Australian Government

VITICULTURE AND WINE SECTOR WORKING GROUP

FINAL REPORT

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Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

Australian Government
Department of Agriculture, Fisheries and Forestry

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Department of Primary Industries and Regional Development

AGRICULTURE VICTORIA

Australian Grape & Wine

Wine Australia

Contents

INTRODUCTION

The Australian grape and wine sector is made up of over 2,000 wineries and 6,000 grape growers across 65 winegrape growing regions (Wine Australia 2024c). This is a valuable sector, exporting $1.9 billion worth of wine in 2023 and $2.9 billion in 2020 prior to the imposition of China's import duties (Wine Australia 2023a).

In March 2024, Agriculture Ministers acknowledged the significant challenges facing Australian wine grape growers due to the oversupply of red wine grapes, particularly in the inland regions, and agreed to establish a Viticulture and Wine Sector Working Group (the Working Group).

The Working Group was tasked with developing a national approach to address the oversupply of red wine and the acute issues being faced by the sector, and support future balance and profitability returning to the sector. The Working Group agreed Terms of Reference (Appendix A) which were endorsed by Agriculture Ministers with the following deliverables:

- Visit regions most impacted by the oversupply, including the Riverland in South Australia, Murray Darling/Swan Hill in New South Wales and Victoria, and Riverina in New South Wales, and to engage with other impacted states and key wine industry representatives.
- Report to Agriculture Ministers on the challenges facing growers and outlining existing and potential support measures to assist the regional wine industry to manage the immediate financial and mental health challenges by the end of April 2024.
- Propose to Agriculture Ministers actions to support improvement in the grape and wine sector and its long-term viability by July 2024.

The working group makes 6 recommendations to address the immediate challenges facing grape growers and winemakers and support improvement to the long-term viability of the sector. These are:

1. Address mental health and financial challenges
2. Address barriers to exit and diversify
3. Provide data and insights for better informed decision making
4. Examine commercial contract arrangements across the grape and wine sector supply chain
5. Boost demand for Australian wine at home and overseas
6. Improve industry leadership and long-term strategic direction, supported by investment in research and development

In addition, the Working Group outlines 15 actions for industry and government to take forward to deliver on those recommendations.

These recommendations are informed by significant stakeholder consultation as well as a report by Professor Kym Anderson, Executive Director Wine Economics Research Centre, University of Adelaide, titled "Australia's Wine Industry Crisis and Ways Forward: An Independent Review", which was commissioned by the Working Group.

The report also highlights examples from the wide range of actions taken by Australian and State governments to support the sector to-date. This is not intended to be an exhaustive list, but rather a snapshot of the types of support currently being provided to industry.

The Working Group acknowledges the valuable and generous contribution of the growers, winemakers, community members, individuals and organisations who gave their time and expertise to this work.

RECOMMENDATIONS

1. Address mental health and financial challenges

Actions	Responsible lead(s)	Timing*
Ensure wine grape growers are accessing existing support services, such as the Rural Financial Counselling Service, Regional Investment Corporation low-interest loans, Farm Household Allowance and mental health services, by promoting those services.	Australian and state governments, industry representative groups	Immediate and Ongoing
Monitor the efficient delivery and update of the existing support services to identify and resolve any issues.	Australian Government	Ongoing
Provide support for regional community events to support mental health and social cohesion.	Relevant state governments, industry representative groups	Short term
Work with lending institutions to discuss issues raised by industry and community groups and potential solutions.	Relevant state governments	Medium term

2. Address barriers to exit and diversify

Actions	Responsible lead(s)	Timing*
Support grape growers and winemakers diversify their farming enterprises, product development or move to non-traditional revenue streams or alternative alcohol products by providing information and support services.	Australian and relevant state governments, Wine Australia	Short to Medium term
Investigate options to support waste management to avoid environmental, biosecurity, financial and social risks and impacts associated with transitioning from grape production and abandoned vineyards.	Relevant state and local governments	Medium term

3. Provide data and insights for better informed decision making

Actions	Responsible lead(s)	Timing*
Establish a national vineyard register, including future forecasting based on nursery data.	Wine Australia and Australian Government	Long term
Host events and activities on the state of the Australian wine industry to increase awareness of tools and information currently available.	Australian Grape and Wine and Wine Australia	Short to Medium term

4. Examine commercial contract arrangements across the grape and wine sector supply chain

Actions	Responsible lead(s)	Timing*
Investigate the regulatory options available to improve fair trading, competitive relationships, contracting practices and risk allocation across the wine and grape sector value chain, from vineyard to retail shelf.	Australian Government	Medium term

5. Boost demand for Australian wine at home and overseas

Actions	Responsible lead(s)	Timing*
Support Australian wine export businesses to diversify and expand Australia's wine exports through more effective international marketing and improved market access.	All working group members	Ongoing
Build the domestic market for Australian wine and grow opportunities for regional wine tourism.	All working group members	Ongoing
Ensure Sustainable Winegrowing Australia program is future-proofed, and consider concerns about social and governance principles and its value to industry.	Australian Grape and Wine	Medium term

6. Improve industry leadership and long-term strategic direction, supported by investment in research and development

Actions	Responsible lead(s)	Timing*
Explore ways to improve representation of grape growers and their interests on industry boards and committees.	Peak industry representative and advocacy bodies	Medium term
Assess the true demand position of the sector and advise on options to future-proof its supply base to ensure its long-term viability.	Australian Grape and Wine and Wine Australia	Medium term
Review the national wine and grape levy system to assess whether it is fit for purpose and meets the future needs of the sector.	Australian Grape and Wine	Medium term

*Timing: Short-term = under 6 months, Medium-term = 6 to 12 months, Long-term = over 12 months

CURRENT SITUATION IN THE AUSTRALIAN GRAPE AND WINE SECTOR

Overview

The Australian grape and wine sector is facing a significant oversupply of some red wine grape varieties. The oversupply is not affecting every state and region. The most acute impacts are in the irrigated inland wine regions in South Australia, New South Wales and Victoria: the Riverland, Riverina, and Murray-Darling/Swan Hill, due to the nature of their plantings which are largely heavily cropped varieties. However, impacts are also being reported by other regions.

Wine grape prices and wine stocks

The oversupply has reduced prices for certain red varieties in some regions. For example, growers in the Riverland region have for the third year in a row been offered prices for their grapes (as low as $120/tonne) that are well below the cost of production (indicative $300/tonne)(Figure 1). In 2024, more growers did not find a buyer for their grapes than in the previous three years (Anderson 2024, p. 1). ABARES forecast commercial red wine prices will continue to drop in 2024-25 (ABARES 2024).

Figure 1 Average prices of red and wine winegrapes by region, Australia's warm inland wine regions 2021 to 2025 ($/tonne)

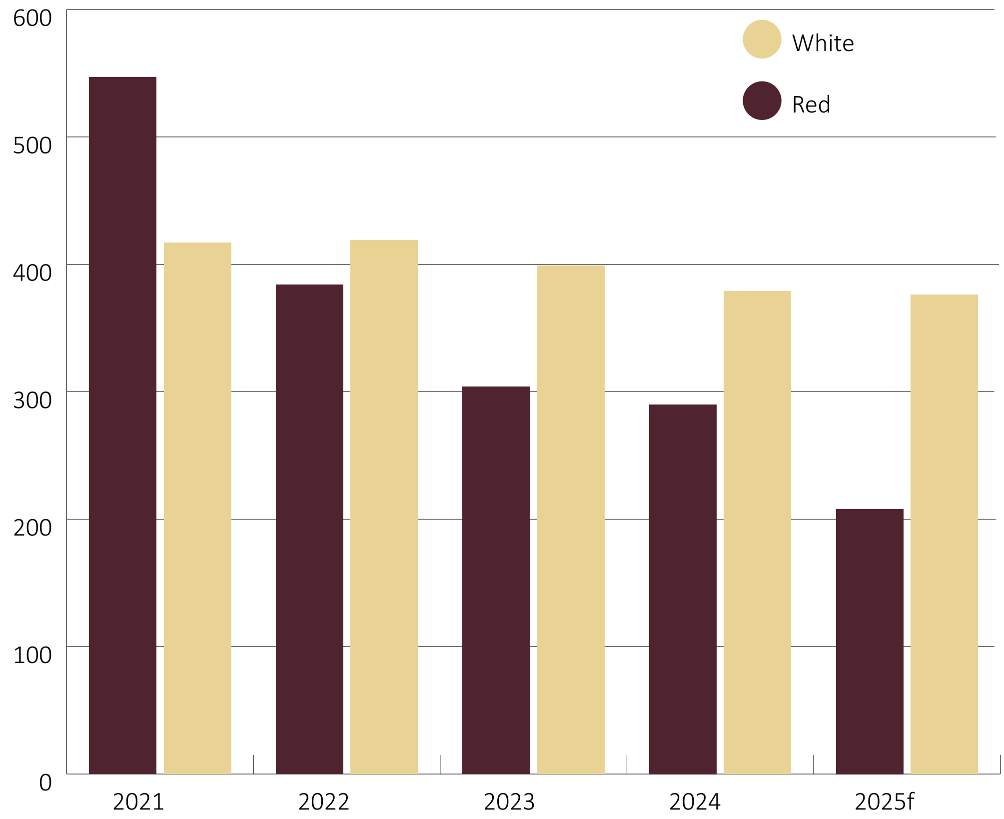


Figure 1 source: Anderson 2024,p. 1; *forecast

In comparison, wine grapes in Tasmania are in undersupply, with growers receiving on average $3,805 p/t for Pinot Noir grapes and $3,811 p/t for Chardonnay grapes, with prices across all varieties in Tasmania six times the national average (Figure 2) (Wine Australia 2024d).

Figure 2 Average 2024 Vintage price per tonne Tasmania and National

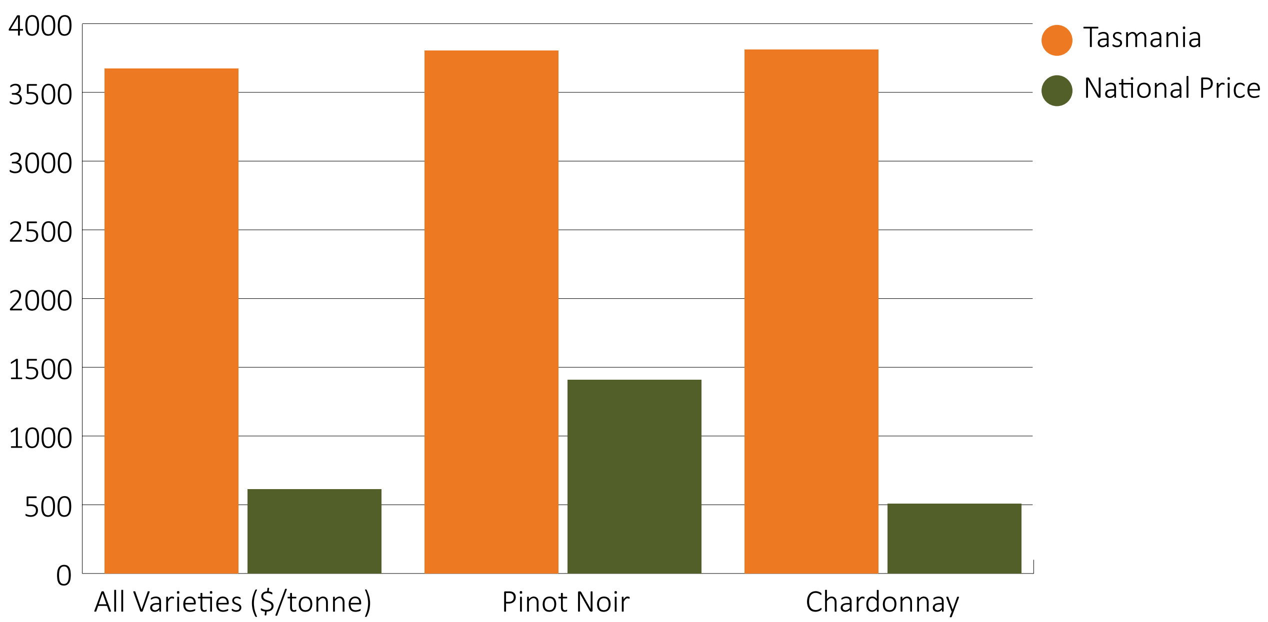


Figure 2 Source: Wine Australia 2024d

The low prices growers are receiving for some varieties in the inland wine regions is having significant negative impacts on the mental and financial health of growers and the broader communities (Schmidtke et al. 2023, p. 10).

The oversupply has produced a surplus of red wine stocks. The 2023 Wine Australia Production, Sales and Inventory Report indicates an estimated 2.2 billion litres of wine in the Australian inventory, which is 288 million litres above the 10-year average (Wine Australia 2023b). While 2020/21 and 2021/22 saw a surplus of Australian wine of around 500 million litres, 2022/23 saw stocks fall by more than 100 million litres (Figure 3).

