

Chapter 4

The role of AGWA and the export market

4.1 This chapter considers the role of the Australian Grape and Wine Authority (AGWA) and the importance of research and development and data collection for the wine industry. In considering the role of AGWA in promoting Australian wine in the export market, the committee was struck by the small amount that Australia spends compared with other countries.

Australian Grape and Wine Authority (AGWA)

4.2 The wine industry is served at the national level by AGWA, known as Wine Australia. AGWA was created by legislation on 1 July 2014, merging the Grape and Wine Research and Development Corporation and the Wine Australia Corporation.¹ The merger followed a formal submission from WFA and WGGGA calling for a 'unified whole-of-industry strategy.'²

4.3 AGWA is a body corporate with perpetual succession, with six to eight appointed directors including a Chair. AGWA is required to produce an annual report and hold an annual general meeting of the grape and wine industry.³ Its first five year strategic plan was released in July 2015, based on industry consultation and submissions.⁴ In the Strategic Plan 2015–2020, AGWA forecasts projected income of between \$36.4 and 36.6 million per year over the forward estimates.⁵

4.4 AGWA funds research and development (R&D) activities for the wine industry and maintains a register of Australian wine exports. Executive Officer Mr Andreas Clark told the committee AGWA has had successes during its first 15 months of operation, stating:

...we realised operational savings of about \$1 million; we have invested in a range of new projects to quickly deliver value for the wine community... we have increased our in-market engagement with events in UK, Europe,

1 The Wine Australia Corporation was formerly the Australian Wine and Brandy Corporation.

2 Explanatory memorandum to the Grape and Wine Legislation amendment (Australian Grape and Wine Authority) Bill 2013, Primary Industries (Customs) Charges Amendment (Australian Grape and Wine Authority) Bill 2013 and Primary Industries (Excise) Levies Amendment (Australian Grape and Wine Authority) Bill 2013, pp 1–2.

3 *Australian Grape and Wine Authority Act 2013*, Parts IV and IVB.

4 AGWA, *Submission 8*, p. 7.

5 AGWA, *Strategic Plan 2015–2020*, https://www.wineaustralia.com/en/About%20Us/~/_media/AGWA%20Strategic%20Plan%202015-2020.ashx, accessed 25 November 2015, p. 25.

US, Japan, Canada, South Korea, India, Mexico, Germany, Poland, Taiwan, Hong Kong, Macau, Malaysia, Singapore and Denmark.⁶

Levy collection

4.5 AGWA collects three levies under the *Primary Industries Levies and Charges Collection Act 1991* —the grape research levy from growers and the wine grapes levy and wine export charge from winemakers.⁷ Industry levies amounted to \$17.2 million in 2012–13, including \$11.6 million of wine grape levies, \$3.4 million of research levies and \$2.2 million of export charges.⁸ The Government matches the amount collected in research levies and on the promotion component of the wine grapes levy.⁹

4.6 In addition to levy-based income, AGWA funds its regulatory activities on a cost-recovery basis, charging licence application and renewal fees to become a levy payer or exporter and product registration, export certificate and shipping fees. It conducts 'user-pays' activities including market entry programs, retail promotions and master classes.¹⁰

4.7 Submitters including AGWA discussed the high administrative cost of levy collection.¹¹ AGWA stated that collection costs are more than \$700 000 per annum, even after a recent change to the collection of the wine export charge. From 1 September 2015, AGWA will collect the export charge alongside the wine grape and grape research levies, where the Department of Agriculture previously collected the charge. It was estimated that this will save \$500 000 to \$600 000 per annum.¹²

4.8 AGWA submitted that it has 'ongoing discussions with the Department' about reducing levy collection costs and that recent initiatives have already achieved \$515 0000 in savings, including:

...the removal of nil returns, better use of electronic returns, an awareness and education program for levy payers, and the introduction of a better-targeted compliance method.¹³

6 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 2.

7 Department of Agriculture, *Submission 29*, p. 8.

8 WFA, *Submission 41*, p. 49–50.

9 WFA, *Submission 41*, p. 49.

10 AGWA, *Submission 8*, p. 10; AGWA, *Strategic Plan 2015–2020*, <https://www.wineaustralia.com/en/About%20Us/~~/media/AGWA%20Strategic%20Plan%202015-2020.ashx>, accessed 25 November 2015, p. 25.

