AUSTRALIAN
Grape & Wine

2021-22 Pre-Budget Submission

29 January 2021

Who we are

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. Our activities focus upon the objective of providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future.

We represent the interests of the more than 2,500 winemakers and 6,000 winegrape growers working in Australia. Our role is to help forge a political, social and regulatory environment, in Australia and overseas, that enables profitable and sustainable Australian wine businesses. These businesses make a significant contribution to growing regional economies by driving growth in jobs, regional exports and food and wine tourism.

Australian Grape & Wine's voluntary membership represents over 75% of the national winegrape crush. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit. In practice, most decisions are determined by consensus.

Australian Grape & Wine is recognised as a representative organisation for winegrape and wine producers under the *Wine Australia Act 2013* and is incorporated under the *SA Associations Incorporation Act 1985.* We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winemakers and winegrape growers across Australia.

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Executive summary

Australian Grape & Wine's pre-budget submission for 2021-22 (PBS) is presented in the shadow of the most challenging year on record for Australian grape and wine businesses.

After years of drought, tinder dry forests were set ablaze, burning vineyards and winery facilities across the eastern seaboard, and particularly in the Adelaide Hills and Kangaroo Island. Smoke had a disastrous impact on businesses across eastern Australia, with many grape and wine businesses forced to make the difficult decision to abandon the 2021 vintage entirely – their one chance to produce wine for the year. The fires and smoke also led to significant reductions in regional wine-tourism during the summer holiday period, traditionally a time when wineries receive much needed cash flow from cellar door visitors, sales and events. In addition to smoke damage, many grape growers and winemakers had to deal with frost, hail and poor fruit set which, combined with fruit losses due to smoke, resulted in the smallest vintage for more than a decade (1.4 million tonnes).

Then COVID-19 caused cellar doors, restaurants, pubs and cafes across the country to close. For many businesses, this removed a primary route to market, with small, family-owned businesses hit particularly hard. While conditions were tough, we acknowledge the significance of the economic provisions made available to Australian companies and their employees during the pandemic, including the Australian Government's Job-Keeper program, which provided an essential lifeline for many businesses and employees in our sector.

In August China's Ministry of Commerce (MOFCOM) announced the initiation of anti-dumping and countervailing duties investigations against the Australian wine sector, which resulted in preliminary duties totalling up to 218.5 per cent for most Australian wine businesses[1]. This had the effect of making Australia's highest value wine export market, worth $1.2 billion per year, unviable overnight. While the investigations are ongoing, the preliminary tariffs imposed on exporters are already causing immense strain along the supply chain.

If trade tensions with China continue, despite the efforts by the Australian Government and industry stakeholders to restore bilateral relations, and the preliminary tariffs currently in place become permanent, the likelihood of significant job-losses, likely in the tens of thousands, over the next decade is very high. The economic damage already being experienced will compound over time, and the severity of job losses and economic downturn would be felt most acutely in rural and regional Australia. Without assistance now, there is a real risk that a large number of grape and wine businesses will be forced to close permanently in the near future.

However, despite 2020 being a year of significant uncertainty and disruption for the grape and wine sector, there were some bright spots. We were thrilled to launch our long-term strategy for the industry, known as Vision 2050, in April. Developed by Australian Grape & Wine in consultation with the broader industry, Vision 2050 outlines the steps needed to ensure we will be a prosperous and self-reliant sector into the future. The sector also launched the Sustainable Winegrowing Australia program's official Trust Mark, which helps grape and wine businesses demonstrate their sustainability credentials and promote them to customers globally.

Another positive is the continued trend towards more responsible drinking in Australia. We were pleased to see the Australian Institute of Health and Welfare's National Drug Strategy Household Survey detail significant improvements in drinking behaviour across the community as a whole, and critically, in target demographic groups such as people under the age of eighteen and pregnant women. This shows our targeted messaging is working and drinking in moderation is becoming the new norm in Australia.

While these positives are worth reflecting upon, we recognise the immediate situation is dire for Australian grape and wine businesses, and without an investment from the Australian Government in the coming budget, more jobs will be lost, businesses will close, and the gains achieved in export markets and wine tourism in recent years

[1] Preliminary dumping duties ranged from 107 to 212 per cent, while preliminary countervailing duties ranged from 6.3 to 6.4 per cent.

will be eroded. This would fundamentally alter the size and shape of our sector and make our vision for 2050 very difficult to achieve. This will also be disastrous for the economies of rural and regional communities located across Australia's 65 wine regions.

We have never submitted a more important PBS. Industry is investing heavily in work to drive economic recovery, including in its effort to find new markets for wine exports and drive increases in domestic tourism. But we submit that Government investment now will extend and super-charge the work industry is doing and ensure grape and wine businesses can continue to underpin communities across regional Australia.

In the short term, the PBS calls for investment that will assist businesses to overcome the challenges presented by fires, smoke, frost, hail, poor fruit set, COVID-19 and China's preliminary tariffs, none of which are of our own making, but all of which have accumulated to threaten our survival as an industry. These recommendations focus on providing cash-flow to businesses and turbo-charging regional wine tourism.

The PBS focuses on the future of our export markets. There is a clear case for co-investment in diversifying our export footprint that leverages and builds on the Government's Agri-Business Expansion Initiative already in progress. There is no immediate substitute for the China market, but there is opportunity for strong growth across traditional and emerging markets in the short, medium and long term.

For these recommendations to have the impact that is required, industry and government must continue to collaborate to make sure regulatory settings are evidence-based, fit-for-purpose and business enabling. We need to invest in our competitiveness. Continued investment in Research and Development, burnishing our sustainability credentials and driving innovations in products, manufacturing and efficiency will underpin growth and profitability for grape growers and winemakers of all sizes.

It will also be important to ensure Wine Australia is funded appropriately. Wine Australia provides essential services in compliance, R&D, marketing and market and regulatory insights, all of which help Australia to maintain its place as a world leading wine producing nation. Due to the trade frictions we are experiencing with China, Wine Australia is forecasting a 37 per cent reduction in revenue for marketing and regulatory services in 2021-22 compared to its original budget. We would like the Australian Government to work with Australian Grape & Wine and Wine Australia to make sure Wine Australia is funded appropriately to ensure essential services and activities can continue be delivered for the sector in the future.

We firmly believe that Australian grape and wine businesses can overcome these enormous challenges, but we cannot do it alone. We need to commit to co-investing with the Government in the future of rural and regional Australia, and across the complex supply chain, by supporting grape and wine businesses to survive the onslaught of immediate challenges, drive recovery in the medium-term, and provide a platform for long-term success.

Australian Grape & Wine would welcome the opportunity to elaborate on the recommendations presented in this PBS at any stage.

Sandy Clark.

Sandy Clark

Chairman

Australian Grape and Wine Inc.

Grape growing and winemaking in Australia - at a glance.

