AUSTRALIAN
Grape & Wine

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Submission responding to the EPA consultation: "Improving South Australia's Recycling makes cents: A discussion paper to review SA's container deposit scheme."

30 November 2021

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.

Executive Summary

Australian Grape & Wine welcomes the opportunity to review and provide comments on the EPA's Discussion Paper "Improving South Australia's Recycling Makes Cents" (the Discussion Paper). This input follows on from our submission of February 2019, which was lodged in response to the EPA's Scoping Paper into the South Australian Container Deposit Scheme (CDS).

It was pleasing to note in the Discussion Paper, that the South Australian Government confirmed its commitment to recycling and its ambition to move towards a state of circularity in the South Australian economy. Australian Grape & Wine is also committed to moving towards a circular economy through initiatives that focus on sustainability and increased recycling. Pillar three of the sector's Vision 2050 strategy highlights the importance of sustainability to the sector, our community, the land and on the environment within which we grow grapes and make wine. Recycling glass wine-bottles is part of our sustainability commitment, with many of our members having publicly committed to ambitious targets relating to recycling and packaging.

Our submission will focus primarily on aspects within the Discussion Paper which are relevant to the wine sector. There are a range of recommendations outlined that could help harmonise South Australia's CDS with Schemes operating in other states, but we do not believe sufficient analysis on all the options, benefits, costs and impacts on all stakeholders, has been provided for Australian Grape & Wine to endorse this Discussion Paper.

Specifically, we reject the EPA's suggestion that including wine bottles in the South Australian CDS is the best way to improve the volume of glass recycled and the efficiency of the CDS. We take this view as we assess the EPA proposal to be:

- dismissive of alternative models which could deliver better recycling outcomes at a lower cost to wine businesses;
- highly inequitable in how it distributes costs along the supply chain, with the burden unreasonably sitting with wine producers; and
- based on several significant errors in the financial analysis and undefined costs which undermine our confidence in the EPA's assessment of costs and benefits.

Apart from the superficial financial analysis and other evidentiary deficiencies within the Discussion Paper, our primary concern is that the EPA is proposing a sub-optimal system at a significant cost to the grape and wine sector, the people it employs and the communities in which it is situated. If the option to extend the scope of containers to include wine bottles is implemented, it will amplify the pressures on the viability of grape and wine businesses in South Australia, particularly given the challenges to profitability already at play as a result of bushfires, smoke, COVID-19, China's import duties, global logistics delays and recent hail and storm events (see **Appendix 1** for an overview of these challenges). Further, as other states move to align the scope of their CDS containers with South Australia, the significant flow-on financial impacts will be magnified further on all wine businesses throughout Australia.

Australian Grape & Wine encourages the EPA to refer to the South Australian Wine Industry Association (SAWIA) submission in response to the Discussion Paper, as it provides detailed commentary on a broader range of topics in the Discussion Paper and includes independently verified costings, on the significant financial impacts that the proposed inclusion of wine bottles into the CDS would have on our sector. Australian Grape & Wine supports and endorses SAWIA's submission on the Discussion Paper. We would be very happy to discuss our submission in more detail at the EPA's request.

Dismissive of alternative models

Wine industry commitment to sustainability

Australian Grape & Wine is committed to exploring ways to continuously improve the sustainability of Australia's grape and wine sector. As noted in the executive summary to this submission, sustainability is at the heart of our *Vision 2050* document (see pillar 3).[1]

Regarding glass recovery and recycling, a large proportion of the wine bottles sold in Australia would already fall under the jurisdiction of the Australian Packaging Covenant[2], a national regulatory framework under the National Environment Protection (Used Packaging Materials) Measure 2011 (NEPM), that sets out how governments and businesses across Australia share the responsibility for managing the environmental impacts of packaging.

The Covenant applies to businesses in the supply chain that have an annual turnover of $5 million or more. These businesses are required to choose between becoming a Signatory to the Covenant and contributing to the collective national efforts in managing packaging waste, or meeting compliance obligations under the National Environment Protection Measure (NEPM), which are implemented by the laws and other arrangements of participating states and territories, where a business sells or distributes its products.[3] These criteria would encompass most medium and large wine producers throughout Australia.