11 WGGGA, *Submission 30*, p. 19; Accolade Wines, *Submission 26*, p. 18; Clare Region Winegrape Growers Association and Clare Valley Winemakers Inc, *Submission 16*, p. 7; Riverland Wine, *Submission 15*, p. 12; Accolade Wines, *Submission 26*, p. 18.

12 AGWA, *Submission 8*, pp 21–22.

13 AGWA, *Submission 8*, p. 21.

4.9 AGWA attributed remaining costs to the 'large number of collection points (processing facilities or wineries)', and has not 'identified any other opportunities to reduce levy collection costs' without amendment 'to dramatically reduce the number.'¹⁴

4.10 It was AGWA's submission that 'peak representative bodies should consider whether the levy structure is optimal'.¹⁵ AGWA submitted that its levies must be 'spent for the purpose for which they were raised' which 'restricts our ability to respond as needed to demand and to deliver appropriate activities'.¹⁶

4.11 Some witnesses called for review of wine levy collection,¹⁷ including on the grounds that it imposes an 'unfair burden' on some industry participants. It was submitted that growers from warm inland regions should not pay the same as those from cool climate regions who receive higher prices for their grapes.¹⁸ On the other hand, the committee heard that those in cool climate regions 'believe the inequity is not so great' due to their higher production costs and risk of crop reduction.¹⁹

Structure of AGWA

4.12 The committee heard limited discussion of a proposal to 'privatise' AGWA, convert it into an industry body or delegate its functions to representative organisations.²⁰ AGWA told the committee the statutory model is not a natural fit, as:

...there are a range of obligations placed upon us which work for a public service organisation but are more difficult to apply to an organisation such as ours, which is quite small and which has a global operation as well.²¹

4.13 It was the view of Wine Tasmania that an industry-owned model may enhance engagement and the strategic use of levies, explaining that:

...with a statutory body managing that, the representatives on that body and perhaps the particular interests of that body may not really reflect fully what the industry needs.²²

14 AGWA, *Submission 8*, p. 23.

15 AGWA, *Submission 8*, p. 5.

16 AGWA, *Submission 8*, p. 5.

17 WGGA, *Submission 30*, p. 19; Ms Virginia Tropeano, *Submission 9*, p. 4; Riverland Wine, *Submission 15*, p. 2; WGGA, *Submission 30*, p. 19; Riverina Wine Grapes Marketing Board, *Submission 33*, p. 13.

18 Ms Virginia Tropeano, *Submission 9*, p. 4.

19 Wine Grape Council of South Australia, *Submission 37*, p. 7.

20 WGGA, *Submission 30*, p. 19; Riverland Wine, *Submission 15*, p. 12.

21 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 4.

4.14 These views were balanced by support for maintaining AGWA as a statutory authority, provide it is well-resourced. WFA President Mr Tony D'Alosio AM told the committee:

Australian Grape and Wine Authority is an important part of the wine industry... We think it is right to have that. We think the policies and plans they have announced are correct and they do deliver. There have been good examples of good programs that they can run. Our assessment is that they need money and support.²³

4.15 AGWA acknowledged that the statutory model allows for integration of its regulatory functions, and queried whether these could be performed within an 'industry-owned corporation.'²⁴

Committee view

4.16 Noting its recent establishment, the committee does not consider that AGWA should be restructured at this stage. The committee encourages industry to contribute to the development of future strategic and operational plans for AGWA so that any future representative and levy collection structure operates efficiently and is responsive to industry needs.

Research and development (R&D)

4.17 The committee heard strong support for the government to continue matching the research levy, currently paid by growers at \$2 per tonne of grapes crushed, as well as the R&D component of the wine grapes levy which is paid by growers at a portion of \$5 per tonne.²⁵ AGWA estimated it would receive \$11.5 million in R&D levy funds before the government's contribution is added.²⁶

4.18 AGWA explained that its R&D strategy spans short and long term projects and targets both growing and winemaking activities. They described their:

...supply-chain approach to RD&E investments... aimed at increasing the sector's long-term profitability and sustainability, which has benefits for all levy payers and the wider community. Our investments range from both short and long term applied R&D to blue-sky research where success is less assured.²⁷

22 Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 26. See also Ms Sheralee Davies, Chief Executive Officer, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 26.

