



# Pre-Budget Submission 2025-26

31 January 2025



FOR INDUSTRY, BY INDUSTRY

## Who we are

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. We represent the interests of the more than 2,000 winemakers and 6,000 winegrape growers working across Australia's 65 wine regions. These businesses employ more than 165,000 people, making a significant contribution to rural and regional Australia, driving economic growth, local manufacturing, regional exports and food and wine tourism.

Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian grape and wine businesses. To do this, our activities focus upon the objective of providing leadership, strategy, advocacy, and practical support. We represent small, medium and large winemakers and winegrape growers, with policy decisions taken by the Australian Grape & Wine Board requiring 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*.



## Message from the Chair

Australia's grape growers and winemakers are renowned both domestically and internationally for the exceptional quality of their products and the memorable experiences they offer visitors to our wine regions. Collectively, businesses across our sector generate \$45.5 billion annually for the Australian economy and support 165,000 jobs along the value chain<sup>1</sup>. Spanning 65 distinct wine regions, our sector is a cornerstone of regional economic activity. Each bottle of wine purchased—whether in a retail store, restaurant, or directly at a cellar door—creates ripple effects that extend far beyond the winery, benefiting other local businesses, supporting jobs, and fostering community growth and investment.

The Australian grape and wine sector is currently experiencing an unprecedented oversupply crisis, with approximately 330 million litres of red wine in surplus<sup>2</sup>. This situation is compounded by structural imbalances, exacerbated by the abrupt loss of the Chinese export market in 2021. Although import duties on Australian wine to China have been lifted, economic strain on growers and winemakers continues, posing severe risks to regional communities.

The crisis is further intensified by extreme weather events which have disrupted vineyard productivity and long-term planning. Reduced and increasingly uncertain access to water is placing additional pressure on growers, while shifting consumer preferences—both domestically and internationally—are reshaping demand for Australian wine, making recovery even more challenging.

Despite previous calls for support, the challenges facing the grape and wine sector have only intensified. The urgency for investment has never been greater, as growers and winemakers continue to grapple with economic pressures and an oversupplied market.

Since our initial call for support, the financial distress affecting grape growers and winemakers has only deepened. The sector has faced another challenging year marked by continued low grape prices, an ongoing lack of market access in critical regions, and a slow recovery of demand both domestically and internationally. The effects of this crisis extend beyond individual businesses to entire communities that rely on the success of the grape and wine sector for economic activity, employment, and regional sustainability.

The Final Report of the Viticulture and Wine Sector Working Group<sup>3</sup> highlighted the scale of the crisis, noting:

- The severe financial stress on grape growers and winemakers, with many unable to sell their produce at sustainable prices;
- A significant devaluation of land and winery assets, particularly in the Riverland (SA), Murray Valley/Swan Hill (VIC/NSW), and Riverina (NSW) regions; and
- Without targeted intervention, the industry faces prolonged structural challenges, including sustained downward pressure on grape prices and continued financial strain on growers.

This Pre-Budget Submission (PBS) proposes a structured industry-government partnership to implement practical,

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<sup>1</sup> AgEconPlus & Gillespie Economics. (2019). *Economic contribution of the Australian wine sector 2019*, p.30. Wine Australia. Retrieved from <https://www.wineaustralia.com/getmedia/34d4f68c-c8e9-4625-a078-bdaf197c09ef/AgEconPlus-Gillespie-Economic-Contribution-Wine-Report-2019.pdf>

<sup>2</sup> While the national wine inventory has decreased due to lower production and some stock diversion, the oversupply remains unprecedented. The sharp production increase in 2020–21 and 2021–22 created a substantial surplus, which still exceeds sustainable levels despite recent reductions.

<sup>3</sup> Department of Agriculture, Fisheries and Forestry. (2024). *Viticulture and Wine Sector Working Group: Final Report – July 2024*. Commonwealth of Australia. Retrieved from <https://www.agriculture.gov.au/sites/default/files/documents/viticulture-wine-sector-working-group-report.pdf>

strategic interventions that align with government priorities, and recommendations from the Viticulture and Wine Sector Working Group Report.

