



Australian Government

Australian Grape and
Wine Authority

Australian Grape and Wine Authority

SUBMISSION

to

**The Senate Standing Committee
on Finance and Public Administration**

on the

***Public Governance, Performance and Accountability (Location
of Corporate Commonwealth Entities) Order 2016***

March 2017

Contents

Contents.....	2
Executive summary	3
Connection and collaboration.....	3
Terms of reference.....	5
The Australian Grape and Wine Authority – an overview	6
What we do.....	6
Our vision	6
Priority 1: Increasing demand and the premium paid for all Australian wine.....	6
Priority 2: Increasing competitiveness.....	6
Our funders.....	6
Funding Agreement	7
Strategic Plan	7
Annual Operational Plan.....	7
Our relationships.....	8
Representative organisations	8
Marketing partners	8
Research and Development Corporations.....	8
Research providers	8
Location.....	8
Delivering for Australian grape and wine businesses.....	10
Marketing.....	10
User-pays activities	11
Regulatory services	12
Export facilitation.....	12
Research, development and extension.....	14
Regional Program.....	15
Market insights	16
Wine sector snapshot	17
Glossary.....	18

Executive summary

The Australian Grape and Wine Authority (AGWA) is an Australian Government statutory authority governed by the *Australian Grape and Wine Authority Act 2013* (the Act).

Our role under the Act is to:

- coordinate or fund grape and wine research and development (R&D), and facilitate the dissemination, adoption and commercialisation of the results
- control the export of wine from Australia, and
- increase the demand for Australian wine, both in Australia and overseas, through targeted promotion and marketing activities.

AGWA invests in R&D, marketing, disseminating knowledge, encouraging adoption and protecting the reputation of Australian wine.

To build a prosperous sector, we are focused on:

- partnering with grape and wine businesses, grape and wine associations, governments and other market development partners to build demand in international markets and the domestic market
- supporting grape and wine businesses with data insights to allow them to capture commercial opportunities
- investing in R&D that builds vine and wine excellence, improves resource management and sustainability, improves vineyard and winery performance, and enhances market access
- building capability and encouraging the adoption of R&D, and
- underpinning our quality and provenance claims with our sound regulatory system.

Connection and collaboration

The Australian grape and wine community is internationally recognised and valued for its collaboration – along the value chain, within and across regions.

We work closely with our representative organisations (the Winemaker’s Federation of Australia and Australian Vignerons), wine sector bodies and our partners to foster this connection and collaboration and support the long-term success of the Australian grape and wine community.

We believe that the challenging market conditions grape and wine businesses endured for more than a decade brought to the fore some of its most defining qualities, such as resilience and innovation, and it is these qualities that will help the community craft a better future.

We believe that we should aim to be recognised internationally as the world’s pre-eminent wine producing region. Our natural endowment of diverse, unique and superior terroirs, combined with our skilled and innovative people, means that we have the capacity to be recognised as the best in the world.

It is our 65 individual, distinct and diverse wine regions that are spread across the country – in every state and the Australian Capital Territory – that make Australian wine unique. The regions are the foundation of AGWA’s marketing strategy and our focus on our unique wines of quality, regionality and diversity. We work closely with national, state and regional grape and wine associations to develop, refine and implement strategies that will enhance the reputation and desirability of our unique wines.

Close collaboration allows us to amplify our levy payers' investment in marketing, including through our partnerships with Tourism Australia, Austrade, Meat and Livestock Australia, Dairy Australia and Australian Wool Innovation.

We fund research, development and extension (RD&E) for the Australian grape and wine community. Our RD&E providers include the Australian Wine Research Institute (AWRI), the Commonwealth Science and Industry Research Organisation (CSIRO), the University of Adelaide, the South Australian Research and Development Institute (SARDI), National Wine and Grape Industry Centre, University of South Australia, other universities, state agencies and private organisations.

The AWRI, CSIRO, University of Adelaide and SARDI together form the Wine Innovation Cluster (WIC) partnership, which is based on the Waite Campus of the University of Adelaide, seven kilometres from AGWA's head office. WIC strives to build collaboration and create synergies in R&D across the co-located partner organisations for the benefit of Australia's national wine sector. It is important to note that, while the WIC cluster is located at the Waite Campus, AGWA's WIC research partners undertake winegrape field research across the country, in the four largest wine-producing states.

