

Board Communiqué

20 November 2017

The Winemakers' Federation of Australia (WFA) held its Annual General Meeting and Membership Committee meetings in Adelaide on 14 November, followed by a Board meeting on 15 November 2017.

Membership Committee Meetings

WFA holds membership committee meetings twice each year. These meetings bring together representatives of the three membership colleges to discuss issues of interest for their members. This then feeds up to the WFA Board to ensure strong and up to date representation of members' priorities. The members of the Membership Committees for 2018 can be found at <https://www.wfa.org.au/assets/media/2017-AGM-Media-Release-141117.pdf> . All WFA members are encouraged to contact their committee member to ensure they represent your views.

Annual General Meeting

Sandy Clark, Chairman of WFA, announced the appointment of Ed Swift to the WFA Board. Ed Swift filled the Small Winemakers' Board vacancy left by Redmond Sweeny who stood down from the Board to spend more time on his business interests. The press release reporting on the AGM can be found at <https://www.wfa.org.au/assets/media/2017-AGM-Media-Release-141117.pdf> .

WFA Board Meetings

The key issues discussed by the WFA Board were:

- the implementation of the Wine Equalisation Tax (WET) Rebate reforms and associated industry seminars;
- the \$50 million Export and Regional Tourism Support Package;
- Biosecurity;
- Market access developments;
- finalisation of WFA's environment policy; and
- Government health regulatory proposals (pregnancy warning labelling, energy labelling).

Wine Equalisation Tax (WET) Legislation

The WFA Board noted progress to implement the new legislation, which 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 sold before 1 July 2018. These are complex and producers need to understand the new arrangements with some parts of the legislation applying from 1 January 2018.

WFA and our State colleagues have worked with the Australian Taxation Office (ATO) to provide advice to the wine industry on the key changes before 2018. We have commenced a Roadshow around the country, with the ATO as guest speakers. The seminars to date have been well attended, and it has become clear that many of the changes are poorly understood. WFA will be providing additional guidance on the changes on our website. WFA will also provide contact details for the ATO, who are willing to provide additional advice. The WFA Board strongly encouraged all parts of the wine industry to ensure they are aware of the implications of the changes and seek advice if necessary. The seminars have already indicated that many producers are unsure of the new trademark requirements; are uncertain of which aspects of the legislation commence from 1 January 2018; and are not aware of the requirements needed to demonstrate ownership of grapes prior to crushing, to ensure eligibility to receive the WET rebate.

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

The WFA Board noted the recent developments surrounding the \$50 million Export and Regional Wine Support Package (the Package). Legislation to give AGWA the power to administer the grants available under the Package passed the Parliament in September 2017. This legislation also officially changed the name of the Australian Grape and Wine Authority to *Wine Australia*.

The WFA Board was also informed that Wine Australia would be considering the first Annual Operating Plan for the Package at their Board meeting on 15 November 2017. The Board was confident that the package would provide a suite of measures that would have a positive impact on the industry. They were also keen to ensure that the Plan established clear and measurable objectives.

The Board was informed that the draft guidelines for the grant components of the Package were currently being considered by the Government and were expected to be released in early December 2017. Grant programs would then open for applications. WFA has provided a submission on these guidelines and is seeking to ensure that the grant application period is long enough to permit quality submissions.

Biosecurity

The Board considered the issue of Australia's biosecurity framework in some detail. Considerable concern was raised on the effectiveness of the current arrangements and identified improvements in biosecurity management as a high priority. As a first step, AV, WFA, Wine Australia, AWRI, Vinehealth Australia and the Victorian Viticulture Biosecurity Committee have agreed to work collaboratively to address biosecurity responsibilities in the wine sector. To this end, we are participating in a facilitated workshop in late November 2017 to develop the next steps.

WFA Strategy

The WFA Board agreed to hold a strategy day in January 2018 to ensure that our direction remained focused on providing real benefits to the whole of industry. The WFA Board is committed to continually review and update the strategy in response to current and emerging trends and challenges.

Wine and Health issues

The Board noted the importance of representing the industry's interest in the important wine and health debate. The Board supported greater coordination of the wine sector as part of Alcohol Beverages Australia (ABA) and reiterated its commitment to combating increasing professional lobbying activity from anti-alcohol lobbyists and advocates.

