

WINE TASMANIA



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**SUBMISSION TO THE
LEGISLATIVE COUNCIL SELECT COMMITTEE INQUIRY
INTO GROWING TASMANIA'S ECONOMY**

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Submitted to:

Ms Gabrielle Woods, Committee Secretary

Legislative Council Select Committee on Growing Tasmania's Economy

Legislative Council

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A. Introduction

The Tasmanian wine sector is an important and growing contributor to trade and the Tasmanian economy, regional employment, tourism and the overall Tasmanian brand.

Tasmania is one of Australia's strongest wine regions, with demand for its premium cool climate wines currently outstripping supply, widespread global recognition of Tasmania's wine quality, and some of the highest prices in the country being achieved for Tasmania's wines and winegrapes.

Over the past five years, the vineyard area in Tasmania has grown by more than 20%. This has included expansion by existing wine producers, who are continuing to experience high demand for their premium quality wines, and who are growing through a market-led strategy. It has also included significant external investments in Tasmania's wine sector at a time when there is little investment in wine assets nationally.

Tasmania enjoys advantages through growing conditions, biosecurity, research and extension collaboration and input to research priorities, a clear strategic plan, government support and cooperation, unified wine sector and collaborative marketing activities.

Driven by Wine Tasmania's clear, market-led strategy, the strong interest in the Tasmanian wine sector is expected to increase, supporting growth in wine sales, expansion of existing wine businesses, investment by new entrants and resultant regional employment increases.

Wine Tasmania's Strategic Plan outlines priorities and activities to drive market-led growth. This submission focuses on specific key strategies to maximise the Tasmanian wine sector's growth opportunity:

1. Grow the thirst for Tasmanian wine
2. Grow the availability of Tasmanian wine through a combination of improving vineyard productivity and encouraging sustainable vineyard growth

This submission also includes details of the national Wine Industry Award 2010, which replaced the previous state award, and has unquestionably disadvantage Tasmania's wine producers.

B. Snapshot of Tasmania's Wine Sector

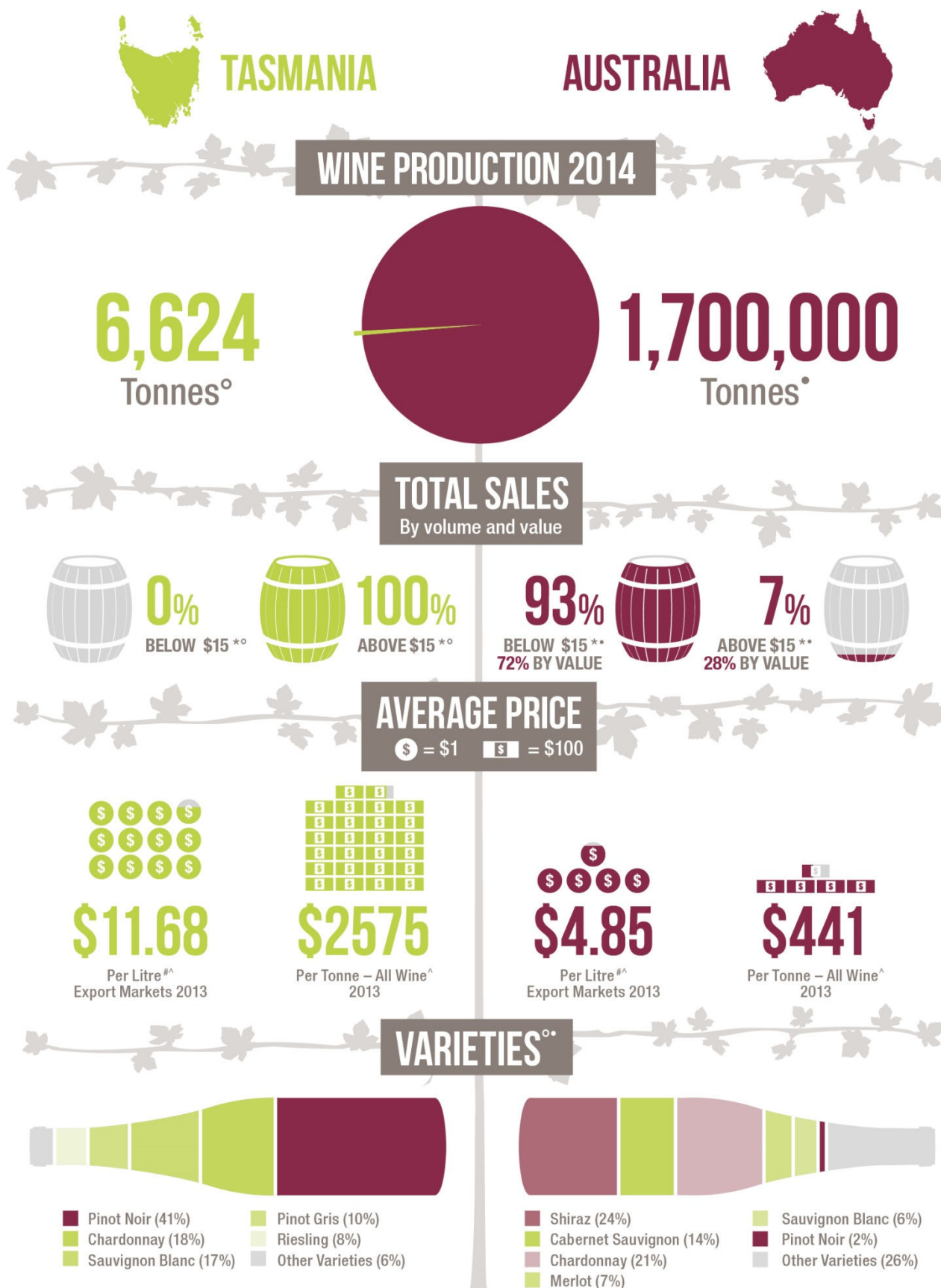
The Tasmanian wine sector has developed a strong, clear and collaborative position in the wine world, built on quality and value. Tasmania has emerged as one of the strongest wine regions with an opportunity to lead and drive the new wave of interest in Australian wine.

