Australian Grape & Wine
2026-27 Pre-Budget Submission

Securing the Future of Australia's Wine Regions: A Targeted Crisis Intervention and Structural Adjustment Plan

30 January 2026

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 over 5,000 winegrape growers working across Australia's 65 wine regions.

The Australian grape and wine sector is a major contributor to Australia's economy and to rural and regional communities.

The grape and wine sector:

- Supports 203,392 direct and indirect full- and part-time jobs.
- Generates $15 billion in income from direct and flow-on employment.
- Contributes $51.3 billion to Australia's gross output.
- Adds $25.4 billion in value-added to the Australian economy[1].

Wine production is a critical pillar of many regional communities, underpinning local manufacturing, exports, tourism, hospitality and supply-chain businesses.

Australian Grape & Wine works to create a political, social and regulatory environment - domestically and internationally - that enables profitable, innovative and sustainable grape and wine businesses. We provide leadership, strategy, advocacy and practical support across issues affecting growers and producers of all sizes. Our Board decision-making processes require an 80% support threshold, ensuring that industry positions reflect broad and genuine consensus.

Australian Grape & Wine is recognised as a representative organisation under the *Wine Australia Act 2013* and is incorporated under the *SA Associations Incorporation Act 1985*.

[1] AgEconPlus & Gillespie Economics, *Economic Contribution of the Australian Wine Sector 2025*, report prepared for Wine Australia, 7 August 2025, Executive Summary (unnumbered pages).

Message from the Chair

Australia's grape and wine sector is one of the nation's most regionally dispersed and economically significant value-adding industries. Our more than 2,000 winemakers and over 5,000 winegrape growers contribute $51.3 billion to the national economy and generate $15 billion in wages, supporting more than 203,000 jobs across the full value chain in 65 wine regions[2].

Within this, the wine sector is a critical driver of regional tourism and hospitality. Wine-related tourism attracts 7.5 million visits annually and supports a substantial share of employment across accommodation, food and beverage, transport and related services, with visitors spending $11.6 billion each year in Australia's wine regions[3].

But the latest independent data confirms what many regional communities are already experiencing: the industry is in deep structural distress. The latest Production, Sales & Inventory (PSI) Report from Wine Australia shows national wine inventories rising to 2.06 billion litres (up 5%) with 262 million litres[4] more wine in storage than commercially sustainable, based on long-run stock-to-sales ratios (SSR)[5].

Production again exceeded sales in 2024–25, by 52 million litres, despite reduced crushes in prior years. Red wine remains acutely oversupplied, and the SSR for white wine has jumped 19% in a single year[6]. This is an early warning indicator that imbalance is spreading beyond red wine and becoming systemic, with direct commercial and policy implications.

This imbalance is not temporary. Domestic consumption is at its lowest level in more than a decade, and international demand continues to deteriorate, with International Organisation of Vine and Wine (OIV) confirming that global wine consumption has fallen to its lowest level since 1961[7]. This is a structural, global downturn, not a short-term fluctuation.

The global wine market is forecast to shrink by 8% over the next five years, a structural decline equivalent to 1.5 billion litres of lost consumption – four times Australia's annual production[8]. This structural problem was amplified dramatically during the period Australian exporters faced import duties from China, our largest export market, with exports to China dropping from $1.2 billion to less than $10 million per annum during this period. The suddenness and severity of this trade disruption distorted the market for wine and winegrapes in Australia, constraining business capital and the ability to respond to market signals over time. Despite this, throughout this period, we have consistently sought targeted support, while recognising our responsibility to equip businesses with the information needed to make their own decisions.

The human consequences of this crisis are now unfolding in real time. Confidential national data indicates that the number of winegrape growing businesses accessing Rural Financial Counselling Services has risen sharply in recent years. Although the current year is not yet complete, access levels to date are on track to be around three

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[2] AgEconPlus & Gillespie Economics (2025), *Economic Contribution of the Australian Wine Sector*, p.iv.
[3] Ibid, p.34-36.
[4] 100 million litres is equivalent to approximately 143,000 tonnes.
[5] Wine Australia (2025), *Australian Wine Production, Sales and Inventory 2024–25*, Market Insights report, November 2025, p.14-15.
[6] Ibid, p.13-15.
[7] Ibid, p.16.
[8] Ibid, p.17.

times higher than 2021[9]. This sustained increase signals deepening financial distress and highlights that existing pressures on growers are neither short-term nor isolated.

For example, Rural Business Support (RBS) has seen an unprecedented surge in demand for assistance, with 815 new business engagements in South Australia alone this financial year, and 304 (48%) of all active clients seeking support for the first time within the past six months.

Since July 2022, RBS has supported 227 grape-growing businesses in the Riverland alone - representing one in four growers - and 337 Riverland businesses overall across agriculture and small business sectors. This scenario is playing out in regions across Australia[10].

Behind these numbers are people - growers, winemakers, families - facing stress, debt pressure, and uncertainty not seen in decades. RBS counsellors' report escalating mental health concerns, severe financial hardship, and widespread anxiety about the future. The impact on individuals, families, and communities is profound.

In moments like this, partnership matters.

This submission outlines a set of targeted, practical measures that can restore balance, reduce structural oversupply, support orderly transition, safeguard mental health, and protect the regional economies that depend on the wine sector.

It also outlines potential approaches to boost our sector's resilience to future shocks, by improving data for business decision-making, and finding ways to boost productivity and efficiency for those working to find a way through the current challenges. The need for partnership is urgent. And the time is now.

Helen Strachan
Chair, Australian Grape & Wine

[9] Unpublished departmental data.
[10] Unpublished RBS data.

