

Australian Grape and Wine Incorporated

Board Communique – 19 June 2019

Australian Grape and Wine Incorporated (Australian Grape & Wine) held meetings of its constituent Committees on 18 June 2019, followed by a Board meeting on 19 June 2019. With the federal election of 18 May 2019 delivering a majority government, we can optimistically enter a period of domestic stability as the Morrison Government seeks to consolidate its position. The election has shown that the electorate is not in the mood for radical change, which is a good sign for the wine sector. The result provides more certainty for the sector, and takes short-term pressure off raising taxes and the likelihood of adverse health policy decisions. However, we can't afford to lose momentum on these issues.

However, it is clear that the election will require the Government to re-assess its position on climate change and the environment, while balancing the interests of the coal industry. This will be a difficult path to travel. Accessibility, reliability and affordability of energy remain pressing concerns for all agriculture. With 26 new Members of Parliament and even more in the turnover of advisors, we have a busy few months ahead as we engage with all sides of politics to ensure the sector's voice is heard.

Key issues raised at the Board meeting were:

Strategic Planning

Following the last Board meeting and strategy session of Australian Grape & Wine, the Board considered a draft Strategic Plan for the organisation. The Plan will set the course for our new organisation for the next five years, with the aim of fostering a social and regulatory environment in which all participants in the supply-chain can prosper. It provides strategic direction for Australian Grape & Wine staff in their day-to-day activities, and seeks to pre-empt the opportunities and risks wine businesses are likely to face in the coming years. The plan reflects the opportunities provided by the creation of Australian Grape & Wine as a national association representing both wine-grape growers and winemakers. This gives us:

- an enhanced and more cohesive voice in national policy debates and policy setting forums, ensuring both winegrape grower and winemaker views are represented;
- stronger winegrape grower engagement with Wine Australia and involvement in R&D policy, strategy and priority setting; and *inter alia*,
- enhanced service delivery with an emphasis on better information on demand/supply, influences on prices and a more effective Wine Industry Code of Conduct.

The plan will be published shortly on our website following a final editorial check.

The Board also discussed the Wine Australia *Strategic Plan 2020-25* and agreed to work with Wine Australia to also develop a long-term Wine Sector Strategic Plan. While three strategic plans seem a lot for one industry, it is important to note that the Wine Australia *Strategic Plan 2020-25* is a government statutory requirement.

The long-term wine sector plan will have a horizon out to 2050 and will articulate our vision for the future of the sector, while the Wine Australia *Strategic Plan 2020-25* will cement the priorities for Wine Australia over the next five years. It is important that these plans are aligned and complementary, and in this fashion we can ensure we have a common vision and strategy for the sector from the key industry bodies.

A Joint Strategy Committee has been established, to provide advice to Australian Grape & Wine and Wine Australia on the development of a whole-of-sector Strategic Plan for the Australian grape and wine community and Wine Australia's *Strategic Plan 2020–25*. And we will commence an industry consultation phase later this year. This is your plan and we need to make sure it reflects your needs, so make sure your voice is heard.

Container Deposit Schemes

This is another significant issue that generated much discussion around the Board table. We have been working closely with the South Australian Wine Industry Association and the South Australian Government to advocate for the retention of the South Australian Container Deposit Scheme (CDS) as it is, and not to extend it to wine bottles. Extension of the CDS would add a cost of 10-15 cents per bottle per producer, introduce red tape (each producer would have to remit a monthly amount to the South Australian EPA to cover the sales of their wine) and what is worse, there would be little or no environmental benefit. Wine bottles are already largely recycled and have a minor part to play in adding to the litter scheme.

While political efforts are concentrated on South Australia at the moment, it is important that all our members do not miss an opportunity in every state to reinforce the message that a CDS which included wine bottles would not deliver any environmental benefits, but would impose significant costs on small and medium sized businesses, impacting on their competitiveness and profitability.

