

## Australian Grape and Wine Incorporated

### BOARD COMMUNIQUÉ – 2 SEPTEMBER 2020

The Board of Australian Grape and Wine Incorporated (Grape & Wine) held a Board meeting on 2 September 2020. Due to the ongoing COVID-19 pandemic, all meetings were held electronically.

#### Introduction

Since the last Board meeting held on 17 June 2020, much of our public facing activity has been around the COVID-19 response and, more recently, around the Dumping and Subsidy cases raised by the Chinese government against the Australian wine industry. The Board is very conscious of the difficulties that many in the sector are facing with the bushfires, COVID-19, and now the threat to exporters in China, having serious implications for grape & wine producers. The Board expressed its thanks for the many grapegrowers and winemakers that were expressing their support for Australian Grape & Wine through membership, and 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.

#### Issues

##### COVID-19

It has been a very sobering couple of months, with COVID-19 cases escalating in Victoria and increasing throughout the country in some other States. The restrictions imposed in Victoria and elsewhere will have a dramatic effect on operations for grapegrowers and winemakers. It also means that the recovery phase from COVID-19 will be longer and more drawn-out. The human cost is high, and the economic cost will be substantial. The availability of labour for winery picking and pruning and technical support in the lead-up to, and, in vintage 2021, is of serious concern. Every agriculture industry that relies on backpacker and overseas labour is under pressure, and we have been talking with the Federal Government about any possible initiatives that can be provided to develop a local workforce. With respect to international winemakers and cellar hands that usually undertake an Australian vintage, the situation is equally bleak. It is unlikely that it will be economic for a business to pay wages and quarantine expenses for overseas workers, even if they are allowed across the border. We are working with other agriculture industries and the Government to find potential solutions to the issue.

Australian Grape & Wine and Wine Australia have developed a forward-looking paper to look at the potential medium and longer-term impacts of the COVID-19 pandemic. There is obviously considerable uncertainty surrounding the extent and duration of the COVID-19 pandemic in health and economic terms. However, there are some clear trends emerging and what is certain is that businesses will need to be agile and responsive to survive and prosper in this environment.

This paper provides the latest available information around the impacts of the COVID-19 pandemic on key markets for Australian wine, and considers what the implications may be for Australian grape and wine businesses. It draws on briefings received from domestic and international experts.



### **Pregnancy Warning Labels**

The pregnancy warning decision was another blow for the sector, with the Victorian, Tasmanian, and West Australian Ministers effectively throwing their wine businesses under a bus. The extra cost from label changes is going to be difficult for business. We also know of one company that prints directly onto bottles, which will struggle to survive.

### **China**

The China Alcoholic Drinks Association (CADA) requested the Chinese Ministry of Commerce (MOFCOM) to launch an anti-dumping investigation and institute countervailing duties on Australian wine in China on 14 August. The request concerns bottled wine in under 2 litre packages. The anti-dumping investigation was initiated on 18 August. They will now provide a detailed questionnaire with a timeline for responses in 60 days. The questionnaire will be in Chinese and the responses will also be in Chinese. It requires a lot of detailed confidential information around cost of production and costs of sales. If the questionnaire is not completed to the satisfaction of MOFCOM, then the company will be deemed 'uncooperative'.

There are two separate issues raised here.

1. Anti-dumping: If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product.
2. Countervailing duties: A country can launch its own investigation and ultimately charge extra duty (known as "countervailing duty") on subsidised imports that are found to be hurting domestic producers.

With Barley, after an 18-month investigation the Chinese Ministry of Commerce ruled that both dumping and subsidisation had occurred. On 19 May 2020 it imposed a combined 80.5% tariff on Australian barley, comprising a 73.6% anti-dumping duty and a 6.9% countervailing duty. While the Government has the right to contest the ruling via the WTO's Dispute Settlement process, it has not announced it would do so.

Most of the subsidies named in the agreement are those raised in the Barley action with the addition of the Wine Equalisation Tax.

No tariffs can be imposed on Australian wine for at least 60 days after the initiation of the action. Even then, it would require a preliminary affirmative declaration of domestic injury.

The Board of Australian Grape & Wine approved the use of the organisation's reserves to appoint legal firms in China and Australia, and to ensure we can throw everything at these cases launched by the Chinese government. We will ensure that we provide the best possible responses to make sure that we have a very clear case that we have not been dumping wine on the Chinese markets, and that Government programs do not provide assistance that damages Chinese wine producers. The next two months will be vital in preparing the case for the defence.

### **Canada**

Some good news on the trade and market access front, where Australia reached a partial settlement with Canada on its World Trade Organization dispute over Canadian federal and provincial wine measures. Within four years, Canada will eliminate a federal excise duty exemption for domestic wines, Nova Scotia will end a preferential markup for local wines, and Ontario will alter several measures favoring locally produced wines. These changes may require regulatory and/or legislative changes.



### **Free Trade Agreement negotiations**

It is clear there will be no finalisation of the negotiations on the EU-Australia Free Trade Agreement this year, and our positions on Geographic indications, tariffs and environmental and winemaking standards are well understood by the Government.

The second meeting of the Ministerial Advisory Council on Trade was held on 9 August. The principal discussion topics concerned the ongoing negotiations between Australia and the European Union and Australia and the United Kingdom. While the discussions are confidential, it gives us a good opportunity to put our positions forward directly to the Trade Minister.