Summary of Recommendations

Pillar 1 – Rationalising Supply and Restoring Viability			
Rec #	**Measure**	**Investment**	**Purpose**
1	**Wine Business Viability & Transition Program**	$60 million over 3 years	Support orderly supply adjustment, reduce structural oversupply, and assist growers and winemakers to transition with dignity.
1A	**Independent Business Viability & Productivity Scoping**	$3 million over 3 years	Provide independent profitability, viability and productivity assessments to guide transition decisions and improve enterprise-level resilience.
1B	**Wine Industry Concessional Transition Loan Program**	Concessional loan facility (not counted as direct budget outlay)	Enable growers and winemakers wishing to exit or transition to do so without distress, preventing abandoned assets and regional land market dysfunction.
1C	**Temporary Water Leasing Mechanism to Support Orderly Transition in Basin Communities**	No investment required, Provides immediate budget savings compared to a permanent recovery mechanism	Enable the Commonwealth to meet short-term environmental watering needs through temporary water leasing, while supporting orderly transition for irrigators and reducing long-term economic impacts on Basin communities.
1D	**Targeted Investigation and Design of a Mechanism to Remove Unsaleable Ageing Red Wine from the Supply Chain**	$250,000 over 3 years	Enable winemakers and growers to permanently remove ageing, trade-distorted red wine inventories to protect reputation, restore market function and accelerate rebalancing.
2	**Mental Health & Rural Wellbeing Support Package**	$15 million over 3 years	Expand financial counselling, mental health capacity and crisis response in severely affected wine regions.
Pillar 2 – Growing Demand and Rebuilding Markets			
Rec #	**Measure**	**Investment**	**Purpose**
3	**Export Market Engagement Fund**	$40 million over 3 years	Stimulate export-led recovery, reduce commercial red inventories and rebuild competitiveness.
4	**Domestic Wine & Regional Tourism Stimulus**	$20 million over 3 years	Increase domestic demand and regional visitation, supporting SME wineries and strengthening the tourism economy.
5	**Mandatory Code of Conduct Implementation & Industry Education Program**	$1 million over 3 years	Support mandatory code rollout, educate growers and winemakers, reduce disputes and strengthen transparency.

TOTAL INVESTMENT - $139.25m over the forward estimates.

Case for Government Action

Australia's wine sector is experiencing a structural market failure that cannot be resolved through ordinary commercial adjustment without causing severe and lasting harm to regional communities, the national economy, and the wellbeing of thousands of Australians.

The PSI Report shows a persistent imbalance between production and demand, with 2.06 billion litres of wine in storage and 262 million litres of excess stock above sustainable levels. Global consumption is declining, domestic sales have fallen to their lowest levels in more than a decade, and the outlook for commercial wine - where oversupply is most acute - is deteriorating.

Left unmanaged, the correction will be disorderly, prolonged, and damaging to our economy, mental health and the livelihoods of those who live and work in our regional communities.

Government intervention is both justified and consistent with past precedent.

These recommendations directly support and complement the One Grape & Wine Sector Plan, which outlines a unified national strategy across market development, sustainability, workforce capability, productivity improvement and long-term sector resilience.

1. This is a structural crisis – not a temporary fluctuation, and it was not of the industry's making

The depth of the imbalance confronting the Australian wine sector is not the result of normal market cycles or commercial misjudgement. Prior to 2020, the sector was managing longer-term structural pressures, including gradual shifts in global consumption and varietal demand. Under normal market conditions, these pressures could have been addressed through orderly commercial adjustment over time. The scale and persistence of the current imbalance is the direct consequence of a major external trade shock.

In 2020, the imposition of tariffs of up to 218% on Australian bottled wine entering China abruptly removed what had been our largest and most valuable export market – representing more than $1.2 billion in annual sales. This was:

- unprecedented in scale.
- impossible to predict, and
- impossible for industry to hedge against or plan for, given the speed and severity of the tariff measures.

No viable commercial scenario planning, risk management framework or business modelling could have reasonably accounted for the complete collapse of a market that, just months earlier, had absorbed more than one-third of Australia's wine exports.

The shock triggered cascading impacts that are still unfolding:

- a build-up of inventory that could not be redirected quickly.
- depressed pricing as displaced supply sought new market.
- long-term damage to cashflow and investment capacity.
- enduring oversupply in red wine.
- vineyard abandonment and associated loss of visual amenity (with associated impacts on regional tourism) across multiple wine regions and biosecurity risks.
- heightened financial and psychological distress across regional communities.

Crucially, the impacts were external, geopolitically driven, and outside the control of growers and winemakers.

This distinguishes the current situation from normal business cycles and reinforces the case for targeted government intervention. It aligns this situation with past circumstances in which the Commonwealth has supported industries affected by major external shocks – including manufacturing sectors affected by trade realignment, agricultural sectors affected by sudden market loss, and regional communities impacted by unforeseen structural disruption.

The industry has acted responsibly, absorbing losses, reducing production, diverting fruit, and accelerating diversification. But without government partnership, the scale of the shock cannot be fully mitigated. The cost of leaving this externally induced crisis unaddressed will be borne disproportionately by regional Australians least able to absorb it.

2. The human and financial distress is acute – and escalating

Available national indicators show a marked and sustained increase in winegrape growing businesses seeking formal financial counselling support in recent years. While the current year is not yet complete, engagement levels to date are consistent with a multiple-fold increase compared with the period prior to 2021[11]. This pattern points to widespread and intensifying financial stress among growers, rather than short-term or regionally contained pressure.

For example, RBS data shows:

- 815 new South Australian business engagements this year, across all agricultural and small business sectors.
- 304 clients (48%) seeking help for the first time in the last six months, indicating a sharp acceleration in demand.

Within this broader trend, winegrape growers represent a significant and concentrated cohort of clients:

- 227 grape-growing businesses in the Riverland – one in four growers – supported since 2022[12].