23 Mr Tony D'Aloisio AM, President, WFA, *Committee Hansard*, 27 October 2015, p. 20. See also Wine Tasmania, *Submission 11*, p. 13.

24 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 4.

25 WFA, *Submission 41*, p. 17.

26 Department of Agriculture, *Submission 29*, p. 8.

27 AGWA, *Submission 8*, p. 12.

4.19 AGWA uses its R&D budget to commission work from research providers including Australian Wine Research Institute, Commonwealth Scientific and Industrial Research Organisation and the National Wine and Grape Industry Centre.²⁸ The work of the Australian Wine Research Institute was praised by some witnesses.²⁹ For example, Mr Jeremy Dineen of Josef Chromy Wines told the committee that the quality of the Institute's work 'has been one of the single biggest factors in our competitive and technical advantage' for over 50 years.³⁰

4.20 AGWA R&D activities supplement those available to winemakers directly under the R&D Tax Incentive. In 2012–13, the tax incentive was distributed to 29 winemaking companies to provide for a total of \$29 million of R&D expenditure.³¹ The Department of Industry submitted that industry is able to access further 'largely untapped' new programmes that 'offer a number of mechanisms to the industry to support its efforts to tackle some of the issues it faces.'³²

4.21 The committee heard examples of R&D being undertaken to grow wine industry profitability. Wine Tasmania told the committee that it uses R&D funding to plan for and anticipate future growth, stating:

...our partnerships with the department of primary industries in Tasmania, the university and TIA—the Tasmanian Institute of Agriculture—are to do some more research into how we look at evening out and improving better predictability of yields and better yields, determining what is the right space to yield.³³

4.22 Likewise, Ms Victoria Angove of Angove Family Winemakers told the committee that R&D prepares wine businesses for future challenges, noting that:

...climate change is an issue for every agricultural business... it highlights the importance of research and development and what we can do to ensure that our agricultural crops, including the vineyards, are best suited to deal with the challenges of climate change.³⁴

4.23 Given its significance to future business planning, the committee heard that industry would not support 'a redistribution of levy funding to marketing at the

28 AGWA, *Submission 8*, p. 8.

29 For example, Australian Small Business Commissioner, *Submission 23*, p. 7.

30 Mr Jeremy Dineen, Chief Winemaker and General Manager, Josef Chromy Wines, *Committee Hansard*, 25 September 2015, p. 16.

31 Department of Industry and Science, *Submission 19*, p. 27.

32 Department of Industry and Science, *Submission 19*, p. 3.

33 Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 23.

34 Ms Victoria Angove, Director, Angove Family Winemakers, *Committee Hansard*, 24 September 2015, p. 25.

expense of R&D'.³⁵ The importance of future-focussed R&D is a theme of WFA's 'roadmap for recovery' document *Actions for Industry Profitability 2014–16*. Consultations undertaken by WFA had:

...highlighted the important role of innovation and increased productivity for the Australian wine sector given the on-going challenges it faces particularly as a high-cost producer.³⁶

4.24 Further, WFA submitted that industry participants should have a voice in the allocation of R&D funding:

It is important that industry play a role in setting AGWA's R&D priorities and that these priorities are used to guide the expenditure of Government-matched industry levies.³⁷

Committee view

4.25 The committee notes the significance of R&D and data collection in fostering intelligent business practices in the wine industry. In particular, the committee has heard evidence that future-focussed R&D will be integral to industry recovery from oversupply. The committee encourages AGWA to consult widely with industry in order to invest in targeted R&D in both warm and cool climate regions, with a particular focus on growing the business of smaller growers and producers.

Recommendation 6

4.26 The committee recommends that Government continue to match the grape research levy and wine grapes levy income collected by the Australian Grape and Wine Authority.