Made in Australia
• Grapes are grown in every state of Australia. • Nearly 2,500 wineries across Australia. • More than 6,000 wine grape growers across Australia. • Sixty-five distinct wine regions, which we call geographical indications (GI).
A pillar of regional economic prosperity
• Grape growing, winemaking and wine-related tourism contributes $45.5 billion to the Australian economy.[2] • The sector supports more than 160,000 people across Australia (full and part time), the majority of which are located in rural and regional Australia. • A magnet for regional tourism, with 8.3 million people visiting wineries in the year to March 2019, and with these people tending to spend more per visit than those who did not visit a winery.[3]
Enjoyed globally – An export success story
• Australia's fifth largest agricultural export. • Currently the world's fifth largest wine exporter nation, behind Chile, France, Spain and Italy. • Sixty-two per cent of production is exported. • 771 million litres at a total value of $2.998 billion exported in the year ending 30 September 2020.[4] • This equates to 19.7 million glasses of Australian wine enjoyed overseas each day.[5] • Every bottle of Australian wine sold overseas tells a story about rural and regional Australia.
We are farmers…. amongst other things
• Grape and wine businesses are unique in agriculture. We are a leading example of a locally grown and manufactured, value-added agricultural industry • While we are farmers first and foremost, our business models reach consumers in ways other agricultural industries do not, including through our roles as restaurateurs, events planners, wedding hosts, tourism managers and accommodation operators.

[2] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution

[3] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution

[4] https://www.wineaustralia.com/news/media-releases/global-demand-is-steady-for-australian-wine

[5] https://www.wineaustralia.com/news/media-releases/global-demand-is-steady-for-australian-wine

Summary of recommendations

1) **Direct investment in the wine sector:** The Australian Government to invest a total of $7 million across financial years 2021-22 and 2022-23 in reimbursing Wine Export Charge Fees paid in 2019-20.
2) **Policy recommendation:** Australian Grape & Wine supports the National Farmers' Federation proposal for a two-year waiver on export certification fees and recommends that this be extended to wine exports.
3) **Direct investment in the wine sector:** Government to increase the pool of funding for the Wine Tourism and Cellar Door Grants scheme from $10 million to $20 million.
4) **Policy recommendation:** Government to change the definition of a cellar door sale under the Wine Tourism and Cellar Door Grants scheme to include online direct to consumer sales from a wine business's website.
5) **Direct investment in the wine sector:** Government to invest in a dedicated wine-focused tourism program to be delivered by Tourism Australia in consultation with Wine Australia, Australian Grape & Wine and state grape and wine industry associations.
6) **Pan-agriculture investment:** Australian Grape & Wine endorses the National Farmers' Federation's recommendation for an investment of $53.4 million over four years to enhance Australia's engagement in international forums and to fast-track the negotiation and creation of free trade agreements.
7) **Policy recommendation:** Australian Grape & Wine encourages the Australian Government to work with industry and DrinkWise to design and implement effective co-investment in the future.
8) **Policy recommendation:** Government commits to ensuring the wine industry is adequately consulted in the development of alcohol and health policy to ensure regulatory measures are effective, evidence-based, and representative of the lowest possible regulatory and financial burden for businesses.
9) **Policy recommendation:** In the context of reviews into Australia's food system, we recommend Government recognises the importance of compliance costs, the interpretation of standards, and focusing on FSANZ's core task of assuring food quality and safety.
10) **Policy recommendation:** Governments do not include wine bottles in existing, or future, CDS arrangements.
11) **Policy recommendation:** No change to current taxation arrangements for wine, including the WET rebate.
12) **Policy recommendation:** No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments.
13) **Policy recommendation:** Government to pursue market based responses outlined in the *Review of Interactions between the EPBC Act and the Agriculture Sector* report.
14) **Direct investment in the wine sector:** Government investment in promoting diversity and equality in the grape and wine sector through the Government's Women's Leadership & Development Program.
15) **Direct investment in the wine sector:** Government to work with the University of Adelaide to co-invest in a new research winery at the Waite Campus.
16) **Policy recommendation:** Maintain the status quo matching funding arrangements for Australia's rural R&D system, while seeking opportunities for greater collaboration between rural RDCs.
17) **Policy recommendation:** Allow for instant asset write-offs for investments in agricultural technology.
18) **Policy recommendation:** Australian Grape & Wine endorses NFF's call for new investments in improving digital connectivity in agriculture and across rural and regional Australia.
19) **Trade and market access recommendations:** We strongly encourage the Australian Government to work with Australian Grape & Wine to consider how we can collaborate to implement the recommendations listed at **Annex 1**.

Investing in survival

In April 2020, Australian Grape & Wine launched *Vision 2050,* a long-term plan which lays out the steps we need to take to reinforce a prosperous and self-reliant sector into the future. It provides our responses to growing international concerns around climate change, sustainable development, and international stability, while providing a platform for sustainable profitability. We were delighted to launch the bipartisan *Vision 2050* with the Minister for Agriculture, Drought and Emergency Management, the Hon David Littleproud MP, and the then Shadow Minister for Agriculture, the Hon Joel Fitzgibbon MP.

Since the launch of this document, the challenges of COVID-19 and China's preliminary import tariffs have turned the short-term outlook on its head. We remain confident that the long-term objectives of *Vision 2050* strike the right balance for the industry, but to achieve these objectives, we must focus on ensuring the grape and wine sector can get through the immediate challenges it faces.

Supporting exporters impacted by trade tensions with China

Australian Grape & Wine is calling on the Australian Government to provide a dollar-for-dollar reimbursement of the Wine Export Charge[6] for businesses that exported in the 2019-20 financial year. This modest investment of approximately $7 million over the next two years would provide much needed cash-flow to all exporting businesses, including those directly impacted by China's decision to impost preliminary tariffs.

We support this measure because it is targeted, responsible and time-limited. The money would flow directly to businesses with a proven capacity to export Australian wines, allowing them to re-invest in alternative markets in a way that works for them. However, it is imperative that this funding is not sourced from within Wine Australia's existing budget, which is under considerable strain due to the significant reductions in levy income.

To be clear, this is a modest proposal and not a solution to a potentially long-term issue. We estimate that most businesses would receive under $20,000 per entity, but it is a small and practical investment that would help.

Recommendation 1: The Australian Government invest a total of $7 million across financial years 2021-22 and 2022-23 in reimbursing Wine Export Charge Fees paid in 2019-20.

In addition to this, we also support the National Farmers' Federation's call for a two-year waiver on export certification fees in the forward years and recommend this be extended to wine export charges as well. However, as per our comment in relation to Recommendation 1, it is imperative that this money is not sourced from within Wine Australia's existing budget, which is under considerable strain.

Recommendation 2: Australian Grape & Wine supports the National Farmers' Federation proposal for a two-year waiver on export certification fees and recommends that this be extended to wine exports.

Extending the Wine Tourism and Cellar Door Grants scheme

Australian Grape & Wine supports the Australian Government's Wine Tourism and Cellar Door Grants scheme, administered by Wine Australia. However, the scheme has been significantly over-subscribed with eligible producers receiving far less than the total capped figure for which they are eligible.[7]

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[6] The Wine Export Charge is a levy payable by Exporters of Australian wine. The Wine Export Charge funds Wine Australia's market development activities that are aimed at increasing the demand, sale and consumption of Australian wine both domestically and overseas. It is administered by Wine Australia.

[7] In 2019-20, 176 applications were submitted for the program and all submitted applications were deemed eligible for a total amount of $15,442,693 (excl GST). This equated to an oversubscription of 35.16%. Due to the oversubscription, all eligible applicants received 64.84% of their eligible grant claim based on the notional wholesale selling price of their rebatable domestic cellar door sales.

