Dear Mr Evans, Mr D’Aloisio, Vice Chairs and Directors,

As the CEO of VisitVineyards (Australia’s leading online wine and food travel guide) I take considerable interest in the economic health of Australia’s wine industry, which we support totally. I am submitting this response to the WFA Proposed Industry Actions and Wine Industry Reports on behalf of several hundred members of the wine industry across Australia.

When these Reports were published on 28 August, VisitVineyards was finalising our annual Wine Industry Business Outlook Survey (which ran 1 July to 31 August). Given the significance of the Reports to the wine industry and to regional Australia, we considered it important to seek further comment.

This was done to increase awareness and elicit further feedback from industry, as the results from our July/Aug survey indicate that many in the wine industry are experiencing economic distress, and/or are not overly optimistic about the industry outlook.

Our follow-up survey ran for just 12 days, due to the WFA’s original deadline for comments. Despite this short time frame and having just surveyed them on general industry matters, we received 271 responses from all States, an outcome I regard as excellent. This sample size is statistically significant at a 95% level of confidence ± 6%; ie results can be taken to represent the views of the larger population of the wine industry, particularly those of medium and smaller producers.

The results of this survey are presented for your consideration, in summary in this document, with comments in the Appendices. The results highlight a general lack of agreement of the respondents with several underlying premises, assumptions, workings and recommendations of the Reports, and as such I believe are extremely significant and should be examined in detail.

Thank you for seeking feedback, and I trust that you will give the views of these 271 respondents your full attention. Note these are the collated views of industry, not (unless noted) my views or those of VisitVineyards. No value judgments should be inferred. I will supply VisitVineyards’ feedback separately, which relate more to the issues of wine tourism and marketing.

Robyn Lewis

CEO, VisitVineyards.com, B.Ec., M.Sc.

This is an extract of key findings of the survey directly relating to policy and future wine industry concerns:

• **Opinions are divided about whether the industry faces a ‘perfect storm’ or not** (as described in the Wine Industry Report): 27% of respondents agree totally, a further 34% mostly agree, with the remaining 30% either disagreeing totally or stating that only a few factors still apply (to the industry as a whole). [See p 5, finding 11]. The results vary considerably by State/region; not all are experiencing the level of distress or pessimism that the Reports imply.

• **Two factors are regarded as having the most significant effect on the current industry situation and outlook, across Australia:**
  1. 59% state that **domestic retailer consolidation, vertical integration and retail power** (e.g. big supermarkets) affects them, and
  2. 53% state **oversupply of cheap wines** [P 5, finding 12].

The existence (NB not the removal or WFA’s proposed changes) of WET tax is regarded as the least significant cause of current industry problems.

• **40%** of respondents agreed that **smaller or boutique businesses need assistance**, 28% said the entire industry needs help, 11% thought that no help should be provided at all and 7% said they don’t need help but others might. [P 7, finding 15].

• **77% of respondents’ BUSINESSES would be impacted severely** if the **WET tax rebate was removed or if they ceased to qualify**, comprising 40% who indicated that the impact on their business would be moderate to severe, and an additional 37% who indicated that they would **go out of business**. [P 11, finding 19].

• **80%** of respondents indicated that if the WET tax rebate was removed or many ceased to qualify, the impact on their **REGION would be moderate to severe**, comprising 52% who stated that **many producers would go out of business** plus 28% who stated the effect would be moderate to severe. Expected closures were significantly higher in WA (61%), NSW & Tas (both 60%) and Vic (56%). [P 11, finding 20].

• **If the changes to eligibility of the WET tax rebate** as presented on pages 18-21 of the Proposed Industry Actions Report are implemented, 21% believe they will continue to qualify, 14% cannot tell from the Report whether they will qualify or not, 9% believe they will not qualify, 47% can’t say as they had not read it. There is a great deal of industry concern about this recommendation [P 11, finding 21].
• There is also a lack of understanding of what the WFA’s proposed Action 2 regarding ‘hastening of correction of the supply base’ means, and thus what its implications may be. [P 12, finding 22].

• The greatest % of respondents (37%) stated that a supply correction is required for producers of low priced wines (under domestic retail A$7/bottle - Grades E/F in the Wine Industry Report), 27% believe a correction is needed but it should be left to economic forces, 23% stated it should apply to producers of low-medium prices wines (A$7-10, Grade D), and 20% to big producers. [P 12 finding 23].

