



AUSTRALIAN  
**Grape & Wine**



# Pre-Budget Submission

2023–2024

## Message from the Chair

The Australian wine industry has an ambitious vision to become the most sustainable wine producing nation in the world, along with a goal to achieve net zero emissions and zero waste before our international competitors. At the same time, we aspire to see the total wine sector and associated tourism contribution to the Australian economy grow from its current level of \$45.5 billion to over \$100 billion over the period to 2050.

However, this Pre-Budget Submission (PBS) comes at a time when significant global challenges have collided with the collapse of Australia's most significant export market for wine. We predict that the full ramifications of the past two years of significantly reduced sales and increased costs will hit home this year with substantial falls in winegrape pricing in many regions, increasing stock-to-sales ratios, and many growers without a contract for all of their fruit.<sup>1</sup>

China's imposition of tariffs on Australian wine imports came as a severe economic shock – a shock not of our own making but forced upon businesses without warning or recourse. It removed 120 million litres per annum from Australia's annual wine sale forecasts and by June 2022 there was 570 million more litres in stock than at the same time in 2020.<sup>2,3</sup> While wine was not the only part of Australia's agriculture sector impacted by China's trade actions, many other impacted exports are commoditised across global supply chains and have been able to quickly divert produce elsewhere. In the case of wine, the several years required to build brand equity makes the market far less fluid than that of traditional commodities.

Whilst there are positive signs that the political relationship with China has improved, it is critical that Australia's wine sector works with the Australian Government to continue to diversify export opportunities. We hope China will remove the import duties imposed on Australian exports and if this happens, Australian businesses will return to the market to meet the demand for our world class wines among Chinese consumers. However, it is important to note that conditions within the Chinese market have likely changed since Australian exporters last shipped product to the market. It will undoubtedly remain a lucrative market, but it is highly unlikely to return to \$1.2 billion in export value due to: economic changes within China; other producer nations working hard in our absence to build brand presence; and the understandable position of many Australian companies to spread their export footprint in a more balanced way in the future.

The issues our sector will face in the near term vastly exceed normal cyclical fluctuations, and it is difficult to see a way forward for Australia's grape and wine sector without co-investment from Government.

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<sup>1</sup> 46% of South Australian growers have fruit on their vines that is not under contract for sale and 10% have no contract at all (Based on Wine Grape Council of South Australia Pre-vintage survey (2022))

<sup>2</sup> Based on Wine Australia data showing volume of sales to mainland China at the end of June 2020.

<sup>3</sup> Based on figures reported in Wine Australia's Australian wine: Production, sales and inventory report 2019-2020 versus 2021-2022 [www.wineaustralia.com/market-insights/australian-wine-production-sales-and-inventory](http://www.wineaustralia.com/market-insights/australian-wine-production-sales-and-inventory)

And the problems we face extend beyond China's import duties.

The impacts of COVID-19, transport issues, inflation, labour shortages, rapidly escalating input costs and now floods, have added to what is already an enormously challenging time. The ever-worsening oversupply scenario means tanks and barrels are full ahead of the 2023 vintage, leaving many growers with no buyer for their grapes. Unless the 2023 vintage is small, this situation will reach breaking point prior to the 2024 vintage, resulting in our industry having significantly reduced processing capacity.

There is an urgent need to generate sales opportunities through strategies that will deliver quick wins over the short-to-medium term. But just as we need to invest as an industry, weather conditions and a significantly decreased level of demand for wine grapes are likely to reduce industry levies considerably in 2023 and 2024. In short, we need to invest in working through the immediate challenges our industry is facing, but the challenges themselves have diminished the pool of levy funds available to us.

It is for this reason that Australia's grape and wine sector requires a government commitment to invest in helping our sector through the economic shock caused by the closure of our largest export market, while also preparing our sector to rebuild to become more resilient. Now is the time for the sector to revolutionise the Australian wine proposition and secure a sustainable future.

Australian Grape & Wine and Wine Australia have a focus on co-design and collaboration for the benefit of grape and wine businesses across Australia. We are confident that this model – along with our strong working relationship with agencies like the Department of Agriculture, Fisheries and Forestry, Austrade and the Department of Foreign Affairs and Trade – will provide the vehicle to work quickly and efficiently to deliver projects that can shift the dial and help businesses work through the existential challenges many are facing.

This PBS combines investment opportunities that will build resilience and protect our reputation as a clean and green industry with those that will drive immediate demand growth.