We recommend the Government increase the pool of funding for eligible businesses, to ensure these businesses can capture the benefits of the scheme to the greatest extent possible. We also encourage the Government to look at options to change the definition of a cellar door sale to include online direct to consumer sales from a winery's website, as well as physical cellar-door sales. This is particularly important given the closure of physical cellar doors during COVID-19 and ongoing limitations on visitor numbers present cellar doors.

These amendments would be a significant driver of recovery for wine businesses across Australia's wine regions, with flow-on benefits for regional communities. It will enable businesses to retain staff, explore alternatives to exports to China and/or invest in improving their tourism and cellar door offerings.

Recommendation 3: Government to increase the pool of funding for the Wine Tourism and Cellar Door Grants scheme from $10 million to $20 million.

Recommendation 4: Government to change the definition of a cellar door sale under the Wine Tourism and Cellar Door Grants scheme to include online direct to consumer sales from a wine business's website.

Regional wine-tourism is critical to economic recovery.
Our wine regions are a magnet for regional tourism, with 8.3 million people visiting wineries in the year to March 2019.[8] While 2020 was a challenging year in many respects, one silver lining for some wine regions (although not all) was an increase in regional tourism driven by COVID-19 related travel restrictions. Although as pointed out by the Australian Tourism Industry Council, border closures had significant negative impacts, many Australians visited a wine region in their own state for the first time in 2020, seeking out the diversity of wine and food experiences available at cellar doors, restaurants and regional centers.

Tourism is a driver of profitability for wine businesses. For smaller wine businesses in particular, direct to consumer sales at the cellar door and later on, through wine clubs and mailing lists, are their most profitable route to market. The economic benefits of these visits extend not just to the winemaker and the grape grower, but to the local café, restaurant, hotel, petrol station, bakery and sports club.

We echo the statement made by Australian Tourism Industry Council Executive Director Simon Westaway in his 13 January 2021 media release - *"Measures by Federal and State Governments to constructively support and work with Australian tourism until local vaccination rates are high and the international border re-opens must occur".*

We encourage the Australian Government to support regional tourism in Australia by developing a dedicated wine-focused tourism program to be delivered by Tourism Australia in consultation with Wine Australia, Australian Grape & Wine and state-based grape and wine industry associations. This could complement investments being delivered by state governments, such as South Australia, and drive tangible benefits across rural and regional Australia. We would be delighted to establish a working group to further develop this concept.

If we do not provide support to enable grape and wine businesses to survive, there is a high-risk that many of the small and medium sized businesses that contribute to the rich tapestry of our wine regions will exit the industry. Aside from being tragic for the business owners, a significant level of business closures could also drive a downward trend in regional food and wine tourism numbers. Visitors to Australia's wine regions enjoy the diversity of offerings at cellar doors, and if this diversity is diminished, tourists will potentially lose interest and choose alternative holiday destinations.

Recommendation 5: Government to invest in a dedicated wine-focused tourism program to be delivered by Tourism Australia in consultation with Wine Australia, Australian Grape & Wine and state grape and wine industry associations.

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[8] https://www.wineaustralia.com/market-insights/australian-wines-economic-contribution

Diversifying export opportunities

Exports are key to the profitability of Australian grape and wine businesses. Historically, our ability to attract consumers around the world has been driven by our reputation for producing wines of the highest quality, our clean and green image, and our willingness to embrace innovation. But attracting consumers is only part of the story. Our work with the Australian Government over many years to improve market access outcomes through free trade agreements (FTAs), multilateral engagement and technical and regulatory cooperation, has underpinned the ability for businesses to invest in entering markets with confidence.

Unlike many of our key competitors, Australia's export success story has not been driven by subsidies, or a comparatively lower cost base. Science, innovation, and collaboration have driven our rise to becoming the world's fifth largest wine exporting nation.

We welcome the Australian Government's announcement of its Agri-Business Expansion Initiative in December 2020, which provides a great first step towards helping the agriculture sector diversify its export footprint and recover from the challenges posed by current trade tensions. We hope The Australian Government will allow organisations such as ours to provide in-kind contributions when participating in programs under the initiative. This is particularly important for Australian Grape & Wine, as we have spent considerable reserves in responding to China's anti-dumping and countervailing duties investigations.

The case for investing in diversification

The recent decision by China's Ministry of Commerce (MOFCOM) to impose preliminary dumping and countervailing duties, equating to total duties of more than 218.5 per cent for some exporters, has brought the need to diversify Australia's wine export footprint into sharp focus. While MOFCOM's investigations are ongoing, the preliminary duties have made the $1.2 billion China market unviable for Australian wine exporters.

The business focus on China is understandable. China offered a growth and value proposition that no other export market could compete with, and as a result, Australian wine exports grew from less than $15 million in 2005 to $1 billion in 2019. This was partly driven by the signing of the China Australia Free Trade Agreement (CHAFTA) in 2014, which at the time, businesses believed provided the stability and certainty required to make significant investments in supplying Chinese consumers with the wines they desired. Should market conditions improve, we would expect China to re-emerge as an important market for Australian producers, although the recent actions have undoubtedly changed the risk profile of the market for many businesses.

Over this same period, we have continued to export to more than 115 markets globally and remain a key provider of wines across a broad range of traditional wine markets, particularly in North America and the United Kingdom, Europe and North Asia. The domestic market in Australia has also been a key focus, retaining its position as the single largest market for sales of Australian wine. However, growth in these markets has been incremental at best. We raise this point in response to suggestions that Australian grape and wine businesses have 'put all their eggs in the China basket'. This is a simplistic and inaccurate assessment of a much more complex market environment.

With the China market likely to be unviable in the short-medium term, it is incumbent on the grape and wine industry to work closely with the Australian Government to co-invest in expanding our export footprint. To be clear, we recognise that there is no other market, or grouping of markets, that currently offer the same growth as seen in China in recent years. But there is opportunity for strong incremental growth, across a range of traditional and emerging wine markets on which we can capitalise. Neither wine businesses, nor governments, can drive this growth alone. We must reinvigorate our efforts to improve the export environment, through targeted funding for marketing and promotional activities in the short term, and improving market access in the medium to long term.

If we do not make this effort to mitigate the negative impacts of the disruption we're experiencing in the China market, the likely ramifications for Australian grape and wine businesses will be felt for generations. The potential for a return to structural oversupply is real, with a high-likelihood that we would see grape prices dropping to the point of becoming uneconomic. For some wine businesses, the likely flood of wines on the domestic market will make an already competitive market unviable, potentially forcing the closure of a significant number of wine businesses. If this eventuates, the flow on impacts across regional Australia are potentially disastrous, with widespread job-losses, a reduction in regional tourism stemming from fewer wineries to visit, and a resultant drop in expenditure in the hotels, restaurants, cafes and other businesses reliant on wine-tourism for their survival.

Long term-market access work is critical

In working to diversify our exports it will be critical that we take a long-term, strategic approach to improving market access. In key emerging markets, such as India, we need to increase collective effort to develop a business enabling regulatory and political environment as soon as possible. This will require a sustained investment from both Government and industry, and a commitment to a 'team Australia' approach in which industry and governments (Commonwealth, State and Territory) work to coordinate efforts as effectively as possible.