Our proposal is presented in three parts. Firstly, we ask for \$78 million over three years to stimulate export activity and rebalance inventories, particularly for red wine. Australia is a proud and successful trading nation, and with sixty per cent of Australia's wine production being exported, the grape and wine sector has played a significant part in this success. However, in recent years our export success has been challenged, primarily by China's import duties on Australian wines which saw a \$1.2 billion market - our largest by a significant degree - effectively disappear overnight. This has had a profound impact on the supply-demand dynamics of the sector and stretched many grape and wine businesses beyond breaking point. This investment would target established exporters with a proven track record in high-volume export markets, enabling them to scale up activities and diversify into new markets. Additionally, the funding would support new market entrants on the cusp of exporting, supporting them through tailored export readiness programs to build capacity and connect with international markets.

Secondly, we ask for \$30 million to implement a sustainability support package for vineyard owners. This package would enable growers who wish to exit the industry or change their business models to drive greater efficiencies and better environmental outcomes in a sustainable and dignified way. The proposal recognises industry's concern that a lack of support for a transition out of the current supply and demand scenario could have serious long-term ramifications for not only our sector, but our communities, our environment, and the mental well-being of our people.

Thirdly, we see a meaningful opportunity for Australians to rally behind their local grape growers and winemakers. We are proposing a \$20 million investment to launch a domestic marketing initiative to boost food and wine tourism across Australia's stunning and diverse wine regions, in addition to retaining the Wine Tourism and Cellar Door Grant with the addition of annual indexation. This effort aims to recapture domestic market share and inspire more Australians to explore what our growers and winemakers have to offer—whether at cellar doors or in regional towns and cities across the country.

The challenges facing our industry, including trade disruptions resulting in oversupply, challenging weather conditions, changing consumer preferences and slowing demand, are well understood. However, this PBS goes beyond identifying problems—it outlines actionable solutions. These initiatives aim to stabilise the market, support industry resilience, and create a foundation for long-term growth and sustainability. They align with the Government's priorities and reflect feedback from grape growers and winemakers during the extensive consultation process that shaped the One Grape & Wine Sector Plan and the report of the Viticulture and Wine Sector Working Group.

Australia's grape and wine sector stands at a crossroads. Without urgent and targeted intervention, the consequences will be severe: widespread business closures, job losses, economic distress in regional communities, and a prolonged industry downturn that could take decades to correct.

We firmly believe that, with the partnership and support of the Australian Government, the grape and wine sector can secure a sustainable future—one that strengthens the economic and social fabric of regional communities across Australia's wine regions.

**John Hart OAM**

Chair

31 January 2025

## Summary of recommendations

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|--------------------------|---|
| <b>Recommendation 1:</b> | <b>Invest \$78 million over three years in an export market stimulus to increase global market presence and reduce oversupply.</b>                                |
| <b>Recommendation 2:</b> | <b>Invest \$30 million in a sustainability support package to prevent vineyard abandonment, biosecurity threats, and long-term land devaluation.</b>              |
| <b>Recommendation 3:</b> | <b>Invest \$20 million in a domestic marketing campaign to drive food and wine tourism in Australia, increase domestic sales, and support regional economies.</b> |

## Recommendation 1: Invest \$78 Million Over the Forward Estimates in an Export Market Stimulus

### Issue

The Australian grape and wine sector is facing an unprecedented oversupply crisis, with approximately 330 million litres of red wine currently in surplus. While structural issues have contributed to this imbalance, the abrupt loss of the Chinese export market in 2021 caused a significant economic shock that compounded these challenges.

While we are pleased that China has recently lifted import duties on Australian wine, we are of the view that despite this, the economic strain on grape growers and winemakers continues to escalate, with dire consequences for regional communities. In the absence of targeted and significant intervention, we expect to see:

- Significant devaluations of land, winery assets and stocks Prolonged downturns expected to last more than a decade;
- Business closures and significant job losses in rural and regional Australia; and
- Risk of an overcorrection in vine removals, leading to long-term instability in production levels.

This crisis has had ripple effects across rural economies, heightening socio-economic pressures, including mental health challenges, within affected communities.

The scale of the current crisis exceeds the capacity of industry alone to resolve. Existing mechanisms, such as the Export Market Development Grants (EMDG) and Wine Australia's levy-funded marketing efforts, are insufficient to address the immediate and structural challenges facing the sector.

### Recommendations

1. \$75 million over three years to drive export growth and rebalance wine inventories, with a focus on red wine. This funding will support established exporters—businesses with a proven track record in high-volume export markets—by enabling them to expand operations and diversify into new markets.
2. \$3 million over three years to support emerging exporters—businesses on the cusp of entering international markets. This investment will fund tailored export readiness programs, equipping them with the skills, resources, and connections needed to successfully launch and scale their export activities.

