



**Australian Grape & Wine submission
to the House of Representatives
Standing Committee on Agriculture:**

**Inquiry into the role of Australian
agriculture in Southeast Asian
Markets.**

May 2024

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Inquiry terms of reference

The Standing Committee on Agriculture shall inquire into and report on the role of Australian agriculture in Southeast Asian Markets, in the context of the recommendations in [Invested: Australia's Southeast Asia Economic Strategy to 2040](#), focusing on:

- a. How the Australian Government can support agriculture and food industries in leveraging partnership opportunities within the region. This includes new and improved market access, streamlining trade systems, and supporting industry to identify and build market opportunities in the region.
- b. Opportunities to build and strengthen partnerships in Southeast Asia to build capability in the region, including in the area of animal and plant biosecurity, adapting to a changing climate, improving agriculture sustainability and agriculture technology and innovation.
- c. Identifying new and emerging opportunities and challenges in the region for the Australian agriculture industry, including enhanced market intelligence for exporters to support them to navigate markets and realise opportunities.
- d. Mechanisms for government and industry to leverage identified opportunities for Australian agriculture, and to address key priorities in the Southeast Asia region.
- e. How Australian agriculture can support Southeast Asia's food security [towards 2040].

About Australian Grape & Wine

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. 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.

Australian wine sector strategic priority alignment

In recent years, the Australian wine sector has focused on a high-level strategic priority of export market diversification and growth. Diversification has been a priority for the sector for some time, despite being a mature export sector, with around 60 per cent of the total wine produced being exported to over 100 markets globally. The challenging conditions 2020 and the closure of the \$1.2Billion China market further drove the sector's need to continue to expand and diversify its export market portfolio.

A key focus of the sector's diversification strategy is growing Asian markets and in particular Southeast Asia (SEA), markets. This is driven by Australia's geographic proximity to SEA, the projected economic growth of the region, a growing middle class and pre-existing political and economic relationships.

Australian Grape & Wine, through federal government support of the Agri-Business Expansion Initiative and its funding of the Agricultural Trade and Market Access Cooperation (ATMAC) program, sought to commence implementation of this strategy to support the sector's efforts to diversify and grow Australian wine exports. This included implementation of activity across three core pillars:

1. Marketing and Promotion – Establishing a framework for consolidation and coordination of federal, state and regional resourcing and marketing activities, establishing in market supports in South Korea, Japan and later Vietnam as well as inbound visitation by key trade and wine buyers.
2. Trade and Market Access Strategy – Implementation of activities under the sector's trade and market access strategy and action plan, as well as a number of key project deliverables supporting improved trade and market access. This included efforts to develop tools and forums to support regulatory harmonization, resources for improved knowledge and understanding and removal of trade barriers.
3. Long-term India Strategy - Linking to the establishment of Australia-India Economic Cooperation and Trade Agreement (ECTA) side letters on wine, this long-term project sought to establish greater links to Indian wine industry and government with the overall objective to build up the wine category in India to support growth of the market.

While the work was much broader than SEA alone, there were some activities that related to SEA markets. Ideally any future expansion of these efforts should target SEA markets and should be seen as a next step to build on the diversification priorities of the wine sector.

The strategic priorities and recommendations of [Invested: Australia's Southeast Asia Economic Strategy to 2040](#) (the SEA Strategy) are therefore well aligned with the Australian wine sector's key market diversification and growth strategy and the activities being implemented since 2021.

Australian wine and SEA markets

While global wine consumption is in a period of decline, regions such as SEA offer opportunities for growth, with IWSR Drinks Market Analysis forecasting 7 per cent growth in volume and value on average per annum to 2026.¹

In 2022, the SEA markets as a whole reached record highs for Australian wine exports, with 27million litres valued at \$305million to December 2022. Comparatively this places the region as a whole as the third largest Australian wine market on value behind UK and the US. While these numbers took a slight dip in 2023 (\$275million to

¹ Wine Australia Market Bulletin Issue 284 - ["Southeast Asia emerges out of the COVID-19 pandemic as a source of growth for wine exports"](#)

December 2023), it is clear that since 2020, SEA overall has continued to show some of the greatest potential for such value growth, which is the target of the industry.

Importantly, the average value per litre of wine sold is significantly higher in SEA at \$12.18 per litre, compared to the overall average of Australian wine exports at \$3.13 per litre. The overwhelming majority, around \$268 million worth of the total wine sold, is still red wine, which also happens to be the main source of the industry's current oversupply.

Notwithstanding the tendency for fluctuation year on year between the individual SEA markets, the table below shows the value of each market to December 2023 for relative comparison.