There is also opportunity for the Australian wine industry to work more closely with burgeoning wine industries in emerging economies. By engaging in technical cooperation and information exchanges, for example, we open new lines of dialogue, gain a better understanding of local industry concerns (and how this manifests politically), and share our experience in production, innovation, sales and marketing, to improve the reputation of the local industry and hopefully grow the size of the wine market in the process. This strategy may be particularly important in our effort to reopen the China market.

Australian Grape & Wine has analysed the opportunities and challenges present in a range of markets that wine businesses will be targeting for diversification. These are presented at **Annex 1**.

Trade Agreements remain the best driver of growth in trade

Australian Grape & Wine is a strong advocate of comprehensive, high-quality, mutually beneficial free trade agreements. These agreements provide certainty for exporters and allow countries to deepen their economic and trade ties, opening up opportunities for trade and other forms of cooperation. We are particularly supportive of efforts to fast-track the proposed agreements with the United Kingdom, India and the European Union. We are also supportive of work to contemplate the potential expansion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to incorporate new members such as the United States of America, the United Kingdom, Taiwan and other economies that meet the standards and philosophical commitment to free and open trade required by CPTPP.

In saying this, it is also critical that the Australian Government continues to stand-up for the rights of Australian producers to use long-standing, internationally recognised grape variety names such as Prosecco, Montepulciano and others. We will actively oppose a trade agreement with the EU that does not protect these interests.

International cooperation improves global trade in wine

Like the Australian Government, Australian Grape & Wine is committed to doing what it can to support and strengthen the multilateral rules-based trading system. We are proud of our long and productive history of engaging in various international fora in support of this commitment and encourage the Australian Government to continue its investment and philosophical commitment to free and open trade.

Of particular interest to Australian Grape & Wine is ensuring the Australian Government continues to invest in organisations such as the International Organisation of Vine and Wine (OIV) and the World Wine Trade Group (WWTG), both of which involve government-industry delegations that seek to develop international technical standards and protocols that enable transparent, rules-based trade in wine. Chief Executive of Australian Grape &

Wine, Tony Battaglene, is a candidate for the OIV Presidency in 2021, providing a potentially unique opportunity to positively influence the international regulatory landscape for wine and strengthen trading relationships with other wine producing nations. We appreciate the Australian Government's support for Mr. Battaglene's candidacy.

Another government-industry collaboration is the APEC Wine Regulators' Forum, within which relatively modest investments in time and resources, has paid dividends in the form of simplified and improved regulatory settings, particularly in emerging APEC economies. We strongly encourage the Australian Government to continue to provide its support to these groupings, just as we commit to doing so as an industry.

The OECD will continue to provide a platform in which Australia can promote the benefits of a free, rules-based multilateral trading system. This will require ongoing engagement and leadership from Australia, to drive an agenda that works in the interests of advancing the interests of a free and open market for agricultural trade.

Critically, the issues Australian grape and wine producers face in export markets are not confined to our sector. There are a variety of common concerns, barriers and complexities that wine exporters share with the broader Australian agriculture sector. Australian Grape & Wine will continue to work closely with counterparts across other agricultural industry groups to ensure the Australian Government has a clear understanding of the priorities from not only a grape and wine perspective, but across the pan-agriculture community.

With this in mind, we echo the National Farmers' Federation's (NFF) recommendation for $53.4 million over four years for additional resourcing for the Department of Agriculture, Water and the Environment (DAWE) and the Department of Foreign Affairs and Trade (DFAT) to enhance their capacity to participate in international forums. This investment should be aimed at bolstering Australia's work to engage in and improve the rules-based multilateral trading system, and focus on non-tariff barriers in agricultural trade, and should be accompanied by dedicated in-market support in conjunction with Austrade to promote Australian wine businesses overseas.

With regard to international standard setting bodies, it is important that industry is represented appropriately. That's why we share NFF's view that additional funding should be made available to enable a greater level of attendance by industry experts in meetings focused on international cooperation and negotiation.

This investment would also increase the number of experts Australia has on the ground in target markets, by funding additional agricultural counsellors and other officials.

Recommendation 6: Australian Grape & Wine endorses the National Farmers' Federation's recommendation for an investment of $53.4 million over four years to enhance Australia's engagement in international forums and to fast-track the negotiation and creation of free trade agreements.

The future of the China relationship

Australian Grape & Wine is hopeful that the governments of Australia and China can repair the bilateral relationship soon. We recognise and appreciate the Australian Government's efforts to work towards this goal by seeking to engage in dialogue with their Chinese counterparts in recent months.

Australia's grape and wine sector has taken steps to engage with the Chinese wine industry and will work to ramp-up these efforts in the coming months. As a first step, we will seek an industry-industry dialogue to share information about our respective industries and seek areas of mutual concern. We believe this has the potential to build good-will and could lead to other activities in the future, regulatory and technical exchanges, and co-investments in growing the wine market in China. This may assist the Government in the long term by strengthening business and community links between our nations, laying the groundwork for more engagement, both formal and informal, at the political level.

Business enabling regulations: striking the right balance

The opportunities for recovery and growth highlighted above are heavily reliant on working to ensure our businesses can remain competitive here in Australia. Striking the right regulatory balance is central to the competitiveness of the sector.

Grape and wine businesses operate in a complex maze of federal, state and local government regulations extending across the full production and supply chain from agricultural production, on-site manufacturing, onsite packaging, food handling, export, workforce, transport and logistics, to cellar door sales and restaurant services.

Australian Grape & Wine understands the need for regulation. Indeed, we support the development and implementation of well-designed, evidence-based regulations that are fit for purpose. But we are concerned about the potential for increasing instances of both regulatory creep and divergence across jurisdictions.

Health – general

Australian grape and wine businesses are proud to contribute to a long-standing food and wine culture which brings pleasure to consumers around the world and economic benefits to rural and regional communities. But we also acknowledge that the overconsumption of alcohol can cause serious social and health problems. This needs to be addressed through targeted programs, in collaboration with government, industry and health professionals.

As noted in the executive summary, drinking in moderation is the new norm in Australia. The Australian Institute for Health and Welfare (AIHW) notes in its National Drug Strategy Household Survey that:

- the level of binge drinking in Australia is falling
- the rate of underage drinking is declining
- more Australians are abstaining from alcohol while pregnant and
- Australians are drinking less frequently.

This is great news for Australia, and very much welcomed by the wine sector. It demonstrates that the sustained approach taken over the last decade to promote positive changes in the drinking culture in Australia, through organisations such as DrinkWise Australia, are having a real impact and cutting through with consumers. For example, through the National Wine Foundation (NWF), the sector has invested $400,000 in DrinkWise Australia's Fetal Alcohol Spectrum Disorder (FASD) Awareness Program. By promoting an enduring message of abstinence from alcohol when pregnant, across multiple channels and settings that reflect the lived experience of women, their partners, families and friends, DrinkWise has helped raise awareness of FASD and has helped contribute to the significant increases in pregnant women abstaining from alcohol – from 40% in 2007 to 65% in 2019.[9]

DrinkWise is also working closely with Australian Grape & Wine to roll out a range of engaging materials to promote the importance of drinking in moderation when consumers visit a cellar door or wine festival. The materials allow consumers to track their intake of standard drinks and manage their overall consumption when visiting multiple cellar doors. These activities are targeted, evidence-based and effective, and supported by a broad cross-section of stakeholders.