Data collection

4.27 The committee heard that there is currently a 'data void'³⁸ or 'data intelligence gap' in the grape and wine industry.³⁹ Better access to improved data was a priority for witnesses and submitters.⁴⁰ AGWA Executive Officer Mr Andreas Clark argued that better information leads to better commercial decision-making, stating:

35 WFA, *Submission 41*, p. 52.

36 WFA, *Submission 41*, Appendix 40, p. 17.

37 WFA, *Submission 41*, p. 49.

38 WineFoodTechMedia Group, *Submission 34*, p. 3.

39 Australian Small Business Commissioner, *Submission 23*, p. 6.

40 Ms Anita Poddar, Head of Corporate Affairs, Accolade Wines, *Committee Hansard*, 24 September 2015, p. 11; Wines of Western Australia, *Submission 21*, pp 7–9; Australian Small Business Commissioner, *Submission 23*, p. 6; Accolade Wines, *Submission 26*, p. 20; WGGGA, *Submission 30*, pp 11–12; WineFoodTechMedia Group, *Submission 34*, pp 2–4; South Australian Government, *Submission 36*, p. 4; WFA, *Submission 41*, p. 9.

We fundamentally believe that the industry needs comprehensive information and insights into a range of data—whether it is production that is supply based or demand based—to make informed decisions. We believe there are significant gaps at the moment in that information base.⁴¹

4.28 Commercial arrangements between growers and winemakers would be simplified if data collection improved, the committee heard. WFA submitted that:

... the provision of better information relating to supply and demand throughout the season would assist growers make better business decisions and remove the need for indicative pricing. Such information would best be provided by the Australian Wine and Grape Authority and/or a well-respected and independent research organisation such as ABARES.⁴²

4.29 The committee heard evidence in favour of industry-owned data collection by AGWA.⁴³ AGWA has requested mandatory collection powers to assist in the development of 'an industry-owned national grape and wine database'.⁴⁴ They aim to improve the quality of data while at the same time reducing the burden of data collection on industry.⁴⁵ WGGGA submitted in support of this function, stating:

AGWA needs to be granted the legislative authority to make the provision of data by individual operators mandatory combined with the necessary assurances of comprehensive privacy and confidentiality.⁴⁶

4.30 Wine industry data collection to date has been conducted primarily by the Australian Bureau of Statistics (ABS). The committee notes the continued intention of ABS to continue its 'legislated statistical leadership role'.⁴⁷ ABS submitted that 'there are sources of data which are not being used to their statistical potential,' for example, 'administrative records obtained through the process of collecting levies'.⁴⁸ They also noted that satellite or drone imagery and associated analytical tools can assess vineyard health and growth potential, including identifying regional trends.⁴⁹

4.31 ABS data collection has reduced since 2012–13 alongside 'a shift to becoming a user-pays organisation'.⁵⁰ ABS submitted that their last Vineyards Census was

41 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 2.

42 WFA, *Submission 41*, p. 61.

43 WGGGA, *Submission 30*, p. 12.

44 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 3.

45 *Ibid.*

46 WGGGA, *Submission 30*, p. 12. See also South Australian Wine Industry Association, *Submission 32*, p. 7.

47 ABS, *Submission 24*, p. 5.

48 *Ibid.*

49 ABS, *Submission 24*, pp 5–6.

50 Australian Small Business Commissioner, *Submission 23*, p. 6.

conducted in 2012–13.⁵¹ Their website stated the census is now biennial and AGWA will fund the 2015 and 2017 iterations.⁵² The Australia Small Business Commissioner considered the reduction 'had an effect on individuals being able to make informed business practice decisions.'⁵³

Committee view

4.32 The committee acknowledges the need for a return to a reliable, annual source of industry data, and encourages Government to ensure this is appropriately funded.

4.33 The committee has not heard significant evidence to justify providing AGWA with powers and funding to collect wine industry data when the ABS has historically performed this function to a high standard. Rather, the committee encourages ongoing consultation between Government and industry to ensure data collection is prioritised.

Recommendation 7

4.34 The committee recommends that Government give further consideration to the roles of the Australian Grape and Wine Authority and the Australian Bureau of Statistics in wine industry data collection.

Recommendation 8

4.35 The committee recommends that funding be allocated so that the production of the Vineyards Census is resumed on an annual basis.