Country	Selected year
Singapore	\$133,044,040
Thailand	\$58,298,759
Malaysia	\$46,873,892
Philippines	\$14,711,299
Vietnam	\$10,844,635
Indonesia	\$7,954,062
Cambodia	\$1,361,719
Myanmar	\$1,001,925
Timor-Leste	\$299,365

(Source: Wine Australia Export Dashboard)

Of these markets, Singapore, Thailand, Vietnam and Malaysia are the most significant and have the greatest potential for continued growth of Australian wine exports. In many cases, the value of these markets is linked to tourism. The perception of Australian wine is also high as we hold a significant share of the total imported wine market in many of the SEA markets.

Australian Government support for food industries

How the Australian Government can support agriculture and food industries in leveraging partnership opportunities within the region. This includes new and improved market access, streamlining trade systems, and supporting industry to identify and build market opportunities in the region.

Australian Grape & Wine's [Pre-Budget Submission 2024-25](#) (the PBS) clearly outlines how government can support the Australian wine industry across three key priority areas. The most relevant area of the PBS to this inquiry being Recommendation 2 - Support for export market driven recovery. The PBS acknowledges that neither government nor industry can do this alone but in order to effectively implement such a recovery, there needs to be government support and investment in some key areas. It notes the need to "work strategically and collaboratively to break down trade barriers and promote our products in both traditional and emerging markets."

While we note that the federal budget failed to fund any of the recommended priorities of the wine sector outlined in the PBS, we recognise that aspects can still be supported through targeted government investment of other government priorities such as the SEA strategy.

The recommendations in the PBS are linked to our sector's priorities of diversification and growth of export markets and are well aligned with the recommendations outlined in the SEA strategy. These cover 3 core elements of government support which relate directly to SEA markets. These include:

1. Support for producer in market activities
2. Support for industry bodies to deliver on industry strategies
3. Support to intensify and coordinate marketing and promotion of the Australian wine brand.

Producer in market activities

As a mature export orientated sector, the Australian wine industry is well placed to provide a very strong return on investment for any support provided by government to our exporters. The sector has around 1200 active exporters and those who are the most established have been exporting for many years.,

A great example in the past of government support which allowed for in-market, business-led export growth for the sector is the Export Market Development Grant (EMDG) program. The program supported wine producers over a long enough period (up to 8 years) to establish, retain and grow markets. It also required co-investment and buy-in by the producers with matched funds to support their activities.

However, with a sunset clause applied by the EMDG program, that funding source is no longer effective in supporting the majority of the sector's mature exporters as it has in the past. In more recent years, the sector's exports across most markets have declined, driven by the series of issues of 2020, declining global alcohol consumption and compounding economic pressures.

In order to be most effective our exporters need sustained "feet on the ground" in target export markets. The diversification and value growth priority of the sector requires us to spread across a diverse range of small high-value markets, which in turn requires a lot more sustained travel for producers. This travel is expensive and when coupled with the series of factors noted above and the economic pressures of the Australian wine sector, businesses are less inclined to pursue the higher-risk, higher-reward opportunities of developing export markets, without support.

Australian Grape & Wine recommends support from the Australian Government in the form of a dedicated program that seeks to support experienced Australian wine export businesses to recover market share, diversify and expand Australia's wine exports into SEA. As part of the program, we would expect that businesses would undertake objective exporter capability assessments and be required to report on agreed performance measures, to ensure transparency and optimal return on investment.

This type of program would allow for those Australian wine businesses to identify and build market opportunities and capitalise on those opportunities, which in turn would support local regional economies.

Support for industry bodies to deliver on industry strategies

As well as supporting wine business directly to engage these markets, our experience has shown there is also a need to invest more broadly in sector strategic planning and priorities that are led by peak bodies. As noted

above, Australian Grape & Wine's recent ATMAC grants have allowed for a number of key industry strategic priorities to be established and delivered, which would otherwise not have eventuated. It has supported greater coordination of marketing and promotional resource, establishment of in-market wine ambassadors in Japan, South Korea and Vietnam, establishment and delivery of a broad industry trade and market access strategy, and extensive work on building up the emerging Indian wine market via a long-term India strategy linked to ongoing trade negotiations.

These deliverables were established and delivered in partnership with the federal government and have shown significant value in supporting the sector's export diversification and growth priorities.

Australian Grape & Wine recommends the government prioritises investing in strategic partnerships with peak industry bodies such as Australian Grape & Wine for coordinated support that meets both industry and government priorities in SEA markets. This investment will allow for greater support for Australian Grape & Wine to implement a range of strategic priorities to build up markets, remove barriers in supporting diversification and growth.