Through our Regional Program, we actively encourage and support innovation, extension and adoption of R&D and engage with grapegrowers and winemakers in their regions on the issues that matter to them. It is delivered through 11 regional clusters that cover every Australian winegrowing region. Our Regional Program aims to help grapegrowers and winemakers adopt new tools and research findings. The Program allows them to:

- identify their region's highest priority innovation, extension and adoption issues
- evaluate new concepts and technology in their own region to measure regional benefits of adoption
- identify aspects of production that will ensure the region is sustainable into the future, and
- assist with the uptake of new tools and research findings.

We are a geographically diverse organisation. South Australia produces 51 per cent of Australia's winegrape crush and our head office is in Adelaide at the National Wine Centre, as close as practical to the epicentre of Australian grape and wine production and the majority of our R&D providers. At the National Wine Centre we are co-located with grape and wine sector partners the Winemakers' Federation of Australia (WFA), Australian Vignerons (AV), Vinehealth Australia and the South Australian Wine Industry Association (SAWIA). Our head office is within about an hour's drive of the Barossa, McLaren Vale, Langhorne Creek, Adelaide Hills, Clare Valley, Southern Fleurieu, Currency Creek and Adelaide Plains wine regions.

The National Wine Centre also operates as a hub for research and development corporations (RDCs), as we are also co-located with Fisheries Research and Development Corporation (FRDC) and Grains Research and Development Corporation (GRDC). Our marketing resources are located near our main markets, in London, San Francisco, Shanghai and Sydney, where we are co-located with Tourism Australia.

Terms of reference

On 8 February 2017, the following matter was referred to the Finance and Public Administration References Committee for inquiry and report by 9 May 2017:

The operation, effectiveness, and consequences of the *Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*, with particular reference to:

- a. the process leading to the making of the order;
- b. the policy of relocating corporate Commonwealth entities with agricultural policy or regulatory responsibilities, including:
 - i. the identity of corporate Commonwealth entities that could be affected,
 - ii. the policy's effect on the ability of affected entities to perform their functions, and
 - iii. economic, environmental and capability implications of the policy;
- c. the application of this policy to the Australian Pesticides and Veterinary Medicines Authority, including:
 - i. the plan for relocation;
 - ii. the ability of the Australian Pesticides and Veterinary Medicines Authority to perform its functions from its new location, and any consequent risks to:
 - A. human and animal health;
 - B. productivity and profitability to the agriculture and fisheries sectors;
 - C. chemical industries; and
 - D. Australia's trading reputation;
- d. any other related matters.

The Australian Grape and Wine Authority – an overview

The Australian Grape and Wine Authority (AGWA) is an Australian Government statutory authority governed by the *Australian Grape and Wine Authority Act 2013* (the Act).

What we do

Our role under the Act is to:

- coordinate or fund grape and wine research and development (R&D), and facilitate the dissemination, adoption and commercialisation of the results
- control the export of wine from Australia, and
- increase the demand for Australian wine, both in Australia and overseas, through targeted promotion and marketing activities.

We work closely with our representative organisations, wine sector bodies and our partners to support the long-term success of the Australian grape and wine community.

Our vision

Our long-term ambition is for Australia to be recognised as the world's pre-eminent wine producer. Our five-year goal is a prosperous Australian grape and wine community and our *AGWA Strategic Plan 2015–2020* outlines our priorities and activities to achieve this.

Priority 1: Increasing demand and the premium paid for all Australian wine

We will address the challenge of general global perception leading to lower prices through an unwavering focus on increasing the appreciation of our fine wines. We must continually invest in supporting the pursuit of excellence in viticulture, winemaking and the business of wine to better understand and express our unique terroirs and to increase the international esteem of the resulting wines.

Priority 2: Increasing competitiveness

We will address the challenge of the fiercely competitive global marketplace by increasing competitiveness in our vineyards, our wineries and our wine businesses. We will invest in capturing the opportunities of new technologies, understanding supply and demand, and improving performance to become more sustainable, differentiated and more competitive.