Wine Australia reports that the stock levels for red wine are still well above ideal levels. In comparison, stocks of white wine are roughly in balance (Figure 4).

Figure 3 Australian wine estimated surplus and deficit production volumes 2006-2023

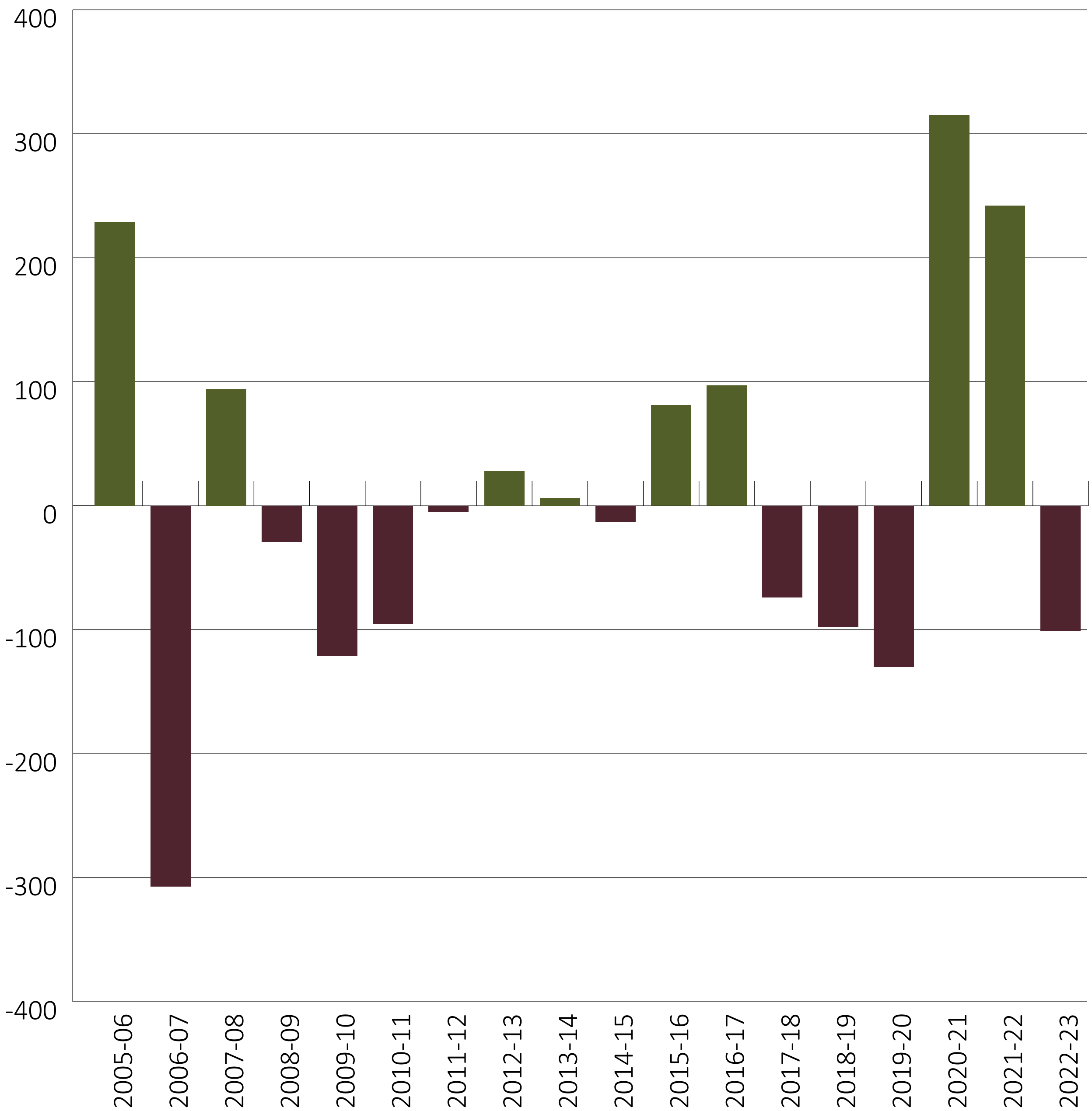


Figure 3 source: Wine Australia 2023b

Figure 4 Stocks-to-sales ratio of red and white wine, 2014 to 2023

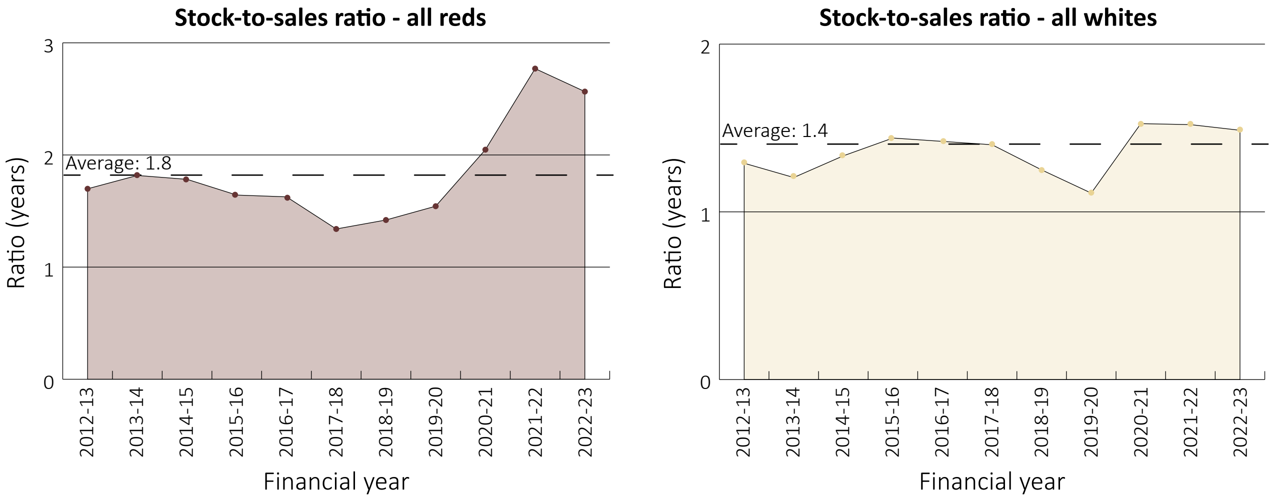


Figure 4 source: Wine Australia 2023b

Anderson notes the current surplus are commercial wines that will sell for less than $5 per litre. However, unsold wine in premium regions is putting downward pressure on the prices of commercial wines, as buyers can purchase higher-quality product at lower prices than normal (Anderson 2024, p. 9).

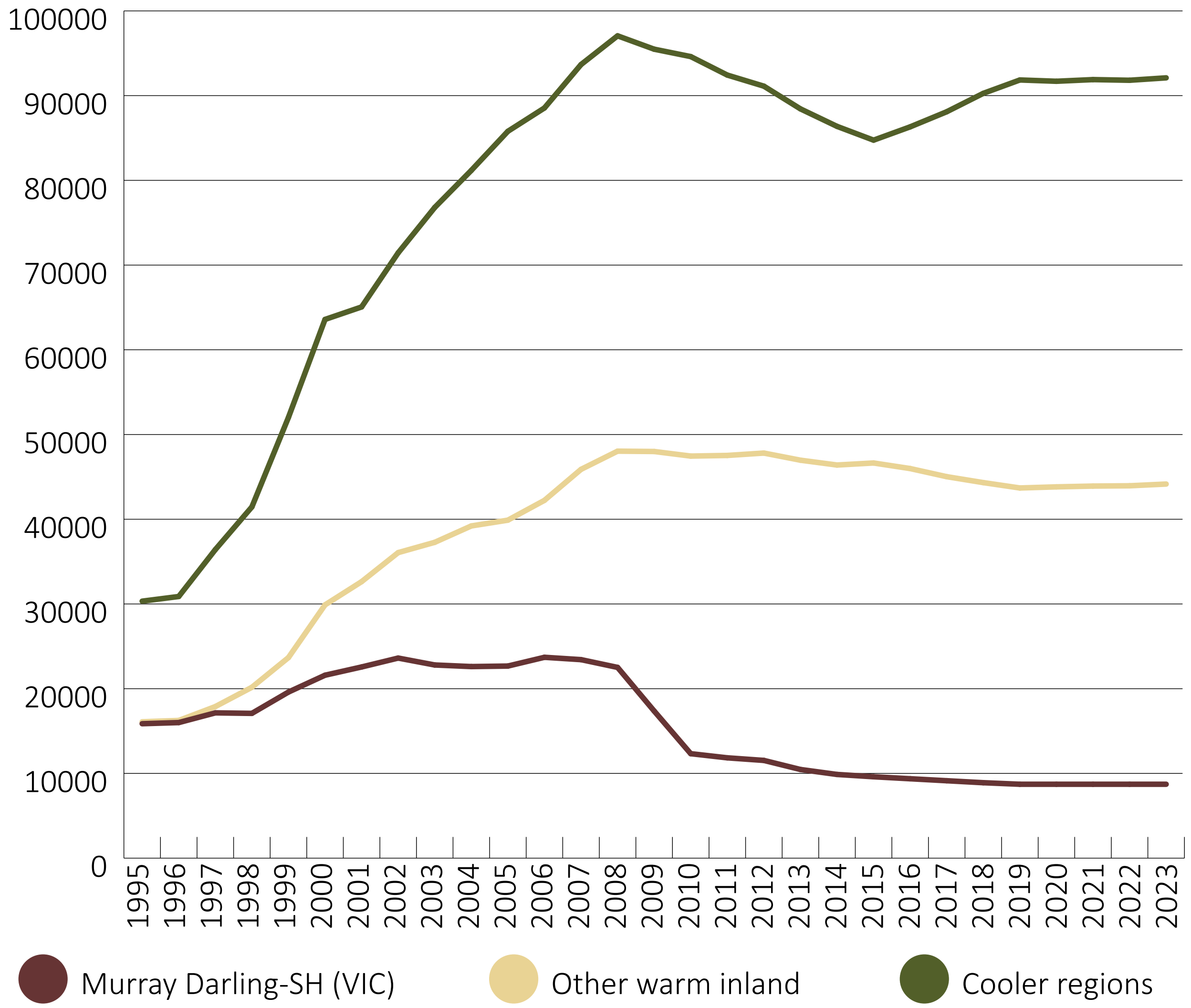
Causes of the oversupply

While the loss of the largest export market for Australian wine, China, was a significant contributor to the current oversupply, long-term structural supply and demand imbalances have been evident in the sector for decades. The global downturn in wine consumption, trends towards other alcoholic beverages, supply chain issues and increasing costs have also contributed to the issue.

Industry expansion

One of the main reasons for the current oversupply situation is the rapid expansion of the Australian wine industry between 1980 and 2008. During this period, total planted vineyard area almost tripled, from 65,182 ha to 166,000 ha (ABS 1997; ABS 2009). Anderson observes that it is not widely recognised that this vineyard expansion occurred mainly in the cooler regions, despite the impacts now being felt primarily in the warm inland regions (Figure 5), due to the high yield nature of vineyard plantings in the inland regions (Anderson 2024, p. 9).

Figure 5 Vine bearing areas in Murray Darling-Swan Hill, VIC, other warm inland regions, and cooler regions, 1995 to 2023 (ha)



The growth in vineyard plantings and wine production were partly encouraged by two important reports: the Industry Commission's (now Productivity Commission) 1995 *Winegrape and Wine Industry in Australia* report on the competitiveness and export potential of the industry, and the Winemakers' Federation of Australia's 1996 *Strategy 2025* which set production and export targets for the industry (Anderson 2024, pp. 31-32). The increase in investment during this period can also be attributed to use of tax provisions such as the accelerated depreciation of vineyard establishment expenses and Managed Investment Schemes (Anderson 2024, p. 33).

Anderson (2024, p. 32) observes that the industry reached its three-fold increase in production value target in only 5 years (instead of 30), with the vineyard planting area expanding from 50,000 to 120,000 hectares between 1995 and 2001.

Boom and bust cycles

There were observations in a 2009 Joint Statement from industry leaders that the sector was enduring its toughest period in two decades, with the surplus of wine and grapes causing long-term damage to the industry and the need for structural adjustment (Winemakers' Federation of Australia et al. 2009). Industry leaders at the time warned of the extent of the current problem and the further danger to come, arguing that it was not just a cyclical period of boom and bust but a broader and deeper structural problem. Those leaders called on the sector to urgently fix the problem, warning that industry couldn't trade its way out or rely on the government to step in.