Australia's national alcohol strategy recognises that preventing and minimising alcohol-related problems cannot be achieved by governments alone and that coordination and collaboration across jurisdictions, portfolios and the community is essential. It specifically recognises that the alcohol industry, retail and hospitality industries, advertising, broadcasting and sporting industries play a significant role in Australia's economy and social fabric.

The DrinkWise model is based on an inclusive collaborative approach with influential corporate and for-purpose partners. Australian Grape and Wine's long-term support has allowed DrinkWise to take a generational approach

[9] https://drinkwise.org.au/our-work/drinkwise-fasd-awareness-program/#.

to research programs and communications, essential for achieving lasting behavioural and cultural change. Australian Grape & Wine is committed to continuing to support the work of DrinkWise, and we encourage the Australian Government to work with DrinkWise to consider options for future co-investments with industry.

Recommendation 7: Australian Grape & Wine encourages the Australian Government to work with industry and DrinkWise to design and implement effective co-investment in the future.

We also understand that there is more work to do to further positively change our drinking culture. Australian Grape & Wine recognises there are some people who misuse alcohol, and that harmful patterns of consumption lead to health problems and other social costs. We also accept that government has a role to play in designing health policies to address dangerous drinking. We are committed to working to achieve a safe drinking culture in Australia, but we need to have a seat at the table when policies to achieve this aim are being designed.

Recommendation 8: Government commits to ensuring the wine industry is adequately consulted in the development of alcohol and health policy to ensure regulatory measures are effective, evidence-based, and representative of the lowest possible regulatory and financial burden for businesses.

Health – Food Standards Australia New Zealand (FSANZ)

Australian Grape & Wine understands the importance of FSANZ, as the manager of schemes designed to safeguard the food we eat. We note the 2019 agreement of the Ministerial Forum on Food Regulation to review the entire food regulatory system, and that Australian Grape & Wine is engaging in the consultation process to help achieve this objective.

We are supportive of a modernisation agenda that is committed to considering how industry and government and work together to make the food regulatory system work better for everyone. We have expressed our concern that FSANZ is experiencing "mission creep", with its functions growing beyond its core objectives of including food safety to include a range of other activities aimed at driving public health objectives and behavioral change. A lack of capability or willingness to provide interpretations of food standards or even develop statements of intent for the Standards FSANZ designs is another ongoing frustration for business, along with what seems to be a significant lack of understanding about the true costs of label changes and compliance costs to industry. This modernisation agenda provides an opportunity to improve the food system and we are committed to working with FSANZ and other stakeholders to make this happen.

We hope the review of FSANZ and Australia's food system leads to positive and meaningful change and will continue to engage as positively and constructively as possible to reach this outcome.

Recommendation 9: In the context of reviews into Australia's food system, we recommend Government recognises the importance of: compliance costs; the interpretation of standards; and focusing on FSANZ's core task of assuring food quality and safety.

Health- Energy labelling

Australian Grape & Wine is currently engaging with Food Standards Australia-New Zealand (FSANZ) in its consideration of how producers can inform consumers about energy, sugar and carbohydrate contents of alcoholic beverages. We look forward to continuing to engage in this consultation process, and support the concept of providing transparency and helping consumers to make informed choices based on the latest scientific evidence available. We note that many wine companies are already providing energy information via their own websites, and believe FSANZ should be open to dynamic and innovative solutions (such as QR codes) to achieve the objectives of improving the ability of consumers to make informed choices. As we saw from the 2020 decision of the Ministerial Forum on Food Regulation's decision to impose the most expensive and burdensome form of pregnancy warning label put to it, label changes can be extremely costly, putting further pressure on the viability of wine businesses in what is already an extremely difficult period. Further to this, adding more content to an already crowded back panel is more likely to disengage consumers from the message than generate the behavioral response desired by policy makers.

Container Deposit Schemes

The Australian grape and wine sector has a long history of working to reduce the impact of waste across its supply chain, with the majority of waste now recycled, reused or managed in a most efficient and cost-effective manner available. We have worked closely for many years with the Australian Packaging Covenant Organisation (APCO), with which we share the mutual objective of working with government to manage and minimise the environmental impacts of packaging in Australia. This commitment to action ensures we are well placed to comply with the requirements of the new *recycling and Waste Reduction Act 2020,* which became law on 17 December last year.

Our commitment to improving waste and recycling outcomes across the supply chain is clear. However, Australian Grape & Wine is firmly opposed to the introduction of container deposit schemes (CDS) which include wine bottles. Our opposition is based on the fact that such a CDS would be enormously costly and burdensome to businesses, while providing little-to-no benefit to the recycling rates of wine bottles.

Most Australian states and territories manage, or will soon implement, CDS arrangements. In all cases, wine bottles are excluded from arrangements, as CDS's were established with the objective of reducing the amount of beverage containers in the public litter stream, and wine bottles do not tend to contribute to this stream in any meaningful way. Indeed, wines are almost always consumed either in the home, or licensed venues, after which they are recycled via the kerbside collection system and make up less than 1 per cent of the public litter stream.

South Australia is currently reviewing its CDS and is considering the merits of including wine bottle in the scheme. The South Australian Wine Industry Association (SAWIA) has estimated that if wine bottles were included in South Australia's CDS, the costs to wine businesses would be approximately 28 cents per bottle (including the container refund, registration fees, record keeping and compliance costs). Further to this, label redesign costs would add an estimated 16 cents to this figure. This equates to a $5.4 million cost to South Australian wineries, with an additional $5 million being incurred by wineries in other states that sell in South Australia.

We are deeply concerned by the proposal to include wine bottles in South Australia's CDS, or in any other CDS arrangements nationally. The imposition of costs of this magnitude for indiscernible increases in recycling rates or improvements in the quality of glass for recycling is unjustified, particularly when Australia's grape growers and winemakers are facing the unprecedented challenges of fires, smoke, hail, frost, poor fruit set, COVID-19 and the trade tensions with China.

We encourage all Australian Governments to consider the costs and benefits of a variety of approaches to improving the recycling of glass in Australia, rather than simply jumping to a CDS as the solution. We are particularly interested in the Victorian Government's roll-out of a separate domestic recycling bin purely for glass, which we believe is likely to encourage a higher level of collection and recycling of *all* glass containers (including bottles, pasta sauce jars etc), and decrease the contamination of glass from other recyclable materials like cardboard, which is acknowledged as a problem for some glass-recycling companies.

Recommendation 10: Governments do not include wine bottles in existing, or future, CDS arrangements.

Taxation

The Australian grape and wine sector is a major contributor to Australia's tax revenue, through the Wine Equalisation Tax (WET), company tax, and other taxes. In global terms, wine businesses also incur a far higher tax burden than many of their competitors.

