

WINE AUSTRALIA

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WINE AUSTRALIA

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

Wine Australia supports a prosperous Australian grape and wine community by investing in research and development (R&D), disseminating knowledge, encouraging adoption, building international and domestic markets, and protecting the reputation of Australian wine. We are governed by the *Wine Australia Act 2013* (Wine Australia Act).

Our role under the Wine Australia Act is to:

- Coordinate or fund grape and wine research and development and facilitate the dissemination, adoption and commercialisation of the results;
- Control the export of wine from Australia; and
- Promote the sale and consumption of wine, both in Australia and overseas.

We are funded by grape growers and winemakers through levies and user-pays charges; and by the Australian Government, which provides matching funding for research, development and extension (RD&E) investments.

Australian wine is a unique, high-quality product crafted in 65 wine regions around the country. The Australian wine sector has approximately 6,251 grape growers, 132,393 hectares of vines, 2,468 wineries and produces 1.3 billion litres of wine. In 2015, independent economic research quantified the Australian grape and wine sector's contribution to the national economy. The wine sector—defined as grape growing, winemaking and wine-related tourism—supported 172,736 full-time and part-time jobs, most of which are in regional Australia, and contributed \$40.2 billion to the value of gross output to the Australian economy.

Our goal is a prosperous Australian grape and wine community. In 2019–20, we will invest in RD&E, regulatory services and marketing to support our two strategic priorities that are outlined in our five-year *Strategic Plan 2015–2020*.

Our priorities are:

- Increasing demand and the premium paid for all Australian wine; and
- Increasing competition.

Wine Australia Budget Statements

This will be the fifth year of operation with these priorities. International demand for fine Australian wine grew strongly in 2018, with an increase in wine exports of 10 per cent in value to \$2.82 billion free on board (FOB) and a 5 per cent increase in volume to 850 million litres (94 million 9-litre case equivalents). There are 21.7 million glasses of Australian wine enjoyed overseas each day. Average value increased to \$3.32 per litre FOB. The average value of bottled wine grew 10 per cent to a record \$6.20 per litre FOB. The value of exports above \$10 per litre grew by 22 per cent to a record \$895 million. There were a record 2,543 active exporters in 2018, a 15 per cent increase on the previous year, and Australian wine was exported to 129 destinations.

Our marketing investments are focused on our strategy of Promoting Australia wine in the Asia Pacific, China, North America, the United Kingdom and Europe.

In 2019–20, we will deliver the final year of the Export and Regional Wine Support Package under the Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding. The \$50 million program is focused on wine promotion both internationally and domestically. Initiatives will benefit regional wine producers and assist export-focused businesses to continue to grow. We will also administer the Wine Tourism and Cellar Door Grant that commences in 2019–20.

Our regulatory services activities are focused on our strategy of Protecting the reputation of Australian wine by licensing exporters, issuing permits for Australian wine and brandy exports, auditing label integrity to prevent false and misleading labelling and, through the Geographical Indications Committee, defining the wine grape producing regions of Australia.

Our R&D investments are focused on seven core strategies:

- Building Australian grape and wine excellence;
- Improving resource management and sustainability;
- Improving vineyard performance;
- Improving winery performance;
- Enhancing market access;
- Building capability; and
- Business intelligence and measurement.

Our extension and adoption strategy encourages practice change by extending new knowledge so that stakeholders benefit from R&D outcomes.

We also work closely with other research and development corporations (RDCs) in cross-sectoral collaborative research, including through the Australian Government's Rural Research and Development for Profit program, to deliver RD&E benefits to the broader community.

Since 2015-16, we have been collecting the Wine Export Charge on behalf of the Australian Government. This streamlined the payment process for companies that pay the charge. In 2019-20, we will continue to investigate ways to reduce the time spent on compliance for our levy payers. We will also work with the Department of Agriculture and Water Resources and other RDCs to establish a register of all our levy payers.

Continued successful investment in the development of the Australian wine sector will see the sector further improve its competitiveness and financial sustainability.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Wine Australia – Resource Statement – Budget Estimates for 2019–20 as at April 2019

	<i>2018–19 Estimated actual \$'000</i>	2019–20 Estimate \$'000
Opening balance/cash reserves at 1 July	2,656	5,054
Funds from Government		
Amounts received from related entities		
Amounts from portfolio department ^(a)	18,438	26,400
Total amounts received from related entities	18,438	26,400
Special appropriations^(b)		
<i>Wine Australia Act 2013, s. 32 – payments to the Authority</i>	33,357	33,032
Total special appropriations	33,357	33,032
Total funds from Government	51,795	59,432
Funds from industry sources		
Levies ^(c)	19,857	19,532
less amounts paid to the CRF	(19,857)	(19,532)
Total funds from industry sources	-	-
Funds from other sources		
Interest	440	189
Other	9,525	10,380
Total funds from other sources	9,965	10,569
Total net resourcing for Wine Australia	64,416	75,055
	2018–19	2019–20
Average staffing level (number)	53	53

(a) Funding provided by the portfolio department that is not specified within the Annual Appropriation Bills as a payment to that corporate entity (for example, a grant awarded to a corporate entity from one of its portfolio department's administered programs).