Intensified and coordinated marketing and promotion

Australian wine's national marketing is delivered by Wine Australia, supported by a mandatory producer levy, which is supplemented and leveraged through investment by individual wine brands, regional industry associations, state governments and national bodies such as Austrade. The sector has a diverse range of business types and 65 regions nationally which are substantially different in their offerings. From a branding perspective this creates a range of challenges for national marketing where there is a need for consistent, clear and sustained messaging for trade and consumers.

Available funding is also a major hurdle with Australia's pool of levy funds significantly less than those spent by major European and North American competitors. These funds also fluctuate each year based on the free-on-board (FOB) wine sales value of exports for the year. In line with this, declining exports mean there is less funding available to spend on marketing Australian wine, further compounding the problem. While industry prioritises its use of scarce levy-funds in the best way it can, the limited funding available – particularly in comparison to our competitors – means that it is very difficult to cover all the markets we may wish to explore, let alone shift the dial in terms of awareness and penetration in the market.

In recent years, the ATMAC program (in particular) has enabled a more coordinated approach to working in Southeast Asia, fostering improvements in the working relationships between Australian Grape & Wine, Wine Australia and Austrade, along with efforts to coordinate national and state initiatives. These efforts are aligned completely with the SEA Strategy Recommendation 3 "Australian Government to work with states and territories, and business to ensure a coordinated approach to promoting Australia, leveraging and building upon the Nation Brand." With the ATMAC program's funding now exhausted, we are concerned that the momentum we have made over recent years will be curtailed or lost.

In market brand ambassadors and greater investment in understanding consumer insights and preferences in key export markets have been shown to be core areas for driving Australian wine brand awareness. In addition to these activities, further investment is required for in-bound trade delegations, as another significant aspect of supporting marketing and promotion of the Australian wine brand.

Australian Grape & Wine recommends the federal government supports greater investment in national marketing and promotion of Australian wine, coupled with working with the industry to better align investment priorities of state and federal funding.

Opportunities to build and strengthen partnerships and capabilities.

Opportunities to build and strengthen partnerships in Southeast Asia to build capability in the region, including in the area of animal and plant biosecurity, adapting to a changing climate, improving agriculture sustainability and agriculture technology and innovation.

Regulatory cooperation, technical and scientific exchange

A core opportunity to strengthen partnerships and capabilities is regulatory cooperation, and technical and scientific exchange. Australia has world leading scientific, technical and regulatory systems for wine which are highly regarded internationally, and we have used opportunities to showcase and collaborate in these areas to great effect in recent years.

For example, in China we engaged in regulatory cooperation, and technical and scientific exchange in oenology and viticulture, helping to improve regulatory settings, build capacity within China and spur growth opportunities in the market. This included ongoing technical and scientific exchange and a formalised government to government regulatory cooperation agreements beyond the existing trade agreement. These efforts supported a greater understanding of wine through the industry and regulators as well as growth of the domestic sector and in turn a greater appreciation of wine by consumers in the market.

The Australian wine sector is now implementing similar efforts in India coupled with government trade negotiations as part of our long-term India strategy. Similar efforts could be implemented with SEA markets to enhance partnerships and capabilities in wine in order to grow the local wine market.

Furthermore, leveraging existing regional economic and diplomatic architecture can drive benefits. Australian Grape & Wine (and its predecessor organisation, the Winemakers' Federation of Australia) were instrumental in developing the APEC Wine Regulators Forum, which provided a forum for information sharing and led directly to the development of a model export certificate, which has been used by a number of APEC economies.

Australian Grape & Wine would welcome the opportunity to further explore opportunities with the government for enhanced regulatory cooperation, technical and scientific exchange on wine in SEA markets.

People to people links

The technical and scientific exchange opportunities extend further to greater people to people links in terms of education, workforce and tourism. There are a number of opportunities in the education sector for wine which can be capitalised on through improved movement of people between Australia and SEA economies.

Building such linkage has been the cornerstone of our work outlined in the section above and there is a lot to be gained to the mutual benefit of both Australia and the SEA economies. This includes opportunities for wine educational exchange programs and improved student access and exposure to Australian wine which links to

opportunities in wine appreciation, tourism and promotion of the wine sector. SEA diaspora communities in Australia also provide opportunities to expand cultural ties which supports trade and economic relations.