Australian Grape & Wine's position on wine industry taxation is clear. With the industry facing its greatest challenges in generations, uncertainty about tax arrangements would be further destabilising and a hindrance to our economic recovery. We recommend:

- No overall increase in the total tax revenue from the wine sector
- Certainty in the tax system to create a stable and predictable business environment
- Retention of the WET rebate as a targeted measure to support wine businesses and regional communities
- No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments
- Maintaining the differential tax rates for wine, beer and spirits to reflect the significant differences between the production of wine and other forms of alcohol and wines unique economic contribution in regional Australia.
- Wine to continue to be taxed within the existing WET legislative framework, and not the excise system.

From a broader economic perspective, outside the scope of wine specific taxation, Australian Grape & Wine would also be supportive of reducing the company tax rate in Australia.

Recommendation 11: No change to current taxation arrangements for wine, including the WET rebate.

Recommendation 12: No use of taxation or pricing measures in the context of public health objectives, which are better addressed by more targeted policy instruments.

Investing in competitiveness

Competitiveness is broader than the issues noted above. At a time when grape growers and winemakers are dealing with multiple complex challenges, the grape and wine sector must work with the Australian Government to do everything it can do improve its efficiency, cut unnecessary costs, strengthen and promote its unique credentials and ensure it has the right people, with the right skills, for the future.

Biosecurity

Australia is fortunate to possess some of the oldest grapevines in the world, with no other country possessing so many surviving 19th century vineyards. In addition to our generally positive pest and disease status in Australia, which leads to productive and healthy vines, this provides a significant competitive advantage for Australia's grape and wine sector. We cannot allow a biosecurity incident to put this at risk.

The grape and wine sector has increased its efforts on biosecurity in recent years, working with Plant Health Australia and Wine Australia to raise awareness and improve preparedness. But it is early preventative measures that have the highest rate of return for biosecurity investment. This highlights the importance of appropriate resourcing by the Australian Government at the border and pre-border. The wine sector remains extremely concerned about the impact of a pest or disease incursion, such as Xylella which it has been estimated would cost the sector up to $7.9 billion over 50 years. We commend the recent technologies that have seen an improvement in our detection and monitoring capabilities and hope to see this continue. However, there is still more work to do to lower the risks to an acceptable level and to complete the recommendations contained in the *Priorities for Australia's Biosecurity System* report.

It is a source of frustration to many in the industry that importers are not contributing their fair share towards exotic outbreaks, burdening the plant sectors with biosecurity costs beyond their control. A case in point is that the wine sector has contributed significant levy payer funds towards recent eradication efforts for Brown Marmorated Stink Bug arriving on general cargo mostly unrelated to wine production. The recent decision by the Government not to proceed with the Onshore Biosecurity levy calls for an alternative mechanism to be considered in the immediate future, where biosecurity risk is appropriately resourced and the 'risk creator' bares a fair proportion of the cost.

Sustainability and climate change

Australian viticulture faces increasing environmental risk associated with climate change, water shortages, and the import of pests and diseases from around the world. While such risks are common across all agricultural industries, the impact on winegrapes is in some cases exacerbated. For example, climate change is bringing forward the ripening period of winegrapes, potentially leading to quality issues.

Our sustainability in the face of a changing climate is a key priority for the sector and has direct bearing on our competitiveness. The grape and wine sector has recently set a bold target for net zero emissions and zero waste by 2050. Our pathway towards this vision will be paved through actively encouraging uptake of our world class sustainability program 'Sustainable Winegrowing Australia' (SWA), which will see us measure our performance towards these targets.

We seek support for market-based instruments that reward contributions to natural capital and sustainable practices. There is a role for Government in fast-tracking the development of such instruments to a pace required to meet the challenges. We recommend pursuing a number of the activities listed in the *Review of Interactions between the EPBC Act and the Agriculture Sector* as a practical step towards improving sector sustainability.

Recommendation 13: Government to pursue market based responses outlined in the *Review of Interactions between the EPBC Act and the Agriculture Sector* report.

Australia's employment sector of choice.

The grape and wine sector's *Vision 2050* document sets an ambitious target to become the employer of choice in Australia's wine regions. Industries must relentlessly compete to attract and retain good people. Wine businesses are finding it difficult to recruit and retain workers from the vineyard through to the cellar door operations, and this has occurred just as demand for skilled professionals in the sector is increasing, tertiary course offerings and enrolments are in decline.

The skills based required in the sector is also rapidly changing. In addition to winemakers, viticulturalists and farm workers, those with skills in areas such as finance, marketing, exports, data management, design and social media are becoming increasingly important to businesses wanting to maintain a competitive edge. Progressively, skills in artificial intelligence, big data and precision agriculture and other fields as yet unthought of, will also be important. It is imperative that we work to attract industry participants, but we cannot do it alone. We propose the following industry-government co-investments to bolster our workforce in the years ahead.

Diversity and Equality

Promoting diversity and equality in the grape and wine sector is a high priority for Australian Grape & Wine. Aside from being the right thing to do, it is clear that it makes economic sense and is good for business. Through our Diversity and Equality Charter, we seek to promote a sector in which we treat our people fairly and equally, regardless of their gender, age, sexuality, culture, ethnicity, language or religious beliefs – and regardless of any disability. We are also committed to developing and rolling out strategies to help develop the knowledge, skills and experience of employers and employees necessary to realising the objectives of the charter.

Australian Grape & Wine has applied for a $900,000 Women's Leadership & Development Program grant to help turbo-charge our efforts to promote women in leadership in the sector. If successful, the program is designed to be rolled out to 65 wine regions and aims to establish benchmarks, create jobs, increase women's workforce participation and the number of women in leadership positions in the Australian wine industry.

In addition to encouraging more women in leadership, we are also proud to note that the National Wine Foundation is investing $150,000 over three years into the work of the [National Indigenous Culinary Institute (NICI).] This investment will help NICI's unique and proven programs that combine on-the-job training with a contemporary industry designed qualification. The trainee chef program aims to produce a group of chefs trained in Australia's top restaurants who will be role models and leaders for up and coming Indigenous trainees. Australian Grape & Wine hopes this investment can lead to a lasting partnerhip with NICI, creating employment opportunities for young indigenous people in the winery restaurants and in regional communities.

These initiatives will help the grape and wine sector to attract, welcome and support the people we need to ensure a prosperous and competitive future.

Recommendation 14: The Australian Government to invest in promoting diversity and equality, and workforce participation, in the grape and wine sector through the Government's Women's Leadership & Development Program.

Attracting students and researchers to Australia

Australia's success in grape and wine production and exports has to a large extent been driven by our globally recognised ability to harness innovation. However, it has been not only an industry or political commitment driving this innovation. We have been able to source the right researchers and students to make it happen.

The Hickinbotham Roseworthy Wine Sciences Laboratory at the Adelaide University's Waite Campus was established in 1998, and has been central to this innovation agenda, playing an integral role in research, education, and service to the sector. Cutting edge at the time, it served as a magnet for researchers and students who wanted access to the world's leading research technology. Today, however, the winery is too small and dated to provide the infrastructure required to drive the innovation we need or attract the people we want. A new winery is urgently needed to ensure our researchers are on par with our competitors in the US, Europe and South Africa, all of which have invested in new facilities in recent years.

