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Constellation

27 May 2004

Secretary
Senate Select Committee on the Free Trade Agreement
between Australia and the United States of America
Suite S1.30.1
The Senate
Parliament House
Canberra ACT 2600
AUSTRALIA

Dear Sir

SUBMISSION TO SENATE SELECT COMMITTEE INTO THE FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND AUSTRALIA

The Hardy Wine Company is Australia's largest wine producer with a broad geographic spread of vineyard and winery facilities across Australia's major wine regions. The group has a comprehensive portfolio of brands covering a diverse range of styles and price points that are distributed through a global network of sales and marketing offices.

In 2003 leading international beverage company Constellation Brands acquired Hardys and merged it with its own highly successful wine, beer and spirits business - a move that created the world's largest international wine business, Constellation Wines.

The United States market is of major strategic importance for the growth of the Hardy Wine Company and for the Australian wine industry in general. Without exception it is the market that offers the most opportunity for Australian wine exports over the next decade.

Australian wine exports recorded growth in both volume and value in the 12 months ended April 2004, with sales to all markets up 14% to reach a total of A$2.5 billion and export volume reaching 564 million litres (up 14%). In the past 12 months, the United States has overtaken the United Kingdom, to become Australia's largest single export market with $900 million in annual sales (+13%).

As the fastest growing export market for Australian wine the importance of an FTA that achieves the elimination of tariffs, albeit in the medium term, for Australian wine in the United States is clear. The Winemaker's Federation of Australia has costed this tariff elimination at around $20-25 million in 2015. Importantly, as a global wine company, we recognise that it is important to maintain parity with our major competitors on the United States market, who already have signed preferential trade agreements with the United States in the case of Chile and South Africa, or who are in negotiations (Argentina and the European Union).

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More significantly, the benefit of signing the FTA will allow a springboard to further reduce barriers to Australian wine trade, in particular those concerning differences in labelling requirements between the two countries. The view of the Hardy Wine Company is that the FTA is a first step in a process of achieving comprehensive reform in these areas.

We have no concerns about immediately eliminating tariffs on United States wine – the Australian wine industry takes a long term view and understands that our future success lies on the export market. The Australian industry does not fear competition on the domestic market, as long as we retain our ability to produce consistently high quality wine at a competitive cost.

I regret that international commitments prevent me from appearing in person in front of the Committee, but have no hesitation in affirming our support for the FTA and encouraging all political parties to support it in the national interest.

Yours sincerely

Stephen Millar
CEO & President
Constellation Wines