RBS Counsellors' report rapidly escalating mental health concerns, deteriorating financial resilience, and mounting distress among growers and small business owners.

Without early intervention, these impacts will ripple across:

- family stability.
- community wellbeing.
- regional service delivery.
- rural healthcare and crisis response systems.

The cost of mental health crisis intervention, hospitalisation, family breakdown, unemployment support and lost productivity far exceeds the modest investment sought by this package.

3. The economic cost of inaction is significantly greater than the cost of targeted intervention

Government partnership is essential to ensuring the transition is timely, orderly and minimises unnecessary impacts on regional jobs, community wellbeing and long-term industry capability. Without structured support, regional Australia will continue to experience:

- widespread business closures and insolvency.

[11] Unpublished departmental data.
[12] Unpublished RBS data.

- abandoned vineyards becoming biosecurity and environmental hazards.
- collapsing land values and declining local government revenue.
- deterioration of balance sheets and asset impairments.
- shrinking labour forces and loss of generational skills.
- escalating demand for crisis counselling and emergency support.
- declining export competitiveness.

Federal and state governments ultimately bear these costs through emergency funding, mental health system pressures, retraining programs, and regional assistance.

The package proposed here is small, targeted and preventative.

4. Government intervention is fully consistent with longstanding Commonwealth and international precedent

Successive Australian governments have intervened where regional industries face structural decline or externally driven shocks, and where long-lived assets cannot adjust quickly and unmanaged contraction would impose significant regional and social costs.

Australian precedents include:

- Dairy Industry Adjustment Program.
- Forestry industry transition packages.
- Automotive sector restructuring support.
- Drought, bushfire and COVID emergency assistance.

In each case, intervention was deemed by government as:

- fiscally responsible.
- economically efficient.
- regionally stabilising.
- socially necessary.

Comparable approaches are also evident internationally, including in major wine-producing economies. In recent years, France and the European Union have implemented targeted support packages for wine and agricultural producers facing structural oversupply, market disruptions and demand contraction. These measures have included vineyard removal and restructuring schemes, crisis distillation, temporary production controls, and direct support to assist orderly adjustment and protect regional economies.

These international responses underscore that government intervention of this nature is neither novel nor out of step with global practice. Rather, it reflects a widely accepted policy approach where market forces alone cannot deliver timely or orderly adjustment without disproportionate economic and social harm.

The Australian wine sector meets – and in many cases exceeds – every threshold used to justify such interventions, both domestically and internationally.

5. The wine sector's importance makes government partnership necessary

The wine sector is one of Australia's most regionally distributed manufacturing and export industries. It directly contributes to:

- Future Made in Australia through regional value-adding and advanced manufacturing.
- Trade Diversification and Resilience through export activity across 116 global markets.
- Regional Jobs and Prosperity across 65 wine regions.
- Tourism and Visitor Economy via cellar doors, events and agritourism.

- Sustainable Agriculture and Climate Adaptation through land and water stewardship.

Unmanaged contraction would undermine these national priorities.

6. Government support now prevents deeper, more expensive intervention later

A modest, well-targeted package can:

- reduce structural oversupply.
- stabilise regional economies.
- support mental health and community wellbeing.
- rebuild export competitiveness.
- support domestic tourism and cellar doors.

Critically, early and coordinated intervention also reduces the risk of disorderly adjustment or over-correction, where large volumes of productive capacity exit the system rapidly in response to prolonged price and cash-flow stress.

In the absence of structured transition support, growers may be forced into accelerated or unplanned exit decisions driven by short-term financial pressure rather than long-term commercial viability. This creates a material risk that capacity is removed faster than demand recovers, increasing the likelihood of future supply shortages, loss of productive assets, and long-term regional economic scarring.

This is a preventative investment, not a subsidy.

In Summary

The situation facing the wine sector is exactly the type of structural, regionally concentrated crisis in which Australian governments have historically intervened – because the cost of doing nothing is far greater than the cost of acting.

Government support is not about distorting markets; it is about ensuring that the transition is orderly, humane and economically responsible.

We recognise the need for change. As an industry, we are committed to putting in place the guardrails that prevent future oversupply, and we are willing to be publicly accountable for ensuring this crisis is not repeated.

Pillar 1 - Rationalising Supply and Restoring Viability

Australia cannot stabilise the wine sector without addressing the core structural imbalance at its heart: the oversupply of red wine and the decline in viable production across multiple regions.

Stabilising supply requires a coordinated package that supports orderly transition, restores financial and psychological resilience, improves enterprise-level productivity, and strengthens commercial behaviour under a new Mandatory Code of Conduct.

The measures under this pillar work together to prevent unmanaged collapse, protect regional communities, and lay the foundations for a more efficient, productive and resilient industry – consistent with the One Grape & Wine Sector Plan.

RECOMMENDATION 1 - Wine Business Viability & Transition Program to accelerate the transition towards a profitable sector

$60 million over three years

Purpose
To support vineyard owners, growers, and small winemakers facing unviable production conditions to transition with dignity: reducing structural oversupply, preventing unmanaged vineyard abandonment, restoring long-term industry sustainability, and equipping businesses with modern viability tools to support informed, evidence-based decision-making.
This aligns directly with the One Grape & Wine Sector Plan, which calls for improved business decision-making tools, stronger data foundations, and regionally tailored transition support.

Why This Investment Is Needed
The Wine Australia PSI Report confirms a structural mismatch between supply and demand, with inventories at 2.06 billion litres, and 262 million litres of excess wine relative to sustainable stock levels. Temporary adjustments have delayed but not resolved the underlying imbalance.
Growers must now make significant decisions about redevelopment, diversification or orderly exit. Outdated business viability tools limit informed planning and increase the risk of unmanaged collapse.