Key elements of the program include:

- Direct funding for eligible businesses, governed by strict guidelines, independent audits, and outcomes-based reporting;
- A focus on driving measurable growth in export volumes and value;
- Collaboration with Wine Australia to leverage the new Australian Wine Brand and amplify its impact in global markets; and
- Alignment with Austrade's facilitation efforts to ensure commercial outcomes from government-supported market engagement initiatives.

## Expected outcomes

- Expected to deplete red-wine stocks to a more balanced level, by increasing Australian wine exports;
- Strengthen demand for winegrapes and stabilise farmgate prices, protecting over 20,000 regional jobs;
- Will prevent further vineyard closures and forced removal, ensuring long-term industry sustainability; and
- Aligns with Austrade's Global Engagement Strategy and the Government's trade diversification agenda.

## Alignment with Government priorities

The Albanese Government has prioritised fostering a resilient and diversified economy, particularly in Australia's trade and export landscape, by reducing over-reliance on single markets and enhancing global trade resilience. This proposal directly supports these objectives by enabling established exporters to reclaim lost market share, assisting new exporters in breaking into international markets, and strengthening Australia's trade footprint across Asia, North America, Europe, and emerging markets. It complements government-led trade facilitation efforts, such as Austrade's Global Engagement Strategy and Free Trade Agreement outreach, by ensuring businesses have the financial capability to capitalise on new market access opportunities.

The wine sector is a cornerstone of many rural and regional economies, particularly in South Australia, Victoria, and New South Wales. The prolonged downturn has resulted in rising unemployment, financial distress among grape growers and winemakers, and depressed local economies, with flow-on effects for tourism, hospitality, and supporting industries. This proposal supports the government's regional economic development agenda by stimulating business growth, securing jobs, and maintaining economic activity in wine-producing areas. By boosting demand for wine and securing viable export markets, this initiative will prevent further industry contraction and protect the economic well-being of wine-growing communities. It also aligns with recommendation five of the Viticulture and Wine Sector Working Group<sup>4</sup>, which calls for increased demand for Australian wine at home and abroad through expanded market access.

Agribusiness is a critical pillar of Australia's economy, and government policies focus on enhancing the sustainability and competitiveness of primary industries. This initiative directly supports those goals by addressing structural oversupply issues, preventing an over-correction of vineyard removals that could destabilise production for decades, and ensuring supply chain stability through targeted export stimulation. In line with the National Agricultural Innovation Agenda, it will enable businesses to adopt innovative marketing strategies, improve export logistics, and develop premium branding to strengthen Australia's reputation as a global producer of high-quality wines.

As competition in the global wine industry intensifies, Australian wine must remain competitive in price, quality, and brand visibility. This proposal reinforces the government's commitment to export-driven economic growth by leveraging Wine Australia's new Australian Wine Brand to amplify Australia's presence in international markets, aligning with Austrade's market development initiatives to provide practical export support, and enhancing Australia's standing as a trusted trade partner through high-quality, sustainably produced wine exports. It also complements government trade negotiations, including efforts to expand market access through the

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<sup>4</sup> Department of Agriculture, Fisheries and Forestry. (2024). *Viticulture and Wine Sector Working Group: Final Report – July 2024*, p.7, Commonwealth of Australia. Retrieved from <https://www.agriculture.gov.au/sites/default/files/documents/viticulture-wine-sector-working-group-report.pdf>

Comprehensive and Progressive Agreement for Trans-Pacific Partnership and new agreements with India and the United Arab Emirates.

Public investment should drive long-term economic self-sufficiency rather than short-term relief. This proposal embodies that principle by providing businesses with a "hand-up" rather than a "hand-out," ensuring commercial sustainability rather than reliance on government aid. Strict eligibility criteria, independent audits, and outcomes-based reporting will ensure accountability and effectiveness. By aligning with the government's Productivity and Jobs Growth Strategy, this initiative will empower Australian exporters to reclaim and expand their market presence, fostering a self-sustaining, high-performing wine sector.