(b) Wine Australia is not directly appropriated as it is a Corporate Commonwealth Entity (CCE) under the PGPA Act. Appropriations are made to the Department of Agriculture and Water Resources and then paid to Wine Australia and are considered departmental for all purposes.

(c) Levies comprise the Grape Research Levy and the Wine Grapes Levy, imposed by the *Primary Industries (Excise) Levies Act 1999* and *Primary Industries (Customs) Charges Act 1999*.

CRF – Consolidated Revenue Fund

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the Wine Australia are detailed in *Budget Paper No. 2: Budget Measures 2019–20* and are summarised below.

Table 1.2: Wine Australia 2019–20 Budget measures

Part 1: Measures announced since the 2018–19 Mid-Year Economic and Fiscal Outlook (MYEFO)

Wine Australia does not have any 2019–20 Budget measures.

Part 2: Other measures not previously reported in a portfolio statement

Wine Australia does not have any measures not previously reported in a portfolio statement.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in annual reports – to provide an entity's complete performance story.

The most recent corporate plan for Wine Australia can be found at:

<https://www.wineaustralia.com/getmedia/cf1b4573-7576-46ca-95ae-a02473d0ea14/Wine-Australia-Strategic-Plan-2015-2020-Dec-2017.pdf>.

The most recent annual performance statement for Wine Australia can be found at:

https://www.wineaustralia.com/getmedia/b608cec1-85be-452c-b61b-4dd7e01cfcca/WA_PER_17-18_v3.pdf.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.

Linked programs

Department of Agriculture and Water Resources
<p>Program:</p> <ul style="list-style-type: none"> • Program 1.10: Agricultural Resources
<p>Contribution to Outcome 1 made by linked program:</p> <p>Wine Australia and the Department of Agriculture and Water Resources work together to ensure a sustainable, productive and profitable grape and wine sector.</p>
Department of the Treasury
<p>Program:</p> <ul style="list-style-type: none"> • Program 1.3: Support for markets and business
<p>Contribution to Outcome 1 made by linked program:</p> <p>Wine Australia delivers the Export and Regional Wine Support Package under the Department of the Treasury's Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding. This promotes wine and assists export-focused businesses to continue to grow. It will also benefit regional wine producers and their communities through increasing wine tourism. Wine Australia will also administer the Wine Tourism and Cellar Door Grant, which commences in 2019–20.</p>

2.1.1 Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.2.1 Budgeted expenses for Outcome 1

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.					
	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
Program 1.1: Wine Australia					
Revenue from Government					
Payment from related entities	18,438	26,400	10,329	10,050	10,050
Special appropriations					
<i>Wine Australia Act 2013</i> , s. 32 – payments to the Authority	33,357	33,032	33,130	33,193	31,990
Revenues from other independent sources	11,515	12,444	10,826	9,718	8,694
Total expenses for program 1.1	63,310	71,876	54,285	52,961	50,734
Outcome 1 totals by resource type					
Revenue from Government					
Payment from related entities	18,438	26,400	10,329	10,050	10,050
Special appropriations	33,357	33,032	33,130	33,193	31,990
Revenues from other independent sources	11,515	12,444	10,826	9,718	8,694
Total expenses for Outcome 1	63,310	71,876	54,285	52,961	50,734
	2018–19	2019–20			
Average staffing level (number)	53	53			

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2019–20 Budget measures have created new programs or materially changed existing programs.

As an entity established under the Wine Australia Act, Wine Australia does not produce a Corporate Plan under the PGPA Act and is therefore exempt from the requirement to map purposes to outcomes.