Key Actions

Business Viability Tools & Grower Education Program

- Create a Wine Business Decision Support Tool to support growers to benchmark and assess their sales performance and cost of production against known financial benchmarks.
- Develop business decision support tools and scenario-planning models to assess the financial impact of strategies such as:
  - business transition (eg. Redevelopment, rework, diversification, exit).
  - change of varietal mix to reflect against future market projections.
  - outsourcing or discontinuation of business units.
  - Sale of water entitlement.
- Deliver national and regional workshops to train growers in the use of the tools.
- Create business planning templates and step-by-step transition guidance.
- Embed tools within Rural Financial Counselling Service practices to ensure broad uptake.

Transition grants (up to $100,000) for:

- Vineyard removal and/or redevelopment.
- Diversification into alternative crops or mixed farming.
- Water-efficiency and climate adaptation investments.
- Environmental projects (soil carbon, biodiversity plantings, reforestation).
- Biosecurity and waste management programs for redundant vineyard materials.
- Financial and business planning support.

Outcomes

- Growers and wine businesses are empowered and informed to make timely, evidence-based decisions – including, where appropriate, an orderly and dignified exit from the industry.
- Better-informed decisions about vineyard redevelopment, varietal change, diversification or business restructuring.
- Reduction of structural oversupply and improved grape prices over time.
- Avoidance of unmanaged vineyard abandonment and associated risks.
- Strengthened financial resilience for remaining producers.
- More efficient targeting of transition funding.
- Greater regional stability during structural adjustment.

Delivers on:

- Future Made in Australia – strengthening regional manufacturing and value-added export industries.
- Labor's Regional Economic Development commitments – supporting regional jobs and industry transitions.
- Sustainable Agriculture & Climate Adaptation commitments – more efficient water use and climate-resilient crops.
- National Biosecurity Strategy – reducing unmanaged biosecurity hazards from abandoned vineyards.
- Small Business Resilience Framework – enabling informed planning during structural shocks.

RECOMMENDATION 1A - Independent Business Viability & Enterprise-Level Productivity Scoping

Purpose

To provide growers and winemakers with independent, objective assessments of business profitability, long-term viability and enterprise-level productivity pathways to support informed transition decisions and align the sector with the Government's national productivity agenda.

Why This Investment Is Needed

The structural crisis affecting the wine sector has revealed significant variability in business resilience, profitability and long-term viability across regions. Growers and winemakers require clear, independent information to make confident decisions about redevelopment, diversification or exit.

Further, enterprise-level productivity uplift is central to the Albanese Government's national productivity and digital adoption priorities. Industry needs evidence-based insights to identify realistic efficiency gains, cost-reducing strategies, and business models suited to contemporary market and climate conditions.

Independent scoping ensures public funding under the Transition Program is well targeted, defensible and anchored in rigorous analysis.

Key Actions

- Commission independent enterprise-level profitability and viability assessments across major wine

regions.
- Benchmark cost-of-production, water use, labour efficiency, capital productivity and varietal performance.
- Identify region-specific productivity uplift opportunities, including technology adoption, data tools, improved vineyard management practices and business model reforms.
- Provide confidential, enterprise-level reports to participating businesses to support transition planning.
- Produce aggregated regional insights to inform policy design and industry prioritisation.
- Integrate findings into the updated Wine Business Decision Support Tool and scenario-planning tools

Outcomes

- Businesses can make confident, evidence-based redevelopment, reworking, diversification or exit decisions.
- Improved enterprise-level productivity, cost efficiency and resilience.
- More targeted and efficient allocation of Transition Program funding.
- Reduced risk of supporting non-viable enterprises.
- Stronger alignment between industry decisions and national productivity policy.
- Enhanced regional planning based on rigorous, independent evidence.

Delivers on

- Future Made in Australia – supporting regional manufacturing productivity and innovation.
- Sustainable Agriculture Strategy – improving efficiency, resource use and climate resilience.
- Small Business Resilience Framework – enabling data-driven business planning during structural shocks.
- Government's National Productivity Agenda – lifting productivity, digital adoption and modern business capability.
- One Grape & Wine Sector Plan – strengthening decision-making, productivity and long-term sector resilience.

RECOMMENDATION 1B - Establish a Wine Industry Concessional Transition Loan

Purpose

To provide a time-limited, fit-for-purpose concessional loan product to support winegrape growers and winemakers to transition out of uneconomic production settings, or to refinance, restructure and diversify viable operations, enabling orderly adjustment, preventing distressed exits, and stabilising regional land, business and credit markets in wine-dependent regions.

Why This Investment Is Needed

A growing number of winegrape growers and winemakers are seeking to transition out of uneconomic production settings due to prolonged low returns, structural oversupply and the lingering effects of the disruption caused by China's import duties. However, many growers are unable to exit in an orderly way because they cannot afford the upfront costs required to clear or repurpose their land, including removal of grapevines, trellising, irrigation systems, dripper lines, and CCA posts.

Clearing and transition costs can exceed $7,000–$10,000 per hectare, and for multi-decade family operations already under significant financial stress, these costs are prohibitive. As a result, businesses are unable to divest, refinance, restructure or transition their land to new productive uses – trapping them in a business model that is no longer viable and increasing the risk of abandoned vineyards, biosecurity risks and declining regional amenity.

Existing concessional loan products, such as the Regional Investment Corporation loans, are not well-suited to the current wine-sector adjustment task. In practice, eligibility settings can exclude many wine businesses, including where definitions of "primary producer" do not adequately capture wine producers, and where off-farm income tests or related requirements limit access for otherwise viable businesses seeking to restructure. A fit-for-purpose wine industry concessional product is needed to support both (1) growers who need an orderly exit or land transition, and (2) winemakers and growers who need capital to refinance, restructure and diversify to remain viable.