We are a resilient industry that can rise to this challenge. With targeted government investment, I am confident we can weather this storm and create a stronger and more sustainable future.



John Hart OAM  
Chair

# \$85 million recovery and resilience program for a sector facing undue hardship

## Summary

**Recommendation 1:** \$43 million to build on the industry's successes under the Agricultural Trade and Market Access Cooperation (ATMAC) program including co-investment with established and emerging exporters.

- \$20 million in matched export grants to assist businesses to diversify and grow export sales
- \$20 million for Wine Australia to turbo-charge wine brand development and run campaigns in key markets
- \$3 million to extending the ATMAC program for wine specific activities

**Recommendation 2:** \$10 million towards capitalising on, and enhancing the food and wine tourism offering.

- \$5 million to build the perception of Australian wine, enhance food and wine experiences and attract domestic tourists to our wine regions
- \$5 million to generate international visitation for food and wine tourism

**Recommendation 3:** \$10 million for growers impacted directly or indirectly by floods towards disaster recovery and solutions for dealing with problematic waste disposal.

**Recommendation 4:** \$10 million co-contribution towards an Innovation Fund supporting the research required for a more sustainable future and to capture high value market opportunities.

- \$5 million towards plant breeding technologies for drought and disease resistant grapevines
- \$5 million in competitive grants to support development and adoption of technologies that reduce net emissions or waste throughout the product life cycle of wine

**Recommendation 5:** \$2 million to pilot world leading technologies that are transferable across other agricultural food and beverage sectors for communicating sustainability credentials.

**Recommendation 6:** \$10 million investment in product innovation to maximise the impact of South Australia's no-and-low alcohol (NOLO) wine project.

Investments in helping the Australian grape and wine sector to recover and grow will have significant economic benefits. An analysis looking at "Input-Output" effects has shown that on average:

- The economy gains an extra \$2.04 million for every additional \$1 million of gross output generated by the wine sector
- The economy gains an extra \$2.19 million in contribution to value-added for every additional \$1 million of value-added generated by the wine sector
- The wider economy would gain an extra 1.35 jobs for every job gained in the wine sector<sup>4</sup>

Direct investment combined with industry-government co-investment will help our sector withstand the immediate shock we are experiencing today, while also setting us up to help drive Australia's economy into the future.

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<sup>4</sup> Gillespie Economics (2019) AgEconPlus report "Economic Contribution of the Australian Wine Sector"



## Rising the tide through building international demand and providing support for exporters

Australia currently exports around 60 per cent of total wine production to more than 100 markets globally. Increasing exports benefits everyone by creating a vacuum for others on the domestic market. While there is no single market, or collection of markets, that can replace China, the quality and diversity of our wine offering and our export know-how provides a strong base from which we can grow new opportunities and launch a sustainable, export-driven recovery. As noted in the Review of Financial Assistance to SME Exporters of 2020, "Evidence points to continuous (or persistent) exporting Australian businesses being better performers compared to those businesses that do not export or switch". According to research undertaken by the Department of Industry, Innovation and Science, Australian exporters on average employ more staff, pay higher wages and achieve higher labour productivity compared to non-exporters.<sup>5</sup>

Australian Grape & Wine has welcomed the Australian Government's Agribusiness Expansion Initiative as a pivotal investment for the sector's future market diversification and growth efforts. The investment in the Agricultural Trade and Market Access Cooperation (ATMAC) program has allowed the sector to deliver on priority activities in marketing and promotion, trade and market access and to develop a long-term strategy to penetrate the emerging wine market in India. Coupled with the additional resources for Austrade, it has allowed for greater coordination and alignment of priority investments across Austrade, Wine Australia, Australian Grape & Wine and our state and regional bodies. This investment has assisted the sector to find new customers in a more diverse range of markets. It has also driven an unforeseen benefit in terms of the unprecedented collaboration and communication that has occurred across the sector, which is providing greater opportunities to ensure resources are being used as effectively as possible in ways that truly meet the needs of growers and winemakers. We urge Government to commit to funding the ATMAC program in the longer term. This investment is seen as a pivotal one towards securing the wine sector's future.

However, this is a long-term strategy and direct investment in market growth is necessary both for shorter term relief and to ensure the full potential of this investment is realised by the sector.