The Tasmanian wine sector is increasingly being recognised, applauded and purchased around the world for the quality of its wines. Contrary to most mainland wine regions, demand for Tasmanian wine continues to outstrip supply, and the wine sector has attracted significant investment by existing and new entrants in recent years.

The availability of Tasmanian wine based on current average annual production equates to approximately 500,000 cases (dozen) across all varieties. It is Wine Tasmania's view that there is an opportunity to triple the availability of Tasmanian wine over the next five years to 1.5M cases (dozen) annually, pursuing a market-led strategy combined with increasing vineyard area and stabilising yields.

Key Statistics

- 1,340 full time equivalent positions
- 160 licensed wine producers
- 200+ vineyards covering close to 1,800 hectares
- 90 cellar door outlets, with 160,000+ tourists visiting wineries - 15% of all visitors (2014)
- Key varieties - Pinot Noir 41%, Chardonnay 18%, Sauvignon Blanc 17%, Pinot Gris 10%, Riesling 8%
- Sparkling wine production - 35% of total production (76% of Chardonnay and 45% of Pinot Noir)
- Sales percentages (approximate) - Tasmanian 40%, mainland Australia 52%, export 8%
- Highest pricing for Pinot Noir, Chardonnay, Riesling and Sauvignon Blanc grapes in Australia
- Average bottle value of \$22.36, compared with the national average of \$10.87 per bottle
- The value of Tasmanian wine sales is growing at almost double the Australian wine sales value
- 100% of Tasmania's wine production retails above the equivalent of \$15 per bottle - this category represents only 7% of the country's total wine production, but generates 28% of its total value



C. Wine Tasmania Overview

Wine Tasmania is the peak representative body for Tasmanian grape growers and winemakers, working to assist them to be recognised as world leaders in the sustainable production of premium cool climate wine.

Established in 2006 as a public company limited by guarantee, the Wine Tasmania Board is skills based and is chaired by independent director Graeme Lynch. Other directors are Will Adkins (Brown Brothers Tasmania), Rebecca Duffy (Holm Oak), Nick Glaetzer (Glaetzer-Dixon Family Winemakers), Natasha Nieuwhof (Goaty Hill) and Scott Dawkins (Deloitte -independent).

Wine Tasmania represents more than 98% of Tasmanian wine production, with around 100 state-wide producer members and 40 associated member businesses. All activities undertaken by the industry body are designed to generate value for our members. Wine Tasmania's Strategic Plan further outlines details of our role and is available at www.winetasmania.com.au.