Our funders

We are funded by grapegrowers and winemakers through levies and user-pays charges, and by the Australian Government, which provides matching funding for research, development and extension investments.

Our funding is split into four primary areas to deliver value to our stakeholders:

1. Research, development and extension (RD&E)

The Grape research levy (grapegrowers pay \$2 per tonne of winegrapes crushed) and the R&D component of the Wine grapes levy (wineries pay \$5 per tonne of winegrapes crushed) are matched dollar-for-dollar by the Australian Government.

2. Regulatory services

Regulatory activities are funded on a cost-recovery basis through activity-based fees.

3. Market development

Wineries pay the promotion component of the Wine grapes levy in a stepped amount per tonne. The promotion component is payable on grapes delivered to a winery once the threshold of 10 tonnes has been reached.

4. User-pays activities

Wine businesses, regional associations and state governments pay voluntary contributions to participate in marketing activities.

Our governance and operations support us to achieve the best possible return on investment for our RD&E, market development and regulatory funds.

Funding Agreement

The *Funding Agreement 2015–19* between the Australian Government and AGWA ensures that the funding we receive from levies and matching Australian Government funds for eligible RD&E is expended prudently and in line with levy payers' and the Australian Government's expectations.

The Department of Agriculture and Water Resources manages the Funding Agreement on behalf of the Australian Government.

Strategic Plan

The *AGWA Strategic Plan 2015–2020* outlines our key investment priorities in R&D, marketing and disseminating knowledge, encouraging adoption and protecting the reputation of Australian wine.

These investments are guided by the Australian grape and wine community's priorities. Our Strategic Plan was developed following extensive consultation with grapegrowers, winemakers, sector bodies, government and other key stakeholders.

We appreciate the time that Australian grape and wine community members took to consider our Discussion paper and provide feedback. To ensure that those who made a submission understood how their submission helped shape the final Strategic Plan, the *AGWA Strategic Plan 2015–2020: Feedback summary* outlines how feedback was incorporated into the Strategic Plan.

Annual Operational Plan

Our *AGWA Annual Operational Plan 2016–17* details our planned activities, intended outcomes and measures of success for the second year of our Strategic Plan.

In 2016–17, we are investing in R&D, building markets, sharing knowledge, encouraging adoption and protecting the reputation of Australian wine. We are helping build demand for all Australian wine by focusing on our most exceptional wines.

We review our operations regularly to ensure we are as cost-effective as possible, delivering the maximum value to our stakeholders and levy payers. We strive to be nimble and responsive to the changing needs of the Australian grape and wine community.

Our relationships

We work closely with partners to build the prosperity of the Australian grape and wine community. Our partners include grapegrowers, winemakers and the Australian Government, national, state and regional sector organisations, Australian Government agencies, state governments and their agencies, research providers, international regulators, the wine trade, media and consumers.

The Australian Government is a contributor of RD&E funding – matching dollar-for-dollar the levy investment from Australia’s grapegrowers and winemakers. We also work closely with the Australian Government and its agencies to enhance market opportunities and reduce barriers of trade.

Representative organisations

The Winemakers’ Federation of Australia (WFA) and Australian Vignerons (AV) are our representative organisations under the Act.

WFA is the national sector body that represents Australia’s winemakers. AV is the national sector body that represents Australia’s winegrape growers.

Marketing partners

We collaborate with our marketing partners on international engagement activities. These partners include wine businesses, Australian Government agencies (such as Tourism Australia and Austrade), state and regional associations, state government and other Research and Development Corporations (RDCs) with market-development responsibilities.

Research and Development Corporations

We invest with other Australian RDCs in cross-sectoral collaborative research to deliver RD&E benefits to the broader agricultural community.

Research providers

We fund RD&E for the Australian grape and wine community. Our RD&E providers include the Australian Wine Research Institute (AWRI), the Commonwealth Science and Industry Research Organisation (CSIRO), the University of Adelaide, the South Australian Research and Development Institute (SARDI), National Wine and Grape Industry Centre, other universities, state agencies and private organisations.