Anderson (2024, p. ix) observes that the industry has postponed making adjustments in supply partly due to increased exports to the US from the mid-1990s, the international popularity of certain brands in the 2000s, and the boom in exports to China in the 2010s. Figure 6 shows the effect of these export booms from 1992 to 2023 on Australian wine export value and volume.

Figure 6 Australian wine exports value and volume, 1992 to 2023

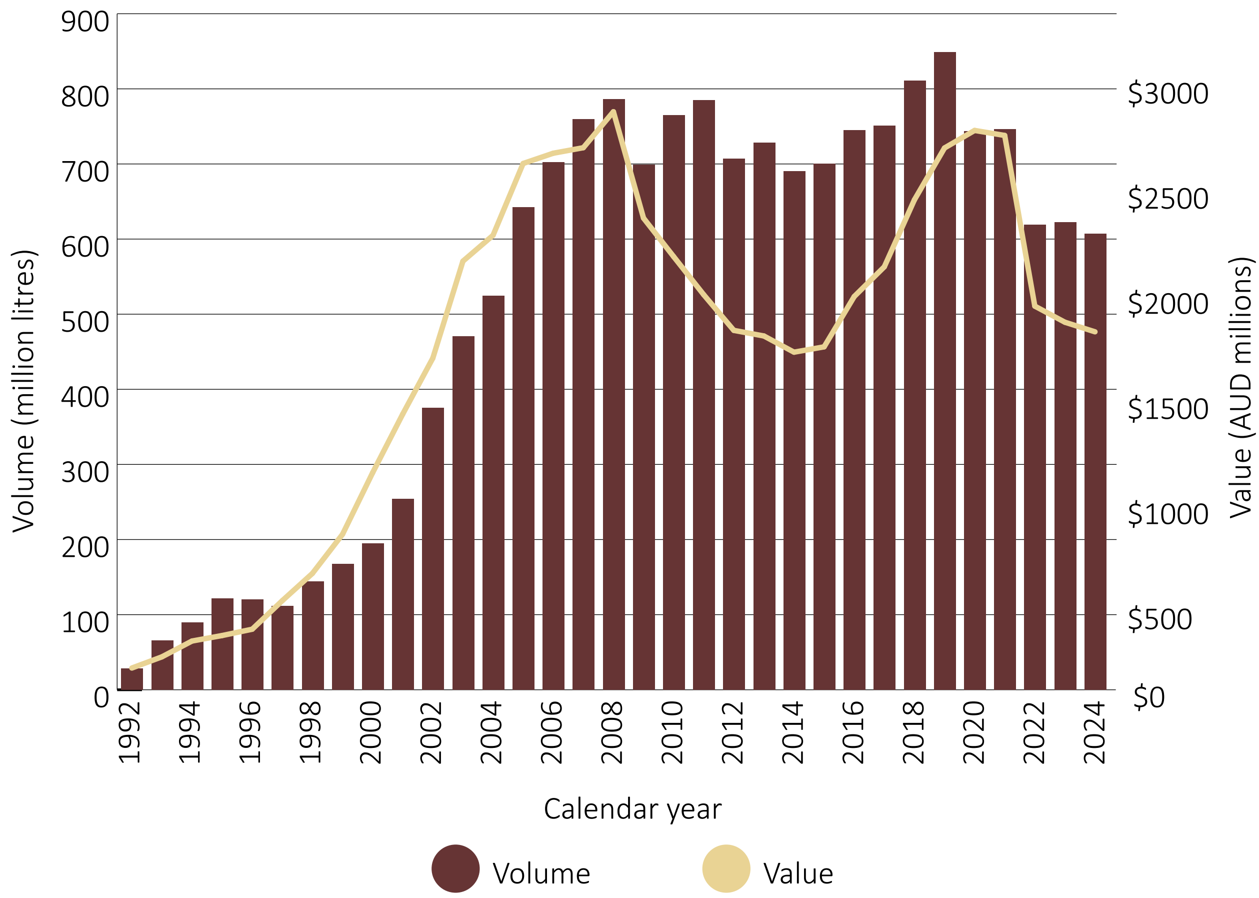


Figure 6 source: Wine Australia 2024d.

China

There are early, positive signs for the industry ahead with the return of the China market. Since the removal of import duties at the end of March 2024 to end of June 2024, Australian wine exports to China totalled $387.1 million in value and 30.5 million litres in volume. In contrast, the total value of wine exports to China was only $13.1 million in value and 2 million litres in volume in the 12 months prior to China's market return (Figure 7).

Figure 7 Exports of Australian wine to mainland China over time

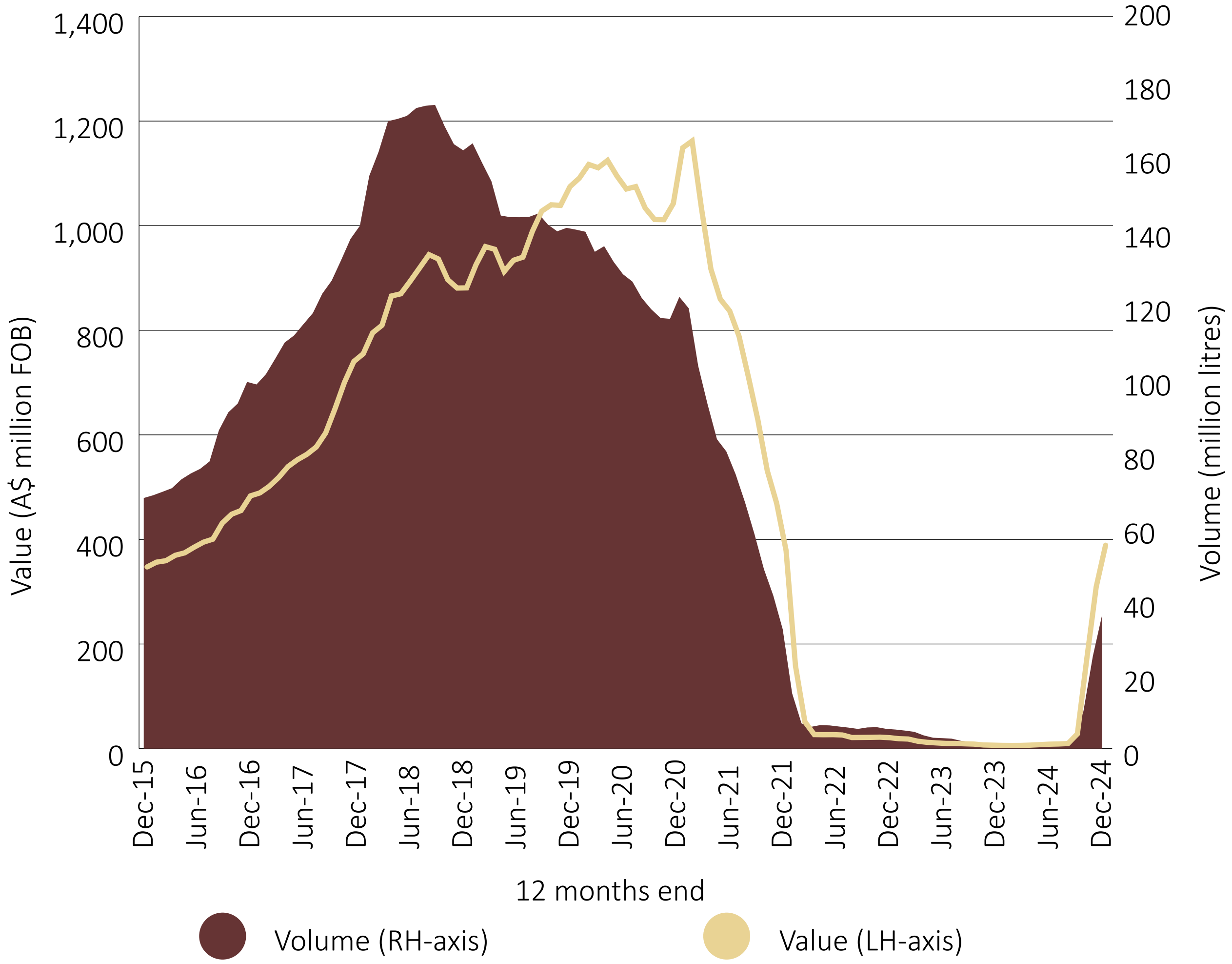
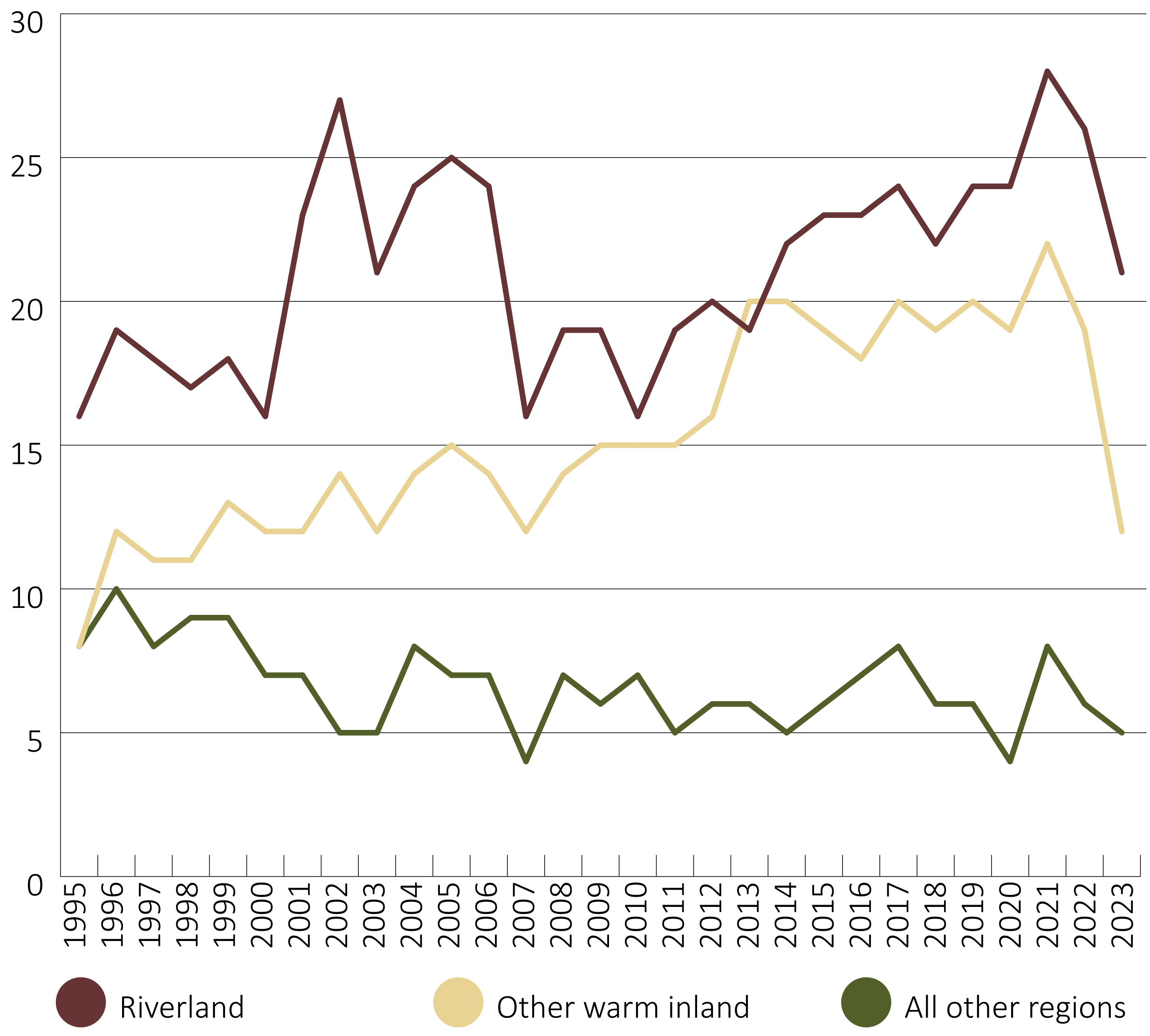


Figure 7 source: Wine Australia 2024a.

Inland regions

The three large inland regions currently account for 72% of the national crush or 1.03 million tonnes (Wine Australia 2024d), up from 57% of the national winegrape production in the late 1990s (Anderson 2024, p. 11). While Anderson (2024, p. 11) observes that while the vineyard area expanded more in cooler regions (Figure 4), using different vineyard management practices, the inland regions increased their yields (tonnes of grapes per hectare) during the same period and therefore the share of national production (Figure 8).

Figure 8 Winegrape yield (t/ha), Riverland, other warm inland and cooler regions, 1995 to 2023



The inland regional crush is currently 18% below the 10-year average of 1.25 million tonnes (Wine Australia 2024d). Murray Darling/Swan Hill and the Riverina are currently at least 15% below their 10-year averages, and the Riverland is 19% below its 10-year average (Wine Australia 2024d). Australia's cool and temperate regional crush is also 17% below the 10-year average, with 401,307 tonnes and 28% of the total national crush (Wine Australia 2024d).

