



WINE VICTORIA

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*Policy Priorities*

2019-20



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## Introduction

It is with great pleasure that I introduce Wine Victoria's policy platform at a time when our industry is going from strength to strength.

Wine Victoria is the peak body representing the Victorian wine industry; we serve the interests of more than 1,500 grape growers and 700 wine companies of all sizes, and regional associations covering every part of the state.

Central to primary production, manufacturing, tourism, trade and retailing, the Victorian Wine industry is embedded in the history of Victoria, our industry provides a strong foundation for future strong economic growth of our great state.

The Victorian wine industry is in a remarkably different position to where we found ourselves prior to the last State Election in 2014. The demand for, and the value of, our wines are increasing year on year and Victorian wineries find themselves in the enviable position of leading the resurgence of the world's recognition of Australia as a premium wine making nation.

This growth is having a flow on effect to all sectors of our industry; small, medium and large. Grape prices are on the rise in all our wine growing regions, exports are at their highest level in 10 years and cellar door visits from both domestic and international visitors are growing.

As the State's peak body for the wine industry, my fellow board members and I aim to ensure this growth trend continues and our members have a robust industry with strong commercial pillars to sustain the employment and growth within our sector.

This document presents a road map of how the Victorian State Government in particular can partner with our members on this objective. It outlines the key issues facing our members and summarises the policy priorities that Wine Victoria considers vital to a thriving, productive wine sector.

Angie Bradbury  
Chair, Wine Victoria

## Economic impact of the Victorian wine industry

Victoria's wine offering is diverse, with 21 distinct wine regions and more than 700 winemakers that produce a wide range of wine.

In 2015, the Victorian wine industry 'from the grape to the glass' contributed an estimated:

- **\$7.6 billion** directly to the Victorian economy
- **\$13.3 billion** when flow-on effects were included
- **13,000 direct jobs**
- **33,000 indirect jobs**
- **\$1.5 billion** in sales revenue
- **\$425 million** in wine exports
- **9 million** international visitor nights
- **3.2 million** domestic visitor nights.

## Executive Summary

This submission is intended to inform political parties and stakeholders on the priorities of the Victorian wine industry.

The Victorian wine industry is an enormous contributor to the state's economy – generating an estimated **\$7.6 billion in direct benefit to the state economy and supports 13,000 direct and 33,000 indirect jobs**, most of which are located in regional areas.

Over the last decade, the industry experienced devastating decline, slowing exports due to a higher Australian dollar, issues related to oversupply, Commonwealth tax reform, and climate and biosecurity challenges all having an impact.

During this period many Victorian wine companies small and large decreased their footprint in production, employment and economic output.

The impacts of this decline are real. A report produced for Wine Victoria by Essential Economics, identified that for every 1 direct job created in the wine industry a further 1.53 jobs are indirectly created in the wider economy. Additionally for every \$1 of direct value-added by the wine industry a further \$2.17 of value is added elsewhere in the economy.

A wine industry that is supported will directly grow the Victorian economy – particularly in regional Victoria. The reverse is also true, a wine industry that is not supported to increase production and value will also shrink the regional Victorian economy.

The industry has now undergone a process of adjustment and reform and is back in a growth phase and ready to compete. Support from Government will ensure the industry can thrive – programs outlined in this submission are intended to ensure our industry is competitive, growing the volume and value of our outputs while ensuring employment in regional areas continues to grow.

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## Victorian Wine Industry Strategy

In May this year the Government released the first ever Wine Industry Development Strategy. The strategy was designed in consultation with Wine Victoria, Victorian wine companies and industry leaders from around the state.

The strategy outlines key areas of action for a strong and sustainable wine industry. The strategy was designed to identify critical pressure points experienced by industry and deliver programs against the following pillars:

- Adapt: best practice Viticulture
- Visit: world class tourism offerings in wine regions
- Trade: profitable and sustainable export markets
- Lead: strengthen industry structure and coordination

This submission has identified programs to fit under the key pillars of this strategy.

## Federal Context

Throughout 2016, the industry was focused on a reform of the Wine Equalisation Tax (WET) rebate. Often credited with facilitating an oversupply of grapes and low value wine on the market (referred to as bulk and unbranded product), the WET rebate needed an adjustment to remove those rorting the system and restore the incentive to create regionally-based innovative premium product.

The reforms constitute a long-term commitment by industry and government to support branded wine product and encouraging the re-emergence of 'brand power' and market equity. This is critical to capturing retail price increases, increased margin share, higher returns for growers and reinvestment in rural communities.

In mid 2017, reforms to the WET rebate passed through federal parliament with the blessing of the Victorian industry. To offset some of the savings made in rebates, the Australian Government announced a \$50 million Regional Wine Export and Tourism Support Package (RWETSP) to bring support to an industry in reform. The package will allow a concerted and renewed focus on growing the US and China export markets, advantage of a fall in the Australian dollar and tariff reductions in key export markets. Additionally, the package will target international tourism allowing wine regions who may not be engaged in large scale export to grow their business and Brand Victoria through direct engagement with growing international visitors.

Much of this investment will be targeted at promoting the Australian wine brand in the US and China. This is now a clear opportunity for the Victorian Government and the Victorian industry to partner and add value to this initiative.

## Overview of Program Support

To add value to the Federal Government's national investment and position the Victorian industry for success, an ongoing, robust relationship between government and industry will be required.

Wine Victoria has worked with our membership to identify key areas where we can partner with the Victorian Government to increase Victoria's share of the domestic and international wine market, whilst ensuring the profitability and sustainability of the industry over the long term.

Accordingly, Wine Victoria's recommendations for consideration in the Victorian Government Budget process are outlined below.