Unlike normal business cycles, this distress reflects a systemic disruption layered onto a structural imbalance. With substantial hectares presently uneconomic, a time-limited support mechanism is needed to enable orderly transition, prevent forced sales at distressed prices, and stabilise regional agricultural land markets and business conditions.

A Wine Industry Concessional Transition Loan, would provide essential short-term relief while ensuring taxpayers are repaid through clear payment triggers. The design should recognise that alternative land uses (for example, olives or other perennial crops) typically require four to six years before generating meaningful income.

Key actions

- Support winegrape growers and winemakers who need to exit or transition out of wine production settings but cannot afford the upfront land-clearing, asset removal or conversion costs required to bring land or facilities to sale-ready or repurpose-ready condition.
- Provide concessional loans of up to a defined cap (e.g., $150,000–$250,000 scaled to property size and demonstrated costs) to cover:
    - Removal of grapevines.
    - Trellis and CCA post extraction.
    - Dripline and irrigation system removal.
    - Removal or decommissioning of redundant wine production assets where these are integral to land or business transition.
    - Land preparation for sale, subdivision (where permitted) or conversion to alternative uses. Include a four to six-year repayment deferral, with interest treatment set to maintain concessionality and fiscal integrity, reflecting the timeframe for alternative crops or land uses to begin generating income.
- Provide flexible repayment triggers to reflect different transition pathways, including:
    - Repayment upon sale of the block or portion of the land.
    - Repayment upon subdivision proceeds, where planning rules permit.
    - Repayment once a specified revenue threshold from an approved alternative land use is reached.
- Default to standard repayment arrangements at the end of the deferral period if none of the triggers occur, ensuring fairness and fiscal responsibility.
- Be targeted at growers with genuine demonstrated financial hardship linked to prolonged low returns and structural oversupply, ensuring assistance is tightly focused.
- Include appropriate safeguards, so the loan supports transition rather than continuation of uneconomic production, such as conditions limiting replanting to winegrapes or recommencement of uneconomic wine production for an appropriate period unless part of an approved, evidence-based business turnaround plan.

In addition to transition support, the Government should ensure winemakers and viable growers can access concessional finance under this or complementary concessional lending settings to strengthen and adapt their businesses, including for refinancing, restructuring existing debt, productivity improvements, and partial diversification. This requires eligibility settings that appropriately recognise wine businesses (including wine producers) and do not unintentionally exclude them through definitions or income tests that do not reflect the operating realities of wine regions.

This package would not subsidise business continuation. It provides a dignified, orderly and economically responsible pathway for transition where needed, while also enabling viable wine businesses to restructure and diversity – reducing the risk of unmanaged collapse, abandoned assets, or distorted regional land and credit markets.

Delivers on

- Treasury and DAFF priorities for orderly market functioning – facilitates structured transition out of uneconomic production and reduces distress sales that undermine regional economic stability.
- Regional development and place-based transition priorities – supports communities to manage structural adjustment while keeping land in productive use.
- Agricultural supply chain resilience objectives – prevents unmanaged exits that would otherwise destabilise local service industries, labour markets and related agribusinesses.
- Future Made in Australia (regional manufacturing and value-adding resilience) – supports a core agricultural sector through necessary restructuring so that downstream wine production can stabilise and recover.
- Growing Australia's Agricultural Trade and Export Resilience initiatives – contributes to rebalancing the supply base so the sector can respond effectively to export recovery opportunities.

RECOMMENDATION 1C – Temporary Water Leasing Mechanism to Support Orderly Transition in Basin Communities

Purpose

To introduce a temporary water leasing mechanism that enables the Commonwealth to meet immediate environmental watering needs under the Murray–Darling Basin Plan, while supporting orderly transition for irrigators and reducing the long-term economic and social impacts of permanent water entitlement removal from regional communities.

Why It Is Needed

The Federal Government's renewed reliance on voluntary water buybacks to meet the 450 GL recovery target by 2027 creates significant risks for irrigated agriculture and Murray-Darling Basin communities, particularly in inland wine regions already experiencing acute financial distress.

Permanent entitlement purchase removes productive assets from the consumptive pool, accelerates water price inflation, and can trigger disorderly exit decisions by growers under financial pressure. This risks compounding regional economic contraction, increasing stranded irrigation infrastructure costs, and exacerbating social and mental health impacts.

Evidence from inland wine regions indicates many grape growers are already resting or abandoning vineyards, considering transition to alternative crops, or reducing irrigation requirements temporarily. In these circumstances, water entitlements may be underutilised but remain a valued asset that provides financial security and a potential alternative source of income.

A temporary leasing mechanism at a fixed price over a fixed term would allow government to secure the environmental water they require, without forcing irreversible decisions on irrigators before the full economic, regional and policy implications of water recovery are understood. It would also provide greater flexibility to manage extreme events or shortfalls against Sustainable Diversion Limit Adjustment Mechanism (SDLAM) (605

GL) and/or enhanced environmental targets (450 GL). For growers it would provide a stable income stream to support them during their transition from grape growing. This stability is not available to them on the commercial water market.

Key Actions

- In parallel to permanent recovery, establish a voluntary, Commonwealth-run temporary water leasing program, allowing irrigators to lease water entitlements to the Government for a fixed term at a fixed rate.
- Enable leased water to count toward interim environmental watering requirements during the lease period, without permanent removal from the consumptive pool.
- Target participation towards irrigators resting vineyards, transitioning enterprises, or growers facing short-term financial distress, while retaining future production optionality.
- Use leasing arrangement to smooth recovery timelines, reduce pressure for accelerated permanent buybacks, and moderate water market price volatility.
- Integrate the leasing mechanism with existing Basin recovery programs and regional transition initiatives, including the Sustainable Communities Program.