• Regarding methods to reduce supply, 50% favoured changes to disallow MIS schemes, and a total of 55% some sort of ‘vine pull’ scheme. [P 13, finding 24].

• 26% across all States, with little variation, selected ‘Economic forces, i.e. those who are uneconomic leave the wine industry, with no government intervention’. There was an insignificant level of support (2%) for removal of or changes to the WET rebate to correct oversupply.

• Re the $36 million in funding to be sourced for the proposed actions, a total of 60% do not agree with this proposal as it stands: 21% want more information on where the money is proposed to be spent, 20% think support is necessary/justified but the government should only provide part of it, 19% think that the industry needs to look at new ways of doing things. 18% believe the taxpayer should provide support in full. 11% do not know, 5% believe support is not necessary/justified. [P 14, finding 26]. Potential means to save on costs does not appear to have been addressed in the Reports.

• The NUMBER 1 ISSUE facing small and medium wine growers and makers in Australia – by a large margin – is not tax, not exports, not import competition, not the current oversupply – it is MARKETING (57%), ie lack of ability to market their wines effectively. This is true in EVERY State and the ACT. [P 15, finding 27].

• NUMBER 2 ISSUE is PRICES they can get for their wines (ie too low, can’t increase) 41%, followed by DOMESTIC MARKET ACCESS at 39%.

• Australia’s wine producers do not appear to be currently facing a ‘perfect storm’, they appear to be facing a blowtorch, one held by the Coles/Woolworths duopoly, exacerbated by their increasing vertical integration. CONSOLIDATED RETAIL POWER appears to be the overriding factor and concern of the Australian wine industry.
Detailed Findings of VisitVineyards.com’s Wine Industry Survey:

The WFA Proposed Industry Actions Report – overview:

1. Only 23% said they understood this Report fully, with 40% saying they mostly understood it. 29% had not read enough to say or did not understand it (the remainder understanding half or less, or preferring not to say)\(^A\).

2. Despite the above, 41% expressed their agreement with most of this Report, 18% with about half, 11% disagreed with most of it, and 2% either agreed fully or disagreed fully. 21% either didn’t understand it or had only glanced at it\(^B\).

The Wine Industry Report (Centaurus Partners) – overview:

3. Only 16% stated that they fully understood this Report, with a further 26% saying they mostly understood it. 47% did not understand it, or had only glanced at it or had not read enough to say\(^C\).

4. Again, despite this, 36% expressed their agreement with most of it, 15% with about half, 11% disagreed with most of it, and 30% either didn’t understand it, or had only glanced at it\(^D\).

Business location, structure, business and industry outlook

5. The geographic distribution of respondents in general reflects the number of wine businesses in each State, with somewhat less than expected from NSW. There were responses from almost every region\(^E\).

6. 63% of respondents have both vineyard and winery, with a further 19% having a vineyard only and making wine under their own label. 6% had a vineyard with wines made under contract for another label. 5% have winery only, 3% cellar door only.

7. 64% have a cellar door, 17% a restaurant/café, 10% accommodation, 9% an art or craft gallery, 29% have no other facilities/activities.

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\(^A\) See 12 comments in Appendix, Q 3. Former WFA were more likely to say they understood the Reports. See snapshot of respondents on pp 18-19 for full breakdown.

\(^B\) See 20 comments in Appendix, Q 4. WFA members were more likely to agree, former members to agree with half or less.

\(^C\) See 10 comments in Appendix, Q 5. WFA members were most likely not to have read this report, but significantly more likely to say they agreed with it.

\(^D\) See 12 comments in Appendix, Q 6. Note, lack of understanding reflects a failure of communication, not a lack of intelligence and/or interest of the reader. One respondent noted that the Reports appear not to have been professionally edited, and several noted confusion and/or lack of clarity.

\(^E\) Significantly more respondents are members of the WFA in SA than any other State, with most from the Barossa.
8. 42% say that their business is performing about the same as it was last year, 27% better, and 30% worse.

9. 37% say that the wine industry is performing about the same as last year, 37% worse and 4% a lot worse. Only 14% think it is performing better.

10. Most regard the industry outlook for 2013/14 as about the same (39%) or being better (26%) than 2012/13, with 21% stating it as worse and 4% a lot worse. 9% could not say.

