



Consumer and Market Insights Symposium 2015

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Trade and Export

- Victorian wine industry is an important exporting partner for the Victorian Government – wine exports worth \$197 million per year
- Victorian wine industry is export oriented – 60% of the 23 million cases of wine produced in Victoria each year are produced for export
- Top 4 export markets are China, UK, USA and Hong Kong

Trade and Export Opportunities

- Victoria is known for producing ‘premium’ wines, which are becoming increasingly sought-after around the world
- Exploiting this premium competitive advantage will be key to increasing export and trade in Victorian wine

Trade and Export Challenges

- Increasing international recognition of Victoria's premium offering
- Market access, including on-ground networks and support

Wine Victoria policy position – Trade and Export

- Increasing premium wine exports, and securing new markets for premium wine, must be the focus of both industry and Government
- WV recommends a regularly occurring partnership between Government, wine industry (including AGWA), and private operators to boost exports
- A key output of this partnership should be inbound trade activities

Tourism

Wine tourism is a key part of Victoria's tourism offering:

- Of Victoria's 800 wineries, 600 have cellar doors
- Wine-specific tourism in Victoria is valued at more than \$1 billion per year
- Access to good food and wine is in top 3 reasons for choosing holiday location
 - Joint 'Restaurant Australia' promotion with Tourism Australia

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Tourism Challenges

- Despite number of cellar door facilities in Victoria, WV members indicate cellar door sales make up less than half of total wine sales annually
- Domestic retail market for wine is consolidating, leading to clear profitability issues
 - Of concern to SME producers in particular as they are more reliant on cellar door sales

Wine Victoria policy position - Tourism

- Increased regional tourism has potential to generate cellar door visitation – WV recommends funding for regional wine events that will drive regional visitation
- WV also supports the development of a Victorian Wine Tourism Strategy as a priority action

Victorian Government commitments

Labor Party pre-election announcement of a **\$1 million plan** to boost cellar door visits:

- Includes creation of a Victorian Wine Tourism Strategy; and
- Fund to support wine exports by growing overseas markets

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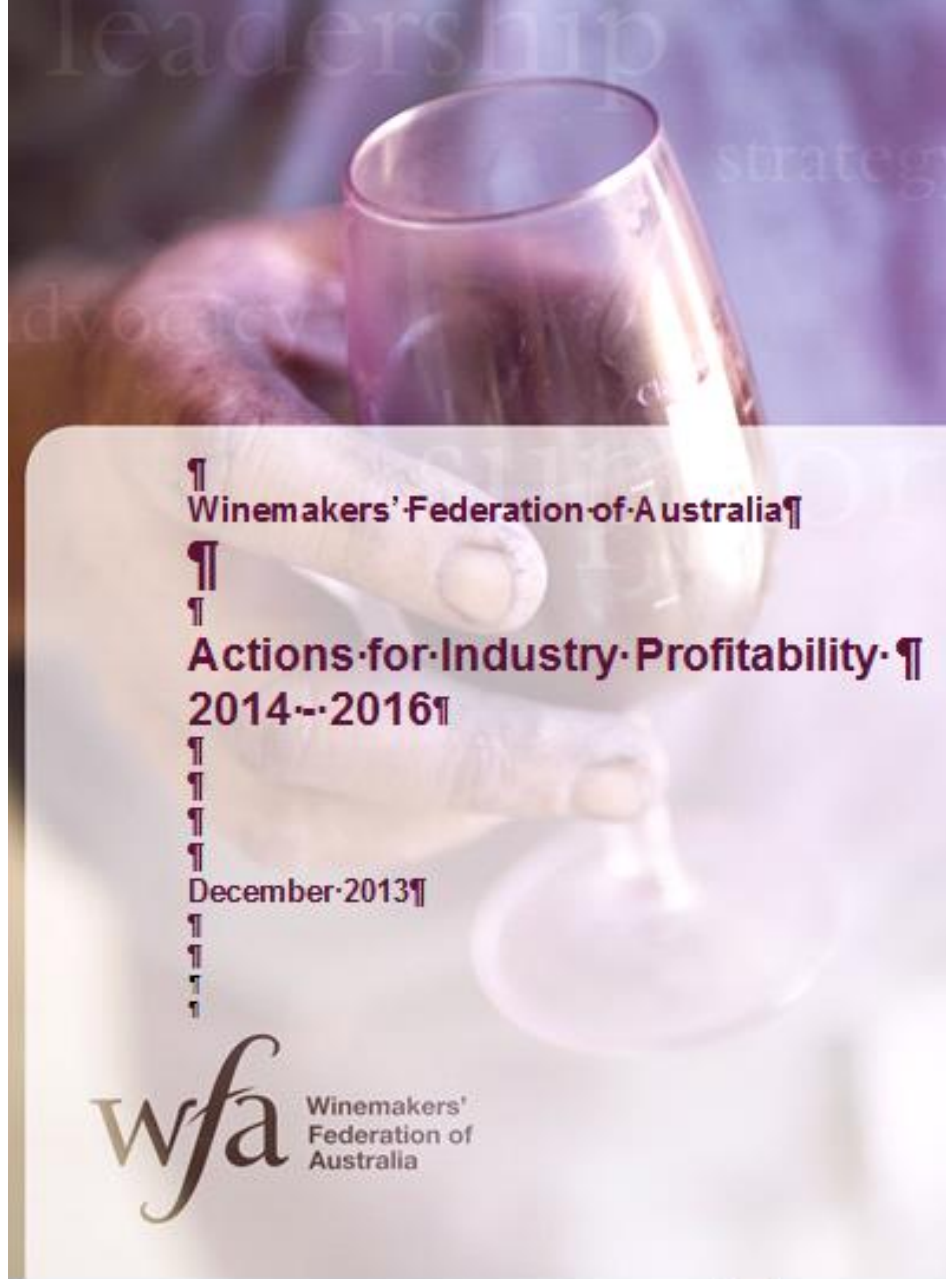
Victorian Government activities