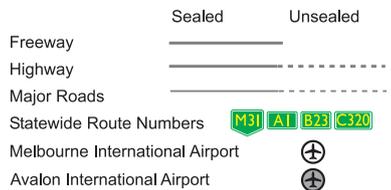
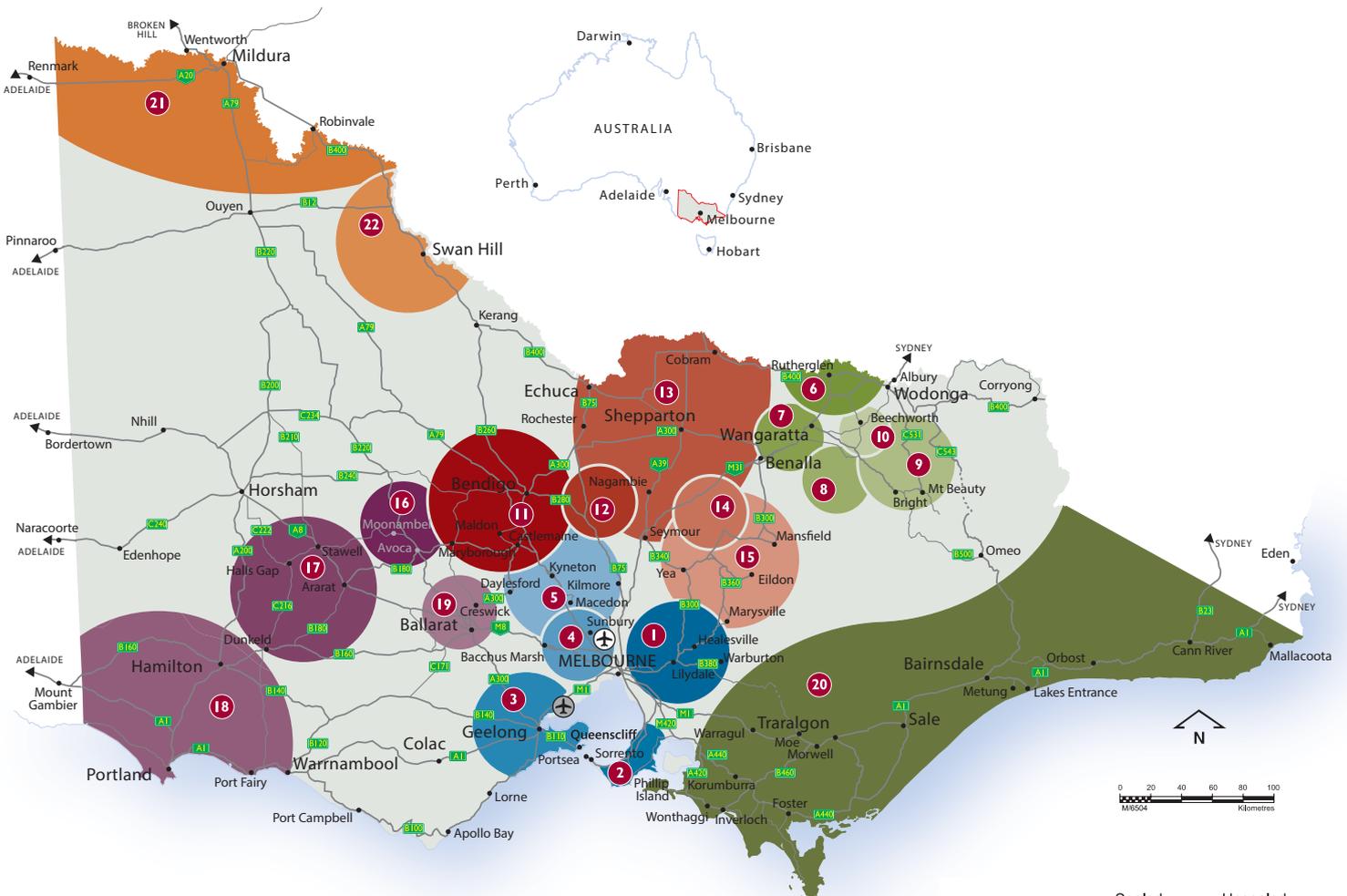
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Wine Regions of Victoria

AROUND MELBOURNE	NORTH-EAST VICTORIA	CENTRAL VICTORIA	WESTERN VICTORIA
1 Yarra Valley	6 Rutherglen	11 Bendigo	16 Pyrenees
2 Mornington Peninsula	7 Glenrowan	12 Heathcote	17 Grampians
3 Geelong	8 King Valley	13 Goulburn Valley	18 Henty
4 Sunbury	9 Alpine Valleys	14 Strathbogies	19 Ballarat
5 Macedon Ranges	10 Beechworth	15 Upper Goulburn	NORTH-WEST VICTORIA
		SOUTH-EAST VICTORIA	21 Murray Darling Swan Hill
		20 Gippsland	



## Trade and Export

### Overview

#### Victorian Wine Industry Strategy Alignment:

The 2017- 2021 Victorian Wine Industry Development Strategy 'Trade' platform aims to develop a profitable and sustainable export market for Victorian wine.

This platform aims to address the following critical challenges:

- Trade development activities need to be focused on higher value markets and segments to lift average sale price and improve profitability.
- Victorian wine lacks a clear context in international markets: shared messages and program delivery between the industry and the government is needed to support export development.

The outcome sought from this platform is simply: more Victorian wine sold at higher prices through focused export development and better global perception.

Identified programs in the strategy are:

1. Delivering a rolling program of activities in two key markets to drive demand for Victorian wine
2. Developing and promoting export clusters for small to medium producers
3. Providing the Victorian industry with export market data and intelligence that outlines specific market and product opportunities.

### Context

According to the Victorian Government, wine is Victoria's most valuable export commodity measured on value per unit exported, and the industry is an important contributor to overall Victorian exports. In the year ended June 2018, Australian wine exports increased by 20 per cent in value to \$2.76 billion, the highest growth rate in 15 years, according to Wine Australia's Export Report. Volume grew by 10 per cent to a record 852 million litres, or 95 million 9-litre case equivalents. The average value per litre increased by 9 per cent to \$3.24, the highest level in almost a decade.

Victorian wine producers are known for their premium production which typically attracts a higher than average export price. Premium wines, such as those produced in Victoria, are increasingly becoming sought-after in international markets. The movement away from a commodity market to premium positioning is key to the future of the Victorian wine industry.

Trade development activity is needed to capture Victoria's share of the opportunities emerging in higher value export markets. The Victorian industry aims to collaborate with Wine Australia to focus trade development efforts on segments where Victoria has a competitive advantage.

Victoria is uniquely positioned to offer a broad range of quality products at all price points, making our offering appropriate in diverse markets. Programs under this platform aim to raise industry export capability and grow the reputation of Victorian wine through stronger and more consistent messaging.

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According to the Victorian Government, wine is Victoria's most valuable export commodity measured on value per unit exported, and the industry is an important contributor to overall Victorian exports.