11. Despite this somewhat negative outlook, only 27% agree totally that the Australian wine industry faces a ‘perfect storm’ (as described in the Wine Industry Report), although a further 34% mostly agree, with the remaining 30% either disagreeing totally or stating that only a few factors still apply (to the industry as a whole). A number observe that the ‘perfect storm’ has already passed, and that many of the factors have been created by industry themselves.

12. A breakdown of these as they apply to their businesses (Q 20) indicates that two factors are regarded as the most significant:

i. 59% state that domestic retailer consolidation, vertical integration and retail power (eg big supermarkets) affects them, and

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F This is consistent with but slightly more negative than the results of our Industry Outlook Survey which closed in August, where 32% said it was better, 24% worse. See 46 comments in Appendix, Q 16, plus a further 66 comments from our August survey Q 6. Respondents in ACT and surrounds were vastly more optimistic about their business outlook that other States, with optimism also up in Qld. There is no correlation between business performance and membership of the WFA.

G This is significantly more negative than the results of our July/August Industry Outlook Survey, where 30% said they considered the industry was doing better now compared with last year. This suggests that more research/feedback is needed before broad corrections are made to perceived problems which could be overstated, and/or are not impacting on all producers equally (and include variable such as weather). See 28 comments in Appendix, Q 17, “plus a further 39 comments from August, Q 7”. There is again significant variation between States, and WFA members are significantly more likely to be optimistic about the industry outlook.

H Again, this is more negative that our August Industry Outlook Survey. See attached 24 comments in Appendix, Q 18, plus a further 21 comments from August Q 8. Again this reiterates the need for caution before applying measures to address perceived negative factors, which may have passed, be part of the normal business/economic cycle, and/or are not impacting the medium/smaller operators as much as is surmised.

I As the existence of a ‘perfect storm’ is an underlying premise of both the Wine Industry Reports and Proposed industry Actions, this suggests that deeper examination of these factors is needed before actions are taken. Interestingly, WFA members are far less likely to agree there is a total ‘perfect storm’.

J Retailer consolidation etc affects most in NSW, followed by SA and WA, and is significantly lower in ACT and Qld. WFA members are the least impacted.
ii. 53% state **oversupply of cheap wines** affects them.

These were followed by such factors as consumer confidence/lack of spending (46%), the high $A (47%)\(^L\) and increased imports (38%). The existence (NB not the removal/changes proposed in the Report) of the **WET tax is regarded as a less significant cause of current industry problems**\(^N\) (hardly surprising as it is a major contributor to profitability of many smaller businesses), along with low domestic demand, both 31%\(^O\).

![Bar chart showing the percentage of factors affecting responses](chart.png)

13. **Geographic location** significantly affects responses. Not all regions are experiencing the level of distress or pessimism that the Reports imply. **Regions doing better** in general include those with higher quality grapes, lack of over production, strong emphasis on regional marketing and a proactive approach of the businesses themselves. (The data has

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\(^K\) Oversupply of cheap wines affects most in WA, ACT and Vic, and is significantly lower in Tas, and has less effect on WFA members, who are somewhat more likely to be impacted by the high A$.

\(^L\) Significantly higher in Tasmania, due to local economic conditions, also in Qld.

\(^M\) Significantly higher in SA; significantly lower in Tas and Vic.

\(^N\) Significantly higher in NSW, but still lower than most other factors.

\(^O\) These add up to more than 100% as respondents were asked to name all factors that affected them. See attached 27 comments in Appendix, Q 20.
been cross-tabulated and shows some very worthwhile findings).

14. Respondents from **NSW, Qld and WA** are far more likely to consider they are facing a ‘perfect storm’, and those in ACT and Tas far less likely. However, a greater than average number from NSW also disagree.

15. **40%** of respondents agreed that smaller or micro businesses (or their small business) need **assistance**, **28%** said the entire industry needs help, **11%** thought that no help should be provided at all and **7%** said they don't need help but others might. Respondents in Tas and the ACT were significantly in favour of no assistance, or for providing help to others as needed, but not to them. More respondents in NSW and WA thought that the entire industry needs help, with one NSW respondents saying large companies need help.

