



**Australian Grape & Wine  
Submission to the Victorian  
Government's Container  
Deposit Scheme discussion  
paper**

**November 2020**

## Who are we

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 and winegrape growing businesses. These businesses make a significant contribution to underpinning 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 winegrape growers and winemakers across Australia.

## The Victorian Wine Industry

The Victorian wine industry consists of more than 1,500 grape growers and 700 wine companies of all sizes, located in 21 different wine regions across Victoria. It generates an estimated \$7.6 billion in direct benefit to the state economy and supports 13,000 direct and 33,000 indirect jobs, most of which are located in regional areas. According to Wine Australia's National Vintage Report 2020<sup>1</sup>, Victoria accounted for 17 per cent of the total grapes crushed in Australia, with approximately three quarters of this coming from the Victorian side of the Murray Darling-Swan Hill region. Like the national wine sector, the Victorian wine sector has a small number of large wineries who account for 90% of the total annual crush, and a large number of very small wineries who account for 10% of the crush (i.e., less than 5,000 tonnes of grapes crushed per year).

Profitability continues to be the main concern for Australian winemakers and particularly in Victoria where the majority of winemakers are smaller operators. *"Industry profitability has fundamentally lowered over the last 5 years and will remain under pressure for the foreseeable future...In this environment the business models under the most profit pressure are...Small to mid-size (higher-cost) winemakers without significant volumes in more profitable distribution channels (mail order/online, unique market niches); and with less attractive portfolios."*<sup>2</sup>

Prior to the onset of COVID-19, the Victorian Government cited food and wine as a key driver in attracting visitors to regional Victorian destinations. Put simply, the wine industry has always provided the value-add in the tourism experience.

---

<sup>1</sup> [Wine Australia National Vintage Report 2020](#), Page 4

<sup>2</sup> *Expert Report on the Profitability and Dynamics of the Australian Wine Industry*, Centaurus Partners, 2013, Page 4

*"A wine industry that is supported will directly grow the Victorian economy – particularly in regional Victoria. The reverse is also true, a wine industry that is not supported to increase production and value, will also shrink the regional Victorian economy."*<sup>3</sup>

The wine industry straddles the agriculture sector, which is reliant on the climate and environmental conditions, and the production sector, which is sharply focused on minimizing costs and supply chain efficiencies. The impacts when these conditions become imbalanced is acutely felt by the many wine businesses and grape growers operating throughout Victoria.

A report produced for Wine Victoria by Essential Economics, identified that *"for every 1 direct job created in the wine industry a further 1.53 jobs are indirectly created in the wider economy. Additionally, for every \$1 of direct value-added by the wine industry a further \$2.17 of value is added elsewhere in the economy."*<sup>4</sup> As such, the Victorian wine industry requires the ongoing support of its Government to ensure it is competitive, growing in volume and value and providing employment in regional areas.

---

<sup>3</sup> *Wine Victoria Policy Priorities 2019-20, Page 5*

<sup>4</sup> *Wine Victoria Policy Priorities 2019-20, Page 5*

## Executive Summary

Australian Grape & Wine welcomes the opportunity to make a submission on the Victorian Container Deposit Scheme (CDS) discussion paper.

The ongoing success of the Australian wine sector is dependent on winegrape growers and winemakers continuing to operate sustainably and responsibly. As such, the wine industry strongly supports the recycling of wine bottles and efforts to improve environmental outcomes.

Australian Grape & Wine supports the Victorian Governments proposed CDS as set out in the discussion paper, and in particular, how the CDS fits within Recycling Victoria's broader suite of reforms aimed at reducing waste and making more productive use of resources.

From Australian Grape & Wine's perspective, the key attributes of the proposed Victorian CDS include:

- Implementation of a fourth glass-only kerbside bin which provides an excellent solution for collecting all glass containers (including jars and bottles) that are unsuitable for the CDS.
- National harmonisation on key elements of the proposed CDS such as refund amount, refund mark and eligible containers, with CDSs operating in other states and territories. This national consistency will improve the overall effectiveness of these schemes nationally and ensure that the cost of operating them is minimised for the beverage producers who fund them.
- Recognition that used wine bottles are not part of the public litter stream given wine is generally consumed on-premise or at home and are therefore, already captured in commercial or kerbside recycling systems. Accordingly, wine bottles should continue to be excluded from existing, or future CDSs.