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## Challenges

A large proportion of Victorian wine exported has historically been sold as a bulk and unbranded commodity. As a commodity product, bulk and unbranded wine attracts a far lower price (as low as A\$0.60 per litre free on board (FOB)) than branded bottled wine (mid-range A\$7.50 per litre FOB).

The lower price point is seen as a key contributor to the profitability issues experienced by Victorian winemakers in recent years. Barriers to increasing existing exports identified by our members were the competitiveness of the Australian dollar, market access, on-ground support, the cost of visiting the market, international competition and, most importantly, recognition of Victoria's premium offering.

While there is strong growth in some markets for Australian wines, Victoria underperforms when compared to South Australia and Western Australia. It is the position of Wine Victoria that the task of increasing premium wine exports needs increased and ongoing commitment. Trade development activities must focus on markets where a premium will be paid for good product to lift average sell price and improve profitability.

## Opportunities

Victoria's point of difference and its competitive advantage in wine export markets a diverse range of products as well as a focus on range of high quality alternative and cooler climate varieties. Cool climate wines are growing in popularity around the world and an export focus on higher value products will benefit all wine grape growers.

As highlighted in the executive summary, the Australian Government's Export and Regional Wine Support Package (ERWSP) is an allocation of \$50 million over four years, which aims to grow the Australian wine sector by driving demand for Australia's wine exports and showcasing the nation's wine tourism.

The Australian Government, Regional Wine Export and Tourism Support Package; Stage 1 Business Plan outlines the 3 programs which are consistent with Victoria's export focus. They have allocated the following funding to support the market development:

1. Accelerating growth in international demand with dedicated marketing campaigns in China and the US: \$32.5 million
2. Creating 'China-ready' businesses including a wine export grant scheme and building capability for businesses to capture export and tourism opportunities: \$3 million.

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## Export Program

Wine Victoria would like Victorian producers to make the most of the marketing activity planned through the above investment. As such we would like to have the opportunity to support as many producers to visit China and the US and bring as many influencers in from these markets as possible during the planned three years of activity.

To support this objective we propose the following investment:

### Primary Goals

1. Position Victorian wine as a premium product (as opposed to a commodity) in the A\$5.00 FOB price point and above
2. Grow the volume of premium wine exported from Victoria in the A\$7.50 FOB price point and above

### Secondary Goals

1. Enable the Victorian wine industry to maximise benefits from the new Free Trade Agreements
2. Build the capacity of the Victorian Government in the wine sector.

### Activities

In the short-term, key activities identified and agreed to under the MoU include industry-led initiatives:

- 2 small scale US and China inbound trade mission
- 2 large scale US and China outbound trade mission
- Attendance for wine regions at 2 international wine trade shows

## Cost of Activities

The total cost of the 4-year program is:

MOU Partner	Funding Commitment
Industry funding share	\$2 million
Government Share sought	\$2 million
Total Program Cost:	\$4 million

### Recommendation

Wine Victoria recommends that the Government commit to a four year rolling program of industry led export-related trade activities, to build the reputation of Victoria's premium wine offering in the US and China markets.

**Total program cost over 2019-20 to 2022-23: \$4 million.**

## Tourism - Five Pillars

### Overview

#### Victorian Wine Industry Strategy Alignment:

The 2017- 2021 Victorian Wine Industry Development Strategy 'Visit' platform aims to increase visitation and expenditure within Victorian wine regions.

#### This platform aims to address the following critical challenges:

- Consistent messaging is needed to enable regional tourism bodies to communicate the Victorian wine proposition.
- The wine industry and regional tourism bodies would each benefit from shared strategic intent, programs and in some cases resources.
- Continued investment in infrastructure is needed from industry and government.

#### Outcome:

Regional wine marketing is enhanced through shared resources, a clear vision and coordinated approach.

#### Programs:

- Work with industry to develop Victorian wine messaging and integrate in to relevant marketing and communications activities.
- Collaborate with Regional Tourism Boards and industry to facilitate investment in food and wine tourism infrastructure and experiences.

### Background

The Victorian Government has realised the potential of tourist activity to the State's economy. Significant targets have now been set to ensure the most is made of this opportunity - the Visit Victoria Strategy aims to increase the total tourist spend to \$36.5 billion by 2025.

A thriving wine tourism sector will be key to this objective. The Victorian Government has previously cited food and wine – with its distinct wine regions and cellar door experience – as the number one product strength in attracting visitors to regional Victorian destinations. Put simply, the wine industry has always provided the value-add in the tourism experience and much needs to be done to ensure that this value can grow.

The potential for regional economic growth also means jobs. Tourism Australia forecasts the cumulative growth for Victoria's tourism employment in the "drink" sector will be approximately 8.4% – significantly higher than New South Wales (1.8%), Queensland (-15.1%) and South Australia (-10%). **This growth can only occur if the right product and engagement opportunities are on offer.**

#### Address Gaps in Victoria's Wine Tourism Offering

Victoria has 22 wine regions each with a variance in varietals and wine styles, not focusing on a strategic and simpler offering has often lead to confusion amongst international and domestic wine tourist.

Wine Victoria would like to change this scenario by partner with the government to market five key wine regional brands for Victoria. These are based on our natural competitive advantages and are outlined below:

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## Marketing Five Key Tourism Opportunities

### 1. PROSECCO ROAD

Building on the region's Italian cultural heritage and natural beauty, five King Valley producers collaborated to develop an initiative known as "King Valley Prosecco Road".

As the region has begun to focus their attention on this variety, the King Valley has become the largest and fastest growing Australian region for premium styles of prosecco.

The King Valley now produces over 40 per cent of all prosecco made in Australia. Additionally, as the average value of prosecco produced in Victoria, at \$1,000 per tonne, is well above the average value for Australian prosecco, the King Valley is now known as a premium production region.

Leveraging the potential of this emerging regional opportunity through initiatives that build awareness amongst domestic and international tourists will be key to ongoing visitation.

This initiative aligns with the region's strategic tourism plan, which includes food, wine and beer as a key pillar and cross-cutting 'anchor strength' and notes that "ongoing innovation within this sector is required if it is to maintain its strong position and continue to meet changing customer expectations."

