

Submission to the Senate Enquiry into the Australian Wine Industry by Barossa Grape & Wine Association and Regional Development Australia Barossa.

Introduction:

Barossa Grape & Wine Association (BGWA) and Regional Development Australia Barossa (RDAB) welcome the opportunity to make this submission, on behalf of the broader Barossa wine industry.

BGWA recently responded to the Australian Grape and Wine Authority call for submissions commenting on the strategic plan discussion paper. Please see the BGWA submission to AGWA (Attachment 1) as it highlights opportunities for the Barossa and Australian wine industry relevant to the Senate Enquiry.

Submission:

1. **The Barossa wine industry has invested significantly in its brand and is experiencing growth in value with new private investment in industry facilities and associated tourism.** As of March 2015 whilst the exported volume of Barossa labelled wines had declined to just over 9 million litres, the average FOB value is at just under \$12 per litre, the highest average value in many years. (Please see Attachment 2 - Bottled Barossa Labelled Exports - AGWA report to March 2015) The Barossa Be Consumed campaign, developed by the South Australian Tourism Commission in collaboration with the Barossa is an example of how state and regional bodies can work together to create tangible outcomes that benefit the whole of the Barossa. RDAB is currently developing an Investment Map and portfolio of investment ready opportunities as part of a broader regional investment attraction strategy to continue the momentum of investment in the Barossa.
2. Nonetheless **profitability for individual participants is patchy** with many growers, in particular those growing C, D, E/F grade fruit, struggling for profitability. (See Expert Report on the Profitability and Dynamics of the Australian Wine Industry prepared for WFA by Centaurus Partners August 2013 p32-33 <http://www.wfa.org.au/assets/noticeboard/Expert-Review-Report.pdf>) This is a reflection of a number of factors:
 - a. Downward pressure on prices from unfavourable exchange rates in the last few years (the full impact of recent relief still to flow through to growers)
 - b. Loss of market position during the period of high exchange rates which takes both time to recapture and investment in markets.
 - c. Ruthless use of market power by major retailers – concentration of retail outlets gives wine producers little bargaining power in negotiating sales
 - d. Dry conditions over the last two years have resulted in lower crop yields and therefore lower overall income to growers.

2. **Costs of water and power** are subduing, even negating, gains in margins through exchange rate improvements. The Barossa has been on the front foot with water issues since 1996 with the publication of “Vision 2045 – a water strategy” updated in 2010 as “Revision 2045 – a water strategy” and a 2015 published “Adaptation Plan for Water”. In June 2015 RDAB and BGWA will jointly host a regional Water Forum to consider water allocation, prescription, reuses and multiple sources to provide fit for purpose water into the future. With energy as a significant element of the cost of water, cheaper energy is a priority for the industry.
3. **Australian wine costs of production** are higher than for the majority of our direct competitors and funds available for in-market promotion are less than for the majority of our direct competitors. (See Attachment 1, BGWA submission to AGWA for further discussion). Grape growers welcome the seasonal labour supplied through short term visa programs for rural workers.
4. **Regulatory complexity** adds costs, but there are industry integrity benefits as well
5. Over the last 10 years there have been a number of inquiries, studies and reports into the Australian Wine Industry, with only a small number of approved recommendations being implemented from those pieces of work. **What are the constraints to these recommendations being implemented?** How will these constraints be addressed this time to ensure that the recommendations are implemented?
6. **The Barossa region supports ongoing work towards better alignment, efficiency and effectiveness of various industry bodies representing wine industry actors.** BGWA as a regional association is a case study of collaboration, both within the Barossa and also taking a leadership role at a state and national level. The regional industry has invested strongly in BGWA to build industry capacity and markets penetration. This investment and structured approach could be a basis for co-investment by government in market development and promotion as a model that could be extended around Australia, rewarding regions that take the initiative for investment in their own viability and growth.
7. **The Wine industry sustains the Barossa economy and employment,** not just in the wine industry but in a number of related supporting industries (notably engineering services, logistics, hospitality and tourism). Barossa community and culture are highly aligned with the wine industry. RDAB in conjunction with BGWA, Tourism Barossa and the food industries are undertaking cluster development projects, including value chains optimisation. This work has revealed the deep reach of the wine industry into our community and the extent to which the wine industry supports other technical and knowledge based businesses in the region, many of which are now exporters in their own right.

Summary:

- a. The Barossa wine industry has invested heavily in its brand and quality of product and is performing relatively strongly in international markets. This is a rational basis for co-investment by government.
- b. The industry represents approximately 40% of regional employment and has spawned a number of technical and knowledge based industries that export and employ.
- c. Costs of water and power remain a challenge and erode profitability. Cheaper power will influence cheaper water costs. The Barossa has taken the initiative in planning and investment for a water constrained future.
- d. In general, seasonal labour through short term visas is supported.
- e. Co-investment by government in industry promotion in markets weakened by the high dollar and GFC would help stabilise the industry, grow jobs and reward those regions that invest in themselves.
- f. Competition policy does not recognise the concentrated power and influence of retailers in Australia and the negative impacts of this lack of real competition for producers.
- g. Recent industry reviews have made important recommendations – understanding why many of the recommendations have not been implemented and addressing these constraints will underpin the ability of the Australian wine industry to benefit from the findings of this current enquiry and to act on resulting recommendations.
- h. The Barossa is Australia's leading internationally respected wine region. To promote the Barossa to international markets is to lead with the nation's strengths.

Further Information:

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Attachments:

1. *Submission to the Australian Grape & Wine Authority Strategic Plan 2015 – 2020 Discussion Paper by Barossa Grape & Wine Association, February 2015.*
2. *Extract from Barossa 2015, Presentation by the Australian Grape and Wine Authority, March 2015.*