The recent average decline the inland regional crush correlates to a consolidation of grape growing businesses over the same time period. As illustrated in Figure 9, Wine Australia estimates a decline in the total number of grape growing businesses in the Riverland from 1,213 in 2001/02, to 963 in 2020 (Wheeler et al 2022).

Figure 9 Riverland grape growers from 1999/2000 to 2019/20

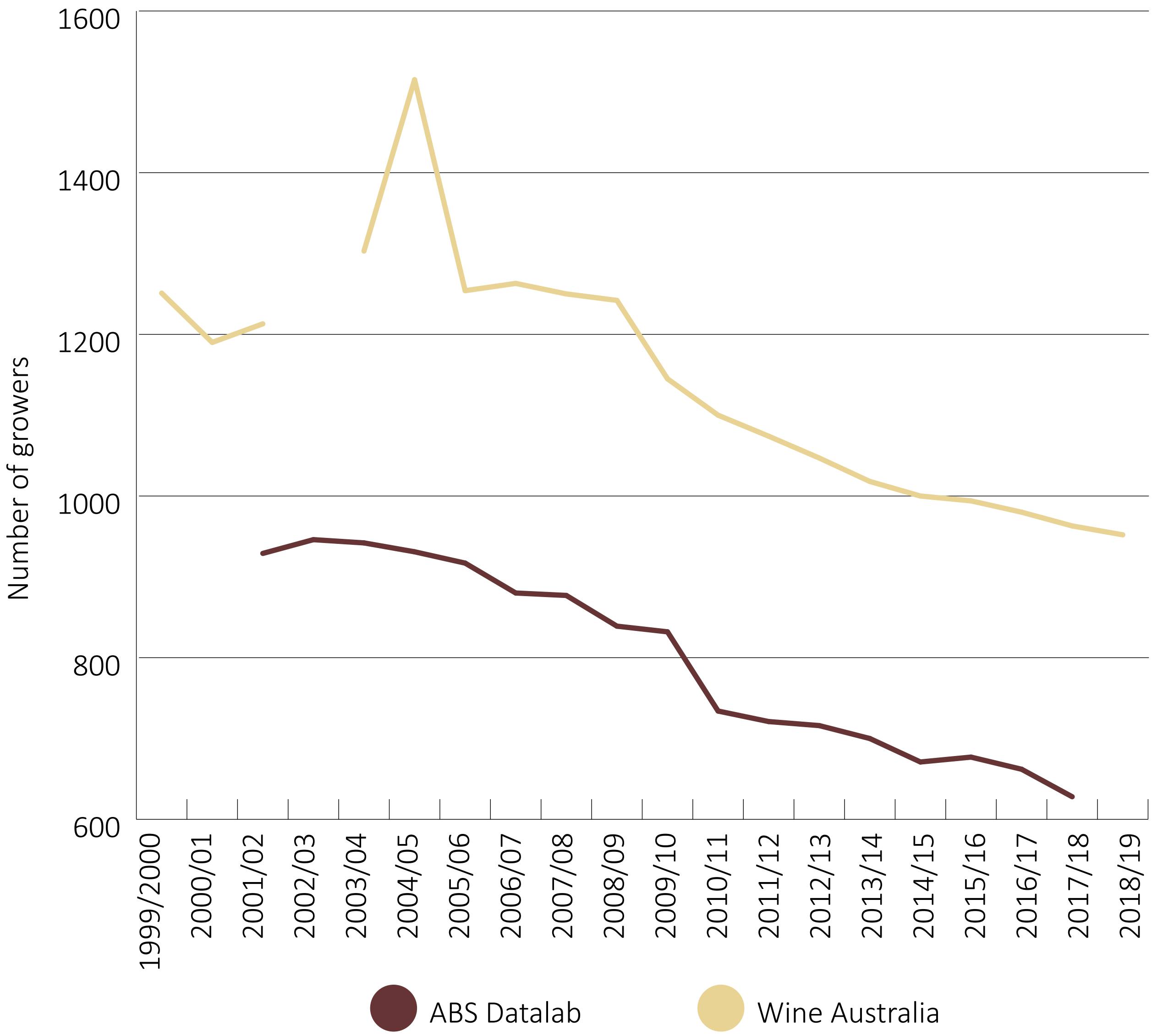


Figure 9 source: Wheeler et al 2022

However, grower business consolidation has generally not translated into a decrease in vineyard assets. Reductions in total Riverland vineyard planted area declined from 22,456 ha in 2007/08 to 20,575 ha in 2019/20. The bearing vineyard area in the Murray Darling/Swan Hill region also declined, however this transition was undertaken more sharply and earlier by 37% compared to the Riverland's 8% (Figure 5).

While more farmland in the inland regions once planted to vines is now being used for other horticultural purposes such as olives, almonds and citrus, the speed of this transition is not consistent among in the inland regions. As Anderson notes, the unique long-term contract between CCW Co-Operative (CCW) and large-scale wine business, Accolade Wines, has strongly influenced the disparity between the Riverland's minimal reduction in vineyard area when compared to the Murray Darling/Swan Hill (Anderson 2024, p. 10). During consultations in the Murray Valley, the Working Group also heard strong industry leadership and information sharing supported growers to interpret price signals which assisted the region's response to the oversupply.

Global oversupply and falling consumption

Australia's imbalance between supply and demand is not unique and is replicated globally (Figure 10).

Figure 10 Estimated global wine supply and consumption over time

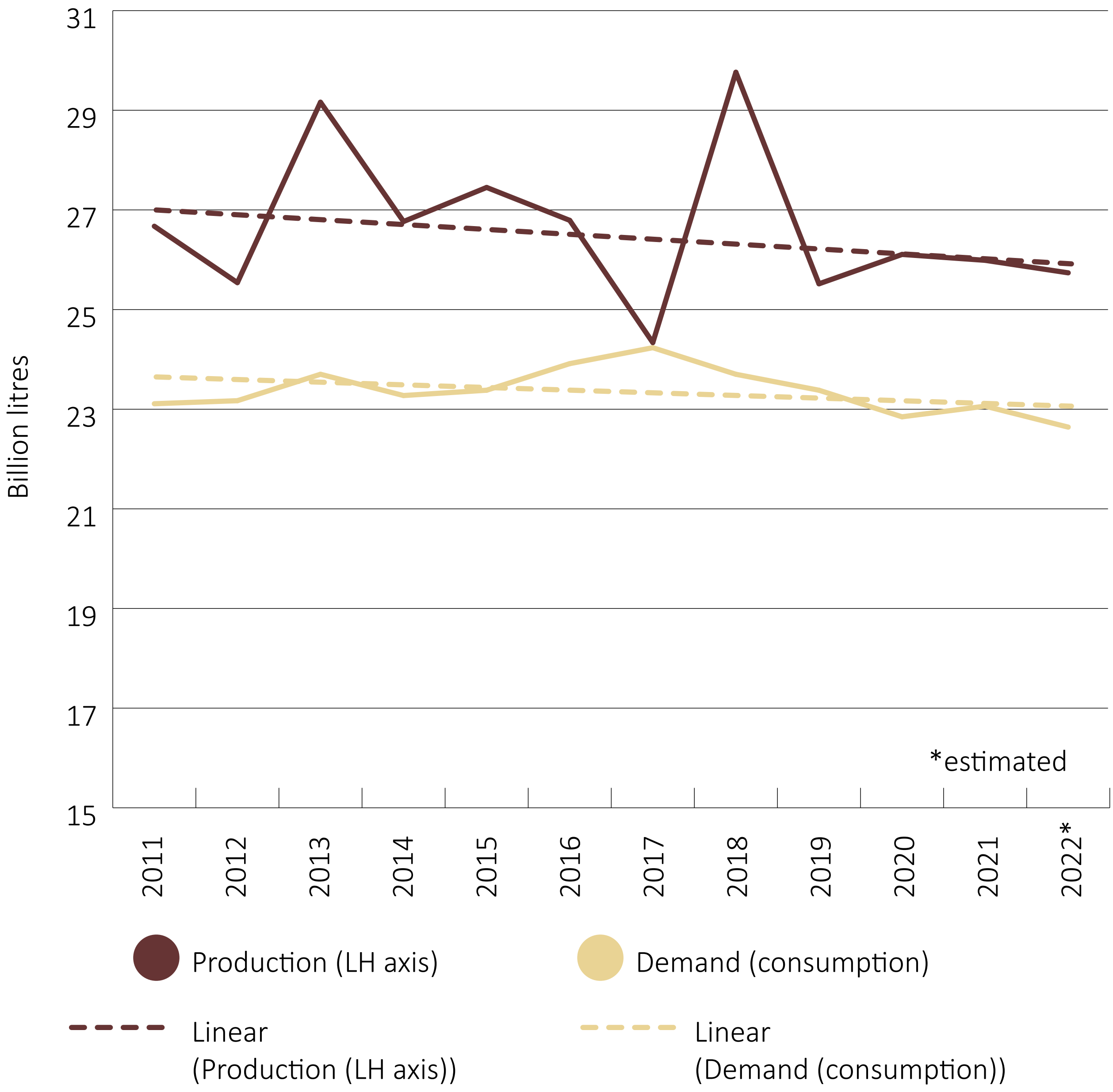


Figure 10 source: Wine Australia 2023c

The global wine sector is responding to the lowest volume of world wine consumption recorded since 1996 motivated by factors such as changes to consumer's preferences, China's reduced consumption (25% decline in 2023), geopolitical tensions in Europe, disruptions in the global supply chain, and cost of living pressures (International Organisation of Vine and Win 2024). Even European countries with strong wine identities have seen significant declines in consumption lead by Portugal with a 34% drop in 2023 and France with a 15% decline in domestic wine consumption year-on-year (Directorate-General for Agriculture and Rural Development 2023). According to Wine Australia (2024b), declining global consumption is driven by reductions in the amount of wine consumed per person on average (Figure 11). Despite this trend over many years, the Australian grape and wine sector has continued to expand its capacity.

Figure 11 Global per capita consumption – still wine v other alcoholic beverages (litres per person)

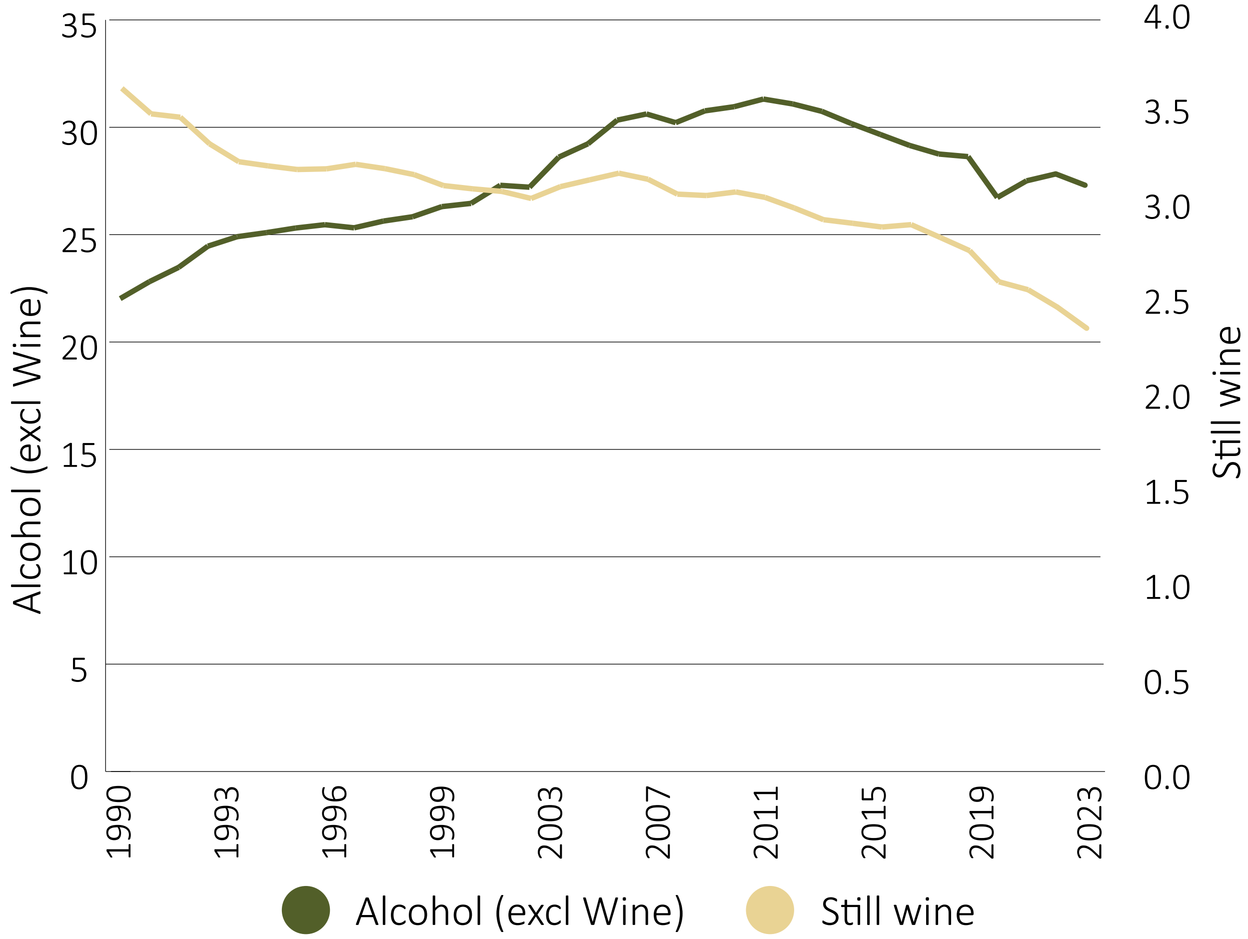


Figure 11 source Wine Australia, April 2024, (Sources: IWSR Drinks Market Analysis Limited and Worldometer).