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.	
Program 1.1: Wine Australia	
Objective	Invest in research and development, building markets, disseminating knowledge and ensuring compliance to foster and enable a competitive Australian wine sector.
Delivery	<p>We will invest in research and development (R&D) in the seven strategic areas outlined in our Strategic Plan 2015–2020 for the benefit of wine grape growers, winemakers, wine businesses and the wider community.</p> <p>We will invest in marketing to promote Australian wine and grow international markets.</p> <p>We will invest in regulatory services to protect the reputation of Australian wine.</p> <p>We will support grape and wine businesses with market insights that allow them to make effective decisions.</p>

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information		
Year	Performance criteria	Targets
2018–19	RD&E	
	R&D projects are funded in line with the Annual Operational Plan (AOP).	100 per cent.
	Contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent.
	RD&E newsletter has more subscribers.	2,500
	The number of Regional Program partners is maintained.	11
	Marketing	
	Export and Regional Wine Support Package activities are completed in line with the funding agreement.	100 per cent.
	Wineries and distributors who participate in Wine Australia events report that they are satisfied.	At least 90 per cent.
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	75 per cent.
	Regulatory services	
	Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	300 audits.
	Market export guides provide accurate information about import requirements for largest export markets.	33 guides.

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information (continued)		
Year	Performance criteria	Targets
2019–20	RD&E	
	Projects are funded in line with the AOP.	100 per cent.
	Contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent.
	RD&E newsletter has more subscribers.	2,700
	The number of Regional Program partners is maintained.	11
	Marketing	
	Export and Regional Wine Support Package activities are completed in line with the funding agreement.	100 per cent.
	Wineries and distributors who participate in Wine Australia events report that they are satisfied.	At least 90 per cent.
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	75.5 per cent.
	Regulatory services	
	Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	250 on-site audits and targeted product audits.
	Market export guides provide accurate information about import requirements for largest export markets.	36 markets.

Continued on following page

Contributions to Outcome 1 (continued)

Performance information (continued)		
Year	Performance criteria	Targets
2020–21 and beyond	RD&E	
	Projects are funded in line with the AOP.	100 per cent.
	Contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent.
	RD&E newsletter has more subscribers.	(2020–21) 2,800. (2021–22) 2,900. (2022–23) 3,000.
	The number of Regional Program partners is maintained.	11
	Marketing	
	Wineries and distributors who participate in Wine Australia events report that they are satisfied.	At least 90 per cent.
	Market insights	
	Customer satisfaction rating for services.	(2020–21) 76.0 per cent. (2021–22) 76.5 per cent. (2022–23) 77.0 per cent.
	Regulatory services	
Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	250 on-site audits and targeted product audits.	
Market export guides provide accurate information about import requirements for largest export markets.	36 markets.	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2019–20 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no differences between the entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The Budget incorporates the contracted and committed research, development and extension activities, the anticipated marketing programs and statutory duties.

Wine Australia receives levies on the tonnage of fruit grown (Grape Research Levy); grape products used in the manufacture of wine (Wine Grapes Levy); and on the value of wine exported (Wine Export Charge). Revenue from these levies is expected to be approximately \$19.5 million for the 2019–20 year, based on an expected 2019 vintage of 1.75 million tonnes.

RD&E expenditure attracts Commonwealth matching funding, which is calculated in accordance with the provisions of the *Primary Industries Research and Development Act 1989* (PIRD Act).

Other major sources of revenue are export licence and associated fees, promotional user-pays events, export partnership sponsorships and Australian Wine Overseas scheme sales.

Wine Australia is receiving additional revenue from government of \$50.0 million from 2016–17 to 2019–20 for the measure Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3.1 Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
EXPENSES					
Employee benefits	12,418	13,297	10,670	10,670	10,670
Supplier	21,365	22,246	10,349	10,744	10,793
Grants	28,968	34,878	31,768	30,113	27,937
Other	1	1	1	1	1
Depreciation and amortisation	558	1,454	1,497	1,433	1,333
Total expenses	63,310	71,876	54,285	52,961	50,734
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	439	196	72	48	24
Sale of goods and rendering of services	9,076	10,248	8,754	8,670	8,670
Total own-source revenue	9,515	10,444	8,826	8,718	8,694
Total own-source income	9,515	10,444	8,826	8,718	8,694
Net cost of (contribution by) services	53,795	61,432	45,459	44,243	42,040
Revenue from Government ^(a)					
Commonwealth contribution	13,500	13,500	13,500	13,500	12,250
Industry contributions	19,857	19,532	19,630	19,693	19,740
Other	18,438	26,400	10,329	10,050	10,050
Total revenue from Government	51,795	59,432	43,459	43,243	42,040
Surplus/(deficit) attributable to the Australian Government	(2,000)	(2,000)	(2,000)	(1,000)	-
Total comprehensive income/(loss) attributable to the Australian Government	(2,000)	(2,000)	(2,000)	(1,000)	-