Signatories to the Covenant are obliged to reduce the environmental impacts of their consumer packaging by optimising resource recovery of packaging materials through the supply chain. As such, winemakers are already cognisant of ensuring packaging is easily recycled and packaging materials or waste, is captured before it enters the environment. The Covenant is overseen by the Australian Packaging Covenant Organisation (APCO), and with APCO's administrative support, a group of approximately 25 wine businesses have already been working together under a 'collective impact model' to implement initiatives such as, developing cross-industry sustainable packaging guidelines; initiating a pilot regional waste drop-off facility in the Barossa Valley; reviewing the use and weight of glass and cardboard used in wine packaging and other packaging items such as closures; exploring ways to reduce cling film to wrap pallets; and exploring a retail store program to reduce packaging waste at the point of sale.

While there is certainly more work that the wine sector can do to reduce and reuse glass, we do not support including wine bottles in the South Australian CDS. As the national wine sector representative body, Australian Grape & Wine is keen to work with the South Australian Government and the EPA on the best mechanisms to drive real improvements in glass recycling that are cost-efficient, evidence-driven and equitable across the supply-chain.

Dismissing a kerbside bin for glass was not given due consideration in the Discussion Paper

It is difficult to understand why alternative arrangements to improve glass recycling in South Australia where not properly considered. Just one alternative arrangement – a 4th kerbside bin for glass – was referred to in the discussion paper, but even this was given short shrift, which is very disappointing, particularly given:

[1] AGW-Vision2050-F.pdf

[2] The Australian Packaging Covenant

[3] The Australian Packaging Covenant Organisations

- The Victorian Government is in the process of rolling out its fourth bin for glass recycling, with data yet to be collected; and
- That the Hudson Howells economic modelling report states on page 27, that "the greatest economic impact is generated by the 4th kerbside bin option.

Despite the Discussion Paper dismissing this 4th glass kerbside bin option, it is obvious that a 4th glass bin would deliver more glass overall, than the current co-mingled kerbside recycling bins, as both beverage and food containers would be collected. This solution would also reduce the amount of non-beverage container glass going into landfill because it's been broken and mixed with other recycling materials in the current, co-mingled kerbside recycle bin, collection process.

A 4th glass bin also aligns with the Commonwealth Government circular economy framework. As cited in the recent CSIRO Circular Economy Report, one of the biggest opportunities to successfully delivery a circular economy is by implementing "separation-at-source systems to decrease cross-contamination, including segregation of recyclables, lower compaction rates for glass and reuse schemes." [4]

While the Discussion Paper claimed that the 4th glass bin would deliver less financial benefit, this was contradicted in its own economic modelling analysis which stated that "the greatest economic impact is generated by the 4th kerbside bin option."[5] We also note that according to the EPA's own data, a 4th glass kerbside bin is projected to create more jobs than the option of increasing the scope of the CDS containers. Further, there was no consideration of the option to extend the timeframe between pick-ups of a 4th glass only bin, from fortnightly to monthly, or longer periods, which would also have an impact on the estimated cost of this option. This possibility was not even discussed or considered in the cost analysis, which appears to be a significant flaw in the discussion of the 4th glass bin option.

No guarantee extending scope of containers will increasing glass recycling

To Australian Grape & Wine, it seems as though the EPA's primary focus is on increasing participation in the CDS, as opposed to increasing recycling rates. In fact, the major emphasis throughout the Discussion Paper is on increasing the recovery rate of containers rather than increasing glass recycling or reuse. More surprising is the claim that even with the "inclusion of currently excluded glass beverage containers (that is, wine, spirit, juice and cordial containers)… it is expected to increase the return rate from the current 77% to 78% per year."[6]

Given the additional cost for wine producers (approx. 40 cents per container as estimated by SAWIA's analysis), the proposal to expand the scope of CDS containers is estimated by the EPA to lead to just a one per cent increase in the volume of containers returned, with no guaranteed increase in the actual volume of glass being recycled or reused, wine businesses are entitled to ask: "Where is the benefit?"

The South Australian CDS incentivises collection and recovery, but it does nothing to maximise recycling and reuse, which is a key intent of creating a circular economy.