Outcomes

- Greater flexibility for government to meet environmental watering needs while managing regional economic risk.
- Reduced likelihood of disorderly or premature exit from irrigated agriculture.
- Improved financial resilience for growers through predictable, lower-risk lease income.
- Slower and more managed adjustment of irrigation networks, reducing cost-shifting to remaining users.
- Better sequencing of long-term water recovery decisions, avoiding over-correction and more costly intervention in the future.

Delivers on

- *Water Amendment (Restoring Our Rivers) Act 2023* objectives to recover water for the environment while minimising adverse socio-economic impacts on Basin communities.
- Murray-Darling Basin Plan commitments, including delivery of the 450 GL enhanced environmental outcomes in the Southern Basin.
- Government priorities for flexible, voluntary and market-based water recover mechanisms.
- The Sustainable Communities Program, by supporting orderly transition, regional jobs and community resilience in irrigation-dependent regions.
- The Federal Government's stated commitment to balancing environmental outcomes with productive, socially sustainable regional economies.
- A risk-managed approach to Basin recovery that reduced the likelihood of future, higher-cost intervention.

RECOMMENDATION 1D - Targeted Investigation and Design of a Mechanism to Remove Unsaleable Ageing Red Wine from the Supply Chain

$250,000 over 3 years

Why This Investment Is Needed
Australia continues to hold a significant volume of ageing red wine in tanks, much of which was produced during the period between 2021-2024 when China imposed prohibitive import duties (up to 218%) on Australian wine. This exceptional geopolitical trade shock created a severe and sudden market distortion that producers could not

have anticipated, influenced, or planned for.

Fuller-bodied red wine styles were the most affected, as they aligned closely with Chinese consumer preferences. With trade access effectively cut off for almost four years (mid-2020 to early 2024), inventories accumulated to well beyond commercially sustainable levels. Much of this wine is now well past optimal drinking windows, is rapidly deteriorating in quality, and has no viable commercial pathway.

The continued presence of this stranded stock poses a material risk to Australia's global wine reputation if released into domestic or export markets at distressed prices.

This stock overhang is also suppressing normal commercial behaviour. Many wineries must first clear years of low-value, ageing wine before they can resume purchasing grapes at commercial volumes. This prolongs the financial stress for growers, further depresses grape prices, and delays the return to a stable, functioning market. A targeted, evidence-based assessment is now required to identify the most cost-effective, least-distortionary way to permanently remove clearly unmarketable, trade-disrupted stock from the system, while preserving market signals and Australia's premium reputation.
Purpose of the investment:

To design and assess a tightly constrained, one-off mechanism to remove unmarketable ageing red wine from the supply chain, where that stock:

- Is directly attributable to the China trade disruption.
- No longer has a viable commercial market.
- Represents a material reputational and market-recovery risk if released.

This work would explicitly test options, costs, capacity constraints, compliance requirements and downstream implications before any delivery decision is taken.

Key elements of the investigation would include:

- **Eligibility criteria**

  Defining strict, objective eligibility thresholds, including:

  - Specific red varieties and styles most directly impacted by the China trade shock.
  - Vintage parameters aligned to the disruption period (e.g. selected wine produced prior to 2024).
  - Clear quality, age and marketability criteria demonstrating no viable commercial pathway.
- **Assessment of removal pathways**

  Evaluating feasible mechanisms to permanently remove eligible wine from the commercial supply chain, including but not limited to distillation, industrial use, or alternative disposal pathways, considering:

  - Existing provider capacity and geographic constraints.
  - End-market certainty and risks.
  - Cost per litre removed and overall fiscal efficiency.
- **Market and reputational safeguards**
  Designing controls to ensure:
  - Eligible wine cannot re-enter domestic or export markets.
  - Intervention is strictly limited to existing stock, with no linkage to further production.
  - Participation occurs well below cost, eliminating any prospect of commercial gain.
- **Governance, auditing and compliance**
  Leveraging existing oversight frameworks to ensure:
  - Robust verification of eligibility.
  - Transparent administration.

- Strong probity and accountability.

What this investment would not do

This work would not seek to address broader structural pressures such as demographic consumption trends or interest rates; or establish an ongoing or production-linked intervention. Any future mechanism would be explicitly one-off, time limited and clearly constrained in scope, and designed to avoid distorting long-term market signals.

Outcomes

- A clear, evidence-based assessment of viable options to permanently remove significant pool or unsaleable ageing red wine from the system.
- Protection of Australia's wine reputation by preventing deteriorating stock entering markets.
- Removal of key impediment to market recovery, enabling wineries to re-engage with growers and release current-vintage wines on commercial terms.
- A policy-ready, fiscally responsible proposal for government consideration with risks, costs and safeguards clearly articulated.

Delivers on

- Trade Diversification and Resilience Framework – addresses a residual distortion caused by disrupted access to China and supports a more resilient, diversified export base.
- Growing Australia's Agricultural Trade and Export Resilience initiatives – protects the long-term value of Australian wine exports by preventing distressed, poor-quality stock reaching key or emerging markets.
- Future Made in Australia agenda (advanced value-adding manufacturing) – stabilises a major regional food and beverage manufacturing industry and protects Australia's premium reputation.
- Regional development and place-based transition priorities – supports employment and economic stability in regions most exposed to the China trade shock.
- Agricultural supply chain resilience objectives – preserves productive capacity and capability across the grape and wine supply chain, ensuring the sector remains positioned for export recovery.

RECOMMENDATION 2 - Mental Health & Rural Wellbeing Support Package

$15 million over three years

Purpose
To expand mental health, wellbeing, and financial counselling capacity in wine regions experiencing acute distress due to prolonged industry contraction, oversupply pressures, increasing debt, and declining demand.