### **Stakeholder Engagement**

Our relationships with Regional Associations continue to strengthen. We are seeing more regions joining the monthly zoom meetings, increasing engagement on key issues and the sharing of our COVID updates, tools, and resources. We are assisting regional associations in their capability building regarding consumer insights and working with Wine Australia's market insights team to do this.

The Australian Grape & Wine Grapegrower Summit was held on 26 August 2020. A 2 hour virtual interactive summit provided a platform for producers to engage with experts in their field, as they discussed water management, varieties and market trends, marketing a business to be a supplier of choice, succession planning and strategic planning for a business in 2020 from a grower's perspective. The summit was well received.

### **Digital Communications**

The new Australian Grape & Wine website is currently under construction, with the go-live date proposed for late October. Our social platforms continue to support our overall communications strategy. We now have a You Tube Channel to complement our Twitter, Facebook and LinkedIn platforms, and will use this medium, along with planned podcasts, to engage in the first instance with members and stakeholders, particularly during COVID restrictions.

### **Alcohol Beverages Advertising Code (ABAC)**

The Alcohol Beverages Advertising Code (ABAC) Second Quarterly Report for 2020 detailing decisions made during the past quarter is available and was released in July. It is available [online](#). Not surprisingly, the COVID-19 pandemic and associated government restrictions to control the spread of the virus has been prominent both in marketing references and complaints. There was increased activity this quarter, with 60 new complaints and 26 determinations.

Many alcohol producers and retailers have turned to online marketing and home delivery to sustain sales. In this environment, marketers need to be mindful of the ABAC standard in Part 3(c) and ensure that marketing messages do not:

- suggest alcohol is needed as an aid to relaxation;
- imply alcohol is a prop to get someone through the stresses of coping with the pandemic; or
- suggest that alcohol can significantly change a mood or environment.

There were very few placement breaches in the quarter, with just one marketer failing to activate age restriction controls on their Facebook account. Alcohol marketers should familiarise themselves with the "How to" guides on implementing age restrictions on [Facebook](#), [Instagram](#), [Snapchat](#) and [YouTube](#) which are available on the ABAC website.



ABAC has received pre-vetting applications for influencer marketing on TikTok. Following enquiries with TikTok, we discovered that they have a policy that there is no alcohol marketing (including influencer activity) on their platform. At the last Committee meeting, Amazon Australia were accepted as an ABAC signatory.

### **Code of Conduct**

Not surprisingly, the last few months have been particularly busy with the revision of the Wine industry Code of Conduct. The revised Code and associated initiatives will deliver substantial improvements and benefits and enhance the grower-winemaker relationship. The provision of better and more timely information, development of agreed sampling protocols, and improved transparency in pricing all deliver benefits. While the Code has not gone as far as some groups would have liked, it appears to me to provide an opportunity to increase the signatory base substantially as well as delivering immediate benefits. The Code will be considered by the Board this week.

The Code will only be effective if those companies who have not previously been signatories commit to joining. This requires a substantial number from the Riverina, Riverland and Murray Valley.

### **National Heavy Vehicle Regulator**

The Hon. Michael McCormack MP, Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, and the National Heavy Vehicle Regulator (NHVR) announced the twenty-six projects approved under Round 5 of the Australian Government's Heavy Vehicle Safety Initiative on 6 August. The project, being undertaken by SAWIA in partnership with Australian Grape & Wine, was awarded funding for the development of a Wine Industry Code of Practice and promotion via a National Education Program.

### **Research and Development**

Several of the Research and Development Corporations have been working together to form a new company to fund cross-sectoral research. Wine Australia is one of these. Many of the Representative Organisations have felt uncomfortable in that they have not been involved in these discussions concerning structure, priority setting, funding, or the proposed governance models proposed. The Representative Organisations have been working collectively to ensure that any movements on this respect transparency and accountability back to levy payers.

### **Biosecurity**

At the Australian Grape and Wine Incorporated (Australian Grape & Wine) June 2020 Board meeting, Roseanne Healy from Enterprise Corporation provided an update on her project preparing a Biosecurity business case for the wine sector. She included insights from her initial consultation with stakeholders, as well as an outline of the preliminary findings. The final draft report was presented to the Board for comment. The key finding from the report is that 'There is a case for increased investment in biosecurity in the wine industry and a stronger case for **optimisation of resources** across the biosecurity system'. The report defines the problem by outlining and discussing five key issues and concludes with considerations as to how resources could be optimised. There are a number of specific recommendations contained throughout the report. Some of these can potentially be achieved by Australian Grape & Wine internal staffing resources, others might be possible through grant opportunities, while the majority require advocacy work to influence State and Federal Governments.

Australian Grape & Wine presented recommendations to the Board arising from the report, to progress a stronger biosecurity framework for the industry.



### **Resignation of Andrew Weeks**

The resignation of Andrew Weeks from the Vignerons Committee and the Australian Grape & Wine Board due to work commitments prompted the need to appoint a new Chair for the Vignerons Committee. Heather Webster will undertake the role of Interim Chair of the Vignerons Committee until the AGM in November 2020.

Andrew was a tireless worker on behalf of Vignerons and will be missed sorely for his pragmatism, honesty, and selflessness. He always worked in the best interests of the sector.

### **Next meetings**

The Annual General Meeting for Australian Grape & Wine will be held on 17 November, followed by a Board meeting on 18 November. The meetings will be preceded by meetings of the Vignerons Committee and the Small, Medium and Large Winemaker Committees on 16 and 17 November 2020. All meetings will be held electronically due to the ongoing COVID-19 restrictions.

### **Tony Battaglone**

7 September 2020