16. We also asked **how many wine producers** they thought there are in Australia. **33%** said between 2001-3000 (the range around the figure quoted in the Reports), **10%** less than 2000 and **45%** over 3000. **12%** did not know. As this survey was sent to over 3300 wine producers, it appears there is a considerable underestimate in the numbers on which the WFA Reports are based.

**Economic difficulties and impacts of changes to WET rebate**

One of the major factors identified in the WFA Proposed Industry Actions Report was **proposed changes to the WET tax rebate**. This is a highly significant proposal for small growers, as many of them depend on it for their profitability.

It is in fact one of the main reasons we decided to conduct this survey, as we were being phoned and emailed by wine growers and makers asking us about it (including, whether we understood and could explain to them the criteria on page 19 of the Report).

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**P** NSW and WA are the least optimistic States, followed by Qld and Vic. Businesses in SA (and members of the WFA) are more likely to be doing better. Tas and ACT are the most optimistic regarding the industry.

**Q** This may perhaps be a reflection of their business models, relative competence etc.

**R** See 40 comments in Appendix, Q 21. The NSW response in question refers to help/encouragement for large companies to take the steps to pull out vines supplying low grade grapes and to write off unsold stock of cheaper wines, not financial assistance.

**S** Lapsed WFA members were more likely to underestimate industry numbers.

**T** The 3300 is a clean, updated (August 2013) email list. In addition VisitVineyards.com has several hundred more in our database (some have opted out of SurveyMonkey surveys in general, meaning we cannot contact them via this means). See 4 comments in Appendix, Q 22.
We realise that there are other ‘Key Questions’ in the Proposed Industry Action Report, but had we included them all our survey would have been too long, and we would have had to assume that everyone had read and understood the WFA Reports, which the majority had not (i.e. prior to our survey). [See snapshot p18-19].

The extensive use of jargon in the Reports and questions (eg “demand-side initiatives”, “updated socio-economic footprint” etc) also meant that that these questions would need significant explanation, and the survey be too long.

It is the responsibility of the WFA consultants to explain clearly, and to provide an easy means to provide feedback for wine growers and makers, most of whom are time-pressed, hard-working business people and are not copywriters. Some areas of the Reports eg wine and health, are also beyond our scope.

Thus, of the WFA’s ‘Key Questions’ in the Proposed Industry Actions Report, we have addressed the following:

**WFA Action 1, demand** p 11 – questions about demand opportunities
**WFA Action 2, supply** p 14 – 4 questions about vine buyback, and alternatives, plus means of ‘hastening the correction of the supply base’
**WFA Action 3, retail competition** p 17 – some aspects of retailing of and increasing domestic sales of Australian wine are covered (we did not ask specifically about a proposed Code of Conduct for supermarkets, as this is beyond our scope, but plenty of respondents commented on it)
**WFA Action 4, WET Rebate** p 21 – WET rebate and other reforms
**WFA Action 7, funding** p 26 – Whilst not directly addressed in the survey, there are comments on this. See Appendices and discussion following:

On **funding**, WFA Action 2 p 25: As you will have noted, VisitVineyards.com has an extensive database of Australia’s vineyards and wineries (over 4000†). The WFA could, for example, save a significant part of the $4 million that is proposed to raise/request from government to replicate this database, by working with us†. (The WFA’s consultants did not contact us to ascertain this†)‡. This would free up cash to spend where it is most needed to achieve outcomes.

Many of the respondents (and thus, of the wider wine industry community) have either never been (51%) or are lapsed members (21%) of the WFA. There

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† Public-private co-operative models exist in other sectors, such as tourism (eg between ATDW and De Groot’s) where is has been obvious for 10+ years that replicating and maintaining separate databases is inefficient and wasteful of limited resources.
‡ The existence of our database is well known, including to former WFA staff.
§ In addition, we may also be able to assist with some of the proposed ‘vineyard research’ (at a proposed cost of a further $3 million), although the Report does not appear to state exactly what this research may encompass.
appear to be significant opportunities to engage or re-engage with them, to raise at least some funds from industryX.

To continue on current financial/economic difficulties:

17. It is clear that many (but not all) wine regions in Australia are currently in financial/economic difficulty. Only 5% of respondents indicated that they thought that less that 20% of producers in their region were currently experiencing difficulty, 7% were unsure and the remainder as per the graph below (% of respondents on vertical axis, % in difficulty on horizontal axis). Again, there are significant State and regional variations in this dataY. This situation is, of course, not unique to the wine industry. (see graph next page)

![Graph showing percentage of wine producers experiencing financial difficulties](image)

X Although as noted in a question following, many want to know what the money would be spent on, and an even greater % want the WFA and WineAustralia to look at different ways of doing things and new initiatives.