### Wine Export Grants

Whether it be entering new markets, reinvigorating existing markets, or even simply protecting existing ones, there are substantial costs involved. This extends from ever-increasing travel costs to market research, staff and resources, distribution and administration. Given the unprecedented challenges facing the sector, many businesses are unable to afford the high up-front costs to expand and diversify their export markets, and for some even the ongoing costs to service and maintain these markets is challenging.

In May 2021, the Government stated its commitment to the Export Market Development Grants (EMDG) program which provides support to small and medium sized enterprises establishing or expanding their export business. Whilst this grant is highly valued, the majority of those impacted by China tariffs are previous EMDG recipients who are no longer eligible to apply for these grants. These businesses are now faced with an urgent need to build existing markets and/or diversify into new markets. Previous EMDG recipients have the export know-how and experience to boost sales of Australian wines in a long-term and sustainable way.

There are untapped opportunities to support Australian wineries to diversify into new markets and to intensify marketing activity in mature markets for short- and long-term success. We are calling on the Australian Government to provide \$20 million matched export funding to assist producers to diversify and grow export sales. Austrade, Wine Australia and Australian Grape & Wine would work together to co-design an Export Support Package, using the EMDG framework as a vehicle for the investment. These three organisations could

<sup>5</sup> Fisher, Anna, Review of Financial Assistance to SME Exporters, 2020, p3.

then identify appropriate activities and eligible business frameworks to receive matched funding support through a rebate on a percentage of money spent. Extending eligibility to previous EMDG recipients would allow funding to flow to those with the export knowledge and expertise required to grow quickly, providing the urgent relief that winegrape markets need.

Growth in exports for recipients of export grants has been demonstrated in the past. Under the Export and Regional Wine Support Package (ERWSP) announced in 2018, Wine Australia administered a Wine Export Grant Program (WEG). Reimbursements included travel allowance, airfares, trade fair registration fees, marketing collateral and wine samples. Grant recipients' export growth was reported at double the rate of general exports, increasing by 8 percent on average each year between 2017–21. This demonstrates a tremendous growth potential linked to co-investing directly with wine producers.

### Complementary funding to Wine Australia

A quick and strategic response to new opportunities requires investment in consumer research, marketing and innovative campaigns in key markets to engage trade. This could support co-designed marketing activations with other Federal, State and regional agencies across wine, tourism and agribusiness sectors. Such a program would provide further leveraging of benefits from ATMAC by enhancing understanding and desirability of Australian wine, local knowledge sharing and potentially cross-sector activity with other RDC's such as beef, dairy, horticulture and seafood to build our national position as a source of fine food and wine.

An independent performance evaluation of the previous (ERWSP) delivered by Wine Australia reported that the package achieved a benefit-cost ratio of between 2.39 and 3.44.<sup>6</sup> This is an exceptional result for comparable programs and activities. The report also estimated that without unforeseen market challenges such as China import tariffs and the pandemic, the potential returns on investment would have been in the vicinity of 7.62. Over the life of the ERWSP, there was a substantial lift in returns to both exporters and grape growers. The average bottled export price increased from \$4.63 per litre to \$7.08 per litre and the average price paid for wine grapes rose from \$463 per tonne to \$694 per tonne. Today, growing Australia's market share by 3 percentage points across 20 designated target markets could increase Australian premium sales by US\$1 billion retail in the commercial segment by US\$270 million.<sup>7</sup>

#### Recommendation 1:

#### **\$43 million to build on the industry's successes under the Agricultural Trade and Market Access Cooperation (ATMAC) program including co-investment with established and emerging exporters.**

- \$20 million in matched export grants to assist businesses to diversify and grow export sales
- \$20 million for Wine Australia to turbo-charge wine brand development and run campaigns in key markets.
- \$3 million to extending the ATMAC program for wine specific activities

<sup>6</sup> Deloitte Access Economics

<sup>7</sup> Wine Australia Market Insights internal reporting (2022) using IWSR data



## An enhanced food and wine tourism offering

The celebrated relationship between Australia's wine, food, and tourism scene is one we must capitalise on. Growing these channels has strong potential to provide immediate and ongoing benefit to the sector. As cellar door tastings and related experiences promote a loyal customer base, they also increase future direct to consumer (DTC) sales via mail order and wine clubs. For SMEs in particular, this channel often outperforms others in terms of rate of return to businesses.<sup>8</sup>

To seize this growth potential, Australia needs to expand and enhance its unique food wine tourism experiences with a new strategic campaign to attract international and domestic tourists to our wine regions and to build the perception of Australian wine.