The data presented in the Discussion Paper demonstrates that while the CDS is an effective litter reduction scheme, it is a relatively poor mechanism for increasing recycling. Despite the relatively

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[4] Circular economy roadmap for plastics, glass, paper and tyres Pathways for unlocking future growth opportunities for Australia, January 2021, Page 39

[5] Hudson Howells, South Australian Environment Protection Authority, Container Deposit Scheme Economic Analysis Review, December 2020, Page 27

[6] Improving South Australia's Recycling Makes Cents, page 34

high collection and return rates of CDS-eligible containers, recycling rates in South Australia remain low. There is an assumption that, if the CDS is expanded to include wine bottles, increased recovery rates will equate to increased recycling rates. That is not necessarily the case, as recycling the recovered containers depends on the market for used glass and remaking containers.

This Discussion Paper is a missed opportunity, why did the EPA not include targets for recycling, as opposed to recovery and collection?

What is the value of education?

Australian Grape & Wine would like to know to what extent, an education campaign, or other innovations to engage the community, would improve recovery rates? An education campaign could, potentially, have the dual benefits of increasing recovery rates in terms of volume, and helping address the identified problem of the presence of glass packaging in co-mingled kerbside rubbish bins.

We believe an effective community and business education campaign could easily lead to an increased recovery rate of the same degree or more, as the costly CDS model put forward by the EPA. This view is also supported in the CSIRO Circular Economy Report where it suggests that "Harmonising messages to consumers through consistency in labelling, recycling instructions, and education messages will underpin effective behaviour change in household, commercial, and industry purchasing, consumption and recycling routines. This will help ensure reduced waste generation, cleaner recyclables are collected, more efficient sorting outcomes are achieved, and end markets for recycled products are sustained." [7]

We further contend that an education campaign could be delivered at little to no cost to wine businesses, and negligible cost to the SA Government. Sadly, the Discussion Paper is silent on other options to drive improvements, except for the superficial and dismissive contemplation of the fourth glass bin option.

Inequities in supply chain costs

The CDS shifts costs, but doesn't share them

Australian Grape & Wine was disappointed to see repeated references to the CDS as a "Product Stewardship Scheme". As noted on page 8 of the Discussion Paper:

> *"The concept of product stewardship acknowledges that those involved in producing, selling, and using products have a* ***shared responsibility*** *to ensure that those products are managed in a way that reduces their impact, throughout the life cycle of the products, on the environment and on human health and safety.*

Simply calling a CDS a product stewardship scheme does not make it so. The South Australian CDS is a litter collection scheme funded via an extended producer

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[7] CSIRO Circular economy roadmap for plastics, glass, paper and tyres, Pathways for unlocking future growth opportunities for Australia, January 2021, Page 96

responsibility model. The proposal put forward by the EPA to include wine bottles in the CDS is not based on cost sharing at all, it is based on cost shifting. SAWIA estimates that including wine bottles in the CDS would cost producers nearly 40 cents per bottle every year, which will have a direct bearing on the viability of wine businesses across Australia. If this approach is adopted, it will result in jobs losses and potentially, business closures in rural and regional South Australia.

The proposal to include wine bottles into the scope of the CDS, as put forward by the EPA, would not be an example of sharing responsibility – as it pertains to cost – along the product supply chain. Indeed, it places almost the entire cost burden on the winemaker, even though there are other beneficiaries of this proposal, such as, local councils, the recycling sector and glass manufacturers. The financial burden on winemakers would be magnified even further, if other states and territories followed South Australia's lead, and added wine bottles into all CDS's across Australia. This would be a significant impost on the South Australian economy, given South Australia's position as Australia's largest wine-producing state.

As outlined in the discussion paper: "the diversion and recycling of 51 million non-CDS glass wine, spirit and cordial containers from the kerbside co-mingled bin to the CDS is estimated to save local government approximately $34 million per year"[8] and "the CDS has and will continue to provide a significant revenue stream for MRFs, which helps ensure resource recovery and recycling of kerbside recyclables remains financially viable…"[9] These parties would gain a financial benefit while South Australian wineries foot the bill.

A CDS does not deliver a circular economy

The National Waste Policy provides a national framework for waste and resource recovery in Australia. It outlines roles and responsibilities for collective action by businesses, governments, communities, and individuals. The policy identifies five overarching principles underpinning waste management in a circular economy. These include:

- Avoid waste
- Improve resource recovery
- Increase use of recycled material and build demand and markets for recycled products
- Better manage material flows to benefit human health, the environment, and the economy
- Improve information to support innovation, guide investment and enable informed consumer decisions.