KEY ISSUES, IMPACTS AND RESPONSES

Overview

During consultation, the Working Group heard a range of views from stakeholders on the current red wine oversupply issue. The list of stakeholders consulted is at Appendix B and the summary of the issues heard is at Appendix C.

Feedback from most stakeholders was that there are too many red wine grapes being produced in Australia and too much red wine in storage. The Working Group heard a variety of views on the contributing factors that had led to the current situation including previous government policy decisions, winery contracts that encourage overproduction, loss of the China market, declining global consumption of red wine and not enough response to market signals by industry.

The Working Group heard diverse perspectives from different stakeholder groups and regions on possible solutions to the oversupply and what actions are needed to put the sector back on the path of long-term viability. For example, some argued for greater marketing investment to build local demand, while others argued for greater focus on exports. Other contested issues included wine taxation, industry representation, the need for structural reform and further financial assistance from government.

The Anderson Report suggested a number of ways to move the Australian grape and wine sector back onto a more sustainable path for the long term. While these are consistent with the views expressed by many stakeholders, it is acknowledged that these views were often contested.

Data and evidence conveyed by stakeholders during the regional visits, and through written submissions, presentations and the Anderson Report was analysed by the Working Group. This information included the following key themes and challenges.

Mental health and financial instability

Many growers and some producers made clear the need to address mental health challenges during Working Group consultations. The Working Group also heard concerns about increased financial instability and uncertainty, and higher debt levels associated with consecutive low grape prices. Growers reported that cost of living pressures were increasing costs of production, but they were unable to pass these costs on to wine producers.

The mental health challenges raised by stakeholders during visit to the Riverina, NSW is supported by research undertaken by Charles Sturt University (CSU), which was presented to the Working Group by NSW Wine. Of a sample of growers surveyed in the Riverina, results indicated a majority felt a degree of stress (92.1%) and worry (86.8%) and low mood (72.9%), however, the issues found to be impacting growers' mental health was not simply financial stress, and included other issues such as climate uncertainties and the impact of power imbalances between some growers and wineries (Schmidtke et al 2023).

The Working Group heard that community engagement was important for growers' mental health, and some regional associations had organised community events such as BBQs to support growers. Community events for growers to get together and 'not talk about grapes' were highlighted by CSU as important for growers' mental health in the Riverina region (Schmidtke et al 2023).

The Australian and State Governments have programs in place to support the mental health and wellbeing of growers, however, it was acknowledged that more and better targeted promotion of these services to growers would be beneficial and may increase take up.

There are a range of support programs available to impacted growers that provide mental health support services and financial assistance:

- Head to Health connects Australians to information, advice, and free or low-cost phone and online mental health services and support https://www.headtohealth.gov.au/.
- Primary Health Networks supports people to find and access local support services where and when they need it https://www.health.gov.au/our-work/phn.
- South Australia recently committed $50,000 for wine industry bodies to hold community events focussing on mental health and wellbeing in their regions for winemakers, grape growers and others in the industry hard hit by oversupply issues.
- New South Wales Government also offers a range of counselling and mental health support programs, including a dedicated Mental Health Line.
- Queensland Government provides Business Wellness Coaches to growers who are experiencing mental health or emotional wellbeing stress.
- The Rural Financial Counselling Service (RFCS) provides access to free tailored support by qualified professionals that is unique to primary producer's situation, including grape growers https://www.agriculture.gov.au/agriculture-land/farm-food-drought/drought/rural-financial-counselling-service.
  - Governments have recently added more services to respond to increasing demand in Riverland and Murray Valley regions.
- The Farm Household Allowance (FHA) program provides eligible farmers and their partners a package of assistance that includes up to 4-years (in every 10-year period) fortnightly income support, a Health Care Card and other allowances, a professional financial assessment of the farm business and regular support of a case manager https://www.agriculture.gov.au/fha.
  - The program also includes a $10,000 activity supplement to develop skills and increase capacity for financial self-reliance. These funds can also be spent on counselling activities where funding under the Better Access initiative has been exhausted.
- The Regional Investment Corporation (RIC) delivers low-cost, low-interest rate loans of up to $2 million to the farming sector https://www.ric.gov.au/.
- The Farm Management Deposits (FMD) Scheme to assist primary producers to deal more effectively with fluctuations in cash flows by building up cash reserves https://www.agriculture.gov.au/agriculture-land/farm-food-drought/drought/fmd.
- The Age Pension Extended Land Use Test for eligible retiring farmers may exempt all the land on a single title as an asset not counted towards determining Age Pension eligibility https://www.servicesaustralia.gov.au/rural-customers-and-primary-producers?context=22526.
- The South Australia Family and Business Mentor Service provides free, confidential assistance to help with difficult situations as a primary producer or regionally-based agricultural business owner: https://www.pir.sa.gov.au/fabs
- South Australia's Rural Business Support Relief Fund has been created in response to grower mental health and financial instability concerns. The relief fund offers new financial support for impacted red wine grape growers of up to $1,500 to accommodate routine costs.

Use of existing supports

The Working Group heard that some existing programs are providing useful services to growers experiencing financial hardship. In particular, the Rural Financial Counselling Service (RFCS) was well regarded during consultations and had assisted hundreds of growers since the oversupply began. Furthermore, there were signs that access to some support services has increased, with grape growers drawing on around $17 million in Farm Management Deposits in 2023. Concerns were raised that demand for support services could increase and governments would need to consistently monitor uptake in the sector to manage demand.

Feedback from some growers was that some support services were more difficult to understand and access than others. Some growers reported long waiting times to access the FHA and others reported exhausting their 4-years fortnightly income. From 1 July 2024, growers who had exhausted their entitlement can now access 4 more years of payments (DAFF 2024a). Further, in the May 2024 Budget, Services Australia received $1.8 billion over three years to fund more service delivery staff to reduce claim processing and call waiting times (Services Australia 2024).

Some stakeholders observed that growers may not have tried to access the existing supports available, due to misunderstanding of the programs, or shame and embarrassment. The data shows that grape growers are underrepresented in the hardship payments currently available and designed for farmers. Since the FHA program's commencement in 2014, around 10% of grape growers have accessed FHA. This is slightly under the national average of 12% of farms of all commodity types (DAFF 2024a).

The Working Group also received positive feedback regarding a range of services offered by state agriculture departments supporting the sector in their respective jurisdictions. These include services such as the NSW Department of Primary Industries and Regional Development's viticulture development officers who provide crucial advice and services to growers and winemakers in the Riverina and Agriculture Victoria's business planning workshops in the Murray Valley through the Farm Business Resilience Program.

Issues with lending institutions

The Working Group heard some growers were at maximum borrowing capacity and were encountering issues with lending institutions to refinance, buy or sell vineyards, with the situation made worse with the declining presence of banks in regional areas. Growers reported that lending institutions had changed their lending parameters as a result of the oversupply.

Recommendation 1: Address mental health and financial challenges

Actions

- Ensure wine grape growers are accessing existing support services, such as the Rural Financial Counselling Service, Regional Investment Corporation low-interest loans, Farm Household Allowance and mental health services, by promoting those services.

Lead: Australian and state governments, industry representative groups

- Monitor the efficient delivery and uptake of the existing support services to identify and resolve any issues.

Lead: Australian government

- Provide support for regional community events to support mental health and social cohesion.

Lead: Relevant state governments, industry representative groups

- Work with lending institutions to discuss issues raised by industry and community groups and potential solutions.

Lead: Relevant state governments

Exiting and diversifying

The Working Group heard a range of perspectives on the need for industry participants to exit or diversify to other crops or products. Many growers said that they wish to stay in the industry, with many expressing pride in their family vineyards. Other growers wished to exit the industry or diversify into more profitable crops, but raised a number of barriers, including a lack of technical assistance and industry leadership.

Waste streams were also noted as a key issue if growers were to exit the industry. In the Riverland region, stakeholders highlighted that there are no disposal options for Copper Chrome Arsenic (CCA) posts, drippers, and wires. These stakeholders suggested that government support may be needed to assist, including financial assistance with the costs of disposal. Engagement with local councils was suggested to investigate disposal options.

Some growers raised concerns regarding a lack of available technical information on how to transition away from wine grapes and into different crops. In particular, advice on other forms of horticulture production was not easily available but were seen as a potential opportunity.

The Working Group heard inland regional success stories, where some producers had transformed their vineyards, co-planting climate-appropriate, in-demand varieties with other horticulture such as olives with good commercial returns.

The Working Group also heard from producers and wine businesses of new sources of demand being cultivated in the no and low alcohol category. In particular, new methods to produce 'mid-strength' or lower alcohol categories of wine were being developed to meet the changes in the market.

South Australia has committed $260,000 for CCW to help growers who are looking to diversify to alternative crops and improve access to information on alternative crops and revenue streams.

The Australian Government will support Wine Australia collaborating with AgriFutures and other stakeholders on activities to support wine grape growers to diversify to other crops, adopt non-traditional revenue streams and niche markets. This will include a tool for wine grape growers to help make decisions to adopt non-traditional revenue streams or niche markets and diversify crops, to be delivered by the end of the June 2025.

Wine Australia will also undertake new consumer research to investigate lighter wine category development and consumer adoption and deliver usable consumer and market insights to inform research and innovation investment on the lighter wine category and communicate to the grape and wine sector.

South Australia is funding a $1.98 million No and Low Alcohol Wine Trial Scale Research Facility, supporting the development of new products and markets, which was bolstered by an additional $3 million in research funding from the Australian Government.

Mixed views on structural adjustment

The most contested point of consultations was whether governments should financially support growers wanting to exit the sector. Some stakeholders argued China's withdrawal was an unforeseen factor and not the fault of industry, and therefore the government has a responsibility to intervene by compensating the sector for losses incurred during this period. Others raised concerns with the unintended consequences of such action, including for communities and organisations that depend on growers, such as irrigation trusts.

Among the stakeholders who expressed the view that structural adjustment is necessary, there was little consensus on how many vines need to be removed and from where. Many agreed that better data and transparency on the supply side (what vines are planted where) is needed to make better informed decisions.

There was also no consensus on the adequate amount of funding growers needed to exit. One stakeholder in the Riverland called for an exit package from government at $4,000 per hectare. However, this amount was offered to CCW growers from Accolade wines and rejected from growers in May 2024 on the basis it was not sufficient (Anderson 2024, p. 1). Despite this, there was broad support from stakeholders for Australian Grape and Wine's pre-budget submission which called for $86 million in government funding, including $30 million for sustainability/diversification support (Australian Grape and Wine 2024).

On this issue, Anderson (2024, p. xiv) cautioned against introducing a government-led structural adjustment package or taxpayer funded vine pull scheme, observing that "industry itself needs to own the problems it faces, and step up its leadership in finding appropriate and workable solutions". Furthermore, Anderson (2024, p. 43) noted existing analysis that demonstrated similar schemes create efficiency-improving problems and impeded farmers' ability to make necessary adjustments. In 2006, ABARES noted that a market orientated solution was the most "efficient and effective solution" to the wine oversupply and that regulatory interventions would be costly and would not result in improved prices for growers (ABARES 2006). Productivity Commission (2009) and ANAO (2011) reporting has also discouraged governments from implementing these types of payments or schemes, noting the productivity damage they can incur to sectors over the long term.

