

29 June 2018

## WFA Board Communiqué

The Winemakers' Federation of Australia (WFA) held meetings of the Small, Medium and Large Membership committees on 26 June 2018 in Canberra. This was followed by our annual 'Meet the Winemaker' function at Parliament House and a WFA Board meeting the following day.

The membership committee meetings provide a great opportunity for the respective committee members to provide insight into the issues affecting them and promote policy initiatives and strategy for consideration by the WFA board. Key issues emerging from the Committee meetings included:

- Unintended consequences of the WET rebate changes, including impacts of the 85% ownership rule and distributor arrangements
- Grant allocations under the \$50 million Export and Regional Wine Support Package (the \$50m Package)
- Progress on developing a national Responsible Service of Alcohol Scheme
- Concerns about the requirement to advertise viticultural land and winemaking facilities when negotiating a sale to foreign owners.
- The importance of strong mechanisms for biosecurity management in the wine industry

### Meet the Winemaker Function – 26 June 2018

The annual Meet the Winemaker function was held at Parliament House on the evening of 26 June 2018. Showcasing wine from WFA members, the event brought together around 130 politicians and staffers in a stand-up networking event. Importantly, the Agriculture and Water resources Minister, David Littleproud, Assistant Minister Anne Ruston, Foreign Minister Julie Bishop, Trade Minister Steve Ciobo and Minister for Rural Health Bridget McKenzie were all in attendance. We also had a strong showing from the Labor Party, Greens and other cross benchers. As well as the WFA Board and Committee members, our Network Partners, Jo Andrews, Anna Hooper and the Australian Vignerons board, Wine Australia's Brian Walsh and Andreas Clark were also all in attendance. The event ran very smoothly with a relaxed and engaged feel, which further highlights the strong relations that are being fostered between industry and our political parties.

For the first time we themed the event by showcasing alternative varieties in order to highlight our determination to preserve the right of Australian wine makers to use grape variety names such as Prosecco, Nero d'Avola, Vermentino etc. when describing our wines.

The event was an outstanding success, and many politicians expressed their support for the wine sector during the night.

I would like to express my thanks to all WFA Board and Committee members for not only donating their wines for the event, but working the room to convey their stories to the politicians on behalf of the greater wine sector. I also thank the WFA staff for organising such a successful event.

## WFA Board Meeting – 27 June 2018

The key issues discussed by the WFA Board were:

### ***Federal Election***

Following the 2018 Budget we are now expecting an election in the first half of 2018. The earliest possible date for the House of Representatives and half-Senate election is 4 August 2018. The latest possible date is 18 May 2019. Both Labor and the Coalition are getting ready for an early election if they see some movement in the polls, but it is clear May 2019 is the most likely date. WFA will now start preparing our policy positions for the next election, and the Pre Budget submission for 2019 will become our election blueprint and public facing platform.

### ***China***

The issues concerning increased paperwork and border delays for shipments of wine and other products to China has garnered considerable attention in the press over the past few weeks, and required considerable attention from WFA. Although we have seen some improvements in recent times, this is likely to be an ongoing issue requiring a strategic response from WFA.

Minister Ciobo has expressed his willingness to work with the wine sector on border issues. WFA has begun to develop strategic alliances with like-minded processing and export industries, including sugar millers, dairy, soy beans etc. We will be looking at developing material on the importance of these industries to the Australian economy, and developing communications on the importance of the China relationship. We are also considering hosting an event with the Chinese embassy in Australia and building relationships on the ground with Chinese officials. Our experience is that industry bodies are welcomed in China over individual companies and government officials.

### ***Copy-cat product***

The WFA Board is concerned about reports of product exported from Australia that is potentially in breach of trademark law. A possible solution to mitigate this risk, is to introduce a searchable data base/register to allow IP rights holders to search the database to identify possible breaches. This would require the reinstatement of labels with permit applications. Discussions are currently underway with the Department of Agriculture, and at Ministerial level to seek support and policy approval. A target time line is for introduction by February 2019. This issue impacts on exporters of all sizes.