Australian Grape & Wine needs to play an active role over the coming 6 months to ensure South Australia maintains the status quo. This will require input from the membership to support our media and advocacy strategy.

ACCC Market Study

On the domestic front, the Australian Competition and Consumer Commission (ACCC) released its interim report on the winegrape industry in May 2019. The purpose of the market study is to complete an in-depth review of the industry, and identify any market failures or trade practices issues that may be preventing the functioning of competitive markets in the wine grape sector, with a focus on practices that may be detrimental to winegrape growers.

While there are a number of faults with the report which demonstrate the authors do not fully understand the sector, it does deliver some useful recommendations that have the potential to improve trading relationships between winegrape growers and winemakers.

Pleasingly, there was a united view around the Board table that we should use the report as a catalyst to increase transparency in commercial relationships between winegrape growers and winemakers. Australian Grape & Wine will shortly undertake a root and branch review of the Wine Sector Code of Conduct to seek to incorporate a number of recommendations suggested by the ACCC. We believe that such a review has the potential to improve the Code's effectiveness and attract more signatories. Submissions are due to the ACCC by 28 June 2019 and we strongly encourage people and businesses to put in submissions. The sector's response to the ACCC's market study issues paper was limited to only a few industry associations and companies, limiting the ACCC's understanding of how the market works in reality, and potentially leading to unintended outcomes for winegrape growers and winemakers alike. This is a critical issue for businesses across the sector, so make sure your voice is heard. If you do not wish to put in a submission, then please contact us to incorporate your views in our submission.

It was very pleasing to see the Board take this report so seriously and seek the best outcome for the sector as a whole.

Water

The Board is committed to Australian Grape & Wine playing a much more pro-active role in the national water debate. Australia's new water Minister, David Littleproud has announced one of his priorities is to call on the ACCC to inquire into irrigation water trading in the Murray Darling Basin. He said the inquiry would focus on the southern basin, where 93 per cent of water trades occur.

It is clear that price and availability of water will be a major issue for vintage 2020 unless we have good rain. Australian Grape & Wine will actively participate in the Government's inquiry into water.

China developments

The trade war between the United States and China escalated in May, when the United States began the process of raising tariffs on US\$200 billion of Chinese imports from 10 percent to 25 percent. The Office of the United States Trade Representative has also been instructed to begin the process of raising tariffs on essentially all remaining Chinese imports, valued at approximately US\$300 billion. In response, China will raise tariffs on US\$60 billion in US goods starting 1 June 2019.

Australian Grape & Wine continues to engage with the Chinese industry and government to seek better relationships and regulatory cooperation. This includes working with the Australian Government to promote practical cooperation in key areas by playing a convening role, bringing together the private sector, peak bodies, NGOs, cultural organisations, state and federal agencies and the Chinese-Australian community with counterparts in China, and through offering grants and seed funding.

Anti-alcohol lobby

During the month of May, we saw the anti-alcohol lobby sink to new lows. A former research fellow with the CSIRO has accused the organisation of pro-alcohol research, and of ignoring "the contradiction of health and viticulture departments sharing the public purse". In a comment piece published in the [medical journal *The Lancet*](#), Dr Saul Newman wrote that during the field trials and breeding programs that delivered new varieties of hops, vines, cider apples and malting barleys on a national scale, it was 'shocking' to see how pro-alcohol research received such a grand endorsement, and taxpayer money, from a government body. While the article was full of factual errors and could be dismissed as coming from a disgruntled former employee, the fact that it was published in such a credible journal as *The Lancet* means that many readers will believe this nonsense. It is an insult to the researchers at CSIRO and to the grape and wine sector. However, it has the potential to pressure the hierarchy of CSIRO to move research away from viticulture to less contentious areas that don't attract the ire of the powerful and well-funded anti-alcohol lobby.

Pregnancy Labelling

The Ministerial Forum on Food Regulation made the decision to introduce mandatory pregnancy warning labelling for alcohol beverages on 11 October 2018. The Communique from the Forum meeting asks Food Standards Australia New Zealand (FSANZ) to develop a labelling standard, in the form of a pictogram and warning statement, and undertake a public consultation process.