Having weighed up all the evidence, the Working Group considers a vine pull scheme or other subsidy would be more likely to cause unintended consequences and potentially do further harm to the long-term viability of the industry. The Working Group considers there are other actions that can be taken to put the industry on a better footing, by empowering individual growers and winemakers with information and transparency, supported by industry representative groups and effective marketing and investment in research and development.

Impacts of water recovery

Water recovery in the Murray Darling Basin was raised during consultations as both an opportunity and a risk. Some growers reported they were considering permanently trading their water entitlements, but they were simultaneously concerned about the loss of productive water from the region. Other stakeholders observed water buybacks could be an opportunity for those growers who wish to exit the industry. Irrigation Trust networks in the Riverland also raised concerns about potential water buybacks impacting the viability of their infrastructure and services.

The Australian Government is committed to implementing the Murray-Darling Basin Plan in full. The Restoring our Rivers: Framework for delivering the 450 GL of additional environmental water outlines the approach to water recover towards the 450 GL target.

The Sustainable Communities Program provides funding to Basin states for communities impacted by water recovery to deliver the 450 GL. This program provides $300 million to invest in Basin communities. It will go for 4 years, with funding available to Basin state governments from 1 July 2024. The program funding will:

- help regional communities to diversify and build resilience
- support communities to build capacity and prepare for a future with less water
- respond to local challenges, opportunities and priorities
- provide assistance at the same time as water recovery activities to proactively manage impacts.

Recommendation 2: Address barriers to exit and diversify

Actions

- Support grape growers and winemakers diversify their farming enterprises, product development or move to non-traditional revenue streams or alternative alcohol products by providing information and support services.

Lead: Australian and relevant state governments, Wine Australia

- Investigate options to support waste management to avoid environmental, biosecurity, financial and social risks and impacts associated with transitioning from grape production and abandoned vineyards.

Lead: Relevant state and local governments

Better information and data to support business decision making

The need for better data to support decision making and transition to alternative crops, particularly around plantings, prices and supply and demand emerged as a key theme during consultations. Calls for improved data availability and for the establishment of a National Vineyard Register were recurrent throughout Working Group consultations. This was described during consultations as an important tool to help growers and winemakers inform business decisions, market monitoring and mitigate against future oversupply and move towards supply/demand balance. Stakeholders acknowledged that while high quality data exists in some states and regions, there was recognition that national oversight and consistency is needed.

The need for improved vineyard data and market information has been an ongoing issue in the sector. The former Wine Grape Growers Australia (WGGA) (2006) advocated for a national register to improve planting data for the industry, better coordinate of supply and demand, improved preparedness for plant health and biosecurity issues, and improved product traceability. The 2005 Senate inquiry into the operation of the wine-making industry found merit in WGGA's proposal and recommended further work be undertaken between the Commonwealth, state authorities and peak bodies with a view to establishing a national register of vines (Senate Rural and Regional Affairs and Transport References Committee 2005).

From 1998 to 2008 the Australian Bureau of Statistics (ABS) conducted annual collections of data on all significant varieties and irrigation information. Post-2008, the ABS continued data collection on behalf of the industry in various levels of detail contingent on different sources of funding (generally industry). ABS data collection ended when funding from the Australian Grape and Wine Authority expired in 2017 (ABS 2015).

Anderson strongly supports the establishment of a National Vineyard Register, noting advantages over the current industry reporting would include real time data collection to assist producers winter business management and decision making. Anderson (2024, p. 60) also states an operating Register would present new opportunities for growers to compare, benchmark and analyse results from neighbouring regions and production methods, a point also raised during the Working Group consultations. Anderson (2024, p. 51) observes the ongoing operation of the Register would need to be funded via industry levies.

The Australian Wine Research Institute (AWRI) also recommended to the Working Group the establishment of a National Vineyard Register, which should also include data collected on what is being produced and sold at nurseries. This data could be used to forecast what vine varieties and their volume will come through the supply chain.

The Working Group heard strong support from some stakeholders on the information and tools already available to help with business-decision making. However, it was noted that awareness of existing tools could be promoted.

The Australian Government will fund the establishment of a National Vineyard Register to help with business decision making and assist in predicting and preventing against future oversupply scenarios. This follows a $1.0 million grant in 2022 to Wine Australia, the Inland Wine Regions Alliance, and Australian Grape & Wine to assist in improving transparency for winegrape prices in inland regions. Outcomes from this grant included:

- Interactive grape price indicator for growers to access market information and trends.
- Quarterly winegrape and wine reporting from ABARES as part of the ongoing Agricultural Commodities report, providing timely analysis, forecasting and assessments to industry.
- Industry-owned domestic sales dataset of price and volume information on wholesale wine sales.

The Farm Business Resilience (FBR) Program is jointly funded by the Australian, state and territory governments to provide support for farmers to build their strategic management and planning skills. FBR participants are provided with assistance to improve their skills and knowledge to better prepare for and manage risk, adapt to change and strengthen farm business resilience. In June 2024, Agriculture Victoria partnered with Murray Valley Winegrowers Incorporated (MVWI) to deliver a business planning workshop under the FBR Program targeted to wine grape growers in Northwestern Victoria to build better business skills in the sector.

Distillation of surplus wine

The concept of product transformation as a potential solution to clear existing stocks was considered by the Working Group and is also analysed by Anderson. Stakeholders had mixed views of schemes and methods to transform unsold wine into other products, such as distillation.

Anderson (2024, p. 28) notes that European Union (EU) schemes, which provide support for winemakers to dispose of excess stock via government-funded distillation, can make the problem worse because they create a disincentive for industry to reduce their supply and further depresses grape prices. According to the International Organisation of Vine and Wine (OIV), every year between 25 and 35 million hectolitres of the total wine production is destined for industrial uses, such as distillation, vinegar and wine-based beverages (Barker 2024).

The taxpayer cost of distillation subsidy schemes is immense and replicating this approach in Australia would be cost prohibitive for industry and government. In France alone, €160 million has been pledged by French and EU governments for its current distillation subsidy (Anderson 2024, p. 28). The Anderson report emphasised the importance of returning the stock-to-sales ratio to balance, however concluded that this is a matter for surplus stockholders to solve (Anderson 2024, p. ix). For these reasons, the Working Group is not recommending a government-subsidised distillation scheme as it could distort the market and would not support the long-term viability of the sector.

Recommendation 3: Provide data and insights for better informed decision making

Actions

- Establish a national vineyard register, including future forecasting based on nursery data.

Lead: Wine Australia and Australian Government

- Host events/activities on the state of the Australian wine industry to increase awareness of tools and information currently available.

Lead: Australian Grape and Wine and Wine Australia

Fairness in commercial dealings

Concerns regarding fairness and potential failures in the wine grape and retail markets were raised by growers and producers during consultations as long-standing, but exacerbated by the current market conditions.

Many growers noted commercial contract arrangements with wineries have a range of issues, in particular, pricing, long payment terms and inconsistent fruit quality standards. Some grower representatives suggested a mandatory code of conduct or other mechanism would provide fairer trading conditions and prevent the exploitation of growers during the oversupply and into more stable periods of demand. The existing voluntary Code of Conduct for Australian Winegrape Purchases (the code) was raised, by some, as not being effective to resolve disputes, promote contractual fairness and build a culture of better transparency throughout the supply chain. Some stakeholders were uncertain what the impacts of making the voluntary code mandatory would be.

Issues such as long payment times, opaque price transparency practices and subjective and unachievable quality standards for fruit have been known to exist in the industry for many years. The Senate Rural and Regional Affairs and Transport References Committee first recommended a mandatory code in 2005. Further investigations include the Australian Competition & Consumer Commission (ACCC) Wine Grape market study and follow-up report on the market study (Australian Competition and Consumer Commission 2019; 2021). These reports prompted change in the sector, following ACCC conclusions that competition was inhibited and there was a lack of transparency in the market. These included efforts to improve code take-up by winemakers, and effectiveness and promotion of the benefits of the code.

Despite improvements to the code in recent years, concerns regarding fairness in commercial dealings remained prevalent during the Working Group's consultation period.[1] The ACCC's follow-up report acknowledged the sector had made progress, including an increase in signatories to the Code. The ACCC (2021, p. 3) noted, however, that if the trajectory of improvement to commercial practices stalled under self-regulation, a mandatory code should be considered.

> Dr. Craig Emerson has been appointed to lead an independent impact analysis of the regulatory options available concerning fair trading, competitive relationships, contracting practices and risk allocation in the wine and grape sector and the retail market for wine. Recommendations will be provided to the Australian Government by the end of 2024.

The ACCC noted that long payment times remain a key unresolved issue, with winemakers resisting the ACCC's recommended transition to timely 30-day payment times. Payment times was one of the most concerning issues raised by growers in Working Group consultations. Some growers reported to the Working Group that in some cases, payment did not occur until more than 12 months after delivery of the fruit.

While the focus of the competitive relationship was between growers and winemakers, stakeholders also raised concerns about the relationship between winemakers and retailers. The four largest retailers (Endeavour Group, Coles, Metcash and Aldi) hold a market share of almost 70 per cent, with Endeavour and Coles alone having 55 per cent market share (IBISWorld 2023, p. 10). Some stakeholders also noted that despite concerns, retailers are an important part of the sector and provide economic opportunities for growers and winemakers. This issue was also considered by Anderson (2024, p. 61) who noted that the monopsony power of large liquor retailers has created issues such as crowding out shelf space in favour of private labels.

Recommendation 4: Examine commercial contract arrangements across the grape and wine sector supply chain

Actions

- Investigate the regulatory options available to improve fair trading, competitive relationships, contracting practices and risk allocation across the wine and grape sector value chain, from vineyard to retail shelf.

Lead: Australian Government

1 A Code of Conduct forum was hosted by the Wine Grape Council of South Australia in Adelaide on June 6 2024.

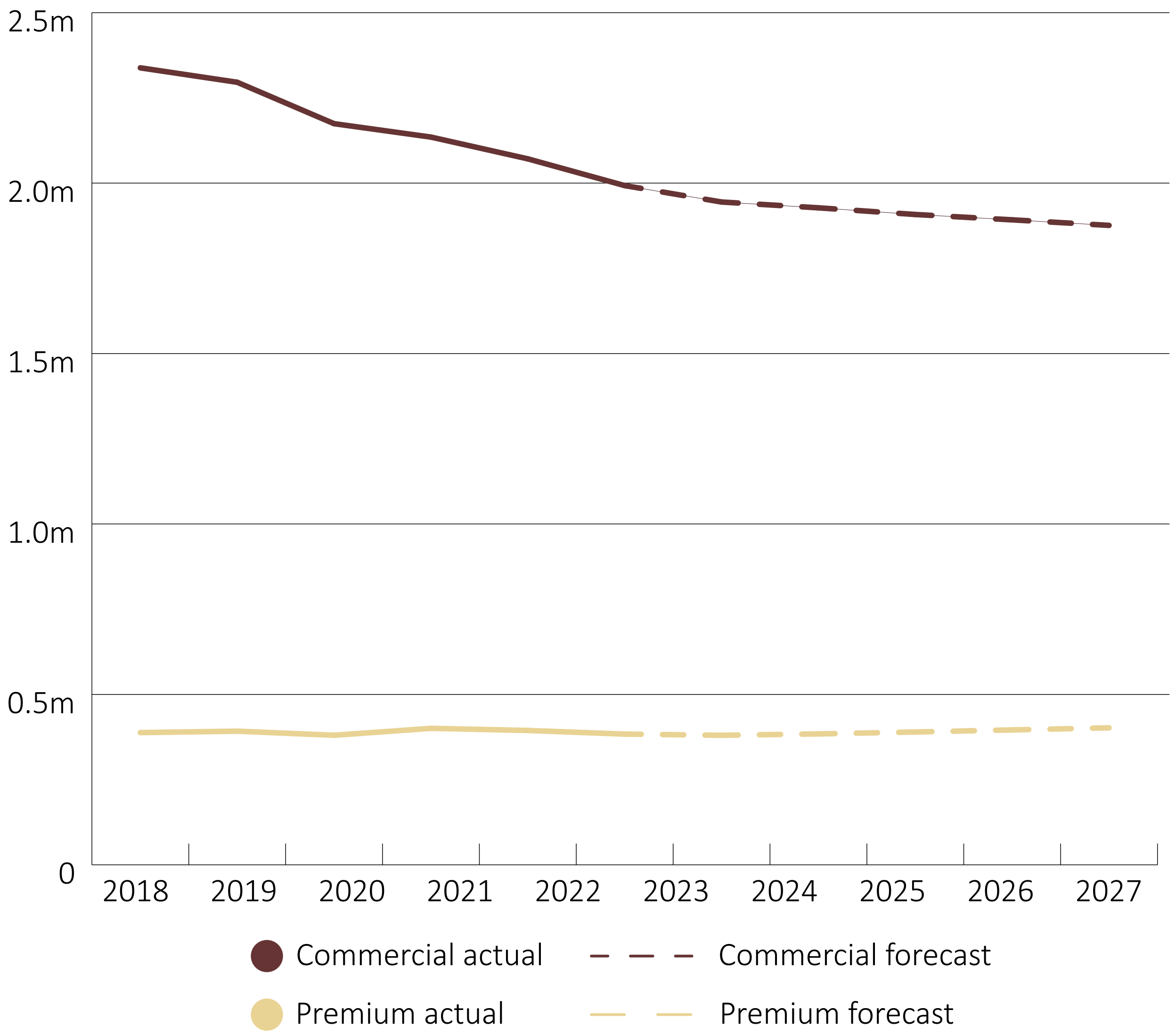
Improve quality and create more demand

Increasing the demand and reputation of Australian wine in existing (including domestic) and new markets was conveyed to the Working Group as a key priority in redressing the imbalance in supply and demand. As the Working Group learnt during consultations, demand for Australian wine has, and will, continue to encounter challenges.