Furthermore, there are workforce shortages which can be further supported through liberalisation of people movement between Australia and SEA nations. SEA migrant workers play an important role in the wine sector during peak periods. There are currently a number of skilled and unskilled workforce shortages that impact business and could be supported through greater movement of people from SEA. The sector's priorities align with the SEA Strategy Recommendation 12 "Australian Government to implement the Migration Strategy and associated reforms to improve the visa system to facilitate mobility."

Australian Grape & Wine supports a number of initiatives which improve people to people links as a means of strengthening partnerships and growing awareness of Australian wine in SEA markets.

Emerging opportunities and challenges in the region

Identifying new and emerging opportunities and challenges in the region for the Australian agriculture industry, including enhanced market intelligence for exporters to support them to navigate markets and realise opportunities.

Opportunities

For Australian wine there are a number of emerging opportunities for innovations in wine which could support growth in the SEA markets. As noted elsewhere consumer insights and market intelligence and interpretation of data is a key aspect of understanding the value of such opportunities in order for industry to capitalise on them.

Some examples of specific opportunities for wine include:

- No Alcohol or "mid-strength" wine – A category of wine which is in its infancy globally but has potential and is a growing trend in a number of markets. It is often perceived as a lighter or healthier alternative to full-strength alcoholic beverages and may be able to capitalise on health and wellbeing trends if they are present in SEA markets.
- Innovative or novel packaging – An area where Australia has excelled in the past with innovations that can address consumer storage, quality, safety or environmental aspects. An example identified through our Japanese consumer research with ATMAC was that due to higher density living in Japan, consumers prefer smaller format packaging such as cans compared to 750ml wine bottles due to storage capacity. Similar insights could be realised with SEA markets.
- Sustainability – Consumers globally are becoming more aware of the sustainability credentials of products they purchase. Australian wine has invested significantly over the past 20 years in applying sustainability principles across the sector. However, we have not been as effective at relaying this as part of the Australian wine story, unlike countries such as New Zealand, which is well known for this and are capitalising on this opportunity in a number of export markets. There remains a major opportunity to promote our sustainability credentials in these emerging SEA wine markets.

In addition to the emerging opportunities notes above the primary opportunity in the SEA region which will support Australian wine producers to capitalise on the market opportunity is regulatory cooperation and harmonisation. A number of Australia's free trade agreements (FTAs) with SEA countries, whether direct or regional, address the wine import tariff concerns, which most either sitting at zero or reducing over time. This means that for the most part the largest barrier to entry which could be addressed are the costs associated with non-tariff measures.

Wine is a complex product to produce but due to its acidity and alcohol content, is also a low-risk product, from a food safety perspective. In countries that do not traditionally have domestic wine industries, such as all the SEA markets there is often a propensity to apply broader food regulation to wine which is not always fit for purpose and can create trade barriers. This can relate to a wide range of issues including testing, certification, allowable additives, labelling as well as restrictions of sale or consumption and more.

Australian Grape & Wine is therefore strongly advocating for the Australian Government to support greater regulatory cooperation and harmonisation of SEA wine standards with Australia's. This industry priority aligns well with the SEA strategy recommendation 11 - to "Expand collaboration on trade rules and standards harmonisation with Southeast Asian partners" It provides the greatest opportunity to support wine businesses to realise the potential of these markets.

Challenges

Taxation

In general, taxation on imported wine in these markets is high and often disproportionately applied to imports, or to wine, compared to other alcoholic beverage categories. This often seems to reflect the interests of domestic industry in certain markets. These taxes come in a number of forms such as value added taxes or consumption taxes and can often be compounded, inflating the overall price of wine to be less affordable to domestic consumers. Under current global economic conditions, this in turn can support illicit alcohol trade which can be produced and sold at a much lower price in the market as it avoids taxation (and regulation) altogether. Shifting consumers towards unregulated alcohol creates a major health and safety risk and has been shown to be a problem in a number of the SEA markets in the past.

Some markets such as Thailand have recently liberalised their taxation of alcohol to support efforts to drive tourism however others such as Vietnam are considering increasing alcohol taxation under current proposed special consumption tax changes.