The benefits of visitation and tourist expenditure flow to local restaurateurs, café owners, accommodation managers, service stations, hotels, other tourism operations and beyond. Tourism Research Australia estimates that prior to Covid-19, there were 8.4 million visits to wineries from both domestic and international travellers.<sup>9</sup> According to that report, travellers that included a visit to a winery spent a collective total of \$9.6 billion in Australia during their trip and are typically higher spenders with an average spend per person of \$1136 (the average across all visitors was \$380). Wine Australia estimates that DTC sales channels generate approximately \$1 billion in sales.<sup>10</sup>

While some regions battle to keep up with this demand, others are yet to reach their full potential, particularly those in the inland regions. After the prolonged uncertainty caused by Covid-19 and the devastation caused by floods and heavy rain, there is a strong case for industry and governments to work together to provide a confidence-boost to regional food and wine tourism providers in Australia.

We call on the Australian Government to co-design and fund a marketing program to build the perception of Australian wine in parallel with expanding regional food and wine tourism. Such a strategy could be targeted towards promoting people and place, encouraging people to travel further for their wine tourism experiences and promoting longer stays in regions. This would pave the way for tourism dollars to flow to communities most in need such as those along the Murray who are struggling with the oversupply situation.

These experiences also provide an opportunity to build relationships with consumers that persist beyond a visit. An increase in visitor numbers by 10 percent would be worth approximately \$100 million in DTC sales

<sup>8</sup> Wine Australia, "Wine direct-to-consumer survey report", October 2021, <https://www.wineaustralia.com/market-insights/wine-direct-to-consumer-survey-report>

<sup>9</sup> Tourism Research Australia (2018-19) sourced at <https://www.wineaustralia.com/news/market-bulletin/issue-184>

<sup>10</sup> Wine Australia "Surviving and Thriving in 2020-21" <https://www.wineaustralia.com/market-insights/wine-direct-to-consumer-survey-report>

generating significantly higher flow on benefits to these regions' economies. By shining a light on Australia's diverse wine regions, such a campaign would increase demand for our world-leading wines at local retailer outlets and restaurants. Educating customers, consumers and the broader public about Australian wine would have flow on benefits beyond wine sales, such as raising the profile of wine regions as employers and contributors to regional economies.

Growth in food and wine tourism, could be achieved by enhancing the value of Australian wine domestically through activities such as:

- A marketing and brand building campaign to increase the perceived value of Australian wine by promoting the people and places behind our unique and diverse product offerings;
- Consumer research to understand preferences and the drivers for visitation;
- An industry led grant program supporting wineries to enhance their food and wine tourism experiences; and
- A program to develop winery capability in leveraging digital solutions to improve customer experience, manage customer information and harness insights for growth and business efficiency.

and internationally through:

- Collaborating with tourism and agribusiness RDCs/entities;
- Bringing key food and wine influencers to Australia; and
- Leveraging food and wine credentials at international trade and tourism events.

#### **Recommendation 2:**

#### **\$10 million towards capitalising on, and enhancing the food and wine tourism offering.**

- \$5 million to build the perception of Australian wine, enhance food and wine experiences and attract domestic tourists to our wine regions
- \$5 million to generate international visitation for food and wine tourism

## **Protecting our clean and green reputation**

Protecting the clean and green image of the sector is an essential element of maintaining our license to operate, and a precursor to growing demand internationally. However, as the old adage goes, "it is hard to be green when you're in the red".

Communities across the three inland regions of the Riverland (South Australia), Murray-Darling – Swan-Hill (New South Wales and Victoria) and the Riverina (New South Wales) were amongst the hardest hit by the loss of sales to China. When recent floods and heavy rains devastated our river regions, many growers were already facing a 2023 vintage without a contract for their fruit, or price offers below input costs.

These regions are now reporting that the loss of crop due to vineyard inundation will be significant for many growers. However, many of those impacted are ineligible for disaster relief payments and there is a high likelihood that forced abandonment of vineyard businesses will take place. Problematic waste streams such as CCA posts and dripline make removal of unproductive vineyards expensive. Growers who are unable to sustainably retire unproductive vineyards have the potential to create negative externalities to other growers. Abandoned vineyards and/or stockpiled vineyard waste don't just leave a visual blight on the landscape, but they cause other environmental risks. For example, excess grapes left unharvested or dropped on the ground can harbour pests and diseases. It is therefore preferable that where vineyards are no longer required for production, that they are removed rather than abandoned and that affordable solutions exist for ensuring that problematic vineyard waste streams are dealt with in the most sustainable way possible.