### **Conclusion**

An investment of \$78 million over the forward estimates will provide the foundation for an export-led recovery in the Australian wine sector. By targeting resources at diversification and supporting both experienced exporters and new market participants, this initiative will rebuild market share, open new opportunities in underdeveloped markets, strengthen the sector's global competitiveness, and deliver significant benefits to regional economies and communities. Embedded within the broader trade and economic framework, the program directly complements the Albanese Government's strategic priorities in trade, agriculture, regional development, and industry resilience. With the right investment and collaboration, this initiative will drive meaningful, long-term benefits for both industry and the broader Australian economy.



## Recommendation 2: A Sustainability Support Package for Vineyard Owners

### Issue

The Australian wine sector faces a critical juncture as growers grapple with unprecedented challenges. The combination of the China market closure, extreme weather events, declining revenues, and escalating environmental and biosecurity risks has left many vineyard owners in a precarious position.

The total income of inland growers fell from approximately \$443, 966 in 2021 to \$227, 349 in 2024 due to a combination of heavily suppressed prices for grapes and lower production<sup>5</sup>. Red-variety growers have been hit hardest, exacerbating financial and emotional stress in these communities.

Without intervention, this downturn risks:

- Widespread vineyard abandonment, leading to biosecurity threats and environmental harm;
- Economic devastation in regional communities reliant on wine exports; and
- Mental health crises among growers and their families, as evidenced by recent profitability and well-being studies.

To address these challenges, Australian Grape & Wine proposes a competitive grants package to empower vineyard owners to transition toward sustainable profitability while addressing critical environmental and biosecurity risks.

### Recommendations

#### 1. Competitive Grants for Asset Redevelopment

A \$30 million allocation over the forward estimates would:

- Support investments in projects demonstrating improved economic and environmental efficiency, such as:
  - Protected cropping systems;
  - Environmental plantings for biodiversity and carbon sequestration; and
  - Infrastructure upgrades to improve irrigation efficiency;
- Require that no vineyard area remains unmanaged, and waste from asset removal (e.g., CCA posts and dripline) is properly disposed of to mitigate biosecurity and environmental risks; and
- Enable growers with unprofitable models to transition to alternative crops or businesses while protecting regional visual amenity and tourism appeal.

#### 2. Quarantined Funding for Environmental and Water Efficiency

Funds would align with Australian Government priorities in water and environmental sustainability, supporting investments that:

- Optimise water use efficiency;
- Enhance biodiversity outcomes; and

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<sup>5</sup> Based on Wine Australia [National Vintage Reports](#) for 2021 and 2024.

- Improve soil health through sustainable practices.

### 3. Innovative Waste Management Solutions

- Develop and implement industry-wide systems for the safe disposal and repurposing of harmful waste streams (e.g., CCA timber posts); and
- Leverage existing research by Wine Australia and the South Australian Government to scale practical solutions for vineyard waste management.

### 4. Mental Health and Economic Support

- Incorporate resources for mental health initiatives tailored to the needs of growers and their families, informed by insights from the Charles Sturt University profitability report; and
- Partner with programs like the Farm Household Allowance to provide additional financial and emotional support.

#### **Expected outcomes**

- Will prevent productive vineyard land from abandonment, reducing environmental and biosecurity risk;
- Supports growers transitioning to alternative crops or sustainable practices, strengthening long-term agricultural resilience; and
- Aligns with the National Agricultural Innovation Agenda and climate resilience programs.

#### **Alignment with Government priorities**

The Albanese Government has committed to sustainable agricultural practices through initiatives such as the National Soil Strategy and the Future Drought Fund, which enhance soil health, water efficiency, and climate resilience.

This proposal supports these priorities by funding vineyard redevelopment projects incorporating water-efficient irrigation, biodiversity enhancement, and carbon sequestration initiatives. Alignment with the Murray-Darling Basin Plan is particularly strong, as vineyards in key inland regions face ongoing water scarcity. Investments in precision irrigation, alternative cropping systems, and soil health improvements will promote sustainable water use.

The Government's Agriculture 2030 Plan emphasises farm resilience, business transition, and diversification to safeguard rural economies. This proposal enables vineyard owners to transition to more viable agricultural models or redevelop assets to enhance profitability. The Regional Investment Framework further highlights the importance of initiatives that drive regional growth, with proposed grants supporting local jobs, infrastructure, and business opportunities.

