

Board Communiqué

6 September 2017

The Winemakers' Federation of Australia (WFA) held a Board meeting on 6 September 2017 in Adelaide.

The key issues discussed by the WFA Board were:

- the progress of the reforms of the Wine Equalisation Tax (WET) Rebate;
- the \$50 million Export and Regional Tourism Support Package;
- the Wine Tourism and Cellar Door Grant;
- WFA strategy;
- Market access developments; and
- Government health regulatory proposals (pregnancy warning labelling, energy labelling).

Wine Equalisation Tax (WET) Legislation

The Treasury Laws Amendment (2017 Measures No. 4) Bill 2017 was passed by the Senate on 17 August 2017 and has received Royal Assent. The new legislation will substantially tighten eligibility for the rebate. From 1 July 2018, wine producers will be required to own at least 85 per cent of the grapes used to make the wine throughout the winemaking process and the rebate will be capped at \$350,000, down from \$500,000. This will stop the rebate being claimed multiple times on the same wine through the production chain, where it is subject to blending, further manufacture and then on-sold, including to export markets. It also excludes bulk product.

Transitional arrangements will apply to the 2018 vintage and previous vintages not already sold.

WFA recognises that if you currently access the rebate, or sell grapes to a wine producer who receives the rebate, or sell wine through a distributor, you will need to understand the implications of the changes. We are working with the Australian Taxation Office (ATO) to develop guidance on the key changes before the next vintage. We will be also running a Roadshow around the country, with the ATO as guest speakers, in November, where they will visit a number of major centres and regions to provide further guidance. Details of the program will be available shortly.

Key issues arising from the legislation are:

- To be eligible to claim the WET rebate, ownership of the grapes will mean that some form of contract must be in place at the weighbridge. This may take the form of an exchange of letters, but a more formal contract provides more surety.
- The ATO will require record keeping demonstrating ownership of the grapes from the prior to the crusher through to the final product.
- Current retention of title clauses may mean that ownership does not pass to the grape purchaser at the weighbridge. Therefore, such clauses may not satisfy rebate eligibility requirements.
- Some distribution models will require different payment forms. For example, if a producer sells to a distributor, they can quote, but if that distributor on-sells to a further distributor, no rebate will be available, but WET will be payable.
- Although the intention in the legislation is for 'parent' trademarks to cover all the associated trademarks for the eligibility provisions, this needs to be clarified in the ATO guidance.
- The transitional provisions for the 2018 and prior vintage products are complex and require clear guidance.

The WFA Board is committed to ensuring that the sector gets as much information and official guidance as possible to ensure the requirements of the new legislation are understood prior to the 2018 vintage.

The \$50 million Export and Regional Tourism Support Package

Andreas Clark, Chief Executive of the Australian Grape and Wine Authority (AGWA), updated the WFA Board on the recent developments surrounding the \$50 million Export and Regional Wine Support Package (the Package). The Package was officially launched in Adelaide on 28 August 2017 by the Deputy Prime Minister the Hon Barnaby Joyce MP, Minister for Agriculture and Water Resources and Minister for Resources and Northern Australia, and Senator the Hon Anne Ruston, Assistant Minister for Agriculture and Water Resources.

Legislation to give AGWA the power to administer the grants available under the Package was introduced into Parliament on 5 September 2017. This legislation will also officially change the name of the Australian Grape and Wine Authority to *Wine Australia*.

Draft guidelines for the three grant components of the Package were also released for public comment on 6 September 2017 and close on 18 October 2017. We are very interested in receiving your comments on these guidelines to help us prepare our submission to the Government. The draft Export and Regional and Wine Support Package Grant Guidelines are available at: www.agriculture.gov.au/ag-farm-food/wine-policy/export-regional-wine-support-package.

The \$10 million Wine Tourism and Cellar Door Grant

The guidelines for the \$10 million Wine Tourism and Cellar Door Grant were also released for comment on 6 September. The public comment period closes on Wednesday 18 October 2017. The draft Wine Tourism and Cellar Door Grant Guidelines are available at: www.agriculture.gov.au/ag-farm-food/wine-policy/wine-tourism-cellar-door-grant.

I would urge all our members to look at these guidelines and provide WFA with feedback to give us the best opportunity to ensure they meet the industry's requirements. WFA remains committed to ensuring that these guidelines are clear and transparent so that producers can access this additional grant to supplement the rebate cap reduction.

WFA Strategy

The WFA Board also formally adopted our Strategic Plan. Recognising the tight resource constraints that all industry bodies work within, WFA's focus will be on:

- Industry communication and engagement
- Implementing the WET rebate reforms and defending the differentiated alcohol taxation system
- Working with AV and AGWA to deliver the \$50 million Export and Regional Tourism Support Package
- Addressing market access issues
- Defending the industry against unnecessary or ineffective health-related regulation
- Enhancing the regulatory environment

Strong advocacy through capability and representation remains the cornerstone of WFA's ability to deliver in these areas.

