

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 48

Division/Agency: Australian Grape and Wine Authority

Topic: Breakdown of costs

Proof Hansard page: 67

Senator BULLOCK asked:

Mr Clark: I have the annual report here. Those are notes to our financial statement, and it is a breakdown of all the suppliers that we have used—external suppliers—who have delivered marketing activities for us. I do not have all of those details to hand, but certainly, if you are interested in that detail, I can give that to you on notice.

Senator BULLOCK: That would help. With that other figure that I quoted—the travel and accommodation costs of \$953 000—could you look at that, too?

Mr Clark: Certainly

Answer:

Please refer to answers in parts 1 and 2 of Question on Notice 51 from Additional Estimates February 2016.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 49

Division/Agency: Australian Grape and Wine Authority

Topic: Who pushed for amendment to 40DA(2)

Proof Hansard page: 68

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: When that amendment was made, was there any specific conflict or case study that you used or that was brought to your attention when that amendment was made? I will try to think of some other examples of words that are common that might relate to a wine region. I cannot find any, but I might be missing something. Was there another example that actually led to this amendment?

Mr Clark: Off the top of my head, I cannot recall. You are right in saying that many are common English words and they are quite distinct place names. But I can happily take that on notice because I used to know this information in great detail a number of years ago. The memory is a bit hazy since then, so I can consult—

Senator WHISH-WILSON: Who pushed for that amendment? These things do not just appear. You do not just wake up in the morning and find that they have happened, so clearly someone wanted it amended. Can you recall what that process was?

Mr Clark: I will take that on notice; I think that is probably the best way. Largely, it was that we had a revised wine agreement with the European Union and there were a number of amendments required to be made to our act through that process and it was one of the amendments that flowed from that agreement. We also thought it was a sensible outcome, but I am happy to put a lot more detail on notice.

Answer:

Under the 1994 agreement on wine trade between Australia and the European Community (the "Agreement"), Australia agreed to protect a comprehensive list of European geographical indications.

Included in that list were a number of terms that were synonymous with words that have common meanings in English. Examples included the German wine regions "Held" "Doctor" and "Lay" and the Portuguese geographical indication "Port".

The Agreement was given force in Australia through provisions in the *Australian Wine and Brandy Corporation Act 1980*.

Question: 49 (continued)

Australian wine producers were, therefore, at risk of committing an offence simply by including a word on a wine label that happened to coincide with a protected European term, despite the word being used in a totally unrelated context e.g. “this wine lay in our cellar several years before release”.

Hence, when the Agreement with the European Community was renegotiated Australia sought, and obtained, a commitment from the Europeans that Australian wine could be described using words in a common English context even when synonymous with protected geographical indications.

When the Australian Wine and Brandy Corporation Act was amended to reflect the provisions of the renegotiated treaty the specific treatment of “common English words” was codified as Section 40 DA (2). The Section applies to all registered geographical indications including Australian indications such as “Hunter”, “Robe” or “Orange”. “Orange” is the geographically distinctive component of the registered French geographical indication “Vin de Pays de la Principaute d’Orange” hence it is not only the Australian GI of Orange that presented a dilemma to those who wished to use the word “Orange” in a common English context.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 50

Division/Agency: Australian Grape and Wine Authority

Topic: Details of wine exported to China

Proof Hansard page: 72

Senator STERLE asked:

Senator STERLE: Take this on notice if you can; there is no stress. I am very interested in this. No-one has to bite and get their undies in a knot, but I have just got back from China and I think the Chinese free trade agreement will open up some definite advantages in certain parts of our economy. Can you tell us how much wine is exported to China, what varieties, and from what states? Has there been a marked improvement since the announcement? There probably has not been, but this is just so that I get an idea. It is amazing how much of our wine I have seen in China. So just give us an indication. You can take it on notice.

Mr Clark: Thank you; that is fine.

Answer:

Australian wine in China has had an extraordinary year as the imported wine bounced back from austerity measures imposed by China's central government. At Wine Australia activities in China, we have observed that the average Chinese wine consumer has become more interested in wine culture over the past few years. It is thought that this consumption is replacing the previous driver of growth – predominantly the Government.

Exports surged as value increased by 66 per cent to A\$370 million and volume increased by 71 per cent to 68 million litres. The last twelve months recorded unprecedented growth in exports to China. Bulk exports are now valued at A\$13 million, while bottled exports have risen by 63 per cent to A\$356 million. The average value per litre declined slightly, down 3 per cent to A\$5.44 as a result of the higher share of bulk wine in the export mix. The average value of bottled wine exports was up 5.2 per cent to A\$6.41 per litre.