### 2. PINOT COAST

Victoria has an international reputation for world-class coastal touring routes and iconic nature based tourism. Two of these largest tourism assets are the Great Ocean Road (Geelong GI) and the Philip Island Penguins (Gippsland GI).

Victoria is also developing a clear competitive advantage in the production of premium cool climate pinot noir emerging from coastal growing areas in Geelong, the Mornington Peninsulas and Gippsland.

Pinot Noir is the holy grail of winemakers and wine lovers, but it's also the diva of the wine world – temperamental to grow and difficult to make, throwing up challenges at every step. But when conditions are correct, the perfection that follows is seen by many to be the ultimate wine experience.

Victoria is the only state in Australia with a future proof pinot noir offering. This is due to Tasmanian growers being restricted by land mass and access to water and South Australia's being a predominately warmer climate production state.

Victoria produces almost 40 per cent of Australia's cool climate pinot noir and also received the highest price per tonne for the varietal at almost \$3700, coming in at more than four times the average value of Australian pinot noir.

The opportunity to promote this unique food and wine trail set against dramatic coastlines has the potential to add value to both winemakers with cellar doors and other tourism operators with transport and accommodation offerings.

The Pinot Coast initiative aims to establish an overarching tourism brand identity that unites Victorian pinot noir producers beyond traditional regional boundaries. The initiative brings together the producers from the Geelong, Mornington Peninsula and Gippsland to promote the concept that "right along the coast of Victoria, you'll discover some of the best Pinot Noir of the new world"

The initiative aligns with the respective tourism strategies for Geelong & The Bellarine Peninsula, Mornington Peninsula and Gippsland, all of which highlight food and wine as a key regional strength.

“

... the King Valley has become the largest and fastest growing Australian region for premium styles of prosecco.

...Victoria has an international reputation for world-class coastal touring routes and iconic nature based tourism.

”

### 3. YARRA VALLEY CULINARY TOURISM DESTINATION

The Yarra Valley is Australia's number one wine tourism destination and is fast becoming a leading hub for culinary offerings, benefitting from the region's close proximity to Melbourne.

There is a major opportunity to position the region to be more visible and accessible to international visitors as a world-class food and wine destination, while protecting its market share as Australia's premier wine tourism destination.

With culinary powerhouses establishments such as Ezard at Levantine Hill, Giant Steps, Matt Stone at Oakridge, Four Pillars Gin and Yering Station, the Valley is already progressing in this direction, however without an overarching strategic platform directing the regional investment and a shared vision for marketing, the region could lose its top spot to other great wine regions around the country such as the Barossa or Margaret River.

International recognition of the Yarra Valley has shown strong growth in the value of its wine exports, which increased by 27 per cent year on year to December 2017. The average value of Yarra Valley wine exports has also increased markedly to \$13.85 per litre, indicating that the region's wines are increasingly focusing on premium segments of the market.

The Yarra Valley Culinary Tourism Destination strongly aligns with and supports the region's 3 Year Strategic Plan 2016-2019, which includes the objective of establishing the region as Victoria's premier visitor destination for exceptional wine, food and indulgent short breaks.

### 4. FORTIFIED RESURGENCE

The fortified wines of North East Victoria are coveted by sommeliers and fine wine influencers throughout the world.

Alongside Penfold's Grange, these wines are often considered to be the finest and most differentiated wines to come out of Australia. Rutherglen produces all of Australia's premium Muscat Rouge.

While global sales of fortified wine are not growing in the same manner as other varieties, the average value per litre of Victorian fortified wine exports increased by 12 per cent in the year to December 2017, and exports of fortified wine to China grew by 27 per cent in 2017.

In Australia, fortified wines are often still packaged and marketed to the baby boomer generation.

However, with the strong international reputation of Victorian fortified varieties, there is an opportunity to refresh the brand image through a focused strategy incorporating

experience-based tourism offering in the Rutherglen region that leverages the significant international and domestic wine tourism market.

The Fortified Resurgence initiative aligns with the Tourism North East's strategic plan's focus on leading innovation in the food, wine and beer space that creates a competitive differentiator for the High Country that drives tourism related visitation opportunities across the region.

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## 5. CENTRAL VICTORIA COOL CLIMATE SHIRAZ

It is recognised by Wine Victoria that Victorian wine regions also produce internationally acclaimed cool climate shiraz, found in the central region of Victoria. As a segment, Victoria has not to date been able to identify a clear competitive advantage, this is due to the fact that almost all Australian wine regions produce some form of Shiraz and the Barossa also has an international stakeholder on the variety.

The growth of Shiraz exports and high levels of domestic consumption means that exploratory work should be done to identify what Victoria's unique tourism offering for the central region could be positioned on.

### Economic Impact of this Activity

Expert analysis from Essential Economics shows that the economic impact from the delivery of this project will result in the following:

- **Increased international and domestic visitor nights:** 500,000
- **Increased visitor spending:** \$43 million annually
- **Increased employment:** 720 ongoing jobs (direct and indirect)
- **Increased economic output:** \$75 million (GVA)
- **Increased state payroll tax:** \$0.45 million

### 5 Pillars Tourism Program

Wine Victoria is in the process of developing five wine tourism brands based on the above offerings. Once complete in June 2019, we would seek the assistance of the Victorian government to spread the word. We request that marketing assistance be provided by embedding the wine tourism brands in the marketing activities of Visit Victoria.

Wine Victoria will also work with Wine Australia, large wine companies and regional wine associations to use industry marketing resources to match the government's commitment.

### Cost of Activities

Funding Partner	Funding Commitment
Victorian Government Share	\$2 million
Wine Industry Share	\$2 million
Total Program Cost:	\$4 million

“The cellar door rebate is claimed by medium-to-large-sized wineries that generally have sophisticated cellar door operations and employ large numbers of staff. Due to this offering they act as anchors for attracting regional tourist.”

### Recommendation

Wine Victoria recommends that the Government commit the resources of Visit Victoria to marketing the 5 wine tourism pillars.

**Total program cost over 2019-20 – 2022-23: \$ 4 million.**

## Victorian Liquor Subsidy ('VLS') Overview

### Victorian Wine Industry Strategy Alignment:

Refer to the above Tourism Overview for alignment to the Victorian Wine Industry Strategy.