Technical barriers to trade

Beyond taxation, technical and regulatory barriers to trade remain some of the biggest challenges in the market. These increase cost, reducing the viability of the market and limit the ability of Australian wine producers to capitalise and grow of these markets. Some examples of recent key technical and regulatory barriers in SEA markets include:

- Health warnings – Thailand recently proposed Graphic Health Warnings including a number of impractical requirements around placement and cycling of label warning messages every 1000 containers. These measures alone, if implemented, would have substantially reduced the viability of the market.
- Nutrition and Ingredient labelling – An area that alcohol (including wine) has typically been exempt from, but now appears to be creeping into regulatory considerations globally, is nutrition and ingredient labelling. A complex issue but one which will need significant effort to ensure harmonisation to reduce trade barriers. Malaysia has recently been considering ingredient labelling change that may apply to wine.
- Geographical Indications (GIs) used as trade advantage – A number of SEA countries undergoing free trade negotiations with the European Union are implementing, or have already implemented, GI provisions. For many, GIs are a foreign concept which doesn't appear to impact the local market and therefore can be agreed to with minimal conflict friction in the local political context. They do, however, become a major trade barrier for other wine products. The grape variety, Prosecco, is an example of where a spurious GI claim has caused issues in Singapore, Malaysia and Vietnam.
- Testing & certification – Overly onerous Certificate of Analysis and testing requirements are something that

can be applied in SEA countries where there can be a lack of knowledge about the safety aspects of wine. This testing is costly for wine businesses and reduces the viability of markets as a whole.

Mechanisms for government and industry to leverage identified opportunities

Mechanisms for government and industry to leverage identified opportunities for Australian agriculture, and to address key priorities in the Southeast Asia region.

The following are a series of mechanisms that government and industry can utilise to address key SEA market priorities for wine.

Government investment in overseas networks

Australia's networks of diplomats, agricultural counsellors and Austrade staff are invaluable to the wine sector's engagement in SEA markets. They provide a local touchpoint for industry that allows for greater market understanding, insights and trade support. These are vitally important mechanisms for agriculture trade in SEA markets and it is important that they are adequately resourced to support industry in the removal of barriers and realisation of the identified opportunities.

Meaningful Free Trade Agreements

Australia has a comprehensive suite of established FTAs with SEA nations. As noted above, many of these have reduced wine tariffs, or are in the process of doing so. Few, however, address non-tariff measures. We would support further consideration of amendments to existing FTAs or new FTAs that address technical barriers to trade via sector specific annexes, regulatory cooperation agreement and mutual acceptance. Above all, any updated FTA arrangements need to adopt meaningful outcomes for wine. Further reductions in tariffs, as well as non-tariff outcomes for wine, should be sought as a priority in all future SEA FTA discussions. We are supportive of the SEA strategy recommendation 10 to review scope of existing FTAs with SEA partners in order to incorporate further meaningful arrangements.

Regulatory Cooperation agreements

A mechanism that has been used by the wine sector in collaboration with our government regulators is holding regulatory forums. The APEC Wine Regulators Forum (WRF) was the main mechanism which had a proven track record of achieving regulatory outcomes for that benefit the wine sector, including SEA markets. Funding support for APEC WRF has not been provided for some time so industry has taken it upon themselves to seek other sources of government support to continue to deliver such forums. By the completion of our AMTAC project Australian Grape & Wine will have completed two wine regulatory forums (one in India and one in Adelaide with a broad range of regulatory and industry participants). We are intending to invite a number of SEA regulators to attend this forum in Adelaide. There are a number of international mechanisms where the wine regulatory forum could be delivered such as APEC, World Wine Trade Group (WWTG), International Organisation of Vine and Wine (OIV) or others. With Government support, these could provide significant benefit to the Australian wine sector.

Multilateral forums and collaboration

Australian Grape & Wine is a strong advocate for rules-based trading system and is actively involved in a range of multilateral forums wine specific issues and other trade forums. We are highly supportive of the SEA strategy recommendation 11 to “Expand collaboration on trade rules and standards harmonisation with Southeast Asian partners.” Collaboration in multilateral forums is a key mechanism which can be utilised to support the wine sector realise opportunities in SEA. We support greater collaboration and cooperation in WTO and Codex between Australia and SEA countries. Furthermore, we would support Australia encouraging participation by SEA governments in wine-related multilateral forums, such as WWTG and the OIV.

Simplified or reduced customs clearance

Agreements on simplified or lighter touch customs arrangements are another mechanism which could be applied through greater cooperation and partnership arrangements with SEA countries. This could include “trusted trader” type arrangements or other efforts to resolve long standing issues such simplified arrangements for samples that could have significant benefit.

Strategic funding partnerships to deliver industry strategies and priorities

A core mechanism for support that government and industry bodies can provide is funding to deliver key industry strategic priorities. Programs like EMDG and ATMAG have shown to be effective in this regard in the past and helped leverage our sector’s own investments in market by boosting our capabilities to implement specific actions in targeted markets. Funding needs to be delivered whether it is direct to producers or to overarching bodies and deployed in consultation with industry.

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