Export market

4.36 Exports account for approximately a third of sales of Australian wine. In 2014–15, the export market generated \$1.85 billion.⁵⁴ Wine exports make a further indirect contribution to tourism revenue and national pride, as WFA submitted:

Wine is a truly value-added Australian Export. No other commodity carries its Australian heritage in quite the same way as a bottle of wine. Australians are rightly proud of their wine industry and how it has managed to take on the Old World and produce wines of exceptional quality across all price points.⁵⁵

51 ABS, *Submission 24*, p. 5.

52 ABS, *Vineyards*, <http://www.abs.gov.au/ausstats/abs@.nsf/products/AB1EF401A9A4CA51CA2570F30010359A?OpenDocument> (accessed 26 November 2015).

53 Australian Small Business Commissioner, *Submission 23*, p. 6.

54 AGWA, *Wine Export Approval Report March 2015*, May 2015.

55 WFA, *Submission 41*, p. 62.

4.37 Australia's main export markets are the United States, the United Kingdom, China and Canada.⁵⁶ WFA reported that Australia saw a rise of 3.6 per cent in volume and 3.9 per cent in value for the year ending March 2015.⁵⁷ Of Australia's approximately 2573 winemakers, the three largest, Accolade, Pernod Ricard Australia and Treasury Wine Estate, account for the majority of wine exports.⁵⁸

4.38 Despite recent pessimism, there are 'positive signs of recovery' for Australia's export market.⁵⁹ Wine Australia's *Export Report September 2015* reported 'the strongest rate of growth since export value peaked in October 2007' in the 12 months to 30 September 2015 after the value of wine exports rose 8 per cent to \$1.96 billion.⁶⁰ WFA submitted that the favourable exchange rate, free trade agreements and renewed interest from North America all augur well for Australia wine exports.⁶¹

4.39 Australia is the fifth largest wine exporter by volume in the world, but in some markets including the USA we rank as low as tenth in average value.⁶² Mr Warren Randall from Seppeltsfield Wine recalled that Australia has recently fallen behind Chile as a leading wine exporter.⁶³ WGGA attributes the drop to quantity rather than quality, telling the committee that:

Brand Australia was flavour of the month during the 1990s. We saw massive interest from the United Kingdom, the United States—it was front and centre of the consumer's perception in those places. But I believe that the industry in general probably focused too much on volume development and not enough on quality development.⁶⁴

4.40 The relatively low value of Australian wines overseas may be influenced by our modest international marketing spend. The committee heard that Australia invests considerably less than many European nations in wine promotion, which puts our

56 IBISWorld (Brooke Tonkin), *IBISWorld* industry report C1214: *Wine production in Australia*, July 2015, p. 17.

57 WFA, *Submission 41*, p. 8.

58 Anderson, K., *Growth and cycles in Australia's wine industry: A statistical compendium, 1843 to 2013*, University of Adelaide, February 2015, 'Executive summary', p. xxxvii.

59 AGWA, *Submission 8*, p. 27.

60 Wine Australia, *Australian wine export value sees strongest growth since 2007*, 16 October 2015, <http://www.winecompanion.com.au/news/news-articles/2015/october/australian-wine-export-value-sees-strongest-growth-since-2007> (accessed 29 October 2015).

61 WFA, *Submission 41*, p. 7. See also Adam Gartrell, 'Free trade deals fuel hopes of a new wine export boom', *Sydney Morning Herald*, 11 October 2015, <http://www.smh.com.au/federal-politics/political-news/free-trade-deals-fuel-hopes-of-a-new-wine-export-boom-20151009-gk5718.html> (accessed 29 October 2015).

62 AGWA, *Submission 8*, p. 28.

63 Mr Warren Randall, Proprietor and Managing Director, Seppeltsfield Wine, *Committee Hansard*, 24 September 2015, p. 12.