"A circular economy is a much broader ambition and not just a waste management strategy. It is important that a transition does not burden solely the end-of-life, waste management sector. Instead, all parts of the economy should be engaged and involved in a transition, and this involves importers, manufacturers, consumers, households and local government authorities."[10]

Unfortunately, this Discussion Paper is a missed opportunity to progress towards a genuine circular economy through meaningful public discussion. Many of the suggested enhancements to the South Australian CDS are focused only on the method of resource recovery and governance,

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[8] Improving South Australia's Recycling Makes Cents, Page 29
[9] Improving South Australia's Recycling Makes Cents, Page 20
[10] CSIRO Circular economy roadmap for plastics, glass, paper and tyres Pathways for unlocking future growth opportunities for Australia, January 2021, Page 8

systems, but the Paper is silent on mechanisms that will increase the use, value and demand for recycled container materials, or improvements to information which supports innovation, investment and helping consumers make more informed decisions. There is so much more that could be achieved in the modernisation of the South Australia CDS, but none of these areas are analysed or covered in sufficient detail to help inform stakeholders who are impacted by the CDS review.

Financial analysis errors and unquantified costs

The true costs of adding expanding the scope of the CDS to include wine bottles

The costs of expanding the scope of the CDS to include wine bottles, as outlined in the Discussion Paper, and derived from economic modelling completed on behalf of the EPA by Hudson Howells,[11] is based on incorrect assumptions around the size of wine businesses and vastly overestimates the volume of wine bottles sold. As a result, the cost impact on wineries, is dramatically underestimated in the Discussion Paper.

As set out in Appendix 2 of SAWIA's Submission CDS Discussion Paper, SAWIA's costings, that were independently verified, estimated that if wine bottles were included in the CDS, South Australia's wine businesses would be negatively impacted by an annual cost of $8.32 million (55 cents per container in the first year and 40 cents per container per annum, ongoing). This is an enormous amount of money for winemakers to find at a time when the industry can least afford it.

In addition, the Discussion Paper also proposes options to modernise the CDS governance to increase transparency and accountability, which would result in additional "unquantified costs" such as, the proposal to develop a centralised IT system that supports a transition to an e-based container and financial tracking system throughout the CDS, and the introduction of a 'scheme compliance fee' [12]. These "unquantified costs" make it even more difficult for Australian Grape & Wine to fully consider any of the suggested enhancements to the SA CDS.

The claim that wine producers can pass on the costs to consumers is erroneous

The Discussion Paper puts forward the opinion, as a *fait accompli,* that wine businesses would simply be able to pass on the costs of a being included in a CDS to consumers. Australian Grape & Wine has canvassed its membership on this issue and the clear view is that this assumption is a major flaw in the Discussion Paper.

Winemakers face considerable issues relating to a very competitive retailer landscape in Australia. Roy Morgan data compiled in May 2020[13], estimated that the combined groups of Coles and Woolworths Liquor Group, were responsible for up to approximately 75 per cent of all wines distributed and sold through retail sales channels. While the concentration of the two major retailers has brought a high level of competition to the marketplace, resulting in lower prices for

[11] Hudson Howells 2021, South Australian Environment Protection Authority, Container Deposit Scheme Economic Analysis Review – Addendum Report January 2021, https://www.epa.sa.gov.au/files/15057_cds_econanalysis_review_addendum_jan2021.pdf. Page 21, 22
[12] Improving South Australia's Recycling Makes Cents, Page 60
[13] Roy Morgan Alcohol Retail Report, published May 2020

consumers, it has also left winemakers with fewer options in terms of sales channels, and also smaller profit margins.

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. Retailers have many different wine brands to choose from and there are very few brands that are "must-have" for alcohol retailers. 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. Australian retailers also can source product from winemakers in many overseas countries, so there is a highly competitive marketplace in which retailers are able to place considerable price pressure on suppliers.

Given this, winemakers would likely be forced to absorb any increased costs arising from the CDS. This assessment draws from the evidence presented in post-CDS implementation reviews in other jurisdictions. For example, in the case of the New South Wales CDS, the beer industry – which is vastly more concentrated than the wine sector (industry estimates the small number of major brewing companies control upwards of 90% of the beer market in Australia[14]) – was only able to pass on around one-third of the cost of participating in the CDS.[15] If large, multinational beer companies were unable to negotiate higher prices to account for the increased CDS costs, it is highly-likely wine businesses in Australia will find themselves in an even more challenging position. Given this, we assess that it is highly likely wine businesses would be forced to absorb most costs associated with a CDS.