- ‘Meet the Winemaker’ inbound trade mission in May 2015
- Attracted 150 industry buyers, investors and influencers from key markets such as China
- More than 100 Victorian wineries participated in both regional and Melbourne-based events

Next steps

WV will work with Victorian Government to roll out pre-election commitments relating to wine industry, including:

- Ministerial Advisory Council
- Wine Tourism Strategy
- Boosting wine exports



¶ Winemakers' Federation of Australia ¶



¶ Actions for Industry Profitability ¶
2014-2016 ¶



December 2013 ¶

wfa Winemakers' Federation of Australia

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wfa Winemakers' Federation of Australia

wineVictoria AUSTRALIA

Action Items

1. Continue to engage the Wine and Health debate
2. Grow the Demand Opportunity
3. Hasten the Supply Correction
4. Maximise Open and Fair Domestic Competition
5. Reforming the WET rebate
6. Monitor the future of wine tax policy
7. Secure the funding for the Action agenda

Where to from here?

1. WET Rebate review / discussion paper
2. Senate Enquiry
3. Taxation White Paper

Grow the demand opportunity

- Fund AGWA to rebuild its core operational capability
- Global marketing activities:
 - much stronger presence at key trade shows
 - implement the Food and Wine Strategy with TA
 - greater investment in education in key markets
 - Visitors Program
 - domestic wine tourism, social media and regionally-based initiatives
 - Savour Australia 2016

Tax

- It's not about volumetric v ad valorem
- It's about wine's differentiated rate
 - This is under challenge from the Health lobby and from other beverage producers
- It's also about the WET Producer Rebate

Pressure from outside the industry

TIME IS RIPE FOR ALCOHOL TAX REFORM: DISTILLERS

“The Abbott Government has inherited a convoluted tax system which has distorted the market.

By moving to a single rate of volumetric tax, not only will we create a more robust and predictable revenue stream for Government, we will also create a more sustainable alcohol industry that competes on a level playing field.

This is not sustainable. With overall alcohol consumption declining, the Government needs to take a serious look at how alcohol is taxed if it is to stem any further loss of much-needed revenue.”

DSICA News release – December 17, 2013

Pressure from outside the industry

www.fixmytax.com.au April 2015

- campaign aims to activate a customer base of more than one million Australian spirits drinkers to build voter support for a change to volumetric alcohol taxation for all alcohol products, as recommended by the Henry Tax Review

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Pressure from outside the industry

“The current system allowed alcohol to be cheaper than bottled water, with some wine products being sold and promoted at \$2 or less. **This is a special concern at a time when young people are drinking at ever earlier ages, pre-loading and drinking just to get drunk. Children and young people are influenced by price – simple alcohol tax reform would help change the binge-drinking culture,**” Professor Daube said.

