

Australian Grape and Wine Incorporated

BOARD COMMUNIQUÉ – 17 November 2021

The Board of Australian Grape and Wine Incorporated (Australian Grape & Wine) held Committee meetings on 15-16 November, the Annual General Meeting on 16 November and a Board meeting on 17 November 2021. Due to the travel restrictions from the ongoing COVID-19 pandemic, the meetings were held electronically.

Annual General Meeting

The third Annual General Meeting of Australian Grape & Wine was held on 16 November 2021.

2021 has been a difficult year for the Australian grape and wine sector, with the ongoing impacts of COVID-19 and the effective closure of the China market making it difficult to capitalise on the large, high-quality 2021 vintage. Australia isn't reallocating premium wine fast enough to compensate for the loss of the China market, and while export diversification is critical moving forward, the process is slow and difficult, exacerbated by global freight and logistics problems, and the ongoing issues caused by COVID-19.

Looking ahead to what is likely to be a very difficult 2022 for many in the grape and wine sector, Australian Grape & Wine's focus will be on working with the Australian Government to get behind the sector in these tough times.

The finances of Australian Grape & Wine continue to be healthy. Despite running a planned deficit in 2020-21 due to the defence of the China Countervailing Duties Investigation and the Anti-Dumping Investigation, equity remains strong. Membership numbers also continue to grow despite the tough economic conditions for the industry.

This was the last meeting for Sandy Clark who has been Chair of Australian Grape & Wine since it was formed in 2019 and, prior to that, President of the Winemakers' Federation of Australia in the two years leading to the amalgamation. His leadership has been instrumental in the success of the organisation. We thank Sandy for his service to the industry and to Australian Grape & Wine.

We were pleased to announce Mr John Hart OAM as the new Chair. Mr Hart's appointment opens an exciting new chapter for the organisation. He will lead a Board comprising industry leaders across the grape and wine sector.

The Large Winemakers' Membership Committee Board members are:

- Helen Strachan (Chair) Pernod Ricard Winemakers Pty Ltd
- Melissa O'Neill Treasury Wine Estates
- Luke Edwards Casella Family Brands

The Medium Winemakers' Membership Committee Board members are:

- Alister Purbrick (Chair) Tahbilk Pty Ltd
- Victoria Angove Angove Family Winemakers
- Simone Tierney Zilzie Wines Pty Ltd
- Darren Rathbone (Permanent Alternate) Rathbone Wine Group



The Small Winemakers' Membership Committee Board members are:

- James March (Chair) Heathvale Vineyard
- Ed Swift Printhie Wines
- Mary Hamilton Hugh Hamilton Wines
- Nikki Palun (Permanent Alternate) Octava Wines

The Vignerons Committee Board members are:

- Ashley Keegan (Chair) The FABAL Group Pty Ltd
- Adrian Hoffman Independent Grower, and Chair of Wine Grape Council of South Australia
- Henry Crawford Yallabee Agricultural Company Pty Ltd
- Jenny Venus (Permanent Alternate) Brad Case Consulting

Board Meeting

The Board meeting was held on 17 November 2021.

Key issues

A full and comprehensive agenda was discussed. It is clear there is significant concern around Vintage 2022 and the impact on grape prices as the sector struggles to diversify its export markets. The ongoing issues of freight disruptions and labour shortages will really start to bite and in the case of freight will restrict market diversification for some time to come. We continue to explore opportunities to work with other industry bodies, such as the National Farmers Federation, the Australian Food and Grocery Council, and the Australian Chamber of Commerce and Industry to seek assistance from the Australian Government. However, there appear to be very few policy levers available to the Australian Government to drive a solution.

The closure of Parliament House due to COVID-19 has limited our ability to hold face to face meetings with Ministers, but phone calls and video conferences are allowing for continued dialogue and engagement. Prior to the closure, we continued to hold our normal engagement meetings with key Ministerial advisors.

Market diversification

Australian Grape & Wine is working closely with the Australian Government, Austrade, Wine Australia and our members, to diversify our export market footprint. We were successful in receiving a grant for around \$1 million from the Federal Government in June 2021, allowing us to pilot innovative initiatives in markets like Japan and Korea, and fund resources for small and medium sized businesses to help them enter the complex, but potentially lucrative US market. This project is proceeding well. Key to its success is the building of strong communication channels between state and regional associations and state governments, Austrade and Wine Australia.

Maximum residue limits and agrichemicals

The ongoing issue around differing maximum residue limits for agrichemicals and changing international requirements is a key focus for 2022. The suite of chemicals available for growers is becoming increasingly limited adding cost and increasing risks of production.



Biosecurity

A significant portion of our biosecurity work requires meeting the commitments under the Emergency Plant Pest Response Deed, including participation in state and national preparedness and incursion management. For example, Australian Grape & Wine represents the grape and wine sector on several committees, forums and groups including, the National Management Group, the Consultative Committee for Emergency Plant Pests and the Categorisation Group. Australian Grape & Wine chairs the Project Management Team for the review of the National Phylloxera Management Protocols and is vice chair of the Plant Industry Biosecurity Committee.

The update of the National Phylloxera Management Protocols is a major focus for Australian Grape & Wine over the next 12 months. The purpose of the protocols is to encourage harmonised legislation across jurisdictions and guide industry best practice relating to the management of phylloxera.

Sustainability

Vision 2050 sets a target for the sector to reach net-zero emissions within the next 30 years. We now believe that this is not ambitious enough and believe we can better this timeline. Australian Grape & Wine remains committed to a sustainable sector and is developing a roadmap to reach net-zero emissions in close collaboration with Wine Australia.