In addition to the importance of attracting talent to the sector, cutting edge research facilities are critical for all grape and wine businesses. In particular, small and medium-sized businesses benefit from the research conducted in such facilities, as they lack the capacity to engage in their own large-scale R&D activities.

Recommendation 15: Government to work with the University of Adelaide to co-invest in a new research winery at the Waite Campus.

Maintaining Australia's world class R&D funding model

Australia's model for investing in agricultural R&D is a world leading example of effective public-private partnership. It has underpinned our growth and our reputation for quality and sustainability for many years, but we cannot stagnate. It is critical that the current model for matching R&D levies is retained, and that every dollar invested in innovation extracts the maximum possible value for Australian grape and wine businesses. While there will always be a need for grape and wine sector specific R&D, we support opportunities for cross-cutting research between sector specific rural research and development corporations, industry and other research providers.

Recommendation 16: Maintain the status quo matching funding arrangements for Australia's rural R&D system, while seeking opportunities for greater collaboration between rural RDCs.

Adoption of technology

New forms of agricultural technology present significant opportunities, but the current challenges businesses are facing mean most will lack the capacity to invest in this critical innovation in the near term.

Given this, there is a risk that other producer nations, many of which are the recipients of significant government subsidies, will outcompete us on the basis of their ability to incorporate new technologies more easily. The best way to support businesses to overcome this challenge is to extend the instant asset write-off initiative, working with Australian Grape & Wine to ensure arrangements are suitable for the sector.

Recommendation 17: Allow grape and wine businesses to instantly write-off investments in new forms of agricultural technology.

Regional connectivity

Many Australian wine regions suffer from relatively poor digital connectivity, including limited mobile phone service and poor internet connections. This inhibits business competitiveness, and if not addressed, will undermine our ability to achieve future success. We echo NFF's calls for additional funding to improve connectivity, including through government working with industry to develop a digital strategy for agriculture.

Recommendation 18: Australian Grape & Wine endorses NFF's call for new investments in improving digital connectivity in agriculture and across rural and regional Australia.

Conclusion

Australian Grape & Wine would be delighted to provide further information to the Australian Government at any stage on any of these proposals. Should you wish to speak to us, or arrange a roundtable discussion with members, please contact Tony Battaglene or Lee McLean whose details are set out below.

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Annex 1: Target markets - Opportunities, challenges and recommendations

India	
Potential	• Population of 1.353 billion, with 19 million reaching legal drinking age annually. • Alcohol generally an accepted part of the social fabric with whisky and beer the dominant categories. • Significant growth opportunity for wine, with Australia already the primary importer of wine in the relatively small wine market. • The time to invest is now. Australia and India are seeking to elevate its strategic and economic relationship. Peter Varghese's India Economic Strategy looks out to 2035, providing a roadmap to follow to deepen this relationship. • The framework of the Australia-India Comprehensive Economic Cooperation Agreement (AICECA) is in place and should be reinvigorated as a priority.
Challenges	• Tariffs and taxes on Australian wine are high and complex. Including import duties of 150 per cent. In addition, there is a Social Welfare Surcharge, Central Sales Tax and differing State based taxes including VAT, excise tax, sales tax and entry of goods tax. Each of the 28 States and 8 Union and National Territories has individual taxation regimes. • In addition to tax variation there is significant regulatory divergence between states increasing compliance complexity (including prohibition in some states). • Underdeveloped transport, infrastructure and logistics poses challenges for the importation of some wines, posing risks for damage, degradation in quality etc. • A long history of protectionist agricultural policy and engrained suspicions of trade and open markets. • Recognition that the market and political dynamics are complex and subject to unexpected change. While investment is worth pursuing, it will not be easy.
Recommendations	**Short term (12 months – 18 months)** • In the short term, the Australian Government to work with industry groups to identify opportunities to deepen the bilateral cultural, political and economic relationship, including key city/state markets on which to focus. • Simultaneously, the Australian wine industry should deepen its relationship with India's nascent wine industry through information exchange and technical cooperation. • Establish a bilateral two-track government-industry regulatory dialogue to inform best practice regulation and deepen understanding of issues and approaches. This could be held in the margins of meetings of the International Organisation of Vine and Wine (OIV) meetings, or potentially extend to broader agricultural regulatory and policy exchanges. • Endorse NFF's recommendation for an investment of $50 million to fund a whole-of-industry strategy to build ties with India, fund inward trade missions and increase funding for the Agricultural Trade and Market Access Cooperation (ATMAC) program. **Medium term (18 months – 3 years)** • Initiate Ministerial-level agriculture dialogue between Australia and India. • Work towards establishing sector specific cooperation agreements, technical exchange or MOUs on regulatory cooperation. This could be aided by mutual

	participation in OIV and/or potential for accession to WWTG. • Reinvigoration and meaningful progress in AICECA negotiations, noting that market access gains will take sustained effort and investment. **<u>Long term (3 years – 10 years)</u>** • Conclude AICECA agreement. • Encourage India's ongoing engagement in RCEP.

The United States of America (US)	
Potential	• Real opportunity to recapture market share in the US, in which Australian wine exports reached more than $1 billion in exports prior to the global financial crisis. • One of the few traditional wine markets with growth potential. By 2023, an extra 23 million cases of premium wine will be required to meet demand. • Industry-Government co-investment through the $50 million Export and Regional Wine Support package and individual company marketing and educational initiatives is challenging negative perceptions of Australian wine with key influencers in-market. This can be built upon. • Strong trade and political relationship. Zero duties for Australian wine under the Australia-United States Free Trade Agreement (AUSFTA). • Active and engaged member of the WWTG.
Challenges	• The key barrier in the US market is the complex and onerous regulatory system. • The complex 'Three-tiered system' distribution system makes it difficult for businesses to penetrate and establish themselves in-market. • Many influencers and gatekeepers (e.g. - critics, sommeliers and distributors) retain the misguided perception that Australian wine lacks the same quality and diversity as that produced by our competitors. Resultant challenge of increasing value.
Recommendations	• Sustained diplomatic effort, in coordination with industry and competitor producer nations, to open up the complex three-tier distribution model. • Diplomatic effort to encourage the US to re-enter the CPTPP.

Canada	
Potential	• Strong existing demand (Australia's 4th largest export market by volume and value) • Active and engaged member of WWTG. • The recent WTO wine case is removing some federal and provincial trade barriers. • Mutual membership of CPTPP provides for tariff free trade.
Challenges	• Demand and value declined in recent years. • Government owned provincial liquor control boards restrict the sale and movement of alcohol, and significant regulatory divergence between provinces. • Highly regulated supermarket chains. • MRLs established by liquor control boards are restrictive by global standards. • Provincial liquor control boards have a focus on sustainability, a including on issues such as light-weighting of glass that can prove challenging for Australia.
Recommendations	• Co-investment in marketing and in market promotion of Australian wine. • Explore opportunities to reduce non-tariff barriers via the Australia-Canada FTA • Sustained diplomatic effort, in coordination with industry and competitor producer nations, to liberalise the complex provincial liquor control model.