Y WFA members were most likely to indicate that either between 21-40% or 61-80% of producers in their regions were experiencing difficulty, with lapsed members citing 81-100%. Also see 10 comments in Appendix, Q 23
18. We also asked **what sized producers were thought to be experiencing financial difficulties** in their own region ( % of respondents on vertical axis):

![Bar chart showing the percentage of respondents who think different sized producers are experiencing financial difficulties.]

It can be seen that **most respondents (46%) think that small-sized producers are the most affected**, and a further **32% think that micro/boutique producers are most affected**, but again there is a great deal of variation in responses by State\(^Z\) and region, which indicates that many factors other than the macro-economic ones described in the consultants’ Wine Industry Report appear to be influential\(^AA\).

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\(^Z\) Tas respondents reported significantly more boutique producers thought to be experiencing difficulties, reflecting their industry structure.

\(^AA\) Micro-economic factors seem to have been largely ignored in the Wine Industry Report. Also, it is clear from the data from the ACT and surrounds and Tas vs other States that factors such as strong regional branding/identity and wine quality and marketing are highly influential, also. Also see 12 comments in Appendix, Q 24.
The WET Tax Rebate:

19. **77%** of respondents’ **BUSINESSES** would be impacted severely if the **WET tax rebate was removed or if they ceased to qualify**, comprising **40% of respondents** who indicated the impact on their **BUSINESS** would be **moderate to severe**, and an **additional 37%** who indicated that they would **go out of business**. Of the reminder, 8% consider the impact moderate, 2% mild, 1% no impact and 2% thought it would be an improvement. Respondents in **WA (52%)**, **Vic (45%)** and **Qld (50%)** were more likely to indicate they would go out of business, and moderate to severe difficulties more likely for businesses in **SA (57%)** and **Tas (50%)**.

20. **80%** of respondents indicated that if the WET tax rebate was removed or if many ceased to qualify, the **impact on their REGION would be moderate to severe**, comprising **52%** who stated that **many producers would go out of business** plus **28%** who stated the effect would be moderate to severe. Severity was significantly higher in **WA (61%)**, **NSW and Tas (both 60%)** and **Vic (56%)**.

21. If the changes to eligibility of the WET tax rebate as presented on pages 18-21 of the Proposed Industry Actions Report are implemented, **21%** believe they will continue to qualify, **14%** cannot tell from the Report whether they will qualify or not, **9%** believe they will not qualify, **47%** could not say as they had not read it, 4% don't claim a WET rebate, and 6% were not applicable or preferred not to answer. SA respondents were most likely to believe they will continue to qualify (26%) and Vic the least (15%). However, possibly reflecting differences in business models, significantly more respondents in SA also believe they will not qualify (20%).

The need for wider communication and clarity on this proposal is evident.

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**BB** WFA members were less likely to report this level of severity on their business, and more likely to say the impact would be mild (most however said it would be moderate to severe).

**CC** The balance either did not know or preferred not to answer.

**DD** As this survey is statistically significant to a 95% level of confidence, with a confidence interval of 5.7% on each question, this can be taken as representative of the industry as a whole. See 24 comments in Appendix, Q 25.

**EE** The ACT and NSW scored around average %s in both categories.

**FF** See 13 comments in Appendix, Q 26.

**GG** And have read the Report. Again, this is a failure in communication (and perhaps in logic) on behalf of WFA’s consultants. We prepared a flowchart of ‘eligibility questions’ based on the Report, and as far as we are able to determine, many smaller operators, especially those who do not have their own winery, would not qualify as this recommendation is currently worded. Also see 23 comments in Appendix, Q 27.

**HH** Including WFA members, at 43%.

**II** See 32 comments in Appendix, Q 28.
‘Hastening correction of the supply base’:

22. We asked what respondents thought that the WFA’s proposed Action 2, ‘actions to hasten correction of the supply base’ meant.

58% thought this meant to reduce the **volume** of grapes grown/wine made by Australian growers/makers, 44% to reduce the **number** of Australian grape growers/wine makers\(^{J3}\). 13% did not know.