The AWRI, CSIRO, University of Adelaide and SARDI together form the Wine Innovation Cluster (WIC) partnership, which is based on the Waite Campus of the University of Adelaide, seven kilometres from AGWA’s head office. WIC strives to build collaboration and create synergies in R&D across the co-located partner organisations for the benefit of Australia’s national wine sector. It is important to note that, while the WIC cluster is located at the Waite Campus, AGWA’s WIC research partners undertake winegrape field research across the country, in the four largest wine-producing states.

Location

South Australia produces 51 per cent of Australia’s winegrape crush and AGWA’s head office is in Adelaide at the National Wine Centre, where we are co-located with grape and wine sector partners WFA, AV, Vinehealth Australia and SARDI. The National Wine Centre also operates as a hub for research and development corporations (RDCs), as we are also co-located with Fisheries Research and Development Corporation (FRDC) and Grains Research and Development Corporation (GRDC). We also

have offices in three of our key markets: London, San Francisco and Shanghai; and in Sydney, where we are co-located with Tourism Australia.

conversations across all media. We have established networks across the world’s trade channels, media, wine educators and influencers. We work closely within these networks to deliver events and activities that reflect our market strategy and benefit Australian wine producers.

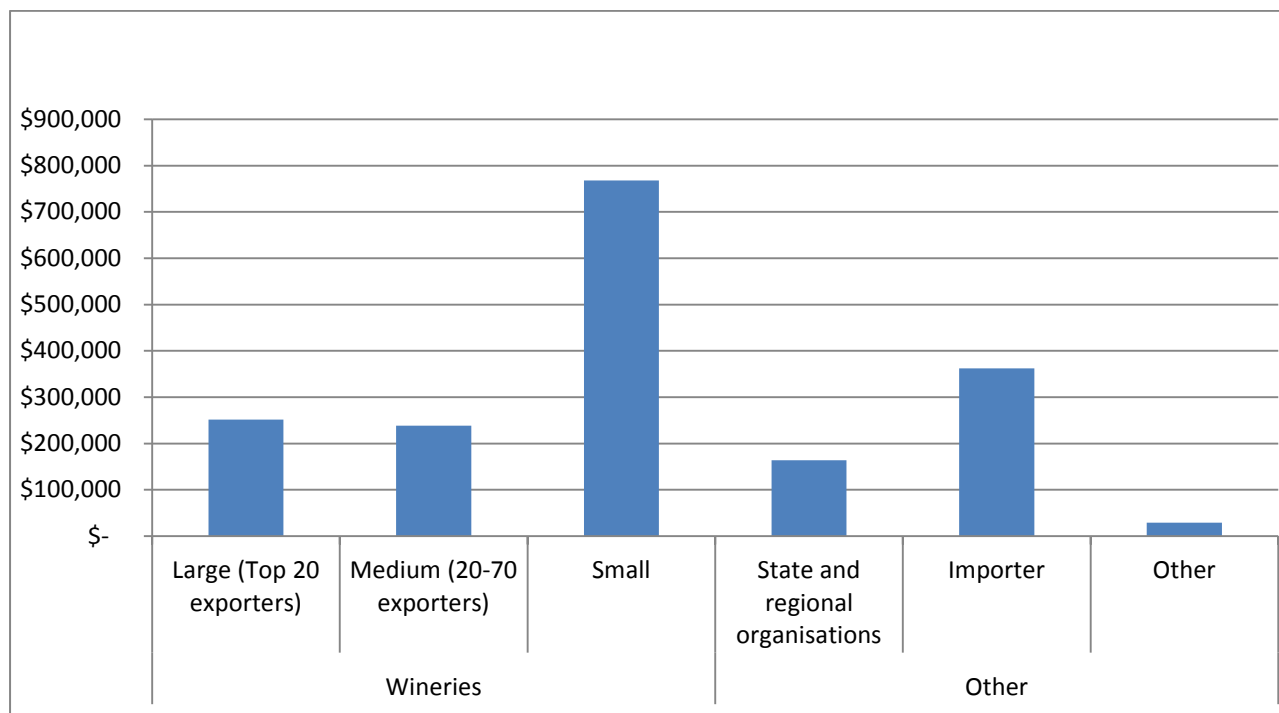
User-pays activities

Our core marketing activities, which are funded by levies, are supplemented by user-pays activities in which we partner with wine companies, regions and states to deliver targeted programs to engage with the trade, media and consumers.