The Board received an update on the Government's review of the alcohol industry's voluntary pregnancy labelling initiative. State and Federal Ministers will shortly assess the effectiveness of the voluntary labelling scheme and will consider whether to impose a mandatory requirement for pregnancy warning labelling. WFA is strongly advocating for the continuation of the current voluntary initiative. WFA will keep members informed of progress in this area.

The Board was also updated on the Government's review of energy labelling of alcoholic beverages. WFA is actively involved in speaking with all State and Federal politicians with responsibility in this area. It is clear from this process that some State jurisdictions strongly support mandatory calorie labelling. The concerns on mandatory calorie labelling relate to international consistency; differing calculation methodologies; uncertainty in calculation; and the possible requirement for testing; mandating on placement, size and type of statements. The WFA Board is committed to ensuring any policy decision is proportionate, effective and cost efficient. Success in this area will require strong advocacy from State Associations in support of WFA.

Minimum pricing

The WFA Board was advised on developments around minimum unit pricing with both Western Australia and the Northern Territory Governments considering the introduction of a minimum floor price for alcohol. A floor price is a minimum amount under which alcohol cannot be sold. This is a favorite policy tool proposed by the anti-alcohol lobby.

For example, a report in August this year by the anti-alcohol lobby group Foundation for Alcohol Research and Education (FARE) recommended the NT Government introduce a minimum price level of \$1.50 per standard drink to reduce consumption levels and related harm.

If a \$1.50 floor price was introduced, a 750ml bottle of wine with 7.7 standard drinks could not sell for less than about \$11.50. At \$1 per standard drink minimum floor price, the cheapest a bottle of wine could sell for is \$7.70. While this would effectively increase the price on some wine products, the price increases would occur at the retail point of sale, with none of this additional revenue flowing to Government for targeted health interventions.

Internationally, all 10 Canadian provinces now have a minimum alcohol floor price, known there as "social reference pricing". Noting that because of Canadian retail and pricing arrangements, this does deliver additional revenue to governments. In Eastern Europe, countries including Russia, Ukraine, Uzbekistan and the Republic of Moldova also have minimum alcohol prices.

The Scottish Parliament passed a minimum-price-of-alcohol bill in 2011, but the legislation had been contested in the Scottish, United Kingdom and European court systems since the Scottish Whiskey Association challenged the validity of the law. The WFA Board was advised that the Supreme Court of the United Kingdom ruled that the Scottish Government's proposal for minimum unit pricing was legal. The minimum price is to be set by the Scottish Ministers by secondary legislation. The current proposal is that it should be 50 pence per unit of alcohol, likely to come into force in April 2018.

The WFA Board noted that concerns had been raised that this new approach has not been implemented, tested, and formally evaluated in other markets. Therefore, predicted impacts on harmful drinking rates and alcohol-related harm (and impacts for moderate drinkers) are largely currently based on predictive modelling studies, carried out by Sheffield University Alcohol Research Group.

Furthermore, other countries including Wales and Ireland have included minimum unit pricing in alcohol policy frameworks, but have been awaiting the final Supreme Court decision. Therefore, there will likely be further movement in these markets, despite no new formal evaluations on this intervention.

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 Wine Industry Code of Conduct.

WFA will shortly commence a series of briefings for the ACCC on aspects relating to pricing, contracts and how agricultural risk is shared across the supply chain to better inform their deliberations.

The Board noted the requirement in the Code of Conduct for indicative pricing and asked the Executive to work with the ACCC to ensure that industry guidance was fully compliant with competition principles.

The Board also noted that reference to the 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 as a tool to demonstrate eligibility for winemakers to receive the WET rebate provides a good opportunity for winemakers to sign up to the Code if they are signatories already, and build in the provisions into their contracts.

The Code of Conduct Annual Report was released in September 2017.

Trade and Market Access Activities

The Board noted 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 expected in early 2018;
- Also in China, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has notified 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. The requirements have now been 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 and nero d'alvoa;

- Canadian Provincial issues – the United States has initiated an action in the World Trade Organisation on anti-competitive arrangements in the Liquor Control Boards. Australia has joined this action as a Third Party ; 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.

WFA Environment Policy

The WFA Board approved the Environment Policy, which will be available on the WFA website. It will also continue to be reviewed and updated as part of WFA's annual strategic planning cycle.

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

Tony Battaglione

20 November 2017