

Australian Grape and Wine Incorporated

BOARD COMMUNIQUÉ – February 2021

The Board of Australian Grape and Wine Incorporated (Australian Grape & Wine) met on 10 February 2020. This was preceded by a Board strategy meeting on the morning of 9 February, which was followed by a joint session with Wine Australia. Due to the ongoing COVID-19 pandemic, all meetings were held electronically.

Strategy Day

2020 was a difficult year for the industry. As vintage 2021 commences there is considerable uncertainty in the sector surrounding the impact on sales, and more immediately the harvest, from the COVID-19 restrictions and the ongoing tensions with China. This uncertainty and associated economic impacts also extend to viability and service delivery of key institutions including National, State and Regional bodies and Wine Australia.

COVID-19 impacts have been significant and will be felt for some time to come. The current vintage still faces the threats of rapid and unpredictable border closures and movement restrictions. The on-premise market will also continue to face challenges. On the up-side, domestic tourism should generate good returns for cellar doors. The off-premise market is also forecast to remain strong. International tourism and export markets are a long way from recovery.

Internationally, there have been several key developments that will impact on the Australian Grape & Wine sector in 2021 and beyond. The Biden Administration in the United States has a big part to play in influencing the tense international environment. US President Joe Biden's emphasis on multilateralism, liberalism, and his focus on mending ties with the US's allies indicates that the US will not be as "isolationist" and as averse to multilateralism as it was during the Trump Administration.

Biden, after taking office, has signed a number of important executive orders, such as returning the US to the Paris Climate Agreement and remaining part of the World Health Organization (WHO). The US will seek to persuade allies to adopt climate policies in line with its own, putting pressure on the Morrison government to set emissions targets and promote a stronger climate change agenda.

Within Australia, there are also likely to be regulatory challenges in 2021. The formation of National Cabinet indicates a likely increase in influence and activity in State and Territory Governments, in those areas they have responsibility for. Reforms of FSANZ and the Ministerial Council structure are underway with uncertain outcomes for our sector. Waste, climate change, health and nutrition have been identified as key domestic policy items for 2021 and onwards.

In the health space, the ongoing international push to introduce measures to address alcohol related harm is continuing to build momentum, including the development of cancer strategies, taxation, and labelling regulation. These issues are also likely to become topical in the Australian context.

With this backdrop, the Australian Grape & Wine Board reassessed the priorities identified in Vision 2050 and identified the key areas it needed to address in 2021-22.



COVID-19 remains a critical issue that will affect the performance of the Australian grape and wine sector for the coming year. It is important that we maintain our essential industry status, including access to labor and suppliers during vintage 2021, and support domestic tourism initiatives.

The effective closure of the Chinese market for bottled wine also will put pressure on grape growers and winemakers as they struggle to diversify and develop new markets. We must plan for the long term and continue to work on improving relationships. Australian Grape & Wine will work closely with the government to help support domestic tourism and "buy local" strategies. Critical to effective diversification will be the reduction in export market barriers and development of trade agreements - this requires a long-term strategy. The Australian Government has announced additional funding of \$72.7 million under its Agri-Business Expansion Initiative. This money will be provided to the Department of Agriculture in support of a number of programs, and to Austrade to develop new markets. Australian Grape & Wine will work with the Government to ensure these funds support wine exports as part of strategy.

Climate change and the renewed international push for carbon neutrality was also identified as a focus. The 2050 target of zero emissions was seen as lacking in detail for strategies to achieve this objective and requiring a more ambitious time frame. Both issues will be addressed in 2021. Sustainability continues to be a growing international issue of concern.

Water is also a major focus of Australian Grape & Wine and we are seeking to increase our presence in the policy debate around this precious resource.

The issue of alcohol impacts on public health and the regulatory responses remains a key focus for Australian Grape & Wine. We will strengthen our public positioning on the economic importance of the sector, the patterns of consumption and some of the initiatives we are involved in to promote responsible consumption. We are also supporting international initiatives to collate all the available information on the health impacts of wine consumption to provide a comprehensive picture of how wine fits into society.

Following the Australian Grape & Wine Strategy day, a joint session was held with the Wine Australia Board. The impacts of the China tariffs will have a significant impact on the operations of Wine Australia. They are looking at all options of refocusing their marketing efforts to use the limited marketing levies available to them to the best possible advantage. The highest priority identified by Wine Australia was how to find alternative sales avenues for the 130 million litres of red wine that would be destined for China if interim duties had not been imposed.

Board Meeting of Australian Grape & Wine

Key Issues

China market restrictions

There has been no meaningful improvement in Australia's bilateral relationship with China since the last Board meeting, despite President Xi's speech at the World Economic Forum for "an open world economy" in which "the strong should not bully the weak". We anticipate MOFCOM will issue its final determination on both the anti-dumping and countervailing duties investigations in the first half of this year.