Sustained reductions in demand have been influenced by a heightened awareness and importance of health among consumers, competition from other alcoholic beverages, long-term downward trends in the number of wine drinkers, cost of living pressures and the long-term decline in global wine consumption per capita (Figure 11).

Wine Australia reports wine consumption decline differs for commercial and premium wine. Since 2018, premium wine sales have remained steady, and are forecast to increase slightly to 2027. In comparison, commercial wines sales have dropped, and this is expected to continue, although to a lesser degree (Figure 12).

Figure 12 Commercial vs. premium wine consumption



Premiumisation and taxation

The Working Group heard from some stakeholders that the industry should focus more on premium wine rather than commercial. Anderson also recommends the sector raises the quality of wine produced (Anderson 2024, p. ix). Others acknowledged that commercial wine is a vital part of the sector and can be more competitive internationally (Anderson 2024, p. 52).

Some stakeholders suggested that adjustment to taxation settings could be considered as a mechanism to rebalance production and improve quality in the sector. Anderson (2024, p. 26) notes that the current Wine Equalisation Tax (WET), being *ad valorem*, taxes commercial wines lightly compared to premium wines, and that switching the WET to a volumetric excise tax would encourage the industry to move up market in terms of quality.

The Working Group notes the WET is a unique and complex tax calculation, and any change could have significant implications for different parts of the sector and the wider community. The Working Group also acknowledges that the WET is part of a broader tax and transfer system. Therefore, any consideration of changes to the WET needs to be carefully examined.

Sustainable Winegrowing Australia

Sustainable Winegrowing Australia is Australia's national program for grapegrowers and winemakers to demonstrate sustainability credentials and provides advice to the sector on improving the environmental, social and economic aspects of their businesses. The program was raised by some growers as increasing their financial strain, with some asking for the scheme to be put on hold. Some growers claimed they were forced to change their practices to meet scheme certification with no financial benefit. Other stakeholders noted the importance of the scheme in meeting international market expectations and saw it as a necessary market access tool.

Market diversification

Prior to the imposition of import duties, demand from the China market drove profits for the Australian wine industry and according to Anderson, this demand masked the oversupply (Anderson 2024, p. 37). The so-far strong return of the China market in 2024 represents a much-needed source of demand and industry revenue (Figure 7). While exports to date are encouraging, it is unclear how demand from China will develop over the long-term. As Anderson notes, China's per capita wine consumption has fallen almost every year since its peak in 2012, and in 2022 it was one-third of that peak.

Following the impact of the imposition of import duties by China, many in the sector now appreciate the importance of diverse sources of demand for Australian wine. This theme was recurrent during Working Group consultations, many noting that 'China's return' alone would not solve the oversupply problem.

Winemakers expressed diverse views on the range of new opportunities to increase wine sales. Some wine businesses called for additional government assistance to recover their market share to pre-2020 levels and to diversify and expand Australia's wine exports. Most producers and growers viewed greater emphasis on building the domestic market as an additional underutilised source of demand, and the importance of supporting cellar doors for regional tourism.

The Working Group heard industry should be assisted to restore demand in the American market, worth $997 million at its peak in 2007-08 (ABS 2009, p. 8). Other stakeholders suggested there are opportunities in other Asian markets such as Japan, South Korea and India. While important, these suggestions were seen as long-term propositions that would require collaborative and strategic investments in time and resourcing from government and industry.

New funding from the Australian Government $3.5 million Grape and Wine Sector Long-term viability package includes:

- Extending in-market export development personnel in the key emerging market of Japan through to the end of 2025.
- In-market activities in China including tradeshows and inbound visits and assisting Australian wine exporters to navigate China's regulatory environment.
- Roadshow activities in North America including retail activations, trade tastings, educational seminars and other activities that highlight Australian wine.
- A consumer education and marketing campaign to promote local Australian wine.

The Australian Government is delivering positive trade outcomes and improved market access for the wine industry through trade negotiations. Recent entry into force of free trade agreements with India and the United Kingdom provide competitive advantages into those markets. The government continues to develop and maintain international markets for the benefit of Australia's grape and wine sector.

The Australian Government has also provided $50 million over the past 5 years through the Wine Tourism and Cellar Door Grant Program. The program has provided over 900 grants to support wineries and cellar door operators to attract visitors and promote agri-tourism.

Global Victoria has partnered with Wine Victoria to deliver the Victorian Wine Export Program 2023-25, which includes inbound and outbound trade activity, industry export support and business development in priority markets and creation of timely export insights to support local business and industry decision-making.

In partnership with the South Australian Wine Industry Association, the South Australian Government is delivering a China Re-engagement Program, including workshops throughout our regions with a view to equipping producers with information.

Investment NSW has launched a targeted 12-month program of initiatives to bring international buyers to NSW and make it easier for local wine makers to take their products to markets around the world, including a NSW Wine Promotional Roadshow in China.

Recommendation 5: Boost demand for Australian wine at home and overseas

Actions

- Support Australian wine export businesses to recover their market share, diversify and expand Australia's wine exports through more effective international marketing and improved market access.

Lead: All working group members

- Build the domestic market for Australian wine and grow opportunities for regional wine tourism.

Lead: All working group members

- Ensure Sustainable Winegrowing Australia program is future-proofed, and consider concerns about social and governance principles and its value to industry.

Lead: Australian Grape and Wine

Industry leadership and representation

Feedback from some stakeholders highlighted concerns that industry representation at the national and regional level did not adequately represent the sector's diverse participants. The Working Group heard from some growers and commercial wine producers that their views were underrepresented in strategic planning, advocacy, policy making, and that a disproportionate focus was placed on the premium sector and winemakers. Some of these concerns could be attributed to the loss of a 'grower-specific' national body, and the consolidation of national wine organisations in the 2010s which saw reductions in staffing levels and leadership figures for parts of the sector (Anderson 2024, p. 59).

The Working Group considers there is a need for stronger industry leadership to address the long term and structural challenges facing the industry. As outlined earlier in this report, the current oversupply situation has been decades in the making. In the past, industry has identified the problem and the need for industry-led action. There is an opportunity now for all parts of the industry – including individual growers and wine makers, representative bodies, and research institutions, from all regions and from both the commercial and premium parts of the sector, to work together to set a long-term vision, and to agree on clear actions to deliver that vision.

The Working Group notes that concerns regarding sectorial representation and strategic planning raised during consultations are predominantly an internal matter for industry to resolve. The Working Group notes the development of the industry's "One Sector Plan" should seek to address the concerns raised regarding this issue.

National levy system

The agricultural levy system allows primary industries to collectively invest in research and development (R&D), marketing, biosecurity activities and emergency responses. The current national levies collected by the grape and wine sector include a grape research levy, wine grapes levy and wine export charge. The grape research and wine grapes levies fund R&D for the sector, with matched Australian Government funding, and Plant Health Australia activities. The wine grapes levy also funds marketing, along with the wine export charge (DAFF 2024b).

Diverse perspectives were raised regarding the focus and effectiveness of marketing and R&D. There were calls for national levy reform from some stakeholders, noting it had been 20 years since they were last reformed. Some stakeholders believed levy funds should focus more on marketing (particularly domestic), while others argued for more intensive investment in innovation to respond to changes in demand and allow Australia to become a market-leader in new trends.

The grape research and wine grapes levies are based on volume of grapes, while the wine export charge is based on value. Anderson (2024, p. xiii) observes that return on investment for R&D is extremely high and recommends an industry-driven levy reform to bring about long-term structural change that will contribute to long-term profitability and viability of the sector.

Anderson (2024, p. 55) further observes that there are efficiencies to be gained moving to a single comprehensive levy based on value that grows over time. Anderson (2024, p. 49) notes that the current volume based levies has seen R&D investment decline in real terms. This decline has seen funding decrease for key wine institutions such as Wine Australia and the Australian Wine Research Institute, but also universities, CSIRO and state government research institutes (Anderson 2024, p. 59). The Working Group notes that the amount of levy or charge and how it is used is the decision of the grape and wine sector to determine (DAFF 2024b).

Key wine institutions

Some stakeholders raised concerns with key wine institutions, and many noted the importance of effective national bodies to support the industry. Anderson (2024, p. 58) observes there is scope for improving Australia's key wine institutions that support the industry and recommends this is explored. The Working Group sees opportunity for this through the One Sector Plan and review of the national levies system which should consider whether institutions are adequately funded.

Recommendation 6: Improve industry leadership and long-term strategic direction, supported by investment in research and development

Actions

- Explore ways to improve representation of grape growers and their interests on industry boards and committees.

Lead: Peak industry representative and advocacy bodies

- Assess the true demand position of the sector and advise on options to future-proof its supply base to ensure its long-term viability.

Lead: Australian Grape and Wine, Wine Australia

- Review the national wine and grape levy system to assess whether it is fit for purpose and meets the future needs of the sector.

Lead: Australian Grape and Wine

NEXT STEPS

The Working Group has put forward 15 actions under the 6 recommendations to address the immediate challenges facing grape growers and winemakers and support improvement to the long-term viability of the sector. These actions will position the sector for long-term sustainability by empowering individual growers and winemakers with data for better decision making and boost demand for Australian wine, supported by investment in research and development and industry leadership.

The Working Group welcomes recent announcements made in response to this group's findings and recommendations. These include:

- The Australian Government's "Grape and Wine Sector Long-term Viability Support Package" to help reposition the sector into long-term sustainability, which will fund:
  - A National Vineyard Register to help with business decision making and assist in predicting and preventing against future oversupply scenarios.
  - An impact analysis led by Dr Craig Emerson to improve fair trading, competitive relationships and contracting practices in the sector, with a report to government to be delivered by the end of 2024.
  - In-market export development personnel in Japan and China and boost Australian wine presence in North America.
  - A new domestic consumer campaign to promote local Australian wine.
  - Development of research and tools to support growers to reach new niche markets for their products and diversify crops.
  - New research for lighter, alternative alcohol products to help find new markets and to help meet shifts in consumer preferences.
- The South Australian Government's recent commitment to help winegrape growers who are looking to diversify to alternative crops and improve access to information on alternative crops and revenue streams for SA grape growers.
- The New South Wales Government's recently announced support for wine exporters to bring international buyers to NSW and make it easier for local wine makers to take their products to markets around the world.
- The Victoria Government's recent announcement for a new Victorian Wine Strategy, to be co-designed by the wine industry and the Victorian Government.

The Working Group will continue to collaborate with industry to monitor progress against recommendations and actions and report back to Ministers regularly through the national Agricultural Ministers Meeting forum.

Appendix A

Viticulture and Wine Sector Working Group – Terms of Reference

Context

On 8 March 2024, the Agriculture Ministers' Meeting (AMM) acknowledged the significant challenges facing Australian wine grape growers due to the current oversupply of red wine grapes, particularly in the inland regions, and agreed to establish a viticulture and wine sector working group.

Purpose

The Viticulture and Wine Sector Working Group (the Working Group) is a forum for relevant representatives from the federal and state and territory governments, Wine Australia, Australian Grape and Wine and other relevant groups as agreed by the working group, to provide recommendations to AMM to address the oversupply challenges facing grape growers and wine makers.

The Working Group will develop a national approach to address the current oversupply of red wine and the acute issues being faced by the sector, and support future balance and profitability returning to the sector.

The Working Group will be expected to visit regions most impacted by the oversupply, including the Riverland in South Australia, Murray Darling/Swan Hill in New South Wales and Victoria, and Riverina in New South Wales, and will report back to AMM.

The Working Group is not a decision-making body.

Any recommendation made by the Working Group will consider any potential positive or negative impacts to premium wine production regions.

The AGSOC supports AMM as the peak intergovernmental forum for national collaboration and coordination on policies and programs pertaining to agricultural industries and biosecurity.