Our user-pays activities are developed by our in-market teams in consultation with their in-country wine company reference groups. We then present these opportunities to wine companies, regions and states, inviting them to invest in those activities and events that support their market development strategies. Our user-pays activities help create opportunities for our wine sector partners to achieve greater reach with their marketing efforts; provide an equitable, cost-effective approach for our wine producers and state and regional partners; and remove barriers to entry for smaller producers.

Our user-pays program includes consumer and trade events, trade-only events, retail promotions, tastings and master classes, educational initiatives, advertorial opportunities, and sommelier and trade immersion activities.

Investments by the grape and wine sector in user-pays program and visits



In the United States, we provide a structured and formal ‘Market entry program’ of activities that provides dedicated assistance to Australian wine brands wanting to enter new markets.

We design our user-pays activities to meet the needs of the wine community. We will develop joint business plans with companies, regions and states so that our user-pays activities can help them achieve their objectives. Naturally, we are flexible with the activities we offer and we create new activities to capture emerging opportunities and meet demand from the sector.

We also build collaborative partnerships with like-minded organisations to build awareness, understanding and demand for Australian wine. We work closely with Tourism Australia and state tourism commissions to build international awareness of Australia's fine food and wine culture.

We partner with Austrade in markets where we do not have a physical presence – mainly across the Asian region and emerging markets – to help the wine sector capture export opportunities. Within these markets, Austrade facilitates market entry arrangements by linking potential importers and distributors with Australian wine companies interested in exporting. Importantly, Austrade also supports our market development strategies across the Asian region and emerging markets, and we work closely with their in-market teams to deliver initiatives that help promote and profile Australian wine. We provide further assistance to exporters through Export Market Guides that help exporters understand the legal and technical landscape in which they will be operating.

Regulatory services

We seek to enhance market access in existing and emerging markets. We work closely with WFA, AV and the Australian Government to remove tariff and technical barriers to international trade in wine by providing the technical support and focus to support inter-governmental negotiations.

We also assist grape and wine businesses by:

- developing a comprehensive understanding of the regulatory requirements in key export markets and communicating these requirements to the sector through our 33 Export Market Guides
- assisting exporters to resolve specific market access issues, and
- investing in research into specific market access issues and strategically positioning the Australian sector to avoid future problems.

To protect consumers and to ensure a fair trading environment for producers and exporters, we have a robust and enforceable compliance regime. This regime underpins the wine sector's promotional efforts.

Our Label Integrity Program requires the making and keeping of records throughout the wine supply chain to ensure that provenance claims made about the region, variety and vintage of wine can be substantiated. Our Audit Team conducts up to 300 audits each year. Their work is supplemented by sampling and chemical analysis of a substantial and representative set of Australian wines each year, to ensure compliance with the Australia New Zealand Food Standards Code (the Code). This can include compliance with the maximum residue limits for a range of agricultural chemicals and other compositional requirements imposed by the Code.

Export facilitation

All wines proposed for export must be registered with us and every proposed shipment must be granted a permit. This registration process provides a database that informs and supports our compliance activities.

Each year, we issue more than 40,000 documents required for access to various export markets, particularly China and the European Union.

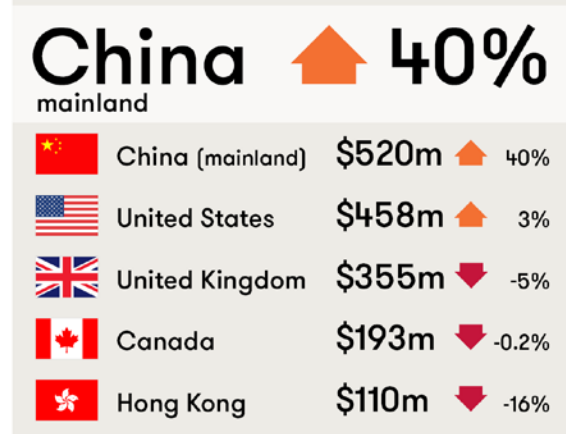
We work closely with exporters and producers to help them meet their obligations and comply with international wine composition and labelling requirements. We provide technical advice to around

2000 stakeholders each year; we publish Export Market Guides to the wine production, composition and labelling requirements of 33 export markets; and we publish a comprehensive guide to compliance with Australian wine law.