The National Climate Resilience and Adaptation Strategy underscores the need for agriculture to adapt to climate variability while reducing environmental impact. This proposal supports low-emission farming and carbon sequestration through environmental plantings and improved vineyard waste management. It also helps Australia meet international commitments under the Paris Agreement and UN Sustainable Development Goals (SDGs).

The National Biosecurity Strategy prioritises proactive measures to manage plant health risks. This proposal ensures no vineyard area remains unmanaged, reducing disease and biosecurity threats. The focus on innovative

waste management, including repurposing CCA-treated timber posts, aligns with the National Waste Policy Action Plan's circular economy principles.

Additionally, this proposal aligns with the Rural and Regional Mental Health Agenda, supporting vineyard owners through economic and mental health initiatives in line with the National Mental Health and Suicide Prevention Strategy. It directly supports recommendations one and two of the Viticulture and Wine Sector Working Group<sup>6</sup>, addressing financial and mental health challenges while facilitating grower transition to alternative crops or business models to prevent land abandonment.

## Conclusion

This \$30 million Sustainability Support Package is a targeted, high-impact investment that aligns with the Government's agricultural innovation, environmental sustainability, climate resilience, regional economic diversification, and mental health objectives. By supporting vineyard owners through a structured transition, the proposal ensures that government funding delivers measurable economic, environmental, and social benefits, contributing to a sustainable and competitive Australian wine industry.

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<sup>6</sup> Department of Agriculture, Fisheries and Forestry. (2024). *Viticulture and Wine Sector Working Group: Final Report – July 2024*, p.6, Commonwealth of Australia. Retrieved from <https://www.agriculture.gov.au/sites/default/files/documents/viticulture-wine-sector-working-group-report.pdf>

### **Recommendation 3: Invest \$20 million in a domestic marketing campaign to drive food and wine tourism in Australia, in addition to the retention of the Wine Tourism and Cellar Door Grant with indexed annual funding.**

#### **Issue**

Australia's 65 wine regions hold immense untapped potential, particularly in inland and under-visited areas. While some regions are thriving, many are still recovering from prolonged disruptions, including COVID-19, natural disasters, adverse weather events (such as this year's frost damage), and an ongoing red wine oversupply crisis.

Key data points highlight the opportunity and urgency for investment:

- **Tourism Impact:** Before the pandemic, winery tourism contributed \$9.6 billion annually, with 8.4 million visits. Visitors to wineries spent an average of \$1,136 per person—nearly three times the average across all tourists. This spending extends far beyond the cellar door, benefiting a wide range of local businesses, including restaurants, cafés, accommodation providers, tour operators, transport services, and retail outlets;
- **Direct-to-Consumer (DTC) Sales:** In 2022–23, DTC channels generated \$1.2 billion in wine sales, demonstrating their increasing importance to the sector; and
- **Current Challenges:** Red wine oversupply, rising inflation, and evolving consumer preferences emphasise the need for targeted marketing and capability-building initiatives to stimulate demand and sustain regional economies.

#### **Recommendations**

The Australian Government should collaborate on the design and funding of a comprehensive national food and wine tourism strategy to unlock growth opportunities. This strategy would build upon the initial \$500,000 investment provided to Wine Australia in 2024—a welcome contribution, but one that falls short of adequately addressing the challenges outlined in this submission. The strategy should include:

1. A \$20 million national marketing campaign to promote Australian wine regions and enhance the global and domestic perception of Australian wine. Key objectives:
  - Showcase the people, places, and stories behind Australian wine, emphasising regional diversity;
  - Drive increased visitation—particularly to inland and emerging regions—encouraging longer stays and higher visitor spending; and
  - Strengthen Australia's reputation as a premier wine tourism destination.
2. Retention and annual indexation of the \$10 million Wine Tourism and Cellar Door Grant (WTCDG) to ensure ongoing support for wineries, adjusting for inflation to maintain its real value.
3. Capacity-building initiatives for wine regions, including:
  - A national consumer research program to identify key drivers of winery visitation and visitor preferences;
  - Grants for wineries to invest in digital solutions for enhanced customer experiences and data-driven growth; and
  - Industry workshops on leveraging tourism partnerships and agribusiness collaborations to boost regional economies.
4. Strategic partnerships and event-driven promotion, including:



- Hosting key global food and wine influencers in Australia to drive international exposure; and
- Showcasing Australian wine regions at global tourism trade shows and food and wine expos.