### ***Container Deposit Schemes (CDS)***

WFA continues to monitor the implementation of CDS across the states nationally. With the NSW scheme now in place, the Independent Pricing & Regulatory Tribunal (IPART) are conducting a review of the scheme's first year to assess its effectiveness and impact on business. WFA will be attending a one day workshop concerning the NSW scheme on 29 June 2018. WFA has also recently met with the QLD environment Minister to reinforce our position that *wine bottles should remain outside any CDS*, as they are minimal contributors to the waste stream.

### ***Taxation***

A [recent judicial decision, Divas Beverages Holdings Ltd v Commissioner of Taxation, FCA 576](#) clarifies the nature of those products that can be considered “grape wine” or “grape wine products,” especially when these products are “cleaned up” and used to fortify alcohol beverages. We understand that this judgment will not be appealed. This is a useful judgement to read for those producers making wine products, as it deals with production processes and ‘essential character’ tests.

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### **Sustainability**

The WFA Board considered a proposal to develop a single National Sustainability Program (NSP) that brings together the best of existing programs. It operates under a unified sustainability framework that was established 12 months ago. The Australian Wine Research Institute (AWRI), Australian Vignerons (AV), Wine Australia (WA), McLaren Vale Grape Wine and Tourism (MVGWTA) and the Winemakers' Federation of Australia (WFA), have been the participants in this process. WFA have supported the principle of a single national program, with third party certification that can be internationally accepted by customers around the world. WFA look forward to further developments in this area.

### **National Standard for Organic and Biodynamic Produce**

The WFA Board was advised on progress of modifying the National Standard to provide the mechanism to seek equivalence for organic standards. The Standard, as it currently stands, does not provide enough detail on allowable substances permitted to be used in winemaking to permit negotiations.

### **ACCC**

The WFA Board were updated on the newly established ACCC Agriculture Consultative Committee (AgCC) which aims to:

- provide advice and information to the ACCC on issues affecting the agriculture sector that fall within the scope of the *Competition and Consumer Act 2010* (the Act);
- provide a forum through which competition and consumer concerns relating to the agriculture sector can be considered and addressed collaboratively;
- provide advice and information to the ACCC on issues affecting agriculture-related industry codes of conduct; and
- act as a conduit of information between the ACCC and the agriculture sector.

Tony Battaglione (WFA), Mike Stone (Murray Valley Wine Growers) and Ben Rose (Australian Vignerons) are representatives of the wine and viticulture sector on the Committee.

The first meeting of the Agriculture Consultative Committee was held on 18 May 2018. At this meeting, the ACCC announced they were commencing an in-depth investigation of the wine grape sector. They have contacted WFA to provide briefings on issues relating to contracts, pricing and other commercial activities. This initial briefing was scheduled for 14 June 2018. It is clear that this 'market study' will take around 12 months. Key issues they will look at concern pricing within contracts, including measures to determine penalties and bonuses, indicative pricing impacts and information available to growers.

### **Alcohol Beverages Advertising Code (ABAC)**

Former Speaker of the House of Representatives the Hon Harry Jenkins AO will take up the Independent Chair role of the Alcohol Beverages Advertising Code (ABAC) from 1 July 2018.

This is the 20 year anniversary of ABAC. It provides an effective but flexible framework, within which standards for responsible alcohol marketing and packaging in Australia have been set and managed by a group of stakeholders, including industry and governments. This has successfully met consumer expectations and acts as a model quasi-regulatory framework. In 2017, a major change to the code was made following a second round of community standards research completed by Colmar Brunton Social Research, that again demonstrated that ABAC is meeting community standards. A significant review of the Code resulted in the inclusion of restrictions on the placement of alcohol marketing. The Code previously focused on setting standards for the content of alcohol marketing. This has increased the number of complaints for adjudication in 2018 as the anti-alcohol lobby seeks to find flaws in the system.

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While the wine sector are not big advertisers compared to the other alcohol sectors, ABAC continues to provide a significant service to the industry. The Board of ABAC is made up of WFA, Brewers Association of Australia and the former Distilled Spirits Industry Council of Australia.