McCusky Centre news release, 30 April 2013, Professor Daube

Pressure from outside the industry

“Taxation proved to be the best public health measure for reducing the cancer burden caused by tobacco. It’s a simple, equitable principle that could also reduce overall alcohol consumption in Australia – and thereby reduce the burden of alcohol-related cancer,” Professor Olver said.

Cancer Council of Australia news release, 30 April, 2013 Professor Ian Olver

Pressure from outside the industry

17 June 2015 – Foundation for Alcohol Research & Education (FARE) report into family and domestic violence

- recommends abolition of the WET in favour of a differentiated volumetric tax based on alcohol content to increase price.
- lobbies for an extra alcohol tax to pay for the nation's family and domestic violence response, including education programs, intervention, treatment and prevention services and other activities

Why oppose change?

1. Industry profitability, structure, production risks and the economic footprint of wine, spirits and beer are very different.

– ***Tax regimes should reflect differences.***

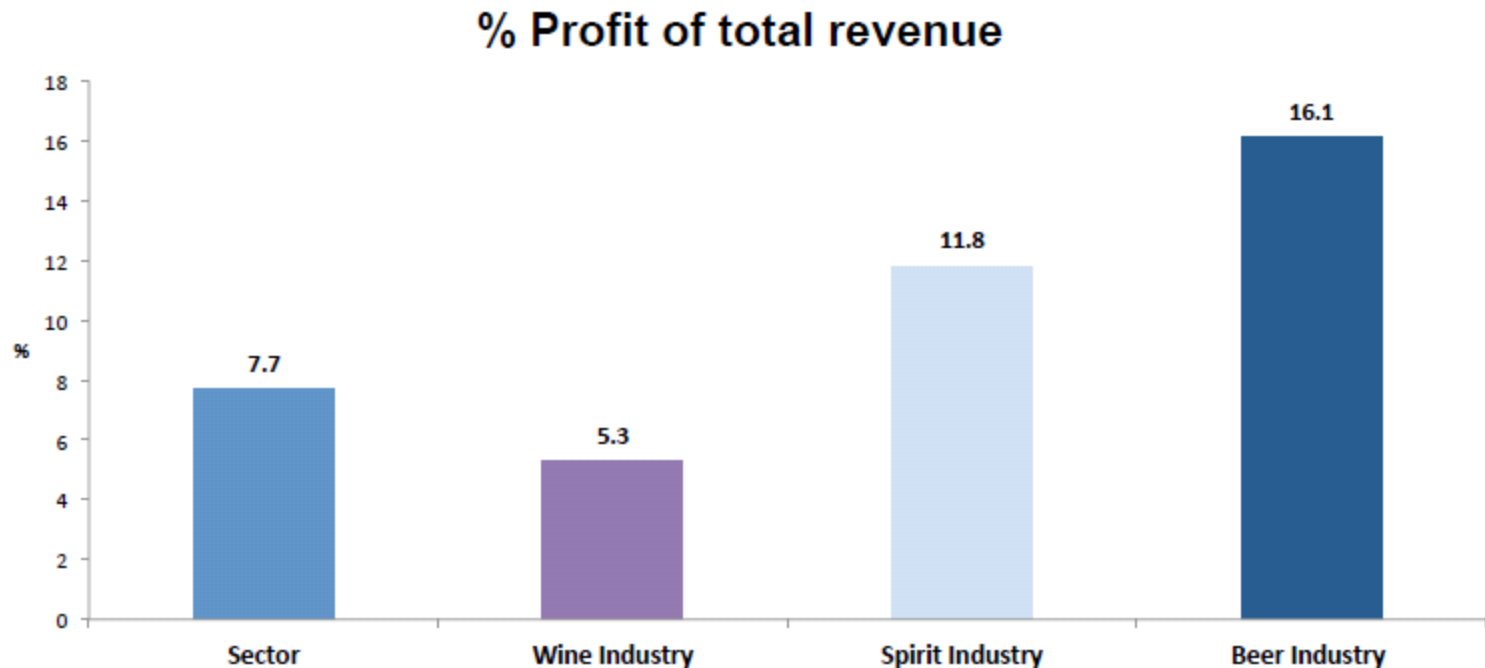
2. Tax Policy should not be driven by social policy objectives.

