



## SUPPORT ADAPTATION TO A NEW INDUSTRY OPERATING ENVIRONMENT

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### INDUSTRY CRITICAL CHALLENGES ADDRESSED

- The industry requires support to understand the challenges and opportunities associated with the new industry operating environment.
  - Parts of the industry lack capability in key areas that will enable businesses to capture new opportunities to improve profitability.
  - Climate change is having a major impact on grape growing and wine making.
  - Growers and producers need research, development, extension and biosecurity support, within the national Research, Development & Extension framework. This will help growers to grow grapes more suited to contemporary drinker preferences, improve vineyard efficiency and adapt to climate change impacts.
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### OUTCOME

Wine businesses are equipped to respond to change with better skills and new practices.

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01 Adapt

“We have the capacity to grow alternative varieties in the Murray Valley of exceptional quality; we just need to connect growers with the right buyers so they can benefit from an investment in switching to production of higher value grapes.”

/ SWAN HILL GRAPE GROWER

PROGRAMS	LEAD
1.1 Build capability in business skills and planning for growers, producers and wineries through development and promotion of wine-specific industry programs.	Industry Government (Small Business Victoria)
1.2 In partnership with national bodies, invest in localised, regional and statewide viticultural and wine research, development and extension and programs to support adaption to climate change, technical innovation, new and innovative products, productivity improvement and biosecurity management.	Government (Agriculture Victoria) Industry
1.3 Engage with Wine Australia and the Australian Wine Research Institute to improve Victorian production data and industry information.	Industry
1.4 Provide industry with the information and insights needed to identify new opportunities in domestic and export markets.	Industry Government (Agriculture Victoria, Trade Victoria)
1.5 Provide information and support to those impacted by the new operating environment to retrain, retire, refocus or change industries, crops or business models.	Government (Agriculture Victoria)

## WHAT'S HAPPENING NOW

### Wine Growth Fund

The Wine Growth Fund has been established by the Victorian Government to develop and grow Victoria's wine industry. Projects funded in 2016–17 have a total value in excess of \$3 million, with government contributing \$750,000 and industry in the order of \$2.3 million. The fund will support the development of export markets, marketing and tourism initiatives, improvement in wine production, new infrastructure developments and job creation.

### Murray Valley Wine Grape Industry Development Committee

The Murray Valley Wine Grape Industry Development Committee (IDC) is a grower established body that collects levies to fund activities that benefit local wine growers and the industry. The IDC works closely with the Murray Valley Winegrowers Association (peak regional growers' body) to deliver services that include a weather station network, winegrape crush survey reports, biosecurity management input, extension advice, marketing information and commercial advice for growers.

## RATIONALE

The operating environment to which industry will need to adapt presents challenges and opportunities.

CHALLENGES	OPPORTUNITIES
Global oversupply of wine and Australian oversupply of lower quality grapes	Victorian wines are on trend with consumers
Recent flat domestic and global markets Increasing wine imports	There is a shift in food styles to favour lighter, flavoursome wines
More complex market and channel segmentation	Higher visitor expectations of cellar door experiences
Category devaluation due to supermarket discounting and private label	Growth in international visitor numbers
Declining per capita consumption of wine	Growth of on-line and phone sales and impact of social media
Rise in popularity of craft beer and cider	Lower Australian dollar making Victorian wine exports more competitive and fuelling domestic tourism
Planned changes to the WET Rebate scheme and any change to the VLS could impact expanding businesses the most	Recent growth in Asian markets, which Victoria is well placed to service
Impacts of climate change	Prices holding for premium grapes
A high cost structure reduces Victoria's global competitiveness	Demand for entry level grapes increasing as plantings decrease
More savvy and price-driven, less brand-loyal retail customers	Victoria's geographic diversity supports a broad range of wine styles

## WHAT'S HAPPENING NOW

### Research, Development and Extension

The Victorian Government works within the national R,D&E framework to invest in areas that are important for Victoria's wine industry. Current research focuses on Phylloxera control and understanding the impacts of climate change on vineyard productivity and grape quality.

Building on the Victorian Government's \$4 million investment in Agriculture Victoria's Centre of Expertise in Smoke Taint Research, the Victorian wine industry contributed an additional \$40,000 to ensure continuation of key research and delivery of new tools for vignerons to determine atmospheric smoke risk. Further co-investment by the Victorian and Commonwealth Governments and Wine Australia (industry R&D levy) has delivered important mitigation and remediation solutions for smoke taint.

The Australian Wine Research Institute (AWRI) node in Victoria was established in late 2011 under a Memorandum of Understanding among Wine Victoria, Wine Australia and the Victorian Government. AWRI delivers workshops and seminars on topics as diverse as consumer and market insights, precision and low-input viticulture, cost of production benchmarking and aromas in wine.



## Victoria's wine grape growers are passionate experts who produce a wide array of quality grape varieties.

However, many in the industry are experiencing a lack of profitability as they face challenges in adapting to the prevailing industry operating environment. Apart from making great wine, winemakers increasingly need to think about product and income diversification, direct marketing, delivering a memorable cellar door experience, providing a holistic food and wine visitor experience, export marketing and new and innovative products in order to be successful. While some Victorian wineries have already successfully adjusted to the new operating environment, many face capability gaps that prevent them from taking full advantage of new opportunities.

Building capability in key areas, along with better data and market analysis, will assist some producers to adapt to these new market conditions. For example, improving business management skills or increasing awareness of market signals will help producers to better identify drivers of profitability and to produce grapes that are more accurately targeted to the needs of wineries.

Readily accessible and easy to understand data and industry insights will help growers to conduct long range planning to align the varieties that they grow with future market trends. Wineries and winemakers will also benefit from better industry information to help them match supply and product mix to existing and emerging market trends.

Some producers experiencing a lack of profitability may need information and support to make the decision to retrain, retire, refocus or change industries, crops or business models. Support includes financial counselling, transition workshops and information on how to reduce biosecurity risks when leaving the industry.

Producers require regionally relevant research, development and extension to grow better grapes, improve productivity and adapt to the challenges of climate change. Climate change means warmer average temperatures and higher frequency of heatwaves, shifting seasonal rainfall patterns and reduced water availability and water quality during the growing season.

This affects grape and wine quality through decoupling sugar and flavour ripening and creates logistical and processing pressures at vintage via a compressed harvest window. Some wine varieties will become more difficult to grow in certain regions, although others may become easier. Victoria's geographic and climatic diversity is an advantage in the face of these changes.

The risk of smoke taint is also associated with climate change, with fires and planned burns likely to become more frequent. Biosecurity concerns are ever-present and climate change may exacerbate some risks, especially Phylloxera and other exotic pests and diseases (e.g. Pierce's disease).

## WHAT'S HAPPENING NOW

### Business Skills and Training

The Victorian Government supports all small businesses with a range of low-cost and local support programs across the state. For example, the Small Business Victoria Workshops program provides over 350 low-cost workshops per year to more than 4000 participants. There is potential to tailor these programs to the wine industry to increase uptake.

### The Australian Alternative Varieties Wine Show

The Australian Alternative Varieties Wine Show (AAVWS) showcases varieties that fall outside the mainstream and attracts over 200 exhibitors from across Australia and New Zealand. The AAVWS association is completely funded through industry partnerships and income from entries and events. Growing from just a handful of entries in 2001 to 772 entries encompassing 102 grape varieties in 2016, this event has helped to diversify Australian wine offerings. AAVWS hosts international guests each year, providing global exposure.