China is the third largest market for Australian wine exports. Together, the China and Hong Kong markets are the largest market for Australian wine. In the last quarter, exports to China exceeded those to United Kingdom by A\$39 million and fell just shy of the United States by A\$1 million. Additionally, all but two weeks of this growth was recorded before the China-Australia Free Trade Agreement came into force.

Question: 50 (continued)

Growth was recorded across the entire price spectrum:

- the A\$10.00 and above segment grew 93 per cent to A\$147 million
- the A\$7.50 to A\$9.99 segment grew 52 per cent to A\$31 million
- the A\$5.00 to A\$7.49 segment grew 29 per cent to A\$61 million
- the A\$2.50 to A\$4.99 segment grew 52 per cent to A\$183 million
- the A\$2.49 and under segment tripled to A\$21 million.

The booming online trade through 'Wechat', social media and the more traditional online retailers may be a driving the stronger growth in the premium and entry level segments as consumers search for a 'bargain' or something more special.

Shiraz is the dominant varietal, accounting for 48 per cent of the market. Shiraz exports increased by 63 per cent in value to A\$178 million. Cabernet Sauvignon and Merlot follow in 2nd and 3rd spot, with exports increasing in value by 79 per cent and 51 per cent respectively. However, in the highest price segments, Cabernet becomes favoured over Shiraz. For example, in the above A\$50 segment, Cabernet Sauvignon accounts for 77 per cent of the market, up from 65 per cent in 2014.

Based on the State of the export office, growth was achieved in exports from:

- Victoria – up 110 per cent to \$167 million
- South Australia – up 68 per cent to \$126 million
- NSW – up 15 per cent to \$59 million
- WA – up 23 per cent to \$12 million
- Tasmania – up 8 per cent to \$372 thousand

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 51

Division/Agency: Australian Grape and Wine Authority

Topic: Breakdown of costs

Proof Hansard page: Written

Senator STERLE asked:

1. AWGA spent \$2 792,893 in marketing costs, can you detail costs?
2. AWGA spent \$953 244 in travel and accommodation costs, can you detail costs?
3. What are the major challenges faced by the wine industry in relation to climate change?

Answer:

1. The \$2 792,893 from note 3C: Suppliers in the AGWA financial statements relates to goods and services supplied or rendered for the 2014/15 financial year that were categorised under the marketing category. The costs are broken up as per below:

Category	Amount
Outside services	711,391
Contract Labour	545,703
Venue Hire	428,339
Non-staff travel	352,492
Catering Costs	132,985
Sponsorships Program Costs	120,627
Printing & Stationery	119,635
POS & Promotional Material	99,874
Equipment Hire	99,752
Advertising	77,527
Postage & Freight	63,938
Public Relations/Entertainment (Non FBT)	24,706
Wine Purchases	14,068
Non-staff travel	1,132
Translator Costs	726
Total	2,792,893

AGWA runs well over 100 different marketing activities per annum and the costs above relate to the external costs that we incur across the range of activities.

Question: 51 (continued)

2. The \$953 244 from note 3C: Suppliers in the AGWA financial statements relates to travel and accommodation supplied or rendered for the 2014/15 financial year that were categorised under the travel and accommodation category. The costs are broken up as per below:

Category	Amount
Staff Travel - Overseas	309,290
Staff Travel - Domestic	227,407
6294 - Committee / Board Travel Domestic	61,961
6296 - Committee / Board Travel Overseas	27,511
6293 - Car Hire	15,860
Total	642,029

AGWA has offices in Australia, London, USA, Canada and China. Events are run across these and other markets including the Asia Pacific and Europe. Therefore, our staff are required to travel extensively to undertake their core activities.

The costs outlined above also include domestic travel costs for intra market travel, for example travel to wine regions within Australia in order to conduct Label Integrity Program audits. The costs also include those for board meetings and board subcommittee meetings throughout the year.

3. Grape composition is strongly influenced by environmental conditions, and for high quality wines to be produced, a climate-soil- variety balance needs to be maintained. Changing climatic conditions means that either different varieties need to be planted, or planting vines in new areas. Careful investment decisions to choose suitable and marketable new varieties or locations (if available) are required as grapevines are in production for 20 to 30 years.

In general terms, climate change can impact the grape and wine industry in the following ways:

- Increasing temperature reduces grape quality and hence wine quality. Grape quality is more sensitive to temperature change than most other crops.
- More extreme weather events (frosts during fruit set and unseasonal rain and heat waves during ripening) reduce yield and quality and increase the likelihood of disease.
- Reduced winter rainfall will increase the dependence of growers on scarce irrigation water.
- Shorter growing seasons and earlier ripening cause compression of harvest dates and an overload on picking, transport, crushing and winemaking resources.
- Increased likelihood of bushfires increases risk of smoke drift into vineyards resulting in smoke tainted grapes, which cannot be used for wine production.