Deliverables

The key deliverables of the Working Group are:

- Visit regions most impacted by the oversupply, including the Riverland in South Australia, Murray Darling/Swan Hill in New South Wales and Victoria, and Riverina in New South Wales, and to engage with other significantly impacted states and key wine industry representatives.
- Report to Agriculture Ministers on the challenges facing growers and outlining existing and potential support measures to assist the regional wine industry to manage the immediate financial and mental health challenges by the end of April 2024.
- Propose to Agriculture Ministers actions to support improvement in the grape and wine sector and its long-term viability by July 2024.

Membership

Chair/ Sponsor

The Working Group is co-sponsored by the Department of Agriculture, Fisheries and Forestry (DAFF) and the Department of Primary Industries and Regions South Australia (PIRSA). The Working Group will be Chaired at Chief Executive level by PIRSA.

Committee Members

Name	Position	Jurisdiction
Prof. Mehdi Doroudi (Chair)	Chief Executive	South Australian Department of Primary Industries and Regions
Joanna Stanion	First Assistant Secretary, Agricultural Policy Division	Australian Government Department of Agriculture, Fisheries and Forestry
Jo Collins	Executive Director, Industry, Strategy and Partnerships	South Australian Department of Primary Industries and Regions
Kate Lorimer-Ward	Deputy Director General, Agriculture	New South Wales Department of Primary Industries and Regional Development
Dr Julie Simons	A/g Executive Director, Agriculture Policy and Programs	Agriculture Victoria
Salvo Vitelli	General Manager, Agribusiness Policy	Queensland Department of Agriculture and Fisheries
Leon Delpech	Program Manager, Agribusiness, Food & Trade, Industry and Economic Development	Western Australian Department of Primary Industries and Regional Development
Catherine Murdoch	General Manager (Agriculture, Forestry and Water)	Tasmanian Department of Natural Resources and Environment
Jed Matz	Deputy CEO, Department of Industry, Tourism and Trade	Department of Industry, Tourism and Trade
	Division Head – Agriculture, Fisheries and Biosecurity	Northern Territory Government
Lee McLean	Chief Executive Officer	Australian Grape and Wine
Dr Martin Cole	Chief Executive Officer	Wine Australia

Additional representatives may be invited to participate in meetings on specific issues.

Proxies

If members are unable to attend, they may nominate a proxy by contacting the Chair. The member is responsible for fully briefing the proxy on progress to date.

Proxies must have sufficient professional or technical expertise, seniority and delegated authority to speak and act on behalf of those they represent. It is the responsibility of members and proxies to ensure they represent their governments and organisations at meetings and make decisions requiring a financial commitment to the extent it is appropriate for members to do so.

Observers

Relevant experts may also be invited to be an observer of the working group, if required. Group members must seek approval by the Chair first before formally inviting any observers. Observers do not actively sit on the committee; however, can attend the meeting and listen to the conversation. Observers are not expected to actively participate in the discussion and cannot vote or otherwise officially take part in decision making.

Other people may be invited to present to the Working Group or participate in discussions.

Governance

Meeting Frequency

The Working Group meetings will be held as determined by the Chair or as required.

Agenda and papers

PIRSA will provide administrative support to prepare the agenda for each meeting, in consultation with the Chair and members. Meetings will be virtual unless a face-to-face meeting has been requested by the Chair and agreed by members.

PIRSA will lead on notetaking and disseminating action items post-meeting, with assistance from the AMM-AGSOC Secretariat where needed.

Workplan

The scope and priorities of the Working Group are outlined in the 2024 Workplan.

Financial expenditure

Unless otherwise agreed, Viticulture and Wine Sector Working Group members will meet their costs to attend meetings, visits and workshops.

Confidentiality

Some documents provided to members may be confidential in nature or contain commercially sensitive information. Members will respect the confidentiality of all documents received while serving as a member of the working group. Members will not provide confidential information received in the course of conducting Working Group business to any other person, including fellow members of organisations or other bodies. Any confidential information in a member's possession will be stored in an appropriately secured location.

Reporting

The Working Group will report to AMM by the end of April 2024. The working group will also propose to Agriculture Minister actions to support improvement in the grape and wine sector and its long-term viability by July 2024.

Media Inquiries and Correspondence

Media inquiries and correspondence relating to the Working Group will be handled by the Chair, in consultation with the Department of Agriculture, Fisheries and Forestry and others as needed.

Review of terms of reference

The Terms of Reference will be reviewed as required.

Sunset clause

The Working Group will cease to exist following the completion of the above-mentioned deliverables.

Secretariat Support

The South Australian Government will provide administrative support for the working group through the Department of Primary Industries and Regions, with assistance from the AMM-AGSOC Secretariat where needed.

Appendix B

Consultation

The Working Group has undertaken significant consultation with industry representative bodies, growers, winemakers, local councils, other key stakeholders and community members.

The Working Group has undertaken three visits to the most impacted regions, as follows:

- Riverland, South Australia- 26 and 27 March 2024,
- Riverina, New South Wales- 2 and 3 April 2024, and
- Murray Darling/Swan Hill, New South Wales and Victoria- 8 April 2024.

The Working Group engaged with other impacted states and key wine industry representatives. This included meetings with Wine Tasmania, Wines of Western Australia, Australian Wine Research Institute, AgriFutures, Tarac Technologies and Accolade Wines to better understand their perspectives of the current situation facing the red wine sector and possible solutions. A number of written submissions were also received which were considered by the Working Group.

In addition, Working Group members have continued to engage with stakeholders in their jurisdiction or membership base to ensure the Working Group is aware of all relevant information in during consultation.

List of stakeholders engaged during consultation

Organisation

Small Family Grape growers

Wine Grape Council South Australia

South Australian Wine Industry Association

Riverland Wine

Riverland Wine Board Member

CCW Co-operative Limited

Kingston Estates

Australian Commercial Wine Producers

Inland Wine Regions Alliance

Central Irrigation Trust

Renmark Irrigation Trust

Rural Business Services

Rural Financial Counselling Service

CCW Co-operative Limited Growers

Berri Barmera Council

Loxton Wakerie Council

Renmark Paringa Council

Riverina Winegrape Growers

NSW Wine

Riverina Winemakers Association

Calabria Wines

De Bortoli Wines

Berton Vineyards

Casella Family Brands

Wine Victoria

Murray Valley Winegrowers Incorporated

Murray Valley growers

Gill Estate

Rural Assistance Commissioner

Australian Tartaric

Wine Tasmania

Wines of Western Australia

Tarac Technologies

AgriFutures

Australian Wine Research Institute

Accolade Wines

McLaren Vale Grape Wine and Tourism Association

d'Arenberg

Adelaide Hills Wine Region

Appendix C

NATIONAL VITICULTURE AND WINE SECTOR WORKING GROUP – What we have heard

RED GRAPE AND WINE OVERSUPPLY – OVERVIEW OF THE CURRENT STATE AND MAJOR CONTRIBUTING FACTORS

Policy decisions in the past have contributed to current plantings
Managed Investment Schemes introduced in the 1990's. Accelerated asset depreciation. Strategy 2025.

Some contracts encourage overproduction
Uncapped tonnage contracts and payments primarily on volume contribute to oversupply.

Levy structure encourages volume production
Levy collection based on volume is an incentive for levy fund recipients to promote high production levels

TOO MANY RED WINE GRAPES BEING PRODUCED

Declining wine prices
particularly for Australian commercial wine

Loss of China
market was a significant shock

Declining global consumption of commercial red wine

TOO MUCH RED WINE IN STORAGE

The number of grapevines, large 2021 vintage, global market trends and loss of the China market have all contributed to the current oversupply and lower prices through the supply chain.

SECTOR ISSUES

*Where completely opposing views were specifically presented on the same topic these are highlighted in the document **

GRAPE GROWING

Need to manage production levels / new plantings
** Approaches ranging from no government interventions, improved information, vine removals (payments or tax incentives) and calls for moratoriums or licensing of plantings.*

Need good data for good decisions
Particularly supply data

Interest in exiting / diversifying but face multiple barriers
Growers feel trapped
Asset erosion / inability to sell vineyards
Poor cash flow
Waste stream management costs and logistics are a challenge for those seeking to exit or diversify and an issue for abandoned vineyards (cleared vineyards are more valuable)
Information to inform decision making (e.g.. decisions about financial assistance packages / water recovery program / alternative crops / what transformation / adjustment packages might be available).

Sustainable Wine growing Australia certification (market access tool)
Adds cost, ** unclear benefits for growers*
Needs to be put on hold
Creating another service that industry needs to pay for
Wineries who are not treating / paying grape growers fairly are ignoring the 'S' and the 'G' in this ESG framework which should preclude trust mark use

Inland grape prices for many are well below the cost of production
e.g. for the second year prices as low as $120/tonne, with production costs of $400-$500

Mental health challenges, financial distress and high debt levels
At maximum borrowing capacity
Inability to pay back debt
Banks lack understanding of situation due to lack of regional presence
Change in lending parameters by banks for vineyards

Strong support for existing services
Rural Financial Counselling Service (RFCS)
Underutilised by grape growers
Rural Financial Counsellors not currently turning people away but concern demand could increase
Farm Household Allowance (FHA)
Long turnaround time for new applications (greater than 13 requires re-application)
Criteria regarding off-farm income limits access for some in need
Provides support four years out of 10
Concern regarding changes to minimum turnover eligibility
Farm Management Deposits (FMD)
Concern on tax treatment on withdrawals, and re-investment
Future Drought Fund - Farm Business Resilience
Strong support across regions

GRAPE AND WINE INDUSTRY MATTERS

Commercial contract arrangements with wineries have a range of issues
Pricing, Volume, Payment terms
Call for contractual fairness throughout the supply chain through a mandatory code or other mechanisms
Shifting parameters of quality requirements - such as Baume (sugar content), matter other than grapes, disease presence, sun exposure
Unfairness of adding water to increase volume after the weigh bridge
Timing of information from wineries on required volumes required at pruning in order to manage input costs
Contractual restrictions in diversifying to alternative varieties limits grower options
Uncapped tonnage contracts and payments primarily on volume contribute to oversupply

Effective industry representation is important
Importance of grapegrower representation in regional, state, national bodies

** Diverse views on strategic direction for the industry and support for One Sector Plan*

Effective local leadership has featured clear communication of market signals and consumer trends to inform business decision making
Need for consolidation of industry representation, with multiple representative groups
High volume inland grapegrowing regions contribute a high proportion of total levies
Support for current Australian Grape and Wine pre-budget submission

WINE MAKING

Declining value and quality of older red wine inventory
Lower prices, reputational risk
Ongoing storage costs of older wine

Financial and mental health challenges

Need major uplift in how we represent Australia in international markets

Export Market Development Grants are valuable for Australian wine exporters
Many high volume exporters can no longer access.
38 exporters account for 91% of exports.

Need for domestic marketing push
Promotes regional tourism
Improved competitiveness with imports

Alternative uses for low value wine could contribute to immediate oversupply and market risks

Wine Equalisation Tax Rebate impacts competitiveness and business decisions
Payments to NZ producers impacts competitiveness in Australian market

** Influences business structures and decisions around export/ domestic marketing.*

Value based collection influences competitiveness at different price points.

WINE MARKETS

China Market Access
Government and industry actions strongly promoted the China market opportunity
Access to China again is welcome
China wine market has changed (wine consumption 50% down)
Not expected to solve all issues

Risk that markets will reject all Australian wine if perceptions of underpaying and unfairly treating grape growers

Supermarkets have large market power in domestic market
Influences sales, marketing and margins in Australian market

Shifting global demand, lighter, alternative alcohol products
Need information on market trends
Need to develop products to lead and address these consumer and market trends

Markets globally are increasingly demanding sustainability credentials
Market access issue

RISKS OF POTENTIAL POLICIES AND BROADER IMPACTS OF OVERSUPPLY

Concerns around loss of water in regions
Water recovery program uncertainty
Water is an important asset for businesses
Concern irrigation trusts / providers will become unviable

Previous "vine-pull" schemes have been expensive, wasteful, untargeted and overcorrected.
Conflicting views on the need for government to intervene in vine removal and/or transition to other crops. Transition support could create oversupply in other grape wine varieties or other products.

Broader economic impacts
Concern of regional economic decline
Concerns with abandoned vineyards

Biosecurity risks
Aesthetics (individual and community impact)
Waste stream management.

Potential for stranded winery assets
Lower grape production has the potential for underutilised winery facilities and storage.
Empty wine tanks can encourage oversupply

Importance of recognising diversity in the Australian wine industry
Importance of considering impacts of potential programs on the entire Australian grape and wine industry

Notes in this document reflect the diverse range of perspectives presented by stakeholders that have either met with the working group or have been provided through written submissions. Notes do not necessarily reflect the views of any of the member organisations of the working group and may include matters beyond the terms of reference.

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PRODUCT CODE