(a) Revenue from Government includes a Commonwealth contribution under the PIRD Act and levies collected from industry by the Department of Agriculture Water and Resources for research and development and marketing activities.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	5,054	3,341	2,391	2,384	3,492
Trade and other receivables	2,731	2,605	2,560	2,560	2,560
Other investments	10,393	10,330	10,330	10,330	10,330
Total financial assets	18,178	16,276	15,281	15,274	16,382
Non-financial assets					
Land and buildings	76	33	-	-	-
Property, plant and equipment	449	326	119	109	44
Intangibles	4,454	5,316	4,301	3,118	1,960
Other	1,407	968	968	968	968
Total non-financial assets	6,386	6,643	5,388	4,195	2,972
Total assets	24,564	22,919	20,669	19,469	19,354
LIABILITIES					
Payables					
Suppliers	1,486	1,706	1,456	1,256	1,141
Grants	347	311	311	311	311
Other	137	317	317	317	317
Total payables	1,970	2,334	2,084	1,884	1,769
Provisions					
Employee provisions	1,297	1,288	1,288	1,288	1,288
Other provisions	95	95	95	95	95
Total provisions	1,392	1,383	1,383	1,383	1,383
Total liabilities	3,362	3,717	3,467	3,267	3,152
Net assets	21,202	19,202	17,202	16,202	16,202
EQUITY*					
Parent entity interest					
Retained surplus (accumulated deficit)	21,202	19,202	17,202	16,202	16,202
Total Equity	21,202	19,202	17,202	16,202	16,202

* 'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

**Table 3.3: Departmental statement of changes in equity – summary of movement
(Budget year 2019–20)**

	Retained earnings	Total equity
	\$'000	\$'000
Opening balance as at 1 July 2019		
Balance carried forward from previous period	21,202	21,202
Adjusted opening balance	21,202	21,202
Comprehensive income		
Surplus (deficit) for the period	(2,000)	(2,000)
Total comprehensive income	(2,000)	(2,000)
Estimated closing balance as at 30 June 2020	19,202	19,202
Closing balance attributable to the Australian Government	19,202	19,202

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	440	189	72	48	24
Grants	51,795	59,432	43,459	43,243	42,040
Net GST received	3,892	3,530	2,698	2,603	2,603
Other	9,013	6,850	6,100	6,066	6,066
Total cash received	65,140	70,001	52,329	51,960	50,733
Cash used					
Employees	12,233	13,306	10,670	10,670	10,670
Suppliers	24,739	22,026	10,599	10,944	10,908
Grants	28,156	34,295	31,768	30,113	27,937
Total cash used	65,128	69,627	53,037	51,727	49,515
Net cash from (used by) operating activities	12	374	(708)	233	1,218
INVESTING ACTIVITIES					
Cash received					
Investments	20,000	12,000	10,000	10,000	10,000
Total cash received	20,000	12,000	10,000	10,000	10,000
Cash used					
Investments	14,153	11,937	10,000	10,000	10,000
Purchase of property, plant and equipment	3,461	2,150	242	240	110
Total cash used	17,614	14,087	10,242	10,240	10,110
Net cash from (used by) investing activities	2,386	(2,087)	(242)	(240)	(110)
Net increase (decrease) in cash held	2,398	(1,713)	(950)	(7)	1,108
Cash and cash equivalents at the beginning of the reporting period	2,656	5,054	3,341	2,391	2,384
Cash and cash equivalents at the end of the reporting period	5,054	3,341	2,391	2,384	3,492

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2018–19 Estimated actual \$'000	2019–20 Budget \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000
ASSETS					
Funded internally from departmental resources ^(a)	3,461	2,150	242	240	110
TOTAL	3,461	2,150	242	240	110
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	3,461	2,150	242	240	110
Total cash used to acquire assets	3,461	2,150	242	240	110

(a) Includes the following source of funding:
– internally developed assets.

Consistent with information contained in the Statement of Asset Movements and the Budgeted Statement of Cash Flows.

Table 3.6: Statement of asset movements (Budget year 2019–20)

	Land and buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2019				
Gross book value	981	1,349	6,243	8,573
Accumulated depreciation/amortisation and impairment	(905)	(900)	(1,789)	(3,594)
Opening net book balance	76	449	4,454	4,979
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase – other	-	150	2,000	2,150
Total additions	-	150	2,000	2,150
Other movements				
Depreciation/amortisation expense	(43)	(273)	(1,138)	(1,454)
Total other movements	(43)	(273)	(1,138)	(1,454)
As at 30 June 2020				
Gross book value	981	1,499	8,243	10,723
Accumulated depreciation/amortisation and impairment	(948)	(1,173)	(2,927)	(5,048)
Closing net book balance	33	326	5,316	5,675

Prepared on Australian Accounting Standards basis.