Wine Tourism and Cellar Door Grant program

The Australian Government's ongoing Wine Tourism and Cellar Door Grant program is a critical support mechanism for regional tourism. We have been advocating with Minister Littleproud and the Department of Agriculture, Water and the Environment (DAWE) on the program to ensure its continuation. We have had a good response to our discussions and the effectiveness of the grant appears to be well understood. We understand the agreement between DAWE and Wine Australia expires at the end of July 2022. DAWE is currently working through the requirements of the agreement which requires a final report and review of the program. DAWE have committed to engaging with us in the coming weeks – and there is a stakeholder feedback element of the review. We would also like to look at the guidelines to capture on-line sales in the context of our advice on the program. The flow on effects of such support are important, particularly for local employees, their families and the broader regional economy.

Duty free

We have been working with the Australian Duty Free Association to seek an amendment to Australia's duty free allowance for wine, increasing it from the current 2.25 litres per person to 4.5 litres per person, which equates to 6 standard 750 ml bottles. While this will not be a silver bullet for wine companies looking to diversify export markets and sales channels, we are casting the request as part of a suite of measures to help grape and wine businesses through a challenging period, while also turbo charging the recovery of the duty-free sector which has been nearly destroyed by the pandemic. Part of this initiative will be a promotional campaign for Australian wine at duty-free stores.

Container Deposit Schemes

As part of the ongoing review of South Australia's Container Deposit Scheme (CDS) which commenced in January 2019, the South Australian Environmental Protection Authority (EPA) has released a discussion paper outlining a two-stage process to reform the CDS.

The first stage proposes changes to governance to increase transparency and accountability, centralise scheme oversight and deliver better financial tracking, compliance, reporting, auditing, etc. The second stage proposes, among other things, to amend the scope to incorporate a wider range of beverage containers and to pursue national alignment of CDS containers. The paper states that the (second stage) reforms would need to be supported by other states and territories before they could be introduced, but also that the SA CDS review is guiding other state EPAs.

The discussion paper focuses extensively on the recycling, financial, and waste diversion from landfill “benefits” gained by including wine, spirits, juice, and cordial containers in the CDS. It observes that any costs incurred by this change can be absorbed by producers or passed on to consumers through increased retail prices.

This is not just a South Australian issue. It is likely to be a pre-cursor to a national change if the addition of wine bottles to the South Australian CDS proceeds.

As it is currently structured, the proposed changes would add significant cost to producers as well as uncertain environmental benefits. While the South Australian Wine Industry Association (SAWIA) is working intensively on this in South Australia, we need to start looking at models that can improve recycling of wine bottles and ensuring a more equitable sharing of costs through the supply chain.

Levies and Services

The structure of Wine Australia levies was discussed. The Board has asked that revenue and business implications of various options be modelled to present to the February meeting. The objective is to allow a more equitable distribution of levies and reduced collection costs.

Trade and market access issues

China

The World Trade Organization (WTO) dispute action on the anti-dumping import duties on Australian wine imposed by China, was announced in June 2021. Australian Grape & Wine is strongly supportive of this action.

The panel is now being established. WTO dispute actions typically take around 3+ years to run. Even if there is a good result without a substantial change in the political landscape in China, this market is unlikely to see any relief in the next five years. Indeed, it may be longer. We need to plan for a future without exports of wine to China. Even for those categories that are faced with high tariffs, such as bulk wine, we are seeing continual rejections at the border and slow clearances for that wine that does get through.

Free Trade Agreements

Australia is yet to finalise its Free Trade Agreement (FTA) negotiations with the United Kingdom (UK). While the removal of all wine tariffs will be included in the FTA, the recent announcement by the UK Chancellor of the Exchequer to overhaul the excise tax system for alcohol is likely to negate many of the market advantages the FTA would have brought.

Negotiations with the European Union (EU) over an FTA continue. Following the decision to rescind the submarine contract with France, these negotiations have been put on hold until February 2022. While there are opportunities in a deal with the EU, there are also risks around geographical indications.

We are also committed to working with the Australian Government, the Indian Government and India’s wine sector to develop a Free Trade Agreement (AI-CECA).



Minister Tehan's recent joint announcement with his counterpart Minister Goyal that our two countries will pursue an 'early-harvest' agreement with India is encouraging, and we believe wine is well placed to be included in such an agreement.

ACCC issues

The ACCC commenced a targeted follow-up review of the [Wine Grapes Market Study](#) in September 2021, as part of its commitment to review the study within approximately 18 months. The questions they are asking relate to what progress has been made towards implementing the recommendations, or otherwise addressing the issues identified, in the September 2019 final report, and the impact of any changes in the industry that are relevant to the ACCC's consideration of whether further action may be required in the industry (for example, the impact of COVID-19 or China's anti-dumping duties).

The ACCC will publish a short report by the end of this year, outlining the progress that has been made in the industry, and whether it considers any further action is required at this time. It is clear the ACCC will also be looking very closely at Vintage 2022 to assess whether there is any evidence of misuse of market power.

Other issues

Other issues raised concerned the cost of insurance (crop insurance, winery insurance), the change in the Horticulture Award around Piece Rates, and the differing state requirements around COVID-19 and the impacts on winery, vineyard and cellar door practices.

Next meeting

The next Australian Grape & Wine Board meeting will be held in February 2022. This meeting is planned to be held in person in Adelaide.

Tony Battaglione

19 November 2021