This is a particularly significant issue for small, family-owned wine businesses in South Australia, who often sell in small volumes to the major retailer chains. To introduce the costs of a CDS, in terms of paying for the deposit fee, handling fees, registration, relabelling and managing red-tape, would put South Australian wine businesses at a distinct disadvantage and make a significant impact on cash-flow and profits.

Including wine bottles in a CDS will amplify current challenges to business viability

The Australian grape and wine sector is facing its most significant set of challenges in living memory. We provide further analysis of this set of challenges at **Appendix 1**, but it is worth noting the impact of China on the market in the body of the submission, as it provides context that we believe should be considered by the South Australian Government as it reviews the CDS.

Since China's Ministry of Commerce (MOFCOM) made its final determinations on the Countervailing Duties Investigation and the Anti-Dumping Investigation on 26 March 2021, Australia's wine exports to China have dropped sharply, with only small amounts of very high value wine, entering the market, along with some bulk wine shipments.[16] Exports of still

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[14] Australia beer market: premiumization, moderation and NABLAB (beveragedaily.com)
[15] Independent Pricing and Regulatory Tribunal of New South Wales, "New South Wales Container Deposit Scheme: Monitoring the impacts on container deposit prices and competition", December 2018, page 31.
[16] Note: Bulk wine shipments were not captured by the MOFCOM ruling, and as such, are not subject to import duties. However, members have noted significant delays and increased testing for bulk wine shipments

bottled wine to mainland China in the 12 months to September 2021 fell 77 per cent by value to $257.7 million, and 86.4 per cent by volume, to 13.9 million litres.[17] Given this figure includes a time-period during which formal import duties had not yet been imposed, these figures will drop further when the next quarterly results are released.

There is no single market, or combination of markets, that can compensate for the loss of the $1.2 billion China market. While businesses are diversifying their export markets, Australia is not reallocating premium wine exports fast enough to compensate for the market closure. Indeed, there are numerous reports of very large tanks filled with wine on winery sites that cannot find a purchaser in the current market. In the lead up to vintage 2022, this is another issue that the industry will need to resolve and will have impacts on intake and wine making.

While the domestic market remains the largest single market for Australian wine, with Australians purchasing about forty per cent of domestic production each year, the prospects for growth are very low as the market is essentially saturated at present.

We expect the impacts of the China market closure will begin to be acutely felt in the coming months, leading to a significant oversupply of red grapes and wine for the next five-ten years.

We are already seeing significant downward pressure on prices for red grapes ahead of the 2022 vintage. For those without contracts in place, there is little chance to secure purchasers for fruit.[18] Regions with a focus on red wine production will be hardest hit by the China market closure, and the record-breaking 2021 vintage of 2.03 million tonnes - estimated to be the largest on record – is only likely to make things harder. While the harvest of both white and red grapes increased in 2021, the increase in red grapes was significantly higher with Shiraz (a key varietal in terms of what was being exported to China), up by 41 per cent to well over half a million tonnes. Given South Australia accounts for the largest share of the Australian crush, with an estimated 1.06 million tonnes (52 per cent of the total) in 2021[19], any economic impacts, will already be most acutely felt in this state.

There is a real risk that the combination of a record-breaking vintage and the loss of the China market could see a flood of wine on the domestic market, putting significant pressure on margins and business viability. This means it will not only be exporters who suffer, because of the closure of the China market. Australian Grape & Wine firmly believe that businesses, both grape growing and winemaking, will fold as a result of this shock to the market, with many others hanging on by a thread.

We implore the EPA to consider this context (in addition to spiralling labour and freight costs, the uncertainty of COVID-19 and the ever-present risks of fire, smoke, hail, frost, and disease pressure), as it considers whether or not to pursue what is a clearly inequitable, high-cost proposal to include wine bottles in South Australia's CDS.

Governance arrangements

[17] Export Dashboard (wineaustralia.com), 5 November 2021.

[18] The exception may be instances where a grower has produced niche red varieties in demand in the Australian market.

[19] Wine Australia, National Vintage Report 2021, Page 3

We note the Discussion Paper outlines two options to modernise the governance arrangements of the CDS to increase transparency and accountability. We believe this is timely given the learnings and experiences of other states and territories that have implemented their own CDS arrangements in more recent years.