### **Market access**

The WFA Board was briefed on key market access issues including;

- Canada – Australian Government held follow-up bilateral discussions with Canada at the end of April. Canada remain unlikely to implement genuine action to resolve these issues. At the end of May, the US announced it would pursue a World Trade Organisation (WTO) panel for its own action. Australia will need to consider taking its own action to a WTO panel stage.
- European Union - A range of European trade and market access issues are progressing including:
  - European alcohol industry proposal on nutrition and ingredient labelling submitted to the European Commission for consideration.
  - Product Environmental Footprint - Category rules for wine are expected to be published soon, but the initiatives intended application is still uncertain.
  - Recent changes to excise tax arrangements announced to assist small businesses across Europe.
  - EU – Mexico FTA finalised - a range of grape varieties were not accepted as protected GIs, however, we understand that Prosecco has been classified as a protected GI.
  - Continued investment and prioritization of protection of GIs.
- Government Health Policy and WHO
  - The World Health Organisation (WHO) is convening a consultation with representatives of alcohol production and trade, on ways they could contribute to reducing the harmful use of alcohol, to be held on 19 and 20 June 2018.
  - WHA meeting in May to consider the 13th General Programme of Work for WHO.
  - United Nations General Assembly on the prevention and control of non-communicable diseases to be held on 19 and 20 September 2018.
  - A range of Government implemented health policies being considered or implemented across Vietnam (advertising restrictions and taxation), South Africa (health warning labels & advertising restrictions), Ireland, Scotland, Wales (MUP, health warning labels, advertising and other sales restrictions). France (health warning label changes), India (health warning labels).
  - Codex CCFL consideration of ongoing work on Alcoholic Beverage labelling.
- FTA and Bilateral Negotiations - Key negotiations include:
  - TPP11 is now finalised and awaiting ratification processes in the member countries. WFA have made two submissions to senate standing committees urging swift ratification. Refer to JSCOT update below.
  - Pacific Alliance - WFA has met with the negotiators and other Government departments and emphasised the importance of inclusion of a wine annex, addressing technical barriers to trade.
  - Brexit - will happen and will most likely be a rollover of existing EU regulations. WFA have been in discussions with Wine and Spirits Trade Association (UK) and Australian Government on arrangements for a rollover wine agreement.
  - RCEP - Negotiations are continuing.
  - Australia - European Union negotiations will commence in July 2018, Prosecco remains a major point of contention.
- Certification – WFA is working with Wine Australia to lessen the impact of potential trade barriers around certification requirements in Thailand.

The WFA Board also noted the comprehensive Market Access Strategy & Work Plan and this remains a key area of activity for WFA.

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### ***Joint Standing committee on Treaties (JSCOT)***

The Joint Standing committee on Treaties (JSCOT) held a hearing in Melbourne on 1 June on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Tony Battaglione provided evidence at this hearing.

### ***Agricultural Counsellor Network***

Australia has a network of Agricultural Counsellors around the world that act to resolve trade issues in key markets. Twice a year the Department of Agriculture recalls these counsellors to brief industry on market regulatory developments and allow issues to be raised directly with Counsellors. This provides a good opportunity to put forward market access issues of interest to the wine sector. The last briefing was held on 15 May 2018, which provided a good opportunity to raise the China issues (amongst other issues) directly with the Counsellors.

### ***EU-Australia Free Trade Agreement***

EU Trade Commissioner Cecilia Malmström formally launched the FTA negotiations in the week commencing 18 June 2018. The first round is expected to commence in Brussels in early July. Under the new transparency rules, the European Union will release the text of proposed Chapters straight after the negotiating rounds. There is no clear timeframe for completion of the Agreement. We have been in regular contact with the negotiating team from the Department of Foreign Affairs and Trade (DFAT) on the Agreement and have met several times with them over the past two months. Prosecco and grape variety names remain our key issue.

### ***Outlook Conference***

The Outlook Conference will once again partner with the Australian Wine Industry Technical Conference from 21-24 July 2019. The planning process is well underway and at this early stage, it looks to be a very exciting event. McWilliams will once again partner with the conference with the Maurice O'Shea dinner.

