

AUSTRALIAN GRAPE AND WINE SECTOR

VISION 2050

Australian wine:
enjoyed and
respected globally



April 2020



Photo: Wine Australia

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Foreword

Vision 2050 has been developed by Australian Grape and Wine Incorporated (Australian Grape & Wine), in collaboration with Wine Australia. It is a living document, and many of the issues raised will require action within the next five years if we are to achieve our longer-term goals. To this end, these issues will help provide a framework for both Wine Australia's *Strategic Plan 2020-25*, and the *Australian Grape & Wine Five-Year Plan*.

The Australian grape and wine sector has a long history of constructive collaboration. In 1996, *Strategy 2025* was published; a landmark document that created a sense of unity and purpose. *Strategy 2025* was reviewed in 2007 and republished as *Directions to 2025*. When rereading these documents, it is easy to conclude that the grape and wine industry has been very successful over the past 30 years. Most of the targets, and in particular domestic and export sales forecasts, have been met or exceeded. But within that framework, many different issues, some foreseen and others not seen, have been in play. One can argue the rise of China from a small market to being our principal export partner was unforeseen totally, as were the effects of the global financial crisis (GFC) of 2007-08. More recently, the Australian Government's \$50 million Export and Regional Wine Support Package, underpinning improving market sentiment and sales in new export markets, and also encouraging increased wine-related tourism, was a welcome surprise. Forecasting is, and will remain, an inexact science that makes fools of so-called experts.

In Vision 2050 two words keep recurring; profitability and sustainability. Profitability has many component parts, but for our industry to be, and remain, profitable will require the continued promotion of Australia as a reliable, fine wine producer, which will have the effect of elevating the perception of Australian wine across all price points. Sustainability, while relevant to, is often confused with profitability. I think sustainability means, principally, a recognition of the need for continuous advances in innovation in the vineyard, the winery, and in distribution. We must maintain, and consolidate, Australia's position as, arguably, the world leader in vine and wine research and education. The importance of investing in our young people cannot be overstated.

I commend the five pillars detailed in Vision 2050 for critical study and analysis. These pillars, if achieved, will unlock the considerable potential of the Australian grape and wine sector, and by laying a solid foundation, ensure a profitable and sustainable future.

Sandy Clark
Chairman, Australian Grape & Wine

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Introduction

The Australian grape and wine sector *Vision 2050* lays out the steps we need to take to craft a prosperous and self-reliant sector into the future. In doing so, it provides our responses to growing international concerns around climate change, sustainable development and international stability, while providing a platform for sustainable profitability.

This includes strategies to respond to:

- the United Nations Framework Convention on Climate Change and the Paris Agreement¹, recognising the direct role our sector can play in minimising emissions and building a more robust transparency framework
- the United Nations 2030 Agenda for Sustainable Development². The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection and job opportunities, while tackling climate change and environmental protection
- the World Health Organisation (WHO) Commitments on Non-Communicable Diseases and Global Strategy to Reduce the Harmful use of Alcohol, and
- meeting Australia's goal of lifting the value of Australian agricultural production to \$100 billion by 2030.

1 unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

2 www.un.org/sustainabledevelopment/



Photo: Wine Australia

The grape and wine sector vision

The Australian grape and wine sector will change substantially in the coming decades and will look markedly different by 2050. In 2050, the Australian sector will:

- have the utmost respect for its heritage and not be shackled by it
- be a vibrant, profitable and innovative industry with a willingness to invest in its future
- produce a diverse range of wines across the regions and be united in its focus on excellence
- dominate the domestic market and be a strong exporter
- have successfully navigated its way through some significant challenges, including climatic ones, and
- be an integral part of the prosperity of regional