We particularly commend the Victorian Government on the forthcoming enhancement of its kerbside waste collection through the introduction of the fourth, all glass, recycling bin. Australian Grape & Wine believes this is an excellent initiative that will improve the quality of the glass collected and should be used as a test case for other jurisdictions looking into improving approaches to glass recycling.

**Australian Grape & Wine strongly supports Victoria's intention to align with other states and continue to exclude wine bottles from its proposed CDS.**

## Ensuring Victoria's CDS complements its kerbside recycling system

Australian Grape & Wine is pleased that the proposed Victorian CDS is being designed to complement its new four-bin household recycling system, designed to reduce waste and separate recyclables so they can be re-manufactured into new products. This initiative will help deliver one of Recycling Victoria's key objectives to strive for a circular economy by extracting the maximum value both from the waste materials collected, and the operation of kerbside waste collection system.

One of the major benefits of Victoria's new four-bin domestic waste collection system is that glass will be separated from other waste at the point of collection, resulting in an overall improvement in the quality of waste glass collected for recycling and re-use. It will also reduce glass contamination that has sometimes been a criticism with other kerbside recycling systems where glass, paper, cardboard, etc are intermingled in one all-purpose recycling bin.

Australian Grape & Wine endorses Victoria's four-bin kerbside recycling system and agrees with the discussion paper where it suggests that there will be financial benefits in separating and collecting "cleaner" waste, and community benefits through raising awareness and educating the community on the importance of source separation and correct recycling practices.

## National Consistency and Community Engagement

The Victorian Government's proposal for national consistency, regarding a 10-cent refund amount, common refund mark and scope of containers, is integral to the success of these schemes, particularly as supply chains operate nationally within Australia. As container distribution crosses multiple borders, it is impractical and costly to create different packaging requirements for specific jurisdictions.

It is also important for the Victorian Government to deliver a long-term community education campaign, including via the Victorian schools' curriculum, to ensure enduring behavioural change that supports the fourth bin and the nascent CDS. As positive community engagement is a core driver of recycling rates (fourth bin) and redemption rates (through CDS), the scheme in Victoria should be created with the view to it being a long-term feature of the State's resource recovery approach.

## Used wine bottles are not part of the public litter stream

One of the primary objectives of all CDSs in Australia, has been to reduce the volume of discarded beverage containers from the public litter stream. A well-established finding from other Australian CDSs is that some containers such as wine bottles, rarely end up as litter, given they are most commonly consumed at home or at commercial premises, and get collected in existing waste collection systems. Litter monitoring research done by

McGregor Tan<sup>5</sup> on behalf of KESAB and the South Australian Environment Protection Authority, reports on the percentage of beverage items covered under the South Australian Container Deposit Legislation (CDL) and compares this with other states. This data indicates that non-CDL glass litter in Victoria, has ranged between 0 per cent – 6 per cent of the litter stream over the last five years, and Victoria has led or equalled all Australian States for having the least non-CDL glass in its litter stream. Given wine bottles fit into the non-CDL glass litter category, this research further supports the finding that wine bottles are not part of the public litter stream and are already being captured by existing recycling arrangements and therefore should continue to be excluded from the list of eligible CDS containers.

Similar findings were published in the 2017 report prepared to assist the Tasmanian Government develop its CDS. The Tasmania report stipulated that litter reduction was a primary policy objective of its Container Refund Scheme (CRS). Analysis in this report found that in 2017, approximately 8 million used containers were littered across Tasmania but only 0.3% of these were containers that would be classified as ineligible under CDSs used in other jurisdictions<sup>6</sup>. The report went on to project the impact on container litter after 10 years of a CRS operating in Tasmania and estimated that “With the introduction of the CDS, recycling of eligible containers is modelled to almost double and landfill and littering rates to halve (Figure 10).”<sup>7</sup>. As such, the Tasmanian CRS, which is expected to commence in 2022, is recommending that containers excluded from its CRS mirror the excluded containers in other state and territory CDS. Australian Grape & Wine concurs with this approach and would encourage all states and territories to continue their consistent alignment on ineligible containers.

## Other Considerations:

### CDS Funding arrangements

As with other state CDSs, the Victorian CDS is proposed to be funded by the beverage industry. Large beverage manufacturers, primarily beer and non-alcoholic drinks, are the primary funders of other state CDSs and given the dominance of these products in the beverage market, they have greater revenues and capital arrangements to fund and pass-on cost of a CDS, to consumers.

