

Australian Grape and Wine Incorporated

BOARD COMMUNIQUÉ – April 2021

The Board of Australian Grape and Wine Incorporated (Australian Grape & Wine) met on 7 April 2020. Due to the ongoing COVID-19 pandemic, the meeting was held electronically.

Key issues

China market restrictions

China's Ministry of Commerce (MofCom) made its final determinations on the Countervailing Duties Investigation and the Anti-Dumping Investigation on 26 March 2021. The final decisions uphold the preliminary findings for both investigations (dumping, subsidisation, injury to domestic industry) and imposed countervailing duties of 6.3–6.4 per cent (varying by company), and anti-dumping tariffs at the following rates:

- Treasury Wine Estates of 175.6 per cent
- Casella Wine of 170.9 per cent
- Australia Swan Vintage of 116.2 per cent
- 21 other wineries and exporters, including Pernod Ricard of 167.1 per cent, and
- 'all other' exporters of 218.4 per cent

The anti-dumping tariffs are marginally higher than the preliminary duties and apply for five years from 28 March 2021.

Australian Grape & Wine met with Trade Minister Tehan on 7 April, immediately prior to the Board meeting to discuss next steps. There are a number of options to seek removal of China's anti-dumping (AD) and countervailing duties (CVD) on Australian bottled wine imports. Government advice on Chinese domestic and international pathways for appealing China's are:

- Bilateral consultations
- Domestic administrative review in China
- Domestic (judicial) court action in China
- Dispute action under ChAFTA
- WTO committee processes
- 'Changed circumstances' review under Chinese AD/CVD processes (or Interim Reviews)
- WTO dispute action

Australian Grape & Wine are considering these options and will make a decision with regard to recommending a preferred course of action for the Australian Government to take shortly.

Impact of the China tariffs

The impacts of the China tariffs are likely to be long-lasting. We have already seen an impact on red grape prices in Australia arising from demand uncertainty in China. Growers of uncontracted fruit are finding it difficult to find a buyer and while market diversification activities proceed apace, it is clear that they cannot take up the slack from China in the short-to-medium term.



Grape prices are likely to come under further pressure in 2022. It is critical that growers and winemakers talk early, contracts are in place and arrangements are transparent and fair. There is a real role for Australian Grape & Wine to work to get clear and up-to-date information on global supply and demand to all stakeholders.

EU-Australia FTA Negotiations

Round 10 of the Australia–European Union Free Trade Agreement (FTA) negotiations will shortly conclude. It is clear that for wine, the European Union’s principle requests are:

- to include the current Australia – European Union Wine Agreement as part of the FTA text/annexes;
- to use the OIV standards for wine for trade between the two parties;
- to gain exclusive use of the grape variety name ‘prosecco, and
- to remove the WET Rebate or allow access to EU producers.

A further issue concerns equivalence for organics. We have been pushing for inclusion within the FTA.

EU Trade and Environment Policy

The EU issued a new trade strategy in February making sustainability an explicit and central pillar of trade policy. The EU is committed to leveraging its global power to push its sustainability policies, and to force trading partners to address climate change. On 16 September 2020, a legislative proposal on a carbon border adjustment mechanism (CBAM) for selected sectors, scheduled for 2021 was announced. In simple terms, this will require the taxation of imported goods from countries that don’t put a price on carbon, which is most of the world.

However, there is a long way before this ambition becomes reality. There is a growing internal opposition to this and it looks like food and agriculture is set to be excluded, at least in the initial stages. It is also difficult to envisage a WTO compliant scheme. We have also raised this in the context of the EU-Australia and UK-Australia Free Trade Agreement negotiations.

Agribusiness Expansion Initiative

In December 2020 the Australian government announced \$72.7 million to help Australian farming, forestry and fishing exporters to expand and diversify their export markets in 2021, as part of its Agri-Business Expansion Initiative.

The package comprises:

- \$42.9 million to scale up support to over 2,000 agri-food exporters each year through Austrade’s services. Austrade will also work with industry bodies to deliver targeted advice and trade missions (where possible) to help exporters grow in existing and new markets.
- A \$18.4 million expansion of the government’s successful Agricultural Trade and Market Access program (ATMAC). Through the revised ATMAC program the government will partner with industry associations to improve Australia’s access to overseas markets, including through research, training, and capital works that support improved market diversification.
- \$3.5 million for additional short-term Agriculture Counsellors to rapidly build targeted relationships and ensure a sharp focus on actions necessary to grow agricultural exports, complementing the work of our existing Counsellor network.
- A \$6.8 million investment in enhanced scientific and technical market access capability, expanding the number of Australian scientists who are pursuing industry priorities in emerging and growth markets.
- A \$1 million boost to our market intelligence capability to give exporters the information they need to grow their exports.

We are preparing grant applications to deal with a number of market access issues and promotional opportunities in emerging/developing markets.

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). The FSANZ Act Review commenced in July 2020, and is a comprehensive examination of the effectiveness of the FSANZ Act and the associated operations and responsibilities of Food Standards Australia New Zealand (FSANZ). Stakeholder consultation on a Scoping Paper occurred across October and November 2020, along with targeted workshops with key government, industry, public health and consumer bodies. This consultation has informed the development of a draft Regulatory Impact Statement which presents three reform options for the FSANZ Act. This statement was released on 6 April with comments due by 18 May 2021.

Three other projects are being progressed in parallel to review the regulatory, legislative and operational basis for the system. Draft Aspirations for the Food Regulation System have also been developed and are being considered.

National Preventive Health Strategy

In June 2019, the Minister for Health, the Hon Greg Hunt MP announced that the Australian Government would develop a 10-year National Preventive Health Strategy (the Strategy). In April 2020 due to the COVID-19 pandemic, the Minister agreed to delay the public consultation process and extend the timeframe of the Strategy until 2021.

A Consultation Paper was developed and was available for public comment from 28 August to 28 September 2020. Over 300 responses to the paper were received. Feedback received on the Consultation Paper has been used to inform the development of the Strategy, in collaboration with advice from the Expert Steering Committee. You can access the now closed consultation, including the Consultation Paper, here: <https://consultations.health.gov.au/national-preventive-health-taskforce/consultation-paper-for-the-national-preventive-hea/>

The draft strategy is out for consultation until 16 April 2021. It is anticipated that the final Strategy will be launched in mid-2021.

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 are currently seeking further information on the costs of labelling.

Membership

With the end of the financial year approaching the Board is very keen to build on the successes of Australian Grape & Wine in 2020-21 and expand our membership and revenue base. Although there is a keen understanding of the financial pressures facing the sector, the Board believes membership is an investment in the industry's future and revenue is important to keep delivering wins for the sector. Membership materials are being prepared and will be sent out in the coming months.



Next meeting

The next meeting for Australian Grape & Wine Board will be held on 23 June 2021. This will be preceded by Membership Committee meetings on 21 & 22 June. Originally scheduled for Canberra, these meetings will now be held electronically.

Tony Battaglione

8 April 2021