### Context

The Victorian Liquor Subsidy (VLS) is a 15% subsidy on the wholesale value (7.5% of retail value) of wine sold through the cellar door and wine club. The subsidy is a state rebate of Federal taxes on cellar door sales, and as such, is only available to large scale producers who have exhausted the Wine Equalisation Tax (WET) rebate and have demonstrated sufficient cellar door sales to be qualified to be regionally significant and hence, iconic.

Wine Victoria recognises that the current VLS subsidy format requires occasional review and reform, but submits ongoing government investment in the subsidy is crucial to ensure the wine industry continues to support the Government's economic objectives in relation to regional tourism and job creation.

### Economic Impact - Findings of Wine Victoria's review

In 2016 Wine Victoria commissioned a review to evaluate the economic impact of the VLS, and to understand the impact of any possible removal of the scheme on the wine industry and recipient businesses.

The review found that the Victorian Government has received significant benefit from investing in the recipients of the VLS, which has notably:

- Generated **\$680 million in gross state product** annually (likely \$850m)
- Supported **4,935 ongoing jobs** (direct and indirect) (likely 6250).
- Resulted in **new infrastructure investments**: \$7 million in cellar door infrastructure renewals and capital works - 80% of recipients have made infrastructure investments
- Supported **events and activities**: Investing \$1.1 million cellar door events annually
- Increased **visitation**: by a range of 5% to 20% each year.
- Generated **government revenue of \$8.5 million** to state and local governments.

*\*It should be noted that this figure is understated as there are additional recipients who have not contributed to the evidence base.*

### Importance of the VLS to Wine Tourism

Regional wine tourism is key to regional development. Tourism Australia forecasts the cumulative growth for Victoria's tourism employment in the "drink" sector will be approximately **8.4%**.

Recipients of the VLS act as regional tourism icons, generally employ large numbers of staff, have the required high-end food offerings and generate activity and investment throughout the local community by hosting culturally enriching events.

The evolution of gourmet travel destinations and the rise of the 'foodie' culture and visitation from Asian countries have led to heightened tourist expectations. To meet this increasingly diverse and sophisticated demand (both local and international), creating and over delivering the expected food and wine experience is key; securing this offering requires a **strong partnership between government and industry**.

The Government has set tourism strategies that rely on regional visitation and quality wine offerings. Ongoing, reliable and timely investment is fundamental to ensuring iconic cellar doors continue to flourish and attract visitors, which is key to meeting the Government's tourism targets cited in the *Victorian Visitor Economy Strategy and Victoria's new China Strategy – Partnerships in Prosperity*:

- increasing the total tourist spend to **\$36.5 billion by 2025**
- increasing overnight expenditure by Chinese visitors from 2.2 billion in 2015 to **3.4 billion by 2026**
- delivering a better tourist experience via strategic investment in high quality local infrastructure '*to attract visitors and spur private sector investment*', and
- supporting and developing existing events, specifically citing signature events in regional Victoria.

### Recommendations



Whilst the actual cost of the VLS is unknown by industry, we understand the annual spend by government is approximately \$2.5 million – \$3.0 million each year, depending on number of sales that are made by wineries through the cellar door once the federal WET rebate has been exhausted. As such, Wine Victoria estimates the total program cost for the VLS over a four-year period should be budgeted at \$12 million.

**Total program cost over 2017-18 – 2021-22: \$12 million.**

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Outgoing, reliable and timely investment is fundamental to ensuring iconic cellar doors continue to flourish and attract visitors...

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## Wine Season

### Overview

Food and Wine Victoria have developed their expertise to become Victoria's preeminent organisation tasked with building the reputation of and promoting Victoria's food and wine capability to consumers.

The primary promotional period for Melbourne and Victoria's food and wine industry is the Melbourne Food and Wine Festival held in March with over 300 events spanning the whole state and involving a large part of the food industry.

The event occurs annually in March, timed to be in early Autumn with stable warm weather and to coincide with key events such as the Grand Prix and start of the AFL season. This is also the time of year that Victoria's wineries are at their busiest – vintage.

The clash of vintage and the festival mean that small to medium winemakers often do not have the resources available to participate in the festival, this also means wine has not had the diversity and prominence it deserves at this festival.

### Opportunities

The Wine industry has an internationally competitive premium product that is primed for home grown (but smaller) celebration: Victorian Wine Season.

Wine Victoria would like to partner with the Food and Wine Victoria and the Victorian Government to deliver an exciting new event.

The new festival would be a chance to showcase the great small to medium winemakers of Victoria. The timing of the festival could coincide with the wine industry's most exciting time of year – new releases.

New release is an sensational time for winemakers and consumers, as the hours of hard labor and in some cases the many years of cellaring culminate in an opportune time of year where wineries bring their new wines on the market for promotion and sales.

Wine season would also be an opportunity to entice Victorians out to wine regions for tourism opportunities and most importantly overnight stays.

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The Wine Industry has an internationally competitive premium product that is primed for home grown (but smaller) celebration: Victorian Wine Season.

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### Recommendation

Wine Victoria recommends that Food and Wine Victoria be funded to seed a two year commitment to deliver the inaugural Victorian Wine Season to showcase Victorian wine producers and their premium products.

Stakeholder	Funding Commitment
Victorian Government Share	\$1 million
Wine Industry Share	\$1 million (associated event costs)
Food and Wine Victoria	\$250,000 (in-kind marketing and event management)
<b>Total Program Cost:</b>	<b>\$2.25 million (annually)</b>

**Total program cost for event seed funding : \$2.25 million.**

## Regional Events Funding

### Overview

The Victorian Government established the \$20million Visit Victoria - Regional Events Fund 2016 in recognition of the critical role events play in attracting visitors and driving the development and growth of tourism, particularly in regional and rural areas.

Events eligible for funding aim to deliver significant economic benefit, but do not fit the profile of the Major Events Fund. The aim of the fund is to support the attraction, development, marketing and growth of events in regional Victoria in order to:

- Increase economic benefits by driving visitation from outside of the region and the State and extending length of stay and yield;
- Showcase Victoria’s key regional tourism strengths and build Victoria’s reputation as an events destination;
- Develop a sustainable calendar of regional events; and
- Support Victoria’s visitor economy through economic benefits and branding opportunities.

As a strong contributor to Victoria regional event calendar, we strongly support the continuation of this program.