Australian Grape & Wine proposes that the Government provides funding targeted to growers suffering from indirect or direct effects of floods and heavy rain to implement sustainable strategies for vineyard retirement and waste disposal. While we recognise that decisions about what to plant and what to pull out are commercial in nature and sit with growers, it is clear that some growers with unproductive or uneconomic vineyards or blocks face significant barriers to making these decisions. This is not a request for intervention to downsize our sector. It is about optimising our use of land, water and labour by ensuring we are focused on producing grapes that align with commercial requirements at the same time as assisting those growers who are dealing with the double-blow of reduced demand flowing from China's import duties and the natural disasters experienced in our inland regions in recent months.

Funding should focus on dealing with problematic waste and be provided via state and local governments. This will assist struggling growers at the same time as encouraging sustainable strategies for vineyard retirement. This will in-turn protect the reputation of others in the region and the clean and green image we have worked so hard to protect.

Australia's grape and wine sector is setting a pathway to a more sustainable future and aspires to be recognised as a global leader in environmental stewardship. The industry has already undertaken preliminary work with CRC Contamination and Remediation of the Environment [CARE] on polymer treatment of CCA treated vineyard posts to help create a process to safely manage this waste stream for the Australian wine industry, effectively turning it into a safe for the environment vineyard mulch. Further funding would have the potential to open up opportunities to build on this work.

### **Recommendation 3:**

**\$10 million for growers impacted directly or indirectly by floods towards disaster recovery and solutions for dealing with problematic waste disposal.**

## **Accelerating innovation in sustainable technologies**

Opportunity often stems from adversity. We must also recognise that there are grape growers and winemakers with strong potential to emerge from these difficult times with greater strength and resilience. Now is the perfect time for these businesses to invest in transforming vineyards and wineries so that they are fit for the future. A reset of the industry to favour higher value and more sustainable production would go a long way towards driving the sector forward so that more businesses survive these difficult times.

### **Vineyards for the future**

Changing environmental conditions in Australia will inevitably lead to more extreme weather events and new pest and disease challenges. We will face these challenges alongside mounting pressure from our markets to ensure resources are used sustainably and chemical use is minimised. Meanwhile, international regulatory reform is paving the way for new opportunities relating to gene technologies and plant breeding. We can already breed grapevines that are more resilient to a changing climate and pest and disease pressure and we can value-add through targeting flavour enhancing traits.

However, without public incentives, lack of availability of planting material and misconceptions about non-traditional varieties is likely to impede adoption. The time required for traditional breeding, propagation and vineyard establishment adds to this challenge and calls for a more proactive approach from industry to embrace new plant breeding solutions.

Previous investment by Wine Australia and CSIRO into grapevine breeding has revealed a portfolio of solutions to respond to these challenges, setting the stage for further R&D. Further investment in grapevine breeding

would allow for the development of breakthrough traits for enhancing taste and addressing sustainability challenges. At the same time it will generate international demand for Australian varieties. Such work would provide significant competitive advantage in the short- and long-term adding value for the whole wine industry. It is essential that the Australian wine industry must remain ahead of these opportunities.

### Competitive grants for innovation

Achieving our vision to be global leaders in reaching net zero carbon emissions and zero waste will require every part of the wine industry as well as our suppliers, sellers and consumers to contribute towards changing the way we make, sell, distribute and consume wine. It will require us to transform our approach to waste management in the entire cycle of wine production from grape to glass. But there tends to be a lag for industry to recognise and adopt certain new technologies particularly those where part of the benefit cost ratio includes a public benefit or where we rely on our supply chain.

We are seeking a one-off investment in an Innovation Fund to expediate uptake of new technologies for value-adding, reducing or sequestering emissions or lessening our impact on the planet. The fund will support industry wide solutions that add value through higher returns, providing a significant resilience boost for grape growers and winemakers.

This investment would provide for partnerships with innovation hubs, non-traditional research partners and private businesses as well as co-investment with other industries. It could be administered by Wine Australia but be made available through provision of grants and regionally focused adoption strategies.