Political changes

There have been significant changes in both the Government and opposition camps over the summer, undoubtedly setting both sides up for an election later in 2021. On 22 December 2020, the Prime Minister announced the second Morrison Ministry. While there were several key changes in portfolio and elevations to the outer Ministry, for the



wine sector the most significant change was the Hon. Dan Tehan MP's shift to the Trade, Tourism, and Investment Portfolio. While it is early days in his tenure, Tehan's trade and foreign policy background (he is a former DFAT officer), electorate profile (Wannon is a rural electorate in Western Victoria encompassing the Henty, Great Western, Pyrenees and Grampians regions, or parts thereof), and choice of advisors well known to Australian Grape & Wine are positive early signs. We look forward to meeting with Minister Tehan within the coming weeks.

On 28 January 2021 Anthony Albanese announced a significant reshuffle of the Shadow Cabinet. Key changes for the Australian wine sector included the elevation of Julie Collins (Member for Franklin, Tasmania) as the Shadow Minister for Agriculture, and Mark Butler's move to the Health portfolio. We will work to develop a relationship with these members as a priority in the first quarter of this year.

Pre-budget submission (PBS)

[Australian Grape & Wine's PBS](#) was lodged on 29 January 2021, formally providing the Australian Government with our views on a range of potential industry-government co-investment. The document focuses on investing in survival in the short term, diversifying export opportunities, encouraging business enabling regulatory settings, and industry competitiveness.

We will now focus on meeting with relevant Ministers and Government Departments to discuss the content of the document and why Government needs to invest in our sector, and in agriculture and rural communities more broadly in the short, medium, and long-term.

Health

Australian Grape & Wine's focus on health has centered upon the various reviews into Australia's food regulatory system, and more specifically into Food Standards Australia-New Zealand (FSANZ). In addition to this, there is ongoing work relating to energy labelling. Internationally, the EU's plans to implement a cancer strategy and increased interest in nutritional labelling will be a key focus for Australian Grape & Wine.

FSANZ

A broad reform agenda for Australia's food regulatory system has kept Australian Grape & Wine busy in recent months, with three separate review processes requiring participation in consultation sessions and the development of submissions.

The three review processes include a Review of the FSANZ Act and FSANZ's operations and responsibilities, "Aspirations for the food regulatory system" and a review into "Consistency of food regulatory approaches".

Australian Grape & wine has provided input into these reviews.

Energy labelling

FSANZ recommenced their work on energy labelling of alcoholic beverages in late 2020 with stakeholder consultation meetings to examine the problem statement: "*Currently, consumers' ability to understand the energy contribution that alcohol makes to their diet is severely limited, as alcoholic beverages are exempt from providing nutrition information on the label*".

FSANZ expects the energy labelling work to take 6-12 months during which time they will seek to identify and clearly define the problem, i.e., would energy information on alcoholic drinks help consumers make informed choices, and whether including this information on alcohol labels is an appropriate intervention.



Sustainability

The board considered a number of amendments to Australian Grape and Wines environmental policies as part of an ongoing review and continuous improvement process industry positions. Further work will be undertaken to continue to develop these in line with work noted on climate change and water.

Brushfire recovery

The Board was advised of a [successful project application](#) that Australian Grape & Wine had supported in partnership with wine the North East Victorian Wine Zone. With State, Federal, and in-kind industry support the project will deliver a world first smoke-sensor network across the region that will inform business decision making when vines are impacted by smoke, with future potential to be expanded nationally.

Australian Grape & Wine is also partnering with Wine Australia, ASVO and AWRI to deliver the Nation Wine Sector bushfire conference on 25 May 2021. Event information is available [here](#).

International

A number of key international trade and market access activities with impacts on wine were discussed, including the EU's intentions to implement a number of policies under its 'Green Deal' with potential global trade implications. These include product environmental footprint, a GI regulatory review, carbon boarder adjustments (a tax on imports) and continued pressure to limit agrochemical use.

In addition the EU had announced its intention to deliver the "[Europe Beating Cancer Plan](#)", outlining a range of proposals to discourage harmful alcohol consumption including:

- taxation measures (details unstated);
- restrictions on cross-border purchases by private individuals;
- reductions of online marketing and advertising;
- "The Commission will also propose to stop stimulating consumption of alcohol via the EU promotion programme for agricultural products", and
- health warnings.

Australian Grape & Wine will consider this issue carefully, in consultation with other alcohol sector bodies, and report back to the Board about a plan of action in due course.

Other topics of note included the status of FTA negotiations in both EU and the UK and potential trade barriers being addressed in India, Korea and Canada.

Next meetings

The next meeting of Australian Grape & Wine's Board will be held on 7 April 2021.

Tony Battaglione

15 February 2021