministers responsible for food regulation \(the Forum\)](#) of its decision to approve an amendment to the Australia New Zealand Food Standards Code (the Code) to require a pregnancy warning label on packaged alcoholic beverages sold in Australia and New Zealand.

On 20 March 2020, the Forum requested FSANZ review the amendment on the grounds that it places an unreasonable cost burden on industry.

In line with the Forum's request, FSANZ is re-examining industry cost estimates, with particular reference to colour requirements and signal wording, and is seeking further information from certain alcohol industry associations. Based on the specific grounds for the review, broad public consultation is not being undertaken.

FSANZ has until 22 June 2020 to notify the Forum of the outcome of its review.

The Forum will have 60 days to consider the FSANZ review report and decide whether to accept, amend or reject the amendment to the Code. The FSANZ review report will be publicly available soon after the Forum has been notified.

Australian Grape & Wine have directly discussed this issue with FSANZ and Minister Colbeck's office (Chair of the Ministerial Forum for Food Regulation) and believe that there is a strong possibility that FSANZ will continue to advocate for multi-coloured labels with a prominent headline statement. The only way to achieve the reasonable compromise proposed collectively by the alcohol sectors is to make strong representations at the State level. The Ministerial Forum is due to consider FSANZ recommendations on 24 June 2020.

Vision 2050

The Board agreed to launch the 2050 Vision statement for the sector on 24 June 2020. Against the backdrop of the COVID-19 pandemic and with the prospect of months and years of recovery, it might seem odd to be planning for thirty years into the future. However, it has never been more important to have a vision for the future and demonstrates the need to develop a resilient industry that can respond and survive external shocks and grow and prosper on the back of them. This vision presents an ambitious growth strategy, and provides a roadmap for the future and with bipartisan support will give us a strong platform to speak with government.

Agrochemicals

The Board was provided with an update on the ongoing priority of agrochemicals, and the current work to continue to improve the sector's preparedness and ability to manage agrochemical withdrawals and lowering of Maximum Residue Limits (MRLs).



Australian Grape & Wine has been working with AWRI and Wine Australia to ensure the sector is prepared and can adapt to these changes. A priority risk agrochemical reference document is being created to help plan and prioritise chemistries. This will then be used to consider alternate controls for managing biosecurity in the future for priority pest and diseases.

We continue to monitor and evaluate the sector's risks with Mancozeb (a fungicide typically used for Downey Mildew control) following the EU's decision to withdraw the chemical. Further residue testing is being conducted by AWRI and this will be reflected in the latest Dog book advice.

Future availability of Labour

An issue of priority to all moving forward is the impact of travel restrictions on the availability of labour. While labour shortages were largely overcome during Australia's 2020 vintage, future concerns remain around access (in Australia) to foreign labour. These include both unskilled and skilled viticultural workers, technical and highly specialized labour for production, packaging and other applications, much of which is based in Europe. Australian Grape & Wine has raised access to foreign labour with the Australian Government as a key priority moving forward, and will continue to seek for allowances that support the sector's continued productivity.

Grants

Since the last Board meeting, we have been advised that we were successful in obtaining one and probably two grants. On 16 May 2020, the Department of Agriculture, Water and the Environment advised us that we were successful in receiving a grant under the Australia-China Agricultural Cooperation Agreement Program. The grant was for \$46,440.00 (exc. GST) to seek approval of winemaking additives in China.

Primary Industries and Regions SA (PIRSA) have advised us that they have forwarded a grant application to their Grants team for processing into a letter of offer. This grant is to update Industry Guidelines for winegrape and wine assessments as part of our delivery on the ACCC recommendations. The grant is for \$75k.

Marketing Committee

Australian Grape & Wine held its first Marketing Committee meeting on 29 May. Aply chaired by James March, the first meeting was given a comprehensive briefing from Wine Australia on their marketing directions for the next year. The next meeting will be held following the June 2020 Board meeting to enable a proper and considered review of the activities proposed by Wine Australia. This Committee will provide very useful support to the Australian Grape & Wine Board in their discussions on marketing, tourism and promotional activities.

Tony Battaglione

23 June 2020