Small beverages producers, such as wineries do not have the sales volumes or market power to negotiate price increases on their products which would offset the cost of a CDS. This lack of negotiating power is amplified by the fact that two supermarket retailers dominate approx. 75%<sup>8</sup> of the retail alcohol market in Australia. It is important to understand that wine companies do not have long-term supply contracts with retailers, and in most cases have little ability to influence price. Further, retailers have hundreds of different wine brands to choose from and there are very few brands that are “must-have” for their businesses. Australian Grape & Wine understands that an average retail store carries around 2,000 stock-keeping units (SKUs) from about 355 wine brands, while the largest stores can carry considerably higher numbers of wines. Wine is sold in a highly competitive marketplace in which retailers are in a position to place considerable price pressure on suppliers, and if a small Australian business seeks to increase prices, it is likely retailers will substitute cheaper wines from another

---

<sup>5</sup> *CDL Containers & Plastic Shopping Bags in the Litter Stream 2018-19, Pg 21-25*

<sup>6</sup> *Marsden Jacob 2018 CRS Model Framework, Page 65*

<sup>7</sup> *Marsden Jacob 2018 CRS Model Framework, Page 65*

<sup>8</sup> *Roy Morgan’s Alcohol Retail Report, May 2020*

supplier, either Australian or from overseas.

The vast majority (approx. 90%) of Victoria's wine businesses are small, often family operated, businesses with limited financial resources to absorb additional costs that a CDS would incur. The additional cost of a CDS arise from direct costs including paying the 10cent refund to consumers and the handling fees for recycling facilities, as well as indirect costs in the form of, extra administration time to produce sales reporting for the scheme coordinator, processing of accounts payable and managing label registration requirements. As such, for the vast majority of wine businesses, CDS costs could not practically, be passed on to consumers. Australian Grape & Wine would strongly reject any suggestion to include wine bottles into any CDS.

## Current factors impacting the wine sector operating environment

It should also be noted that the Australian wine industry is experiencing significant strain from the impacts of 2019/20 bushfires, COVID-19 lockdowns and China anti-dumping and countervailing duties investigations on Australian wine in China. The full economic impacts of all these events are ongoing. As of late 28 November 2020, the Chinese Ministry of Commerce (MOFCOM) introduced preliminary anti-dumping tariffs on Australian bottled wine imported to China, ranging from 107 per cent to 212 per cent. This will force Australian winemakers to consider alternative markets which will take some time to establish. These tariffs will inflict significant impact on Australia's rural and regional economies, particularly in states like Victoria, which are highly invested in grape growing and winemaking, so the impact on regional employment is likely to be felt most acutely.

A study by Glyn Wittwer from the Centre of Policy Studies at Victoria University<sup>9</sup> examined the impacts of bushfires and the pandemic on the Australian economy, particularly the grape and wine industry. It found that the grape and wine industry has been significantly impacted by a number of factors, including: the direct destruction of vineyards and wineries from bushfires and smoke taint spoiling grapes in some regions; and the curtailment of on-premise wine consumption during COVID-19 lockdowns. While there may have been an increase in off-premise wine consumption, the four month (expected lock-down period) that was modelled in this study, has now been shown to be too optimistic given the COVID-19 induced economic crisis continued throughout most of the period from March-October 2020. Nevertheless, the bushfires plus a severe pandemic disruption, were estimated to reduce national economic welfare by \$105 billion in net present value terms. This will have a significant bearing on the Victorian and national wine industry, for some time into the future.

Australian Grape & Wine would be happy to liaise further with the Victorian Government if there is any change to the proposed CDS which might impact our members.

---

<sup>9</sup> *The 2019-20 Australian economic crisis induced by bushfires and COVID-19 from the perspective of the grape and wine sectors, March 2020, Page 2*

## Contact

For further information, please contact:

### **Tony Battaglione**

#### **Chief Executive**

14-16 Brisbane Avenue  
Barton, ACT 2600

**Tel** +61 2 6239 8304

**Email** [tony@agw.org.au](mailto:tony@agw.org.au)

### **Sue Rana**

#### **Public Affairs Adviser**

National Wine Centre, Botanic Road,  
Adelaide, SA 5000

PO Box 2414, Kent Town SA 5071

**Mob:** +61 0427 849 933

**Email:** [sue@agw.org.au](mailto:sue@agw.org.au)