Wine Tasmania's key roles, as outlined in the Strategic Plan, are as follows:

1. **Drive demand** for Tasmania's wines through targeted and collaborative marketing and promotion
2. Encourage **sustainable production** and **market-led growth**
3. Support individual wine businesses and profitability to **stabilise the base** for future growth
4. **Advocate** and **manage issues** on behalf of wine producers

D. The Growth Opportunity

There is a great opportunity to leverage the ongoing strong interest in Tasmanian wine, whilst retaining and building the strong value proposition of Tasmanian wine.

The market-led strategy of Wine Tasmania has been successful to date, driving growth of more than 20% in vineyard area over the past five years alone, and supporting trade, employment and tourism increases. Tasmania's global reputation continues to grow on the basis of its high quality, and prices for both Tasmanian wine grapes and wine are amongst the highest in the country.

Promoting, marketing and selling wine is an imprecise science. Tasmanian wine sits within a very high value, yet small category of Australian wine. Just 7% of Australia's total wine retails above the equivalent of \$15 per bottle, although this category generates 28% of Australia's wine value.

Tasmania's entire wine production sits within this niche high value category, and is also competing with premium imported wine, such as Champagne, Burgundy, Oregon, Italian and Spanish wines.

Wine Tasmania has deliberately and strategically employed a market-led approach to growth - to ensure that demand for Tasmania's wines is always higher than and leads growth in supply, to continue increasing the value of the island's wines and support the profitability of wine businesses.

Whilst the Tasmanian wine sector is in a strong position, Tasmania is an expensive place to grow grapes and make wine. It is difficult for producers to recover these high costs in a highly competitive marketplace, where there is constant pressure on pricing.

Growing demand, highlighting the quality of Tasmanian wine, its uniqueness and scarcity, will bolster its profile and reputation, encourage trade and tourism, attract investment and grow the overall value and contribution to Tasmania's economy.

The availability of Tasmanian wine based on current average annual production equates to approximately 500,000 cases (dozen) across all varieties. It is Wine Tasmania's view that there is an opportunity to triple the availability of Tasmanian wine over the next five years to 1.5M cases (dozen) annually, pursuing a market-led strategy combined with increasing vineyard area and stabilising yields. In order to continue growing the market ahead of this growth opportunity, a concerted effort will be required to build existing and open new markets for Tasmanian wine.

1. Growing the Thirst for Tasmanian Wine

Wine Tasmania's priority focus is on promoting Tasmanian wines and growing their global demand. Wine Tasmania undertakes a wide range of promotional activities to this end, with key opportunities to elevate Tasmania's wine reputation as follows:

- Growing the mainland market - reinvigorating the Tasmania Unbottled annual mainland roadshow to present a broader showcase of Tasmanian wine, beverages, food, tourism, arts and culture offerings; and increasing independent visiting journalist and trade programs.
- Growing the global market - coordinated promotional drive into 1-3 key export markets, linked to destination marketing and encouraging visitation as well as investment - potential activities include participation in existing events, in-market tastings and Tasmanian-focused events, media activities and hosting, inward buyer visits, exchange programs and partnerships with relevant research institutions.
- Wine tourism - expansion of Tasmanian wine touring information, including interactive guides across wine and complementary sectors, mobile applications and support / education for wine operators to develop, promote and retail tourism product.

2. Growing the Availability of Tasmanian Wine

There are two key opportunities to grow the availability of Tasmanian wine to meet demand, as it is encouraged to increase - to improve vineyard productivity through stabilising and increasing yields, and to encourage sustainable vineyard growth.

a. Stabilising Vineyard Yields

One of the biggest challenges confronting Tasmanian wine producers relates to yield variability. The most recent example relates to the 2013 vintage of 11,392 tonnes - the largest on record, which was followed in 2014 by a vintage of just 6,624 tonnes. Whilst vineyard area has steadily grown over the past two decades, from 318 hectares to over 1,700 hectares, the volume of wine produced has greatly varied year by year. In fact, the low 2014 vintage (6,624 tonnes) was just three times larger than the 1995 vintage (2,154 tonnes)!

The cool climate of Tasmania produces wines of exceptional quality, with great intensity of flavour and high levels of natural acid which add structure, finesse, balance and longevity. Growing grapes in cooler climates produces quality superior to warmer areas, but also comes with much greater risk than warm climates. There are very few practical ways for wine producers to tailor and reduce costs based on anticipated yields, as the same effort needs to be applied to managing vineyards.