### Recommendation

Continuation of funding of Visit Victoria’s Regional Events Fund:

#### Cost of Activities

The total cost of the 12-month program is:

Funding Partner	Funding Commitment
Victorian Government Commitment	\$20 million over 4 years

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The aim of the fund is to support the attraction, development, marketing and growth of events in regional Victoria in order to develop a sustainable calendar of regional events...

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## Major Events - Local Content Policy

### Overview

In recognition of the contribution that a Victorian industry and workforce can make to the state economy, the Victorian Government introduced a local supplier and policy to ensure that the Government procures workers locally and also legislation (Victorian Local Jobs First Bill) to mandate minimum local supplier content on major projects.

This initiative was applauded by the wine industry and was seen as an excellent model for how the Government could support the food and beverage sector.

### Opportunities

Victoria is the events capital of Australia – annually attracting a range of highly connected international influencers to play and stay. At each event a range of food and beverage offerings are served.

Unfortunately at many of these events, wines from other states or countries are profiled (see below) the opportunity to put our premium producers and products on the world stage represents for many a promotional money can't buy opportunity that the wine industry would welcome.

The creation of a minimum local content policy for Victoria's Major Events (where the government provides sponsorship or funding) would be a key path to ensuring our producers are intrinsically linked to the prestige of Victoria's enviable events calendar.

Wine Victoria recognises there are various contractual arrangements in place to deliver these events and a smaller target to start the policy would be required. As such we recommend that a 20% minimum content across the board is put in place for the first year (10% minimum for beverage producers).

“

...the opportunity to put our premium producers and products on the world stage represents for many a promotional money can't buy opportunity that the wine industry would welcome.

”

### Recommendation

The development of a mandated Local Content - Food and Beverage - policy for all of the Victorian Government's major events.

## Viticulture Program

### Overview

It is clear that the wine industry is an important component to Victoria's food and fibre performance.

With more than 3000 vineyards and 250,000 hectares of vines across the state – approximately 18 per cent of Australia's wine grape plantings – it is also clear that members of the wine industry are custodians of a significant portion of rural and regional Victoria.

The many issues that impact on-farm productivity and sustainability are an incredibly important aspect of the longevity of the Victorian wine must industry.

To ensure the Victorian Government meets its obligations under the National Primary Industries Research, Development and Extension (RD&E) Framework, the Department of Agriculture should work with industry to ensure the Victorian wine industry informed and supported to adapt the latest research and development needed to compete in both the domestic and international wine markets.

### Addressing the Challenges

Wine Victoria has identified the following key environmental issues that are likely to impact the quality and production of Victorian wine grapes: climate adaptation, biosecurity, smoke taint and sustainable farming.

#### Climate change

- Altered harvest dates and warmer/wetter harvest periods
- Shortened vintages, which places stress on harvesting and processing capacity
- Negative effects on crops from increasingly frequent extreme weather events
- Increased competition for land and water resources

#### Biosecurity

- Increased incidence of vine trunk diseases (*Eutypa* and *Botryosphaeria* spp)
- Management of fruit fly and endemic phylloxera
- Implementation of DEPI's mandatory Property Identification Codes (PICs)
- Future protection from exotic biosecurity threats such as Pierce's disease

#### Smoke taint

- The primary agricultural risk to winery operations; smoke-tainted wines are unpalatable and unfit for purpose, resulting in financial losses
- With annual fuel reduction programs regularly coinciding with the veraison and harvest period, there is an ongoing threat to annual crops. Efforts to support the wine sector in minimising the possibility for smoke impacts via controlled burn activities are a high priority.

### Memorandum of Understanding

To ensure Victoria's production is of the highest quality and that the latest innovations in research and development reach our membership, Wine Victoria is part of a four-year Memorandum of Understanding (MOU) that brings together industry partners and the Victorian Government to deliver extension and adoption of national wine grape research and development.

“

The many issues that affect on-farm productivity and sustainability are an incredibly important aspect of the longevity of the Victorian wine industry.

”

The MOU partners are:

- Victorian Government – Department of Economic Development, Jobs, Transport and Resources
- Wine Victoria
- Murray Valley Winegrowers Inc.
- Australian Grape and Wine Authority (AGWA)
- Australian Wine Research Institute (AWRI)

The MOU has been recognised as a great success, with benefits flowing to the Victorian Government and industry in key policy areas such as sustainable farm management practices and extension activities.

The MOU activities carried out from 2014-17 included the delivery of an additional 38 key extension events across Greater Victoria, including workshops on vine nutrition, soil health and vineyard management; precision viticulture; trunk disease/virus; smoke taint symposium and update workshops; a climate change symposium, and spray application field days.

In late 2014 the MOU between Wine Victoria, AGWA, AWRI and the Victorian Government was renewed for a further four years.

### Recommendation



Wine Victoria recommends continuation of funding for the Environmental MOU by establishing equivalent research and adaptation programs in the areas of climate change mitigation and adaptation.

Industry Share	\$2 million
Government Share	\$2 million
Total Program Cost:	\$4 million

**Total program cost over 2019-20 – 2023-24: Total Program cost is \$4 million**

“

The MOU activities carried out from 2014-17 included the delivery of an additional 38 key extension events across Greater Victoria, including workshops on vine nutrition, soil health and vineyard management...

”

## Minimum Unit Floor Pricing

### Overview

The Victorian wine industry has welcomed all levels of Government acting to reduce alcohol related harm in society. It is Wine Victoria's firm belief that our industry has been at the forefront of working with our members to activate the responsible consumption messaging and preventing abuse where we have direct influence.

The Draft National Alcohol Strategy (released mid 2017) contains many priorities and actions industry is supportive of such as national standardisation of Responsible Service of Alcohol requirements, improved awareness and enforcement of secondary supply legislation and improved treatment, information and support services.

However industry opposes recommended actions that are population-wide strategies as it is our position that these are considered ineffective in helping those in real need.

The key area of concern for the Victorian industry in relation to the national alcohol strategy is minimum unit floor pricing (MUFP).

### What is Minimum Unit (Floor) Pricing?

MUFP for alcohol is a measure legislated by a State or Territory Government so that alcohol products cannot be sold at a price lower than a stated value per unit of alcohol.

The first state in Australia to introduce this mechanism of alcohol control was the Northern Territory. The introductory MUFP was a \$1.30, in this scenario; the unit floor price for a four litre cask of red wine was increased to approximately \$56.00. Additionally an average bottle of white wine can not be sold for less than approximately \$9.75.