64 Mr Victor Patrick, Chairman, WGGA, *Committee Hansard*, 24 September 2015, p. 33.

industry at a commercial disadvantage, including at home. AGWA received approximately 1 per cent of Italy's wine marketing budget in additional funding from between 2009 to 2013, as AGWA reported:

Over the period 2009 to 2013 Wine Australia received \$2.1 million. That was additional support for marketing activities over and above the industry revenue from levies or user-pay charges. That was equivalent to about 1.4 million euros. Over the same period of time Italy received 189 million euros; France, 141 million euros; Spain, 117 million euros; and Portugal 38 million euros.⁶⁵

4.41 The extent to which Australia's wine regions have capitalised on export opportunities varies. The University of Adelaide reports that 'South Australian wineries have always been the most export focused', processing approximately 70 per cent of Australia's total export volume.⁶⁶ In Western Australia, 2005 was the 'key turnaround point' for export growth which peaked at 30 per cent. The committee heard the Western Australian exports are now 'down to 15' per cent.⁶⁷

AGWA's role in exports

4.42 AGWA plays a central role in the Australian wine export market. Since its commencement in July 2014, AGWA has issued export licences and permits to exporters, maintaining the register of protected geographical indicators and advising local producers on international wine composition and labelling requirements.⁶⁸

4.43 AGWA estimated that it would receive \$5.7 million in 2015–16 from the Wine Export Charge and the promotion component of the wine grapes levy. This amounts to approximately 15 per cent of AGWA's income.⁶⁹ They submitted that:

With this market development funding we will maintain our market development staff in Australia, the United Kingdom, North America and China, and conduct around 70 core market development activities.⁷⁰

4.44 AGWA submitted that its market development staff 'provide knowledge, insights and assistance' to producers looking to explore and develop export markets.⁷¹

65 Mr Andreas Clark, Executive Officer, AGWA, *Committee Hansard*, 24 September 2015, p. 4.

66 Professor Kym Anderson AC, *Growth and cycles in Australia's wine industry: A statistical compendium, 1843 to 2013*, University of Adelaide, p. XLV.

67 Mr Redmond Sweeny, President, Wines of Western Australia, *Committee Hansard*, 27 October 2015, p. 3.

68 Department of Agriculture, *Submission 29*, p. 7.

69 AGWA, *Strategic Plan 2015–2020*, https://www.wineaustralia.com/en/About%20Us/~/_/media/AGWA%20Strategic%20Plan%202015-2020.ashx (accessed 25 November 2015), p. 8.

70 AGWA, *Submission 8*, p. 10.

71 AGWA, *Submission 8*, p. 10.

4.45 Clare Valley representatives proposed that 'AGWA's role should be one of oversight to ensure that funding allocated is spent on relevant, appropriate activities that are likely to be effective.'⁷²

Export Market Development grants

4.46 Separate from funding administered by AGWA, the committee heard that some wine businesses benefit from the overseas marketing support provided by the Export Market Development Grants (EMDG) scheme.⁷³ The scheme was described to the committee as 'generous and relatively easy to qualify for', noting that it is open to a wide range of businesses, not just the grape and wine industry.⁷⁴

4.47 The EMDG scheme reimburses small and medium businesses for up to half of the cost of 'eligible export promotion over \$15 000.'⁷⁵ The Government's commitment to EMDG grants peaked in 2009–10 at 4 675 recipients and payments of \$198.1 million. They fell to \$116.1 million and 2 445 recipients in 2013–14.⁷⁶

4.48 The results of a review of the EMDG scheme were tabled on 19 August 2015, finding that the grants are 'integral to the success of Australia's international businesses' and recommending a progressive increase to the scheme's budget allocation.⁷⁷ Austrade received \$137.9 million for the EMDG scheme for 2015–16, and it was recommended that this be increased over the next three years to \$175 million in grants to 4 000 claimants, including additional administered funding.⁷⁸

72 Clare Region Winegrape Growers Association and Clare Valley Winemakers Inc, *Submission 16*, p. 7.

73 Mr Jeremy Dineen, Chief Winemaker and General Manager, Josef Chromy Wines, *Committee Hansard*, 25 September 2015, p. 17; Mr Roger Andrew Sharp, Director, Group Corporate Affairs, Treasury Wine Estates, *Committee Hansard*, 27 October 2015, p. 34; Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 24.

74 Clare Region Winegrape Growers Association and Clare Valley Winemakers Inc, *Submission 16*, p. 7.

75 Department of Industry and Science, *Submission 19*, p. 21.

76 Austrade, *Annual Report 2014–15*, p. 14.

77 The Hon Andrew Robb AO MP, 'Export grants vital to Australia's trade, jobs and growth', Media release, 20 August 2015.