– ***Pricing is an ineffective driver of consumption behaviour, especially for ‘at risk’ consumers, and will not impact rates of harm and misuse and only penalise the majority of responsible drinkers.***

Industry Structure

Profitability

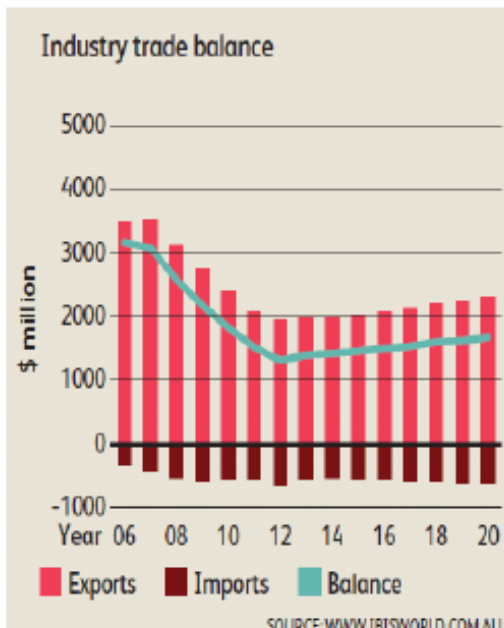
Wine industry is the least profitable



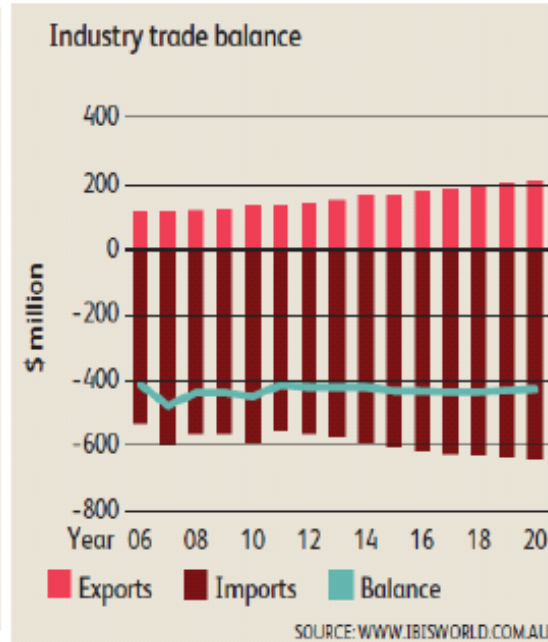
Industry Structure

Industry Trade Balance

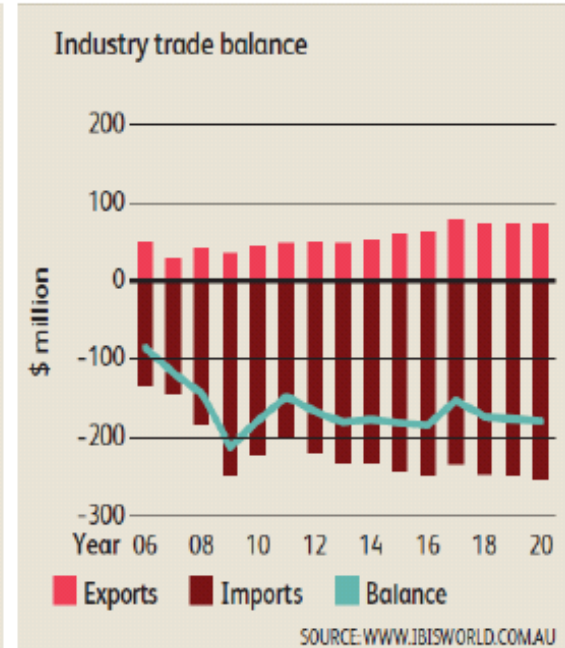
Wine industry is the only net exporter



Wine



Spirits

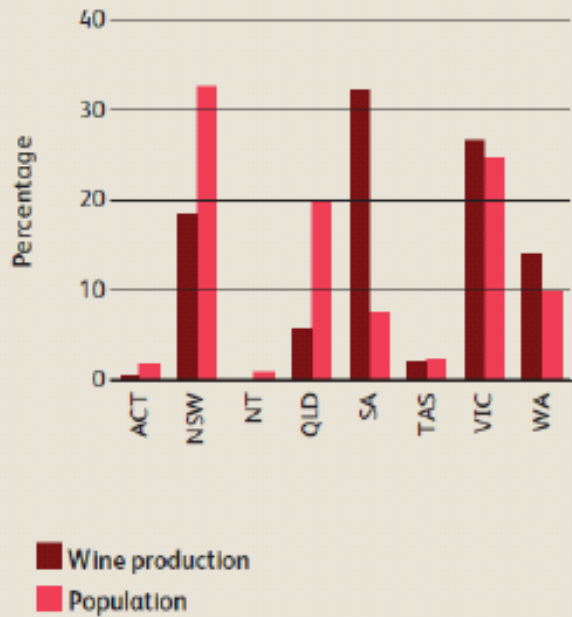


Beer

Regional benefits

Wine industry contributes the highest value to regional economy

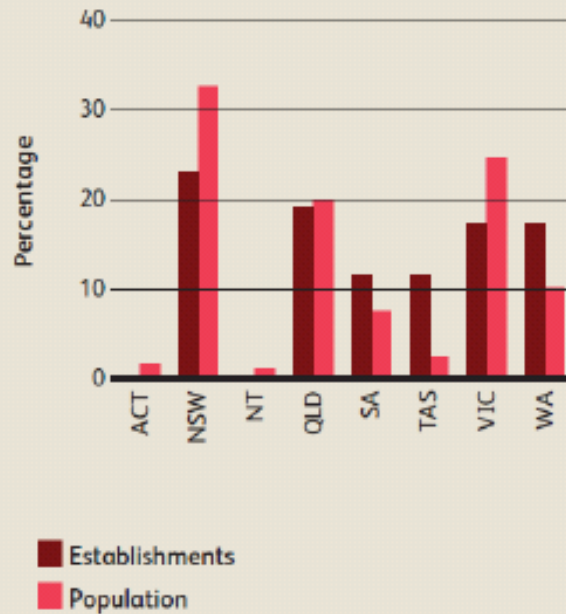
Distribution of wine production vs. population