### Why does Industry Oppose this Measure?

MUFP unfairly targets low socio-economic consumers and incorrectly marks them as the main source of alcohol abuse. Additionally an MUFP will directly increase revenue for the large liquor retailers with no additional revenue generated for Government health expenditure and no flow-on benefits for producers.

The inability of Governments to gain a net benefit to fund policy to deal with harm means that increased prices on lower cost products will not result in any health gains for people with serious alcohol addiction. However there will be a net loss to general consumers in lower socio-economic circumstances with increased alcohol prices, a clear unintended consequence of minimum floor pricing policy.

### What is the Industry's Position?

The Victorian wine industry is in a premium producing wine state and during the last 18 months, industry has affirmed this position in our willingness to negotiate the removal of bulk and unbranded product from the national taxation rebate system (WET rebate) – essentially limiting the long-term viability of this stream of product in a competitive domestic market.

As wine producers at all price points work on the task of increasing the premium aspects of their product, we will continue to seek assistance from Governments in promotion and production assistance to meet this objective. We will also work with governments on effective policies that ensure our product is enjoyed responsibly but not exclusively.

“

...industry opposes recommended actions that are population-wide strategies as it is our position that these are considered ineffective in helping those in real need.

”

### Recommendation

1. No minimum unit floor pricing policy is introduced in Victoria over the next four years.
2. The wine industry is considered a stakeholder and where relevant a partner in policy development that ensures our products are consumed responsibly.

## Wine Levy

### Overview

Wine Victoria has operating for five years and during this time has lead industry tax debates, overseen international trade activities and championed wine tourism strategy. Our mandate is growing, as are the domestic and international demand for the wine our producers are crafting.

It is the view of industry and the Wine Victoria Board that moving towards a new levy structure would allow the industry to activate around key tourism and trade opportunities, while also provide the foresight to invest in key extension opportunities that will deal with Victorian production issues.

The various model of levy collection that exist in Australia require clear consultation with industry to agree on the components of best fit.

Wine Victoria requests the support of the Government to work with industry to define and assist with setting the parameters of a suitable levy structure that will see the industry thrive well into the future.

### Recommendation



Wine Victoria seeks a commitment to assist industry where require in establishing a wine levy if industry can demonstrate a high-level of support the initiative.

“

The various models of levy collection that exist in Australia require clear consultation with industry to agree on the components of best fit.

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## Program Matrix

PRIORITY AREA	SPECIFIC	SNAPSHOT
Trade	Trade Memorandum of Understanding (MoU)	<ul style="list-style-type: none"> <li>Wine Victoria has secured support for Victorian producers to participate in Wine Australia activities in China and the US during the past 2 years</li> <li>The activities however have been negotiated on case by case basis</li> <li>A signed 4 year MoU with agreed activities and funding from industry (Wine Vic and Wine Aust.) and Government would assist in certainty and strategic approach to market development</li> </ul>
Visit	Wine Tourism Marketing	<ul style="list-style-type: none"> <li>The ongoing success of Wine Victoria's 5 Wine Tourism Pillars will require marketing support from Visit Victoria</li> </ul>
Visit	The Victorian Liquor Subsidy (Cellar Door Rebate)	<ul style="list-style-type: none"> <li>A state subsidy on all wine sold at the cellar door for companies that exhaust the WET rebate</li> </ul>
Visit	Major Events Local Food and Wine Content Policy	<ul style="list-style-type: none"> <li>The major events calendar in Victoria attracts a wide range of international and domestic guests</li> <li>The wine served at the events is often not Victorian</li> <li>Local content is a policy across infrastructure and in some health and human service delivery</li> <li>Local content in major events should be mandated to promote our wine to the world and support producers</li> </ul>
Visit	Wine Season	<ul style="list-style-type: none"> <li>Food and Wine promotion in Victoria has largely sat with Food and Wine Victoria (Melbourne food and Wine).</li> <li>The prominence of wine in the annual program has not been sufficient – particularly as the March festival occurs during vintage</li> <li>A specific annual wine program would address this issue</li> </ul>
Visit	Regional Events Funding	<ul style="list-style-type: none"> <li>The \$20 million Visit Victoria Regional Events Fund is used to support events by providing funding for attraction, development and marketing activities</li> </ul>
Adapt	Viticulture Program	<ul style="list-style-type: none"> <li>Wine Victoria is currently seeking the re-establishment of a 4 year MoU with the Victorian Government, Wine Australia and the Australian Wine Research Institute to provide expertise and resources to deliver on farm innovation (extension)</li> </ul>
Lead	Establish a Wine Levy	<ul style="list-style-type: none"> <li>Each of the wine states in Australia has a state-based levy that allows the association (and in some cases the regional association) funding to run programs</li> <li>The Victorian wine regional associations have endorsed Wine Victoria to explore the formation of a levy</li> <li>The Victorian Government have had issues with the existing grape levy in the Murray Valley – however have indicated there is interest in exploring a model if full industry support can be demonstrated</li> </ul>
Lead	Minimum Floor Pricing	<ul style="list-style-type: none"> <li>The Northern Territory have introduced a minimum floor pricing of \$1.30 (per standard drink)</li> <li>It is thought Western Australia will do the same</li> <li>The Victorian Government have indicated they have no intention of introducing this measure</li> </ul>