This type of investment would assist us to become the most sustainable wine producing nation in the world, and to achieve net zero emissions and zero waste before our international competitors. Our aspirations for the Innovation Fund are well aligned with the Government's aspirations to 'support, diversify and transform Australia's industry and economy, helping to create secure, well-paid jobs, securing future prosperity, and driving sustainable economic growth'.<sup>11</sup> By promoting industry-wide solutions to collective problems, it will complement the objectives of the National Reconstruction Fund by paving the way for further private sector investment in innovation and value adding.

#### Recommendation 4:

**\$20 million co-contribution towards an Innovation Fund supporting the research required for a more sustainable future and to capture high value market opportunities.**

- \$5 million towards plant breeding technologies for drought and disease resistant grapevines
- \$5 million in competitive grants to support development and adoption of technologies that reduce net emissions or waste throughout the product life cycle of wine

### Leveraging our achievements

To fully leverage our environmental performance improvements, we also need robust data technologies that simplify measurement, reporting and knowledge generation. The wine sector has recently funded an ESG Business Plan with KPMG and a Zero Emissions Roadmap with Edge Environment. This work has highlighted reputational risks relating to ESG as well as the tremendous opportunity that could be embraced by positioning ourselves as a global leader. The sector has an existing program, Sustainable Winegrowing Australia (SWA) that is already relatively well-advanced in its ability to capture and convey sustainability data. Consultation with

<sup>11</sup> Announced alongside the National Reconstruction Fund (November 2022) <https://www.minister.industry.gov.au/ministers/husic/media-releases/establishing-15-billion-national-reconstruction-fund>

the sector has revealed that to expediate uptake of SWA, the program must become more valuable and more effective in assisting users achieve our target sustainability outcomes. Examples of enhancements include tools for identifying opportunities to reduce or sequester emissions and other waste, automation of reporting and data collection, reducing monitoring costs, incorporating carbon and biodiversity audits and embracing new technologies for data verification.

The broader Australian agriculture sector also has an opportunity to pursue world leadership in communicating its sustainability credentials and achieving its objective that the actions and aspirations of Australian producers are clearly understood on a global stage.<sup>12</sup> With this in mind, it is our intention that significant components of this investment will be transferable to other agriculture sectors.

We propose an additional \$2 million towards piloting new technologies such as an IT platform that would allow producers to automate or simplify the collection of sustainability data. These types of data solutions would go towards creating a world leading industry-led sustainability program that is second to none in its propensity to drive and demonstrate continual improvement. This investment will generate additional benefits by making sustainability reporting more efficient for growers, ensuring market requirements and community expectations are met and serving as an educational tool to prioritise sustainability investment. It will build on the Australian Agriculture Stewardship Package as well as the wine sector's significant investments to date in SWA and other ESG related programs. At the same time, it will greatly enhance the reputation and brand value of Australian wine.

#### **Recommendation 5:**

**\$2 million to pilot world leading technologies transferable across other agricultural food and beverage sectors for communicating sustainability credentials.**

## **Supporting drinking in moderation**

The modern wine consumers' purchasing decisions are influenced by a range of issues, well beyond traditional drivers such price, flavour and prestige. These include an ever-growing focus on health and wellbeing, including drinking in moderation. This is borne out by the evidence, with risky drinking trending downwards. Australia's grape and wine producers are acutely aware of the social licence issues related to the harmful consumption of alcohol and work hard to ensure that wine is not consumed in irresponsible ways. NOLO wines and other grape based products provide an avenue through which we can drive positive trends in moderation, while continuing to grow, make, and sell fantastic Australian wines and other grape products.

But the No and Low Alcohol (NOLO) wine product category is falling behind other NOLO categories as we have been unable to deliver quality and mouthfeel in line with customer expectations. Non Alc Beer is delivering three times the sales of Non Alc Wine in Endeavour Group. Despite this, the growth rate for the NOLO wine category has been well above that of the total wine market. Between 2015–20, the average annual growth rate was 25 per cent. The growth rate forecast by IWSR for no and low alcohol wine over the next five years (2021–25) is 20 per cent and 9 per cent CAGR respectively, compared with less than 1 per cent per annum for total wine volume.<sup>13</sup> Global demand is also soaring, including in markets where alcohol is not traditionally consumed. However, no one business alone has the resources to invest in the research required to find cost effective solutions for NOLO wines that are competitive with other NOLO categories. Without affordable technologies, this significant growth opportunity could be lost with small and medium producers in particular, liable to be left behind.