**Expected outcomes:**

- A 10% increase in wine tourism will generate \$1 billion in additional visitor spending, supporting regional hospitality, tourism and local businesses;
- Will strengthen the domestic perception of Australian wine, creating a pipeline for future export market growth; and
- Aligns with the THRIVE 2030 strategy and the Growing Regions Program to boost regional development.

By strategically investing in wine tourism, Australia can unlock new economic opportunities, strengthen regional resilience, and position Australian wine as a globally recognised and highly desirable product.

**Alignment with government priorities**

The Albanese Government has consistently prioritised regional development through initiatives like the Growing Regions Program and Regional Investment Framework, aimed at driving economic diversification and resilience.

By investing in wine tourism, this strategy directly supports regional job creation, small business growth, and infrastructure investment, particularly in inland and under-visited areas where economic recovery remains uneven.

The THRIVE 2030 Strategy, the Government's long-term plan for the visitor economy, highlights the need for sustainable, high-yield tourism opportunities. With winery visitors spending nearly three times the average tourist expenditure, strengthening food and wine tourism aligns with THRIVE 2030's goals of regional dispersal, increased overnight stays, and premium visitor experiences.

The Government's Agriculture 2030 Plan emphasises the importance of value-added agrifood exports and agritourism in driving sector growth. Investment in wine tourism complements the National Agritourism Strategy, leveraging Australia's reputation for high-quality food and wine to create stronger global branding and premium export positioning.

Supporting wine tourism strengthens the pipeline from tourism to export growth, as international visitors who experience Australian wine firsthand are more likely to seek it out in their home countries. This proposal aligns with recommendation five of the Viticulture and Wine Sector Working Group, to boost demand for Australian wine at home and overseas.

**Conclusion**

A \$20 million investment in wine tourism and indexed support for the Wine Tourism and Cellar Door Grant is not just an industry request—it is a strategic initiative that advances regional economic development, tourism resilience, agribusiness growth, and international trade priorities. With targeted support, the Government can unlock new opportunities for Australia's wine sector, ensuring long-term prosperity and sustainability for regional communities.

## Why government action is necessary

The challenges facing the Australian wine industry are not merely the result of routine market fluctuations but rather the consequence of an extraordinary and abrupt disruption. The imposition of import duties on Australian wine was not a foreseeable market event, nor was it a challenge that producers could have reasonably prepared for. Unlike typical market cycles, which allow businesses to adapt over time, this was a severe external shock that dramatically altered trade dynamics overnight.

The impact was swift and far-reaching, not only cutting off access to our key export market but also creating a cascading oversupply issue that continues to reverberate across the industry. This was not a case of shifting consumer preferences or standard competitive pressures—it was a direct and acute market disruption with consequences that have fundamentally reshaped the sector's economic outlook.

While the industry has shown remarkable resilience in navigating these challenges, the sheer scale of the impact requires coordinated strategic action to restore balance, rebuild export opportunities, and ensure the long-term viability of Australian wine businesses.

The Australian grape and wine sector stands at a critical juncture. The industry is not just facing cyclical challenges but a systemic economic crisis that threatens thousands of jobs and the prosperity of regional economies. Unlike natural market fluctuations, this crisis has been driven by external shocks, global trade disruptions, and an unsustainable oversupply of red wine that risks long-term economic damage if left unaddressed.

Without immediate and targeted intervention, Australia's wine sector will experience:

- Job losses and regional economic decline – More than 165,000 jobs in regional Australia are at risk, and communities reliant on viticulture will face severe economic downturns;
- Collapse of a major export industry – With 60% of Australian wine exported, prolonged disruption threatens Australia's global market position and long-term competitiveness;
- Economic and environmental risks – Abandoned vineyards will lead to land devaluation, biosecurity threats, and loss of productive agricultural land; and
- Loss of global market share – Once lost, international market share is extremely difficult to recover, as competitors fill the void left by Australian producers.

This submission presents a targeted, strategic investment proposal that aligns with government priorities in trade diversification, regional economic development, and sustainability.

## Cost of inaction

Failure to act now will result in long-term structural damage to the Australian economy, including:

- Regional job losses and economic stagnation – Wine-producing regions will experience long-term economic downturns, increasing unemployment and reliance on government assistance;
- Environmental and biosecurity risks – Unmanaged vineyards will become breeding grounds for pests and diseases, undermining Australia's broader agricultural sector;
- Permanent loss of global market share – Australia's competitors are aggressively expanding into key markets, and once lost, these markets are difficult to regain; and

- Significant contraction of the wine industry – A reduction in vineyard area due to forced removals;

The economic and social costs of inaction far outweigh the cost of intervention.