SOURCE: WWW.IBISWORLD.COM.AU

Wine

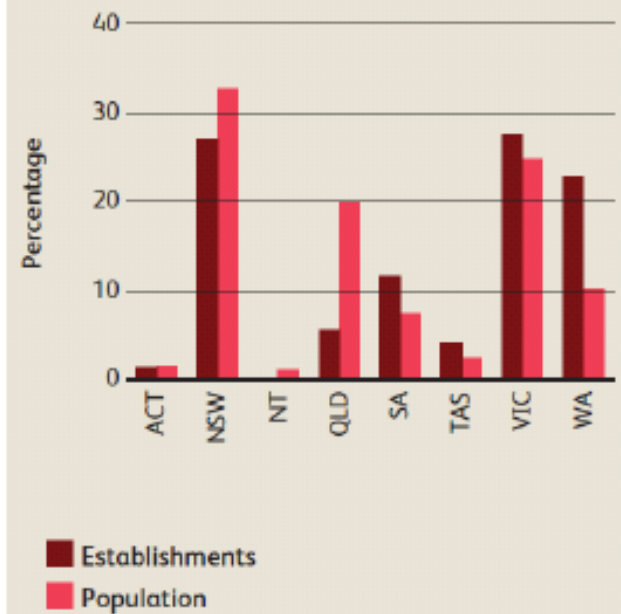
Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM.AU

Spirits

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM.AU

Beer

Other reasons

1. Wine industry is highly fragmented and least consolidated.
2. Capital requirements for the wine industry are greater, and more difficult to access
3. Return on capital is lowest in the wine industry (compared to beer, spirits)

Other reasons

4. Tax should not be used to drive social policy objectives:
 - At-risk consumers are not price sensitive
 - Increases in tax only serve to punish the majority who drink responsibly
5. Targeted measures are a more appropriate tool for addressing alcohol related harms