In 2016, there were a record 1859 active exporters. Total exports increased by 7 per cent to \$2.2 billion and the average value per litre increased 6 per cent to \$2.96 free on board (FOB). The value of bottled exports increased by 10 per cent to \$1.8 billion, and the average value per litre for bottled exports increased 5 per cent to \$5.48 FOB. Australian wine was exported to 127 destinations.

Key data from the *Wine Export Approvals Report December 2016*

**Wine Australia
Export report
Year ended December 2016**



We also protect the integrity of Australia’s wine producing areas, maintain the Register of Protected GIs and Other Terms and support the Geographical Indications Committee, which is a statutory committee established to define the grape-producing regions of Australia.

Research, development and extension

Our RD&E investments are guided by the strategic research priorities of the Australian grape and wine sector and the Australian Government's Rural RD&E Priorities and Science and Research Priorities.

While two separate RD&E levies are paid, we do not differentiate between viticultural and winemaking research as the distinction is artificial – viticultural research often has a winemaking outcome and winemaking research often requires viticultural input. Instead, our RD&E investments aim to increase the sector's long-term profitability and sustainability, which has benefits for all levy payers and the wider community. Our investments range from both short- and long-term applied R&D to blue-sky research where success is less assured.

We focus on extracting the full value of our investments in RD&E for the benefit of our levy payers, the Australian Government and the wider community.

As a joint lead agency for the implementation of the Primary Industries Standing Committee (PISC) *National Primary Industries Research, Development and Extension Framework – Wine Sector Strategy*, we have embedded the framework into the sector's RD&E processes.

We use evidence-based and data-driven decision-making to guide our RD&E investments. This includes conducting reviews of existing research to identify opportunities for future research, independently assessing proposals (through external review panels if required), and commissioning research to address specific knowledge gaps or requirements.

We objectively assess funding proposals using a fair and equitable process. We use clear and objective criteria and exclude any individuals with a conflict of interest from the assessment. The criteria include:

- alignment with the wine sector's strategic research priorities, as described in our Strategic Plan and our Annual Operational Plans
- the feasibility of the proposed work and the quality of the research plan
- the track record of the research institution and researchers
- how the outcomes will add value to the wine sector. This may include a cost–benefit analysis and consideration of the value of the proposed outcomes to the sector in light of the scale of the total proposed investment, and
- a clear pathway to adoption that outlines how the benefits will be delivered, or are capable of being delivered, to the wine sector.

We invest with other RDCs in cross-sectoral collaborative research to deliver RD&E benefits to the broader community. We invest in cross-sectoral research in the following strategic areas, which closely align with the research priorities of our representative organisations:

- climate change and climate variability
- plant biosecurity
- digital technologies
- precision agriculture
- consumer insights
- water use in agriculture
- soil
- the efficacy of inputs, and

- education and capacity building.

We help develop the capacity of the next generation of researchers and we build wine sector skills and capabilities to accelerate the adoption of R&D outcomes through the grape and wine value chain. We use a range of strategies to encourage the adoption of R&D by our stakeholders.

We focus on the pathways to market for R&D to ensure that value is captured for our funders, and that the research we invest in can be used by our levy payers for innovation.

Regional Program

Our Regional Program is a key initiative to actively encourage and support innovation, extension and adoption of R&D and to engage with grapegrowers and winemakers in their regions on the issues that matter to them.

Our Regional Program aims to help grapegrowers and winemakers adopt new tools and research findings. The Program allows them to:

- identify their region’s highest priority innovation, extension and adoption issues
- evaluate new concepts and technology in their own region to measure regional benefits of adoption
- identify aspects of production that will ensure the region is sustainable into the future, and
- assist with the uptake of new tools and research findings.