## Projected Economic Impact of Government Investment

### Export Market Stimulus (\$78m over three years):

- Expected to deplete red-wine stocks to a more balanced level, by increasing Australian wine exports;
- Strengthen demand for winegrapes and stabilise farmgate prices, protecting over 20,000 regional jobs;
- Will prevent further vineyard closures and forced removals, ensuring long-term industry sustainability; and
- Aligns with Austrade’s Global Engagement Strategy and the Government’s trade diversification agenda.

### Sustainability Support Package (\$30m):

- Will prevent productive vineyard land from abandonment, reducing environmental and biosecurity risks;
- Supports growers transitioning to alternative crops or sustainable practices, strengthening long-term agricultural resilience; and
- Aligns with the National Agricultural Innovation Agenda and climate resilience programs.

### Domestic Marketing Campaign (\$20m):

- A 10% increase in wine tourism will generate \$1 billion in additional visitor spending, supporting regional hospitality, tourism, and local businesses;
- Will strengthen the domestic perception of Australian wine, creating a pipeline for future export market growth; and
- Aligns with the THRIVE 2030 strategy and the Growing Regions Program to boost regional development.

## Economic and Policy Context

### Sector performance

While there are some encouraging signs, the sector continues to grapple with a challenging landscape shaped by declining production, evolving consumer preferences, and global economic pressures.

In 2024, many regions faced difficult growing conditions, contending with heavy rainfall and flooding, strong winds disrupting flowering and dry spring weather that resulted in cold nights and widespread frost damage.

Australia’s winegrape crush totalled 1.43 million tonnes—9% higher than the previous year but still 18% below the 10-year average of 1.73 million tonnes<sup>7</sup>. This marks the second consecutive year where total wine sales have outpaced production, following back-to-back below-average harvests.

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<sup>7</sup> Wine Australia. (2024). *Australian wine production, sales and inventory 2023–24, p.2*, Wine Australia. Retrieved from <https://www.wineaustralia.com/report-downloads/3f603fc1-82da-4a7a-9be8-443855978907>

While total wine production increased by 8% to 1.04 billion litres, this remains the second-lowest volume recorded since 2006–07 and is still 16% below the 10-year average<sup>8</sup>.

Lower production levels meant that sales outpaced output, leading to a 10% decline in inventory by 30 June 2024. Consequently, the stock-to-sales ratio (SSR) dropped by 10% to 1.82. While the SSR for white wine fell below its 10-year average, red wine stocks remained 15% above the historical average, despite a 23% reduction over the past two years<sup>9</sup>.

The data suggests that inventory levels are adjusting in the right direction; however, this is primarily a result of reduced production rather than an increase in sales. This means that a larger vintage would almost certainly reverse the incremental improvement in the oversupply scenario we have seen over recent months. To be clear – without intervention we are not going to improve this supply and demand balance fast enough to avert widespread damage to the sector. It is important to note that this adjustment is happening in an uncertain market environment for wine, and for global trade more broadly.

Total wine sales across both domestic and export markets reached 1.08 billion litres, reflecting a marginal decline of 1% compared to 2022–23<sup>10</sup>. Both domestic and export sales saw slight decreases, with red wine exports increasing by 4%<sup>11</sup>.

Exports to China surged from one million litres to 32 million litres (5% of total wine exports) in the 2023–24 financial year, with red table wine accounting for 96% of the volume<sup>12</sup>. This likely represents an initial restocking of Australian wine after a prolonged absence from the market, rather than a direct increase in retail sales. Feedback from industry members indicates that follow-up orders have been slow to materialise after the initial shipments.

It will take time to gain a clearer understanding of how Chinese consumers are responding to the return of Australian wine to the market.

### **Economic impact**

The wine industry remains under significant financial strain, grappling with the most challenging period in its history. While long-term structural factors have contributed to ongoing difficulties, recent economic shocks—including the imposition of import duties on Australian bottled wine to China in 2021—have exacerbated commercial pressures.