FSANZ has been focused on designing options for a mandatory pregnancy warning labelling standard and testing these draft options with consumers in recent months. FSANZ is now undertaking a targeted consultation with stakeholders, including Australian Grape & Wine on these options. We are very concerned about the current proposals, which still favour a very large text box, bordered with red lines and with a statement and symbol preceded by the words 'Health Warning' all in red text.

Further, while FSANZ indicated it would work towards ensuring appropriate transitional arrangements in the form of the grandfathering of existing stock and a transition period, there is little detail on what this will look like in practice at this stage. There is a considerable amount of work to do, for both industry and FSANZ, before a final decision is made on the labelling standard.

Fetal Alcohol Spectrum Disorder (FASD) and DrinkWise

Chief Executive of DrinkWise Australia, Simon Strahan, updated the Board on [DrinkWise's FASD Awareness Program](#), which is partly funded by the National Wine Foundation. DrinkWise's targeted approach of working with doctor's surgeries and communities, particularly in outback Australia, is making a real difference in Australia's understanding of FASD. Australian Grape & Wine is proud to be associated with this work, as it presents an example of the targeted, evidence-based programs that work to address real problems. We are pleased to note the Australian Grape & Wine Board has endorsed the National Wine Foundation's decision to provide an additional \$200,000 in funding to invest in this excellent work.

Mr Strahan also updated the Board on the DrinkWise's work with cellar doors and wine festivals, which serves to proactively address alcohol and health concerns with consumers in our cellar doors. Australian Grape & Wine is a strong supporter of this work and encourages all cellar doors to utilize the materials sent out to the majority of cellar doors earlier this year. By acting now to publicly promote our longstanding commitment to drinking in moderation, we mitigate the risk of policy-makers imposing their own warning signs in the cellar door, on labels and elsewhere. If you have any questions about this initiative, please contact Australian Grape & Wine or DrinkWise Australia.

Biosecurity

The Board reiterated its commitment to Biosecurity as a key focus for Australian Grape & Wine. Plant Health Australia (PHA) briefed the Board about its role in biosecurity, to outline the Board's responsibilities as signatories to the Emergency Plant Pest Response Deed and to provide an update on current projects relevant to the grape and wine sector. It is clear that we need to do much more in this space to ensure that we are able to mitigate the risk of a serious plant pest or disease incursion. A national approach to biosecurity for the wine sector in Australia is required to improve capacity in relation to preparedness for, and response to, high priority exotic pests. It needs to embrace biosecurity best practices across all aspects of grape and wine production.

The key objectives will be to develop a Wine Industry Biosecurity Strategy (the Strategy). The Strategy sets out to future proof the industry's biosecurity system, by providing a national framework for protecting Australia's grape and wine assets from biosecurity risk and impact. An implementation plan will define roles and responsibilities of all participants. Finally, we will need to see how to fund this to future proof our sector.

Life member

Dr Tony Jordan OAM was awarded Life Membership of the Australian Wine Industry in early June, after approval from the current Collegiate of Life Members and Board. Tony has made an outstanding contribution to the Australian wine industry and the Board was delighted to extend this honor to such a worthy recipient.

Loss to the wine sector

We have had two of the major contributors to the Australian wine sector and, in particular, the peak industry bodies, pass away recently. Peter Wall AM was a major contributor to the industry and a former Board member of the Winemakers' Federation of Australia and the Australian Wine and Brandy Corporation. Colin Campbell OAM was of course a serving Board member of Australian Grape & Wine and it is hard to describe how important his selfless devotion to the sector benefited so many. I was fortunate to work closely with both, learnt an enormous amount from each of them, and was privileged to call them both friends. We will miss them both and have expressed our sympathies to the families.

Tony Battaglione

Chief Executive

20 June 2019