### ***Biosecurity***

It is clear exotic and declared endemic incursions in Australia are increasing. The WFA Board is very concerned about the possible impacts of a major exotic plant pest or disease incursion. The Board has re-emphasised that WFA and Australian Vignerons (AV) need to play a leadership role in biosecurity. For WFA this means re-joining Plant Health Australia (which has already occurred) and becoming a signatory to the Emergency Plant Pest Response Deed (EPPRD). The board has supported initiating the process to sign up to the EPPRD.

### ***Health***

Internationally, in 2018 we have seen a rise in the level of governments considering elements of mandatory health warning labels, minimum unit price (MUP), advertising restrictions and, or, changes to taxation as measures for influencing alcohol related harm (as noted in the market access section above). Most recently, the Northern Territory government has announced the introduction of MUP.

Domestically, we have been very engaged with Federal and State Government ministers and the broader wine sector on dealing with the issues raised by the broader National Alcohol Strategy.

Minimum Unit pricing, mandatory pregnancy labeling and the introduction of energy labeling are all issues high on either State or Federal Government agendas.

### ***National Alcohol Strategy (NAS)***

The draft National Alcohol Strategy (NAS) was released on 19 December 2017. The online submission process closed on 11 February 2018.

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The Draft NAS raises serious concerns for the alcohol sector as a whole. It focuses on population wide measures including increases in taxation, restricting availability and implementing bans on advertising, with an aim to decrease overall alcohol consumption. These measures include:

1. Introducing a minimum floor price for alcohol.
2. Introducing a single national advertising code; reduce alcohol advertising associated with sport.
3. Upgraded health warning labels.
4. Preventing promotion of discounted alcohol or special offers.
5. Limiting trading hours and type of drinks which can be purchased after a set time.
6. Excluding alcohol, hospitality, advertising and sports from new Reference Group.

The bulk of international evidence has repeatedly shown that measures to lower population wide alcohol consumption do not equate to a reduction in harmful alcohol consumption.

This all points to a worrying trend of intervention from State governments.

WFA made its submission to the NAS and issued a press release, which received good pick-up. Following representations to State and Federal Health Ministers, it has been agreed to initiate a further round of consultations with stakeholders, including representatives of the alcohol industry. WFA has been invited to participate in this process, commencing in late July.

### ***Pregnancy and Energy Labelling***

A consultation paper on mandatory pregnancy labelling was released in March 2018 for targeted consultation. WFA coordinated a response to the consultation on behalf of industry in collaboration with ABA and DrinkWise. We are expecting this issue to be considered for a decision by State and Federal Health Ministers in October 2018. Unless there is a marked change in thinking, it is likely that a mandatory pregnancy labeling scheme will be imposed on all alcoholic beverages including wine. It is likely that an energy labelling consultation would take place after pregnancy labelling. Once again, these initiatives have strong support from State governments and require strong regional advocacy.

### ***Export and Regional Wine Support Package (the \$50m Package)***

The Australian Government's \$50 million Export and Regional Wine Support Package (the \$50m Package) is now well into the implementation phase. WFA has continued to have regular telephone conferences with State and Regional Associations, Australian Vignerons and Wine Australia, to ensure close communication. We have been active in trying to modify some of elements of the Grants Programs causing concern to the State Associations as well as playing an active role in the process of developing the Request for proposals for Program 4, and in the assessment panel for the Export and Tourism Capability Building programs.

The WFA board was briefed by Andreas Clark on the developments to date. The view was that there is a very exciting program of activities and we are looking forward to outcomes in 2018.

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### ***Diversity and Equality***

The WFA Board continues to support the development of a Charter, focusing on gender diversity for the wine sector. They are also looking at initiatives, in the medium term, to promote better industry engagement on this issue.

### ***Brand Strategy***

Our brand strategy and member regional engagement continues to be a high priority. 2018 will see a strong focus of working with winemakers at the grass roots, including through regular liaison with regional bodies and direct engagement.

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