The United Kingdom (UK)	
Potential	• The UK is a strong and longstanding market for Australian wine, first in terms of volume and third in value at $430 million in the year to 30 September 2020. • The proposed UKFTA offers an opportunity to improve our standing in the market by removing tariffs (currently UK global tariff rates apply to those without an FTA of 26.00 GBP/hl for wine) and address a number of technical barriers to trade.
Challenges	• Challenges in the UK market are assessed to be surmountable in the context of the UKFTA negotiations. However, the triangular relationship between Australia, the UK and the European Union – all of which are simultaneously negotiating FTAs with each-other – could see complexities emerge in negotiations. • Residual technical requirements from former EU regulation could create irritants. • A complicated duty system which is currently under review.
Recommendations	• Australian Government work closely with Australian Grape & Wine to fast track UKFTA negotiations and mechanisms for ongoing harmonisation of technical and regulatory requirements. A range of issues, including carbonation, sweetening and blending of Australian wine at destination, are priorities and these have been outlined in our submission to the UKFTA consultation process. • Australian Grape & Wine to continue to work with the UK wine industry to promote the mutual benefits of the UKFTA. • Encourage the UK accession to the WWTG as a priority. • Engage closely with the UK delegation to the OIV. • Australian Government to promote the UK's entry into the CPTPP agreement.

Japan	
Potential	• Lucrative and mature market with which Australia has a comprehensive FTA. • Under the Japan-Australia Economic Partnership Agreement (JAEPA), tariffs are tariffs for bottled wine will be eliminated on 1 April 2021. • Technical and certification barriers (additives and processing aids) that previously plagued the trading relationship have now largely been addressed in Japan. • Strong and improving bilateral ties at the political, economic and strategic levels.
Challenges	• Recent focus on China has allowed competitor nations to capture market share, particularly for those with FTAs (US, Chile and EU for example). • Likely restrictions on certain grape variety names due to EU-Japan FTA.
Recommendations	• Co-investment in marketing initiatives to highlight Australia's wine offering. • Funding for inbound and outbound trade and promotions missions. • Encourage Japan's Accession to the WWTG (they attend meetings as observers).

Republic of Korea	
Potential	• Lucrative and mature market with which Australia has a comprehensive FTA. • The Korea-Australia FTA (KAFTA) entered into force on 12 December 2014, bringing immediate tariff elimination for Australian wine exports. • Strong and improving bilateral ties at the political, economic and strategic levels.
Challenges	• The focus on China in recent years has allowed other producer nations to take market share from Australia. • High competition from the US and Chile & EU tariff free under their FTAs has a

	high level of competition (this applies to both Japan and Korea). • Technical barriers to trade related to recycling regulations and container labelling/taxation, warning labels, additives, MRLs and registration requirements.
Recommendations	• Co-investment in marketing initiatives to highlight Australia's wine offering. • Funding for inbound and outbound trade and promotions missions. • X: Engage in technical and regulatory cooperation with Korea.

Indonesia	
Potential	• The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force on 5 July 2020. However, cultural sensitivities around alcohol means the IA-CEPA contains minimal content specific to alcohol or wine. • Well established tourism market (licensed venues/Restaurant) for Australian wine. • Large population with a rapidly growing middle class of an estimated at 45 million people, and GDP exceeding USD$1 trillion. • Geographic proximity provides a trade advantages.
Challenges	• 90% import duty on most wine tariff lines (150% on brandy) + 10% VAT + additional excise duty. • Prohibitionist political groups advocating sales and marketing restrictions. • Regulatory challenges - Labelling revision, additives and winemaking practices.
Recommendations	• Government engagement to seek opportunities within the FTA to investigate opportunity for the tariff reductions, distribution quotas and technical issues. • Marketing and in-market support for promotion of Australian wine.

Vietnam	
Potential	• Australia and Vietnam both members of CPTPP and our countries have FTA links via the Australia and New Zealand FTA (AANZFTA) and RCEP. • Under AANZFTA Vietnam to reduce wine tariffs by 2022 (now 80% - 20% in 2022). • Under CPTPP most wine tariffs will fall to zero in years 11 and 12 of the agreement.
Challenges	• EU FTA entered into force in 2020 – strong competition with links to French wine as a former French colony. The FTA has also presented issues on use of certain grape varieties (Prosecco, Lambrusco, Montepulciano, Dolcetto and others) which will be protected as GIs for exclusive European use. EU FTA provides for a reduction of tariffs on wine to zero within 7 years (2027) before Australia. • TBTs – MRLs, uncertain additive and processing aid approvals, proposed laws on alcohol harm, complex registration requirements and taxation.
Recommendations	• Government consideration of comprehensive bilateral FTA addressing sector specific TBTs and accelerated tariff reductions. • Marketing and in market support.

Malaysia	
Potential	• Opportunities to engage 20 million online consumers via e-commerce channels • CPTPP provides for tariff reduction to zero over 16 years. Malaysia is yet to ratify.
Challenges	• Complex tax and duties system including import duty (RM 7/L), excise duty & (RM150/L of Alcohol) Sales and Services Tax (10%). • 60 per cent of Malaysia's 28 million people are Muslim, and do not drink alcohol. • Regulatory and technical challenges including health warning and additives.

Recommendations	• Australian Government to encourage the ratification of CPTPP by Malaysia. • Investigate opportunities for expedited reduction or removal of duties and taxes. • Investment in e-commerce & online marketing and promotion opportunities.

Thailand	
Potential	• South-East Asia's second largest economy, and one of its fastest growing. • Under the Thailand-Australia Free Trade Agreement (TAFTA) Australian Wine all tariffs on wine were phased-out by 2020. • Trend towards retail trade presents opportunities via supermarket sales channels.
Challenges	• Complex taxes imposed on all alcohol including customs fees, excise tax, VAT, health tax interior tax, and public broadcasting tax. • Strong Cultural and religious views taken of alcohol have driven restrictions of sale, consumption and advertising. • Potential for political instability and small market for wine. • TBT - Import limitations, onerous certification requirements, health labelling.
Recommendations	• Explore opportunities to improve Australian wine's access to Thai retail channels. • Marketing and in market support.

Myanmar	
Potential	• ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) signatory, although Myanmar has not committed to any tariff reductions for wine. • Myanmar is also a party to RCEP which could lead to future tariff concessions. • French dominant in market, but there is growing interest in new world wines.
Challenges	• A small total export wine market, estimated at USD$2 million. • Competition primarily from France, South Africa, USA, Chile and Italy. • Significant political and regulatory risks for businesses. • TBT - Complex Import and registration procedures, labelling required in Burmese.
Recommendations	• Encourage RCEP as mechanism for tariff reduction or removal. • Marketing and in market support.

Russia	
Potential	• Significant wine importing market, with Australia growing market share. • High value still and sparkling wines seen as a status symbol.
Challenges	• Geopolitical tensions have the potential to heighten political risk for exporters. • History of regulatory complexity and strict alcohol laws and policies. • Inconsistent, complex and regularly altered regulations. • Substantial social issues associated with alcohol misuse and antisocial behavior. • Import tariff of 10-12.5% for wine plus customs fees, excise duty and VAT.
Recommendations	• Government to work with industry to assess the market opportunity in Russia. • Encourage opportunity for regulatory cooperation and harmonisation. • Australian Grape & Wine to strengthen its relationship with Russia's wine industry and policy makers through our mutual membership of the OIV.