The Regional Program is delivered through 11 regional clusters that cover every Australian winegrowing region. The maximum amount of funding available is based on the value of the winegrape levies paid in the region, with higher producing regions able to access a greater proportion of the total funding pool, as detailed in Table 1.

To ensure that meaningful activities can be undertaken, regions with lower levels of production are clustered together. In total, there are 11 regional clusters.

The Regional Program’s regional clusters and participating wine regions

AGWA regional cluster	Geographical indications (GIs)	Annual investment cap (\$)
Greater NSW and ACT	All regions in NSW and ACT excluding Riverina	50,000
Greater Victoria	All regions in Victoria excluding Murray Darling, Swan Hill	50,000
Murray Valley	Murray Darling, Swan Hill	125,000
Queensland	All regions in Qld	25,000
Riverina	Riverina	125,000
Riverland	Riverland	125,000
SA Central	Langhorne Creek, McLaren Vale, Adelaide Hills, Southern Fleurieu, Currency Creek, Kangaroo Island	50,000
SA North	Barossa Valley, Clare Valley, Eden Valley, Adelaide Plains, Southern Flinders Ranges	50,000
SA South	Coonawarra, Padthaway, Wrattontully, Mount Gambier, Mount Benson, Robe	50,000
Tasmania	Tasmania	25,000
Western Australia	All regions in WA	50,000

We also fund AWRI to deliver seminars and workshops around the country. These seminars and workshops are tailored to the region's interests and are delivered in every winegrowing region once every three years.

Market insights

We support the Australian wine sector's competitiveness through the collection, presentation and dissemination of global wine sector insights. We act as the sector's information hub, providing a comprehensive range of statistics, data, analysis and insights to assist business and investment decision-making within the Australian wine sector.

We are also the central port of call for supply and demand information. The information we provide is used for a number of purposes, such as providing an evidential base for business and sector planning, informing Government policy, benchmarking company performances, forecasting, and identifying market opportunities. For example, businesses can access the export approvals data to analyse their performance in each market versus the wider Australian category or price point. This enables a better understanding of areas where a business is doing comparatively well and where they could improve their focus.

This information is made available through our weekly Market Bulletin, and through our levy payer portal on our website www.wineaustralia.com.

Wine sector snapshot

Table 2 provides a snapshot of the size and value of the Australian grape and wine sector and its contribution to the Australian economy, using the latest figures available.

Table 2: Wine sector snapshot

Measure	Year	Quantity	Unit
Winegrape vineyard area	2015	132,393	hectares
Winegrape crush	2016	1.8	million tonnes
Wine production	2016	1.3	billion litres
Domestic sales of Australian wine	2015–16	458	million litres
Domestic sales of Australian wine	2015–16	2.98	A\$ billion ²
Exports of Australian wine	2015–16	727	million litres
Exports of Australian wine	2015–16	2.11	A\$ billion FOB
Average value of Australian bottled exports	2015–16	5.35	A\$ per litre FOB
Average value of Australian bulk exports	2015–16	0.95	A\$ per litre FOB
Inventories of Australian wine	2015–16	1.76	billion litres
Wine regions ¹	2016	65	
Number of wineries	2015	2,468	
Number of grapegrowers	2015	6,251	
Direct employment	2015	68,395	
Indirect employment	2015	104,341	
Total employment	2015	172,736	
Economic value-add	2015	40.2	A\$ billion

¹ This includes 63 distinct GI regions plus Tasmania and Gippsland.

² Based on winery receipts excluding GST

Data sources: ABS, Wine Australia and AgEcon Plus Consulting report commissioned by Wine Australia

Glossary

Term	Definition
ABS	Australian Bureau of Statistics
AGWA	Australian Grape and Wine Authority
\$A	Australian dollar
AV	Australian Vignerons
AWRI	Australian Wine Research Institute
CSIRO	Commonwealth Scientific and Industrial Research Organisation
FOB	free on board
GIs	geographical indications
GRDC	Grains Research and Development Corporation
PISC	Primary Industries Standing Committee
RDCs	Research and Development Corporations
RD&E	research, development and extension
R&D	research and development
the Act	<i>Australian Grape and Wine Authority Act 2013</i>
UPAs	user-pays activities
WFA	Winemakers' Federation of Australia