The Strategic Plan will shortly be available on our website. The WFA Board has also recognised the need to continually review and update our strategy and will dedicate a meeting in January 2018 to this.

Wine and Health issues

WFA will also continue its important work in representing the industry's interest in the important wine and health debate. Working both with Alcohol Beverages Australia and on behalf of the wine sector alone, we will continue to oppose the anti-alcohol lobby's aggressive approach to attack the social acceptability of the wine industry and impose regressive policies on our sector.

The Board received an update on the Government's review of the alcohol industry's voluntary pregnancy labelling initiative. Later this year, State and Federal Ministers will make a final decision on whether to impose a mandatory requirement for pregnancy warning labelling. WFA is strongly advocating for the continuation of the current voluntary initiative, supported by DrinkWise and all alcohol associations. It is important that all winemakers, particularly small businesses, support the voluntary labelling initiative in preference to an imposed mandatory system. WFA will keep members informed of progress in this area.

The Board considered industry's position on the Government's review of energy labelling of alcoholic beverages. WFA is actively involved in this process through direct meetings with the review panel, submissions and through meetings with State and Federal politicians to ensure any policy decision is proportionate, effective and cost efficient.

The Board was advised that Federal and State Health Ministers were also considering a final draft of the National Alcohol Strategy, including whether to release a draft document for public consultation. WFA has been advocating strongly for the opportunity to work with Governments on the draft document prior to its final release to identify opportunities for partnerships in key priority areas.

The Board noted that the release of the revised National Drinking Guidelines had been delayed until early 2019. WFA is working closely with Alcohol Beverages Australia to ensure the guidelines are based on credible, scientific evidence and presented in a way that will assist consumers to make informed choices about their alcohol consumption.

The Board strongly supported a proposal for WFA to work with DrinkWise and regional wine associations to develop tools for festival organisers to encourage responsible consumption during major regional events. A pilot is being considered for the Rutherglen region next year and other regions are encouraged to contact WFA to register their interest.

The Board encouraged the WFA Executive to ensure that members are informed about the significant risks to business operations posed by the anti-alcohol lobby, and to continue to advise members of the most immediate issues and opportunities for local advocacy with state and federal decision-makers.

Code of Conduct and the Australian Competition and Consumer Commission (ACCC)

The WFA Board was advised on developments around the Australian Competition and Consumer Commission's (ACCC) increased focus on agriculture and the [Australian Wine Industry Code of Conduct](#).

WFA will shortly commence a series of briefings for the ACCC on aspects relating to pricing, contract and how agricultural risk is shared across the supply chain to better inform their deliberations. The ACCC interest in agriculture is not restricted to large businesses and it is imperative that businesses review their contractual arrangements to ensure they comply with legislation. Reference to the Australian Wine Industry Code of Conduct in contracts is also a helpful mechanism to resolve disputes that can occur around grape purchases. The requirement for grape contracts to be in place, for winemakers to receive the WET rebate provides a good opportunity for winemakers to sign up to the Code if they are not signatories already, and build in the provisions into their contracts. The Code of Conduct Annual Report 2017 is expected to be released in September 2017.

Trade and Market Access Activities

The Board was provided an overview of the current WFA Trade and Market Access activities. Key areas included:

- WFA is running a pilot project with the Chinese Certification and Accreditation Authority (CNCA) and the Australian government aimed at improving access to the Chinese wine market. Through the pilot project, WFA is seeking to gain acceptance of our wine regulatory regime and mitigate the need for any additional facility inspection requirement when exporting to China. The second stage of the project, involving Chinese officials visiting Australia is now expected in early 2018;
- Also in China, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) have notified to the WTO of new requirements for certificates accompanying all imported food and beverages. WFA is working with the Australian Government to address these and ensure that our existing certificates can be used to meet these requirements moving forward. It is now likely that the requirements will be deferred for at least 12 months while we continue to negotiate with the Chinese government;
- Registration of Trademarks and GI protection – WFA continues to work with Wine Australia to protect our Geographical Indications around the world. A key activity is to preserve the ability for Australian producers to use grape variety names, such as Prosecco, Montepulciano and Nero d'Alvoa. For the latest information on WFA's international protection of terms visit the WFA website [here](#);
- There has been recent Australian and International (EU) interest in Nutrition/Energy labelling for Alcohol and WFA continues to advocate against any mandatory on label solutions which would impose cost on industry. A summation of WFA's initial position which has been provided to the Australian Government for their consideration in initial targeted consultation, is provided [here](#). WFA will continue to monitor and respond to this issue;
- Canadian Provincial issues – WFA are advocating with the government to pursue action against the Canadian Provincial Liquor Boards discriminatory support for domestic producers; and
- WFA continues to work with other wine industry organisations to obtain the best possible result for the wine industry from BREXIT, the EU-Australia FTA and other Free Trade Agreements.

If you wish to talk about these, or any other issues, please call me on 02 6239 8304 or 0413 014 807.

Tony Battaglione

8 September 2017