Despite insufficient detail on the operational costs of each of the alternative models proposed, it appears that a not-for-profit single operator model would offer a lower cost alternative, however we note that there were risks around such a model. As a general principal, we support the need to strengthen the accountability of reporting to identify costs more accurately and equitably and to introduce increased transparency and independent oversight of the scheme. Participants in the CDS need to be accountable to the relevant minister, and standardised reporting data should be published regularly and available to all stakeholders, to ensure performance targets are met and costings correctly calculated and attributed. We would also support the requirement for reporting to be independently audited where relevant.

Conclusion

Thank you again for the opportunity engage in this process. To reiterate our position, we are firmly committed to finding an effective, evidence driven approach to improving the rates of recycling for wine bottles. But such an approach must provide for a much greater degree of equity in the distribution of costs along the supply chain than what has been proposed in the EPA's CDS approach.

As noted earlier in this document, we fully support the submission put forward by SAWIA, and ask that our paper be read in conjunction with the SAWIA submission.

We would be very happy to discuss this issue in more detail at any stage.

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APPENDIX 1:
Status of the Australian grape and wine sector

In late 2019 – early 2020, after years of drought, tinder dry forests were set ablaze, burning vineyards and winery facilities across Australia, and particularly in the Adelaide Hills and Kangaroo Island. Smoke had a disastrous impact on businesses across Australia, with many grape and wine businesses forced to make the difficult decision to abandon the 2021 vintage entirely – their one chance to produce wine for the year. The fires and smoke also led to significant reductions in regional wine-tourism during the summer holiday period, traditionally a time when wineries receive much needed cash flow from cellar door visitors, sales and events.

In 2020 we saw the impacts of COVID-19. The pandemic, and the policies put in place to limit its spread, caused cellar doors, restaurants, pubs and cafes across Australia, and the world more broadly, to close. For many businesses, this removed a primary route to market, with small, family-owned businesses hit particularly hard. While we note South Australia was relatively fortunate to have a limited period under lockdown, the shut-down of major cities such as Melbourne and Sydney had a significant impact on those businesses selling wine to restaurants and other venues in these cities.

Earlier this year, China's trade-prohibitive import duties essentially closed a $1.2 billion market for Australian wine. Since the imposition of import tariffs in November 2020, exports to mainland China have dropped dramatically. The value of wine exports in the 12 months to September 2021 were down 77 per cent to $274 million, and it is certain that this result will sink further once the figures for the December quarter become available. While some other industries have been able to weather the impacts of China's decision to close its market to their goods, Australia's grape growers and winemakers have been unable to transition to other markets so easily. Australian Grape & Wine is deeply concerned that the impacts of reduced demand for red wine is only just beginning to be felt, and we anticipate unprecedented pressure across the supply chain in the coming years. It is certain that some grape growing, and winemaking businesses will become unviable as a result, with significant implications for their staff and the rural and regional communities in which they are situated.

Flowing on from this, efforts to expand or open new export markets to replace the lost China wine exports, are being severely hampered by the unprecedented, global shipping crisis which is impacting most export and import industries worldwide. Thanks to COVID-19 and its related fluctuations in consumer demand, as well as impacts on labour availability, shipping lines around the world are lacking capacity, while there are major delays at ports. Hillebrand, an international logistics company specialising in beer, wine, and spirits, says that there are at present, record volumes of ocean freight at record costs and with the worst ever schedule reliability. For example, vessels to/from USA to Auckland and travelling onto Australia, are experiencing delays of up to 20 days. These conditions are not projected to change until mid-2022, at best.

At present many of South Australia's grape growers in the Adelaide Hills, Barossa and Riverland particularly, experienced significant hail damage in October 2021 with estimates of 80-85 per cent of crops lost[20], as such, some winemakers are facing a 2022 vintage without the fruit to make their flagship wines, leading to enormous cash-flow and profitability concerns in the months and years ahead. Based on all the factors outline above, the South Australian and

[20] The Advertiser – Storms destroy millions in Riverland crops, with more bad weather on the way, 8/11/21

Australian wine sector more broadly, is in a vulnerable position and is currently receiving Commonwealth Government funding and support to expand and diversify our wine exports under the Agri-business Expansion Initiative (ABEI).