ASK	FUNDING
<ul style="list-style-type: none"> <li>The formation of a four year Victorian Wine Export Strategy to target North America and China with a four year funding agreement</li> </ul>	<p>\$2 million over four years (matched by funding from industry).</p> <p>Funding allocated to Wine Victoria and Wine Australia for program delivery</p>
<ul style="list-style-type: none"> <li>Commitment to promote the 5 Wine Pillars in Visit Victoria's domestic and international marketing campaigns</li> </ul>	<p>\$2 million annually to Visit Victoria (matched by industry investment)</p>
<ul style="list-style-type: none"> <li>Retention of rebate scheme</li> </ul>	<p>\$3 - 4 million annually</p> <p>\$12-16 million over four years</p>
<ul style="list-style-type: none"> <li>Mandated local Food and Wine content policy for all of the Victorian Government's major events</li> </ul>	<p>Nil</p>
<ul style="list-style-type: none"> <li>Funding for Food and Wine Victoria to run a Wine Month (not part of the March festival)</li> </ul>	<p>\$1 million annually to Food and Wine Victoria</p> <p>Matched by industry investment of \$1 million and in-kind support from Food and Wine Victoria of \$250,000</p>
<ul style="list-style-type: none"> <li>Continuation of the program and funding</li> <li>Prioritisation of Wine Tourism 5 Pillar events</li> </ul>	<p>\$20 million over four years (\$5 million annually) to Visit Victoria</p>
<ul style="list-style-type: none"> <li>The formation of a 4-year Victorian Wine Viticulture Strategy to address climate adaption, productivity and biosecurity issues with a four year funding agreement.</li> </ul>	<p>\$2 million over four years (match by funding from industry) to Wine Victoria, Wine Australia and Australian Wine Research Institute</p>
<ul style="list-style-type: none"> <li>Wine Victoria seeks a commitment to assist industry where require, in establishing a wine levy if industry can demonstrate a high level of support for the initiative.</li> </ul>	<p>Unknown</p>
<ul style="list-style-type: none"> <li>No minimum unit floor pricing policy is introduced in Victoria over the next four years.</li> <li>The wine industry is a stakeholder and where relevant, a partner in policy development, which ensures our products are consumed responsibly.</li> </ul>	<p>Nil</p>

## Wine Victoria Board Member Biographies



### Angie Bradbury – Chair

Angie started her first communications agency in 2000 and has gone on to become a leading authority in strategic marketing and brand communications for the food, drinks and leisure industries. Angie formed Dig Marketing in 2005, which merged with 2fish Management to create Dig+Fish. Dig+Fish works across all sectors on brand strategy, public relations, experiential marketing and digital communications. Angie is immediate past Chair of Wine Communicators Australia, Winemakers' Federation Steering Committee member for the Future Leaders Program and Chair of the Royal Melbourne Wine Show.



### Damien Sheehan

Damien is a qualified viticulturist who has worked in the wine industry since 1991. He is currently General Manager and Viticulturist at Mount Langi Ghiran. Previous industry roles have included Chair of the Viticulture Sub-Committee of the Victorian Wine Industry Association and member of the Steering Committee of the Viticulture Market Order (IDC). Damien is currently Chair of the Victorian Viticulture Biosecurity Committee, member of the Joint Governance Committee for the Victorian Node of the Australian Wine Research Institute and co-chair of the Industry/DSE Forum (Fire Management).



### Nikki Palun

Nikki Palun studied a degree in Mandarin Chinese and Commerce and has worked for De Bortoli Wines and Vinomofu as their Head of Global Exports, where she developed a deep passion for wine and the promotion of wine culture. She now runs her own wine company Octava Wines to follow her desire to make wines with their own unique personalities style.



### Ashley Spencer

Ashley is the Deputy General Counsel of Treasury Wine Estates. He has over 23 years' experience in senior legal and governance roles in large global companies including as General Counsel, Company Secretary and Director. Ashley is a Fellow of the Governance Institute of Australia and a member of the Corporations Committee of the Law Council of Australia.



### Gerry Ryan

Gerry is a Melbourne-based businessman and entrepreneur. He is the founder and Chairman of Jayco, Australia's largest manufacturer of recreational vehicles. Gerry is also the Chairman of The Creature Technology, which produces animatronic characters for theme parks, exhibitions and event around the world, and Chairman of Global Creatures – an international entertainment group which develops theatrical productions such as multi-award winning How to Train Your Dragon, Warhorse, King Kong and Strictly Ballroom.

Acquiring the Mitchelton Winery Vineyard in 2011 with his son Andrew, Gerry has worked to bring an exciting new era with the commencement of Mitchelton's redevelopment to an iconic food, wine and hospitality destination. In recognition of his significant and extensive contribution to the nation's manufacturing, leisure, sport, tourism industries and to the wider Australian community, Gerry was made a Member of the Order of Australia in 1999.



### **Tom Carson**

Tom is the General Manager and Chief Winemaker of Yabby Lake. Tom holds several wine judging roles, including his current position as Chairman of Judges at the Royal Melbourne Wine Awards (since 2014). With more than 25 years' experience in the industry across many regions of Australia and France, Tom's previous roles have included winemaking at Tim Knappstein, Assistant Winemaker to James Halliday at Coldstream Hills, a number of vintages in both Burgundy and Champagne and 12 years at Yering Station in the Yarra Valley.



### **Alex King**

Alex is a disputes, litigation and insolvency lawyer and partner at Arnold Bloch Leibler. Alex has extensive experience in representing organisations from a broad range of sectors, including finance and professional services, oil and resources, tourism, retail and pharmaceutical. Appointed as a senior associate in 2000 and partner in 2004, Alex also regularly presents to industry on the practical application of law within business, both within Australia and overseas.



### **Jon Evans**

Jon Evans has held senior clinical, management, consulting and strategy leadership positions across the Australian, National and International Health Care systems and related industry for over 20 years in both operational, policy and research settings across the public and private sector. With a background in psychology in direct clinical practice, he has operational managerial experience through to the role of a Chief Executive of a large Metropolitan Hospital Group Health Service and a number of senior government appointments. Jon is currently a director at APAC Health Solutions.



### **Ross Wilson**

Ross has had a long and successful career managing some of Australia's most successful corporations. He was the Chief Executive Officer (CEO) of Tabcorp between 1994 and 2002, and prior to this was CEO of Southcorp. He held this position from 1987, and under his stewardship the company moved from being a relatively small brewing and packaging company, to one of Australia's largest publicly listed manufacturers. Today Ross and his wife Robyn currently own and run Medhurst Wines in the Yarra Valley.



### **Matt Fowles**

Matt Fowles, a former lawyer who swapped the vitriol for the vineyard, is an avid food and wine man. While his chief responsibility is the business of wine, he spends much of his time feeding his connection to the Strathbogie Ranges. Whether that is time in the vineyard, playing with wine or hunting for his table - he truly understands the land. Matt is also the man behind the innovative Ladies who Shoot their Lunch wine - the world's first wine to be blended to complement wild game meat. In 2007, Matt was selected as part of the 'Future Leaders' program aimed at fostering the next generation of wine industry leaders.

## CONTACT

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AUSTRALIA

### **For more information on Victoria's Wine Industry**

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