However, 22% thought it meant it meant to reduce wine imports, 28% to increase wine exports, and 20% to increase domestic consumption, and 4% other\(^{KK}\) (i.e. demand and other factors)

Although many respondents were obviously suggesting solutions to the overall supply/demand imbalance, it also demonstrates a lack of understanding of what the WFA’s proposed Action 2 regarding the reduction in supply means, and thus what its implications may be\(^{LL}\).

23. Respondents were also asked **what sector(s) of the industry they considered any ‘hastening of correction of the supply base’ should occur**.

The **greatest % (37%)** stated **producers of low priced wines** (under domestic retail A$7/bottle, including cask/bulk wines, etc - Grades E/F in the Wine Industry Report).

**27%** stated they believe a correction is needed but it should be **left to economic forces**, 23% stated producers of low-medium prices wines (A$7-10, Grade D), 20% saying big producers, and 18% saying all sectors\(^{NN}\).

5% thought it should be medium-sized producers, and 4% each small and boutique producers. Less than 2% thought that this should occur with producers of higher-priced wines.

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\(^{J3}\) Lapsed and non-WFA members were more likely to understand what this meant.

\(^{KK}\) Respondents could select more than one option.

\(^{LL}\) And again, this is a failure in communication by the consultants/authors of the Report.

\(^{MM}\) See 32 comments in Appendix, Q 28.

\(^{NN}\) See 22 comments in Appendix, Q 29.
24. Respondents offered a range of **methods by which they thought the ‘hastening of the correction of the supply base’ should occur.**

![Graph showing responses to questions about hastening the correction of the supply base.]

- **50% favoured changes to disallow MIS schemes,** and a total of **55% some sort of ‘vine pull’ scheme:** 32% for everyone who wants to access it, a further 12% for large producers, and an additional 11% for smaller producers and/or those facing severe financial difficulties. Again there was variation between States and regions, with those in Tas significantly more likely (80%) to favour disallowing MISs.

  Those in **NSW** were more likely to favour a ‘vine pull’ scheme for smaller producers/those facing financial difficulties, AND for larger producers, and/or those responsible for the oversupply, those in **WA** and **ACT** for everyone who wants to access a ‘vine pull’ scheme, those in **Qld** some

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**OO** See full text of question options in graph for Q30 in Appendix, and 25 comments. Note, a vine pull scheme is favoured by some because of its immediate impact on oversupply, relative to alternatives.

**PP** Possibly due to the disastrous impact of recent MIS collapses in Tas, especially in the forestry sector.

**QQ** WFA members were less likely to favour any ‘vine-pull’ scheme, but also interestingly, more likely to think that hastening the correction is either not needed, or if so, that it should be left to economic forces.
sort of ‘rural adjustment scheme’ to allow exit, and those in Vic and the
ACT more likely to state that ‘hastening the correction’ is not needed.

An average of 26% across all States, with little variation, selected
‘Economic forces, ie those who are uneconomic leave the wine
industry, with no government intervention’. Significantly more
respondents in SA and Qld did not know what the solution might be.

There was an insignificant level of support (2%) for removal of or changes
to the WET rebate as a means to correct oversupply.

Wine Australia and the WFA:

25. Before we asked questions about marketing and other proposed actions,
we asked respondents if they knew “if there is a difference between the
Winemakers’ Federation of Australia (WFA) and WineAustralia,
and if so, what it is”.

38% knew that there is a difference, and could state it (if not
always correctly SS). 30% said they know they are different but cannot
state what the difference is. 5% thought they are the same, 12% had
not previously heard of WineAustralia and 15% preferred not to
answer RR. A fairly common comment was that the distinction has become
blurred over time, with WineAustralia in particular moving beyond its
original charter SS.

26. Re the $36 million in funding applications to be sourced/made to
government for the proposed actions, a total of 60% do not agree with
this proposal as it stands: 21% want more information on where
the money is proposed to be spent, 20% think support is
necessary/justified but the government should only provide part of it,
19% think that the industry needs to look at new ways of doing
things, and 18% believe the taxpayer should provide support in full TT.
11% do not know, 5% believe support is not necessary/justified.