A key opportunity exists to investigate techniques to more accurately predict yield and to stabilise yield levels in line with optimal quality. There is an important relationship between yield and quality, and it is critical to ensure that an evidence-based approach is taking to stabilising and increasing yields in line with maintaining and building wine quality.

There is currently very limited ability to accurately predict fruitfulness, often leading to unnecessary crop thinning and inefficiencies. There is also limited information on exactly how yields impact on quality at differing levels, by variety and by varying conditions.

Wine Tasmania and the Tasmanian Institute of Agricultural have jointly developed an outcomes-focused research proposal to investigate yield stability and predictability, including the relationship and impact on quality at different yields. The principal aim of this project is to better predict and manage fruitfulness for stabilised or increased vineyard yields whilst maintaining or improving wine quality. Funding for this important research proposal is currently being sought.

b. Encouraging Sustainable Vineyard Growth

The increasing global reputation of Tasmanian wine is built on quality, which has contributed to ongoing investment and expansion by existing producers and new investors.

It is imperative that this focus on quality is retained in order to protect and grow the high value proposition of the Tasmanian wine sector within a highly competitive market. This is particularly important as the sector continues to attract external investment, to ensure that new entrants have support and advice on selecting, establishing and managing vineyards and wine businesses that are distinctly different from mainland operations.

Key activities to support and encourage sustainable growth include the following:

- Launch of 'Sustainable Winegrowing Tasmania' - a tailored and accredited framework to allow wine producers to report against, compare and improve their sustainability results, across soil health, pest and disease management, biodiversity, water management, waste management and social relations - program currently being trialled, support for dedicated resource to administer currently being sought.
- Dedicated resourcing and activities to input and manage grape / wine research, development and extension, including support for new entrants to the Tasmanian wine sector.

- Ongoing support for highly regarded and capable research through the Tasmanian Institute of Agriculture - the vast majority of Australia's grape and wine research focuses on the larger inland warm climate areas, with very little relevance to Tasmania's cool climate and its advancement.
- Incentive program to encourage infrastructure expansion, for example, a rebate on wine sales specifically made at regional cellar doors - similar program exists in other Australian states, to encourage regional visitation and investment.
- Ongoing collaboration and input into issues impacting on wine production, including biosecurity and water access / security.
- Accurate and detailed information and advice to support consideration and decision making by potential investors in the Tasmanian wine sector, including facilitation of joint venture / partnership opportunities.
- Active promotion of the opportunity to invest in the Tasmanian wine sector and its unique advantages.
- Support to grow awareness of the impact of smoke on vineyards post veraison, for example a permanent or extended statutory permit burning period through to May, eg for burns over 1 hectare, to protect grape production in wine growing areas.
- Support and education for wine businesses, including on production / technical issues, as well as financial, business planning, succession planning, marketing, social media and general management topics.
- Continual review of the Tasmanian Freight Equalisation Scheme and ensuring Tasmanian businesses are not unfairly disadvantaged. The investment in the Tasmanian wine sector is not fully capturing the supply chain growth, with some businesses choosing to finish and package wine off-island, as a direct result of the higher freight costs.

E. Industrial Relations

Wine Tasmania has put forward the following requested changes to the Wine Industry Award 2010, as part of the ongoing review by Fairwork Australia. There are inconsistencies between this award and related awards, such as the Horticulture Award, which are negatively impacting on both the profitability and quality aspects of Tasmanian wine production.

- Clause 13.3 - minimum four hours for casual staff - ***request reduction to 2 hours.***
- Clause 22.2 - 20% penalty for piecework, which particularly impacts on Tasmanian vineyards using hand harvesting - ***request reduction to 15% penalty for piecework, consistent with the Horticulture Award.***
- Clause 27.2(g) - high penalty rates applying to casual staff, which impacts on both cellar door (tourism) and vineyard operations (compromising quality). By comparison, the Horticulture Award 2010, which applies to table grapes rather than wine grapes, provides for ordinary hours to be worked Monday to Friday and by agreement Monday to Saturday **without penalty**. There are no ordinary hours and therefore no overtime or Saturday or Sunday penalties for casuals in the Horticulture Award, in recognition of requirements for perishable goods. ***Request replication of these conditions in the Wine Industry Award 2010.***
- Consideration to inclusion of a small business definition and reduced penalty rates for small businesses, eg less than 15 FTEs.