This prolonged disruption has created significant challenges for the sector, yet meaningful structural adjustments remain limited. While early signs of vineyard removals and crop diversification are emerging, the industry is largely in a phase of uncertainty, with many businesses in a holding pattern rather than actively restructuring. The pathway to rebalancing profitability requires more direct action, but this is particularly challenging given the diverse industry landscape, which is dominated by small and medium-sized enterprises. This underscores the

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<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> Ibid, p.10

<sup>12</sup> Ibid



need for targeted support to enable businesses to make the necessary adjustments and restore long-term sustainability.

Australia's wine sector continues to face rising input costs, including energy, labour, and logistics, further constraining margins. Additionally, higher interest rates and inflationary pressures have compounded financial difficulties for many producers, particularly smaller and medium-sized enterprises.

While some businesses are successfully pivoting to premiumisation strategies, focusing on higher-value products rather than volume growth, this shift is not viable for all industry participants. For many, the challenge remains finding sustainable markets for existing production levels without excessive downward pressure on prices.

### **International trends**

Globally, the wine industry is experiencing a structural shift, with declining consumption, changing consumer preferences, and growing competition from alternative beverages reshaping market dynamics.

#### **1. Trade Policy & Market Access Challenges**

Global trade uncertainties continue to pose risks for wine exporters. Key factors include:

- Geopolitical tensions: Uncertainty surrounding global trading arrangements across multiple jurisdictions;
- Tariff and regulatory barriers: Wine-exporting nations, including Australia, must navigate complex labelling, certification, and sustainability requirements in key markets such as the European Union and the United States;
- Increased taxes in the United Kingdom (UK): The UK's shift to an Alcohol by Volume (ABV)-based taxation system means that Australian wines, particularly full-bodied reds with higher ABV, will face significantly higher duties. This change, along with the end of temporary tax relief for wines between 11.5% and 14.5% ABV in February 2025, threatens the competitiveness of Australian wines in one of their most important export markets. Higher retail prices could reduce demand, impacting sales and market share; and
- Supply chain disruptions: Shipping costs and logistical bottlenecks continue to affect global trade flows, impacting delivery times and profitability.

#### **2. Declining Per Capita Wine Consumption**

Across key wine-consuming markets—including Europe, North America, and China—per capita wine consumption is falling. Several factors are driving this trend:

- Increased competition from other drink categories: Consumers are drinking less alcohol overall and are more likely to experiment with other categories such as spirits, craft beer, and non-alcoholic alternatives;
- Health-conscious choices: an overall health/moderation trend leading to a general decrease in alcohol consumption; and
- Economic pressures: Inflationary impacts and cost-of-living concerns are leading some consumers to reduce discretionary spending, affecting mid-tier wine sales in particular.

### 3. Evolving Consumer Preferences

The traditional wine market is fragmenting, with growth in low-alcohol and non-alcoholic wines, sustainable and organic wines, and direct-to-consumer (DTC) sales channels. Emerging trends include:

- Premiumisation: Consumers who continue to purchase wine are often trading up to higher-quality products;
- Convenience formats: Canned wines, single-serve bottles, and alternative packaging are gaining traction, especially among younger demographics; and
- Technology-driven purchasing: Online wine sales and digital engagement strategies are becoming increasingly important, with direct-to-consumer platforms growing in relevance.

### 4. Global Wine Oversupply & Competitive Pressures

Wine production continues to outpace demand globally, leading to downward price pressures and increased competition in export markets. Key challenges include:

- European oversupply: Countries such as France, Italy, and Spain are struggling with excess production, with some governments offering subsidies to distil surplus wine into industrial alcohol;
- Rising competition from emerging markets: Regions such as South America, South Africa, and Eastern Europe are expanding their wine exports, increasing competition for shelf space in key markets; and
- Alternative beverages: The growing popularity of ready-to-drink (RTD) beverages, craft spirits, and alcohol-free options is further eroding wine's traditional market share.

## Conclusion

Australia's grape and wine sector is facing a defining moment. Without decisive government action, we risk losing a critical pillar of regional economic stability, jeopardising thousands of jobs, and allowing global competitors to permanently displace Australian wine in key export markets.

The targeted investments outlined in this submission are not just about supporting the industry—they are about safeguarding regional communities, protecting jobs, and ensuring Australia maintains its status as a leading global wine producer.

This is a strategic investment in economic resilience, international trade strength, and regional sustainability.

We welcome the opportunity to discuss these proposals further and work in partnership with the Australian Government to secure the future of this vital sector.

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