Again there were significant differences between States, with those in Vic
and Qld more likely to favour taxpayer support, those in NSW, ACT, SA
and Tas wanting new ways of doing things, those in WA wanting to know

RR WFA members were more likely not to know what the difference is meant to be, or
(along with lapsed members) to think their roles are the same.
SS See 95 comments in Appendix, Q 32. As one respondent observed, ‘they aren’t very
good at marketing themselves’.
TT WFA members are significantly less likely to state that government should provide it in
full, and more likely to want to know on what the money is intended to be spent. They
were also somewhat less likely to consider that the industry needs to look at new ways
of doing things.

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how the money is to be spent, and those in NSW, Qld and Tas not to know.

Issues (including retailing) and the future:

27. The NUMBER 1 ISSUE facing small and medium wine growers and makers in Australia – by a large margin – is not tax, not exports, not import competition, not the oversupply – it is MARKETING (57%), ie lack of ability to market their wines effectively. This is true in EVERY State and the ACT.

NUMBER 2 ISSUE IS PRICES they can realise for their wines (i.e. prices too low, can’t increase prices) at 41% \[^1\], followed by domestic market access at 39% (this is an especial problem for ACT producers).

This is confirmed in our earlier survey, where marketing ranked number 1 at 53%. If I may venture to say, Australia’s wine producers do not appear to be currently facing a ‘perfect storm’, they appear to be facing a blowtorch, one held by the Coles/Woolworths duopoly, and which is exacerbated by their increasing degree of vertical integration. In this, they are not alone, as has been witnessed in many sectors of the food industry, in dairying, and in tea and other beverages.

Obviously an inability to increase prices is in part due to the oversupply, but as the consultants’ Wine Industry Report points out, the oversupply is in the lower price/grade levels, not at the higher end. Consolidated retail power appears to be the overriding factor and concern of the medium and smaller members of the Australian wine industry.

[^1]: WFA members are significantly less likely to regard domestic market access, price and sales as issues (and staff/labour problems) and more likely to regard export as an issue.
Other factors are **export-related** (high A$, etc) and competition from wine imports (both 31%), general **sales-related** issues (eg can't move backlog of stocks, can't get into the big retailers, distributors etc) 28%, managing the workload of a small business and competition from other Australian producers (both 26%)\(^W\).

**WET and other tax-related issues ranked below online marketing issues**, which given the relatively low uptake of online marketing by Australian wine producers\(^W\), indicates that tax is not currently a top-of-mind issue.

On the 'if it isn’t broken, don’t fix it’ principle, it would appear that **proposing changes to the current WET tax system** (other than to remove obvious double-dipping and other rorts) is **fraught with danger**, and also **misses the main issue(s)**. Again, my view is that instead of

\(^W\) Others in the graph included viticultural issues 20%, winemaking problems 5%, insufficient supply 3%, management issues 9%, staff/labour availability 18%, financial problems 16%, issues of scale 16%, problems caused by related businesses (eg restaurants) 3%, succession planning/exit issues 15%, changing consumer preferences 10%, competition from other drink categories 9%. See 32 comments in Appendix, Q 33.

\(^W\) As evidenced by VisitVineyards.com’s and my personal expertise and experience in online including social media marketing.
making smaller producers prove that they qualify for a continued WET rebate, and forcing them into some sort of ‘compliance business-model mould’ as proposed in the Proposed Industry Actions Reports p19 \(^{XX}\), a better approach would be to start with the obvious companies taking unintended advantage of the current system, and work from there.

As with previous questions there is some variation in these results, but what is striking is the uniformity of the responses in each State and the ACT to the significance of marketing being their main issue \(^{YY}\). Only the ACT and to a lesser extent Qld did tax and other government-related issues rate anywhere near as highly \(^{ZZ}\).

28. Encouragingly therefore, **55% of respondents indicate that the biggest opportunities for their business in 2013/14 are in marketing**, followed by increasing sales revenue\(^{AAA}\) (44%), accessing/improving online routes to market and using social media as part of the marketing mix (40%), increasing exports 37%, increasing domestic market share (36%). 13% aim to increase production, and only 12% rate viticulture improvements as being significant opportunities in the coming year, and 8% winemaking\(^{BBB}\). Again, the results are almost identical with our earlier survey, and again, what is striking again is that almost across the country, marketing improvements are seen as their biggest opportunity\(^{CCC}\). The only exception is SA, where 60% are pinning greater hope on increased exports\(^{DDD}\).