78 Austrade, *Certainty and confidence—exports and jobs for a changing global economy: Review of the Export Market Development Grants scheme*, 30 June 2015 (tabled 19 August 2015), <http://www.austrade.gov.au/Export/Export-Grants/review> (accessed 26 November 2015).

4.49 In addition to the EMDG scheme, witnesses argued that the wine industry would benefit from 'more direct, targeted marketing support' for individual producers.⁷⁹ WFA explained that EMDG does not support ongoing activity, as:

People can only make so many applications and then they run out. There is an opportunity to refresh that and allow them to make the applications as well as looking at increasing that grant.⁸⁰

Marketing Australian wine

4.50 The necessity of repositioning Australian wine in the global marketplace was commented on by several witnesses and submitters.⁸¹ WFA submitted that 'structural reform and an impactful, strategic marketing effort' are required to restore Australia's 'reputation as a producer of quality and premium wines.'⁸² In the absence of such reform, WFA warned that the industry 'risks loss of global competitiveness.'⁸³

4.51 Most witnesses and submitters were in support of AGWA receiving additional funding to market Australian wine overseas.⁸⁴ WFA Chief Executive Officer Mr Paul Evans explained that the system of funding marketing only based on levy collection has a structural flaw, explaining that:

...the way our marketing spend is currently funded is a levy on exports. Of course that puts you in a bind: when your exports are at their lowest the levy from the exporters is also at its lowest, so you cannot dig yourself out of the hole.⁸⁵

4.52 As noted above, Australia's additional marketing spend is a fraction of that spent by European competitor nations. To put AGWA's funding into perspective,

79 Clare Region Winegrape Growers Association and Clare Valley Winemakers Inc, *Submission 16*, p. 7. See also Mr Tony D'Aloisio AM, President, WFA, *Committee Hansard*, 27 October 2015, p. 14; Mr Roger Andrew Sharp, Director, Group Corporate Affairs, Treasury Wine Estates, *Committee Hansard*, 27 October 2015, p. 34.

80 Mr Tony D'Aloisio AM, President, WFA, *Committee Hansard*, 27 October 2015, p. 14;

81 AGWA, *Submission 8*, p. 4; Treasury Wine Estates, *Submission 35*, p. 3; Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 25; Ms Victoria Angove, Director, Angove Family Winemakers, , *Committee Hansard*, 24 September 2015, p. 19; Mr Larry Jorgenson, Chief Executive Officer, Wines of Western Australia, *Committee Hansard*, 27 October 2015, p. 11; Mr Warrick Duthy, Committee Member, Clare Valley Winemakers Inc, *Committee Hansard*, 24 September 2015, p. 63

82 WFA, *Submission 41*, p. 7.

83 WFA, *Submission 41*, p. 7.

84 WFA, *Submission 41*, p. 53; Treasury Wine Estates, *Submission 35*, p. 8; Wines of Western Australia, *Submission 21*, p. 6; Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 26; Riverland Wine, *Submission 15*, p. 7.

85 Mr Paul Evans, Chief Executive Officer, WFA, *Committee Hansard*, 27 October 2015, p. 19. See also Mr John Griffiths, President, Swan Valley & Regional Winemakers Association, *Committee Hansard*, 27 October 2015, p. 46.

winemaker Treasury Wine Estates submitted that its private marketing activity eclipses the combined AGWA spend on R&D, regulatory and marketing activity.⁸⁶

4.53 As well as requesting an increase in funding, witnesses and submitters sought more input into AGWA's marketing spend.⁸⁷ The committee heard that a 'combination' or 'twofold' approach is necessary, supporting both national and region-specific marketing.⁸⁸

4.54 Wines of Western Australia submitted that 'the user pays system remains unpopular and creates disunity as it is perceived to cater to large companies only.'⁸⁹ They suggested that levies themselves could be more equitably distributed.⁹⁰ Clare Valley representatives called for more targeted levy-based funding specific to their region, and more inclusive marketing activities by AGWA, because:

Despite paying a levy... smaller producers arguably receive very little net benefit from either the overall "brand Australia" marketing initiatives or the user-pays activities that they cannot afford.⁹¹

4.55 Differently, Treasury Wine Estates argued that given its limited resources, 'AGWA should not provide support at the regional level within the domestic market.' They submitted:

TWE has strong reservations about using scarce funds for education and other domestic activity to compete with imports. Trying to change consumer behaviour in these areas could soak up the entire AGWA marketing budget with very little appreciable outcome.⁹²

4.56 Marketing to follow free trade agreements was popular among witnesses and submitters.⁹³ Treasury Wine Estates Director Mr Roger Sharp proposed that Australia would benefit from targeted promotion in new markets:

86 Treasury Wine Estates, *Submission 35*, p. 8.

87 Wine Tasmania, *Submission 11*, p. 14.; Ms Victoria Angove, Director, Angove Family Winemakers, *Committee Hansard*, 24 September 2015, p. 19.

88 Mr Stuart Bryce, *Committee Hansard*, 25 September 2015, p. 11; Mr Jeremy Dineen, Chief Winemaker and General Manager, Josef Chromy Wines, *Committee Hansard*, 25 September 2015, p. 17; Mr John Griffiths, President, Swan Valley & Regional Winemakers Association, *Committee Hansard*, 27 October 2015, p. 46; Mr Graeme Lynch, Chair, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 24.

89 Wines of Western Australia, *Submission 21*, p. 6.

90 Wines of Western Australia, *Submission 21*, p. 6.

91 Clare Region Winegrape Growers Association and Clare Valley Winemakers Inc, *Submission 16*, p. 7.

92 Treasury Wine Estates, *Submission 35*, p. 8.

93 Mr Peter Hackworth, Executive Officer, Wine Grape Council of South Australia, *Committee Hansard*, 24 September 2015, p. 56; Treasury Wine Estates, *Submission 35*, p. 8.

...in many cases the Australian wine category is competing in markets with major competitor nations such as New Zealand and Chile, which already have tariff-free access. A burst of marketing activity after the signing of an FTA would greatly assist the industry to make the most of positive developments in Australia's trading relationships.⁹⁴

4.57 Noting that Western Australian wine exports have dropped to 15 per cent, submitters requested AGWA appoint an export development officer based in Perth to address 'shortfall and resourcing' issues.⁹⁵ Wines of Western Australia proposed that in line with their Strategic Plan, the officer would help the next 50 'hero brands' get 'market access – to open those doors that are difficult for small companies to open.'⁹⁶

Committee view

4.58 The committee was surprised to learn that Australia invests far less than competitor nations in growing demand for its wine in international markets. The committee notes evidence that the lack of promotion has had a negative impact on the sales and reputation of Australian wine. On balance, submitters and witnesses were positive about the marketing assistance provided by AGWA and the Export Market Development Grants Scheme. Some called for more targeted and strategic use of funding by those programs, and many called for a boost to their funding.

4.59 The committee encourages AGWA to work towards more even distribution of the marketing spend across the wine industry. In particular, the committee encourages AGWA to explore further opportunities for smaller producers to participate in user-pays activities on a discounted basis. The committee would support a regional partnership approach between smaller and larger producers in terms of shared marketing and promotional opportunities.

94 Mr Roger Sharp, Director, Group Corporate Affairs, Treasury Wine Estates, *Committee Hansard*, 27 October 2015, p. 34. See also Accolade Wines, *Submission 26*, p. 7.

95 Mr Redmond Sweeny, President, Wines of Western Australia, *Committee Hansard*, 27 October 2015, p. 1; Mr Nick Power, Chief Executive Officer, Margaret River Wine Association, *Committee Hansard*, 27 October 2015, p. 30.

96 Mr Redmond Sweeny, President, Wines of Western Australia, *Committee Hansard*, 27 October 2015, p. 10.

Recommendation 9

4.60 The committee recommends that Government commit to increasing export demand for Australian wine by considering whether current opportunities for industry participants to increase exports through the Australian Grape and Wine Authority and the Export Market Grants Development Scheme are fully optimised or would benefit from redesign.

Recommendation 10

4.61 The committee recommends that the government significantly increase its funding to wine export market development.