<sup>12</sup> <https://www.farminstitute.org.au/the-australian-agricultural-sustainability-framework/>

<sup>13</sup> <https://www.theiwsr.com/no-and-low-alcohol-in-key-global-markets-reaches-almost-us10-billion-in-value/>

Our world leading wine science, led by institutions such as the Australian Wine Research Institute (AWRI), drove Australia's export success in the 1980s and 1990s, enabling a competitive edge in reputation for quality, consistency and value.

There is a clear opportunity for Australia to lead the world in research and innovation with a particular focus on NOLO wines and other grape products. If we can create great tasting NOLO wines before our international competitors, we will have first-mover advantage. This will drive job creation in higher-value employment categories in rural and regional areas where such opportunities are currently limited, while also helping to rebalance the supply-demand situation in Australia's grape and wine sector.

We are seeking a one-off investment to build upon existing technologies for production of high-quality NOLO wines and other grape based products. This would provide for partnerships with Innovation Hubs and co-investment with non-traditional research partners and private businesses. It would expediate innovation in technologies such as additives that replace the sensory effect of alcohol and viticulture techniques for achieving ripe flavours in grapes at lower potential alcohols. It would allow for the delivery of regionally focused and responsive adoption strategies for new technologies and products. This would provide tangible, long-term benefits for the sector by enhancing our competitiveness in the NOLO category and in the global NOLO wine market.

The South Australian Government has already invested \$1.98 million in an exciting NOLO project to help assist smaller and medium sized businesses with product development through providing access to a pilot scale spinning cone dealcoholisation facility at the Waite campus. Leveraging upon this existing work with further investment in NOLO and other grape based products would be truly game-changing for Australia.

**Recommendation 6:**

**\$10 million investment in product innovation to maximise the impact of South Australia's no-and-low alcohol (NOLO) Wine Project.**



## State of Play/Snapshot

- Winegrapes are grown in every state of Australia.
- There are more than 2000 wineries and 6,000 wine grape growers across Australia.
- There are sixty-five distinct wine regions, which we call geographical indications (GIs).

### **We are a pillar of regional economic prosperity.**

- A magnet for regional tourism, with 8.4 million visits to wineries in the year to March 2019 (although this fell to 5.5 million visits to wineries in the year to September 2020 as a result of the Pandemic). Higher per person spend compared to non-winery related tourism.<sup>14</sup>
- Grape growing, winemaking and wine-related tourism contributed an estimated \$45.5 billion to the Australian economy in 2019.<sup>15</sup>
- The sector supports the employment of more than 160,000 people across Australia (full and part time), the majority located in rural and regional Australia.
- The world's fifth largest wine exporter nation by value in 2020, behind France, Italy, Spain and Chile with around 60 per cent of production exported.

### **We are farmers.... amongst other things. Every bottle of Australian wine sold overseas tells a story about rural and regional Australia.**

- Grape and wine businesses are unique in agriculture. We are a leading example of a locally grown and manufactured, value-added agricultural industry.
- While we are farmers first and foremost, our business models reach consumers in ways other agricultural industries do not, including through our roles as restaurateurs, events planners, wedding hosts, tourism managers and accommodation operators.

### **We are an industry that is suffering significant hardship.**

Since September 2020, the average export price has dropped 18 percent. Despite a 2022 crop that was slightly below the 10-year average, red grape prices fell 15 percent across the board, with prices falling substantially more in warmer regions.

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<sup>14</sup> <https://www.wineaustralia.com/news/market-bulletin/issue-184>

<sup>15</sup> Gillespie Economics (2019) Economic Contribution of the Australian Wine Sector



In the 2022 September quarter 627 million litres of wine exported valued at \$2 billion. Our potential is substantially more than this. Prior to China tariffs being imposed 770 million litres were exported valued at \$3billion (based on equivalent period 2020). 16

The price dispersion report below shows the dramatic shift in price points for red grapes last year.



Our vision is to recover stronger and more resilient and to be recognised once again as a global leader in innovation.

There has never been a more important time for the Australian Government to invest in the grape and wine sector. The targeted investment proposals outlined in this submission would give the sector the best chance to not just simply survive the shocks we are currently experiencing, but to emerge as a stronger, more viable and sustainable industry that supports rural and regional economies and communities.

We would be delighted to discuss these proposals with you at any stage.

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