29. In conclusion, we asked 2 open questions: What do you think is the biggest challenge facing the Australian wine industry in 2013/14? (112 text responses\(^{EEE}\)) and What is the biggest positive for the Australian wine industry in 2013/14? (98 text responses\(^{FFF}\)). See Appendices for these responses, which have not yet been aggregated.

30. 76% of respondents requested to receive a copy of this survey report, and have been sent this document and Appendices\(^{GGG}\).

\(^{XX}\) With all the supporting bureaucracy and compliance issues that this would entail setting up.

\(^{YY}\) This is particularly true in Tasmania (77%)

\(^{ZZ}\) Qld producers also reported a higher than average rate of financial problems, which appear to be over-riding marketing concerns.

\(^{AAA}\) Both price and/or quantity sold.

\(^{BBB}\) These findings should be of interest to those planning R&D programs.

\(^{CCC}\) See 34 comments in Appendix, Q 34.

\(^{DDD}\) This also applies to WFA members, reflecting the higher % of WFA members in SA.

\(^{EEE}\) See 112 comments in Appendix, Q 35. These can be broken down by State, region, WFA membership or any other variable.

\(^{FFF}\) See 98 comments in Appendix, Q 36. As for above comment.

\(^{GGG}\) See 28 comments in Appendix, Q 43.
General snapshot of survey respondents:

31. Before we contacted them, the majority of the 271 respondents (55%) either had not heard of or were not sure they had heard of the WFA Reports. A number of respondents (including WFA members) expressed concern about the reports not being widely publicised and/or hard to find.

32. Most of those who had heard of the Reports had read them, (total 122 people) at least in part, although 12% had only glanced at them.

33. Over 2/3 are not making an individual submission. An additional 12% are making a submission via their State/regional wine association. Only 7 respondents had made a submission before completing our survey.

34. The reasons given for this are varied, but range from 29% stating they did not believe they could comment as they are not members of the WFA (with most in NSW and SA), 22% deciding to use our survey as their means to comment, 23% commenting via their State or regional wine authority, 5% being concerned about possible repercussions of providing feedback to the WFA (most in SA, Vic and WA), and 6% considering exiting the wine industry (most in NSW, Vic). Only 5 respondents in total said they were happy with the reports.

35. Of survey respondents, 13% are current WFA members, 21% are former members, 51% have never been members, 6% prefer not to say, the balance unsure (the survey was filled in by business owners or senior managers). Various reasons are given for this, the main ones being cost and that they consider the WFA do not represent their views.

36. 7% describe their businesses as medium size (most in SA and NSW), 34% as small, 59% as micro/boutique.

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**Footnotes:**

**HHH** SA and Tas respondents were more likely to have heard of them, as were members and former members of the WFA. Given that the more proactive respond to surveys, overall results may be lower across industry.

**III** All figures are rounded to the nearest decimal place. See also next page 3.

**JJJ** Vic, NSW and WA respondents were least likely to have read them, SA the most. WFA members were more likely to have read them in part, but less likely in full.

**KKK** SA respondents are most likely to send submissions by these means.

**LLL** See 10 comments in Appendix, Q 9.

**MMM** There were no large company responses, which may be attributed to a number of factors – eg they have already been interviewed and/or are represented on the WFA Board, the person contacted may need approval to respond, the short time frame, etc.

[We received several large company responses to our earlier industry survey, but that ran over 2 months – they may also have considered that comment there was adequate].
37. A significant number of the respondents are known to you and are highly respected members of the wine industry. Respondents appear not to be stereotype ‘mum and dad’ operators whose opinions may perhaps be dismissed. All appear to be operating their wine enterprises as a business, and their level of understanding of the issues appear quite high.

38. 7% attended the recent Savour Australia event NNN.

Conclusion:

The results of this survey highlight a general lack of agreement of the respondents with several underlying premises, assumptions, workings and recommendations of the WFA Reports.

I also refer you to the comments by respondents in the Appendices.

This is an accurate summary of VisitVineyards’s Wine Industry Survey on the WFA Reports conducted between 27 Sep and 10 Oct 2013 by VisitVineyards.com, of data compiled from a sample size of 271 respondents, analysed using SurveyMonkey.com’s Professional (Gold) Level online tools.

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NNN Significantly more WFA members attended Savour Australia than lapsed or non-WFA members.

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