Why This Investment Is Needed
Available national indicators show a marked and sustained increase in winegrape growing businesses seeking formal financial counselling support in recent years. While the current year is not yet complete, engagement levels to date are consistent with a multiple-fold increase compared with the period prior to 2021. This pattern points to widespread and intensifying financial stress among growers, rather than short-term or regionally contained pressure.

For example, RBS data shows:

- 815 new SA business engagements this year, across all agricultural and small business sectors.
- 304 clients (48%) sought help for the first time in the past six months, indicating a sharp acceleration in

demand.

- 45.8% citing drought/financial pressure as the trigger for seeking assistance.

Within this broader trend, winegrape growers represent a significant and concentrated cohort of clients:

- 227 (one in four) grape-growing businesses in the Riverland alone supported since 2022[13].

Frontline counsellors report worsening psychological distress, financial despair, and pressure on families and small business owners.

The need for early intervention is clear and urgent. Early intervention prevents crisis escalation and reduces long-term social and economic costs.

Key Actions

- Expand RFCS staffing and capacity nationally across Australia's wine producing regions.
- Embed regionally based mental health clinicians specialising in agricultural stress.
- Establish a Rural Wellbeing Rapid Response Fund for communities facing industry-wide shocks.
- Provide mental health literacy and crisis-identification training for industry leaders and community organisations.
- Assess the effectiveness of community-developed mental health initiatives and showcase approaches that have proven to be effective.

Outcomes

- Reduced risk of severe mental health deterioration.
- More resilient regional communities.
- Better decision-making and long-term planning for growers and small businesses.
- Reduced burden on emergency and hospital systems.

Delivers on

- Labor's Stronger Medicare & Better Mental Health commitments - improving access to mental health care, particularly in regions.
- National Suicide Prevention Strategy - focusing on early intervention and distress reduction.
- Regional Development & Wellbeing agenda - supporting communities undergoing economic transition.
- Small Business Resilience Commitment - providing targeted support to small and family enterprises in crisis.

[13] Unpublished RBS data.

Pillar 2 — Growing Demand and Rebuilding Markets

Reducing oversupply alone will not restore balance – Australia must also grow demand. Global wine consumption is at its lowest point since 1961, and domestic sales have fallen sharply.

Pillar 2 focuses on restoring demand through coordinated export engagement, market diversification, domestic promotion and regional tourism activation.

By stimulating sales, these measures will accelerate inventory reduction, improve grower returns, safeguard regional jobs, and support the strategic objectives set out in the One Grape & Wine Sector Plan.

RECOMMENDATION 3 - Export Market Engagement Fund

$40 million over three years

Purpose
To support structural rebalancing of the wine sector by restoring export competitiveness, reducing red wine inventories, and embedding long-term trade resilience, diversification and shock-proofing across Australia's export market portfolio.

Why This Investment Is Needed

The current imbalance in the wine sector is the direct consequence of sustained trade disruption layered into long-standing structural oversupply.

- Export volumes remain 11% below the 10-year average, despite partial recovery in China.
- Exports to the US, UK, Canada and Germany continue to fall as global consumption declines.
- Red wine prices remain below sustainable grower and producer return levels.

Export recovery and diversification are increasingly shaped by the outcomes of Australia's trade negotiations. While free trade agreements can expand market access, outcomes that limit product eligibility, delay access or constrain competitiveness can exacerbate existing pressures in a highly trade-exposed sector such as wine.

As Australia progresses major trade negotiations and implementations, including with the European Union and India, there is a risk that new constraints on wine exports may limit the sector's ability to rebuild demand or diversify markets at the pace required. Where trade outcomes restrict access or do not produce meaningful commercial outcomes, additional targeted export supports are essential to offset lost growth potential, sustain competitiveness and accelerate diversification into alternative markets.

This recommendation positions export re-engagement as a core structural adjustment mechanism - not simply a recovery measure - by strengthening demand across a broader, more resilient mix of markets and reducing the sector's vulnerability to external trade disruptions.

Without renewed investment, Australia risks losing market share permanently in an increasingly competitive global environment.

This recommendation operationalises the export and demand-rebuilding actions articulated in the One Grape & Wine Sector Plan.

Key Actions

- Grants for entry and re-entry, re-investment and in-market activation in China, North America, UK, Europe, India and Southeast Asia with a focus on demand diversification rather than volume concentration.

- SME Export Readiness and Market Access program to expand the pool of export-capable producers and reduce dependence on a small number of large exporters.
- Co-funded promotional activity under the Australian Wine Brand, aligned with Austrade's Global Engagement Strategy and market specific trade priorities.
- Enhanced market intelligence, regulatory navigation and risk-mitigation support to enable diversified, lower-risk export pathways, including adjustment support in response to trade agreement outcomes that materially affect market access or product eligibility.

Outcomes

- Reduction in red wine inventories through diversified export demand.
- Increased export value and volumes across a broader range of markets.
- Stronger trade resilience and diversification.
- Reduced exposure to future market shocks.
- Greater SME participation in export markets.

Delivers on

- Growing Australia's Trade and Export Resilience commitments.
- Trade Diversification & Resilience Framework.
- Ensuring trade policy outcomes translate into commercially viable export growth for trade-exposed agricultural sectors.
- Invested: Australia's Southeast Asia Economic Strategy.
- Future Made in Australia – strengthening advanced food and beverage manufacturing and export capability.

RECOMMENDATION 4 - Domestic Wine & Regional Tourism Stimulus

$20 million over three years

Purpose
To increase domestic wine demand and boost regional visitation by integrating wine experiences into national tourism strategies and supporting cellar doors.

Why This Investment Is Needed
The PSI report shows domestic sales have fallen 3% year-on-year, reaching their second-lowest level since 2007–08[14]. Small and medium winemakers are disproportionately affected due to limited distribution channels, driven in part by concentration in the retail liquor market and reliance on tourism traffic.

Domestic sales accounted for 41% of total Australian wine sales by volume in 2024–25[15]. While this share has eased slightly year-on-year, it has remained broadly stable over the past five years as export volumes have declined more sharply. More critically, imported wines are capturing a disproportionate share of value in the domestic market. Key imported categories such as sauvignon blanc and rosé routinely retail at a 40–60% premium to comparable Australian wines[16]. This indicates that the challenge is not simply demand but lost premium positioning. Targeted domestic marketing and wine tourism investment presents a significant opportunity for Australian producers to recapture value, grow premium domestic market share, and lift returns

[14] Wine Australia (2025), *Australian Wine Production, Sales and Inventory 2024–25*, Market Insights report, November 2025, p.11.
[15] Ibid.
[16] Circana off-trade retail data, year ending December 2024.

without increasing supply.

This supports a core pillar of the One Grape & Wine Sector Plan – growing domestic demand and enhancing regional visitation through high-quality, premium Australian wine experiences.

Key Actions

- National "Drink Australian Wine" marketing campaign – building on the "We Make a Wine For That" campaign through a national domestic marketing program to increase demand for Australian wine and cellar door visitation.
- Integration of wine tourism into Tourism Australia's THRIVE 2030 strategy.
- Support for regional wine trails, cultural experiences, and agritourism partnerships.
- Indexation of the Wine Tourism & Cellar Door Grant.

Outcomes

- Increased domestic demand and higher per-visitor spending.
- Improved viability for small and medium wineries.
- Stronger tourism profile for regional Australia.

Delivers on

- THRIVE 2030 Visitor Economy Strategy - growing regional tourism and premium experiences.
- Labor's Regional Jobs & Skills commitments - supporting regional industries and small businesses.
- Buy Australian Made messaging - promoting domestic products and consumer confidence.

RECOMMENDATION 5 - Mandatory Code of Conduct Implementation & Industry Education Program

$1 million over three years

Purpose
To support the orderly and effective implementation of the Government response to Dr Craig Emerson's *Review of Regulatory Options for the Wine and Grape Sector*, including the introduction of a Mandatory Code of Conduct. This program will ensure growers and winemakers understand their rights and obligations, reduce disputes, lift commercial transparency, and support long-term industry resilience.

Why This Investment Is Needed

Dr Emerson's independent review recommended introducing a Mandatory Code of Conduct to strengthen market transparency, address enduring bargaining power imbalances, and support fairer commercial dealings across the wine supply chain.

While the Mandatory Code will apply to businesses above a designated threshold, successful national implementation requires education, consistent guidance, and clear pathways for growers and winemakers to transition from existing voluntary arrangements.

Without coordinated support, businesses will face uncertainty navigating new requirements, risking inconsistent adoption, increased disputes, and avoidable regulatory burden.

AGW already administers a Voluntary Code of Conduct used by many businesses. Transitioning to a dual-code environment (mandatory and voluntary) requires structured guidance, alignment work, and clear communication to prevent confusion and ensure all businesses benefit.

Key Actions

- Deliver state and regional education workshops.
- Ensure that winegrape buyers not captured under the mandatory code have access to alternative resources required to support fair and equitable trading practices.
- Develop national guidance materials, template agreements, fact sheets and model processes for growers and buyers.
- Monitor early adoption issues and provide consolidated feedback to Government to support effective regulation.
- Support for AGW to manage a dispute resolution process that is compliant with the mandatory code recommendations.

Outcomes

- Smooth, nationally consistent uptake of the Mandatory Code of Conduct.
- Reduced disputes and improved commercial behaviour.
- Stronger grower confidence in contracts, pricing transparency and dispute resolution.
- Lower transition costs for businesses.
- Improved regulatory impact through early education, clear guidance, and industry alignment.

Delivers on

- The Government response to the Emerson Review.
- Treasury and DAFF objectives for fair, transparent agricultural markets.
- Small Business and Competition Policy commitments to reduce disputes and strengthen market transparency.
- Regional Development goals by supporting growers and winemakers to navigate structural transition.

Conclusion

Australia's grape and wine sector is facing an unprecedented structural crisis. The evidence from Wine Australia's PSI Report and Rural Business Support is unequivocal: oversupply is deep and enduring, demand is falling, financial distress is escalating, and the human consequences are already severe.

Without coordinated intervention, the market will experience:

- widespread business failures
- unmanaged vineyard abandonment
- long-term regional economic decline
- escalating mental health crises
- loss of generational knowledge and workforce capability

These outcomes carry significant costs for government, regional communities, and the national economy.

The targeted measures outlined in this Pre-Budget Submission provide a clear, economically responsible pathway to stability and renewal. The proposal totals $139.25 million over the forward estimates, and delivers:

- Orderly adjustment and transition, reducing structural oversupply and restoring viable production
- Critical mental health and wellbeing support at a moment of heightened distress in regional communities
- Export market activation to rebuild global competitiveness and reduce commercial red inventories
- Domestic demand stimulus to support small and medium producers and grow regional tourism

Collectively, these investments advance the Albanese Government's commitments to:

- Future Made in Australia
- Trade Diversification and Resilience
- Regional Development and Jobs
- Better Mental Health and Suicide Prevention
- Sustainable Agriculture and Climate Adaptation

They also give practical effect to the One Grape & Wine Sector Plan, translating its long-term strategic priorities into targeted, implementable actions that support industry resilience, productivity and sustainable regional development.

This is a moment for partnership.

With decisive action, the Government and Australian Grape & Wine can stabilise the sector, protect thousands of regional jobs, safeguard community wellbeing, and set the foundation for a more resilient, competitive, and sustainable wine industry.

Without action, the economic and social costs will be far greater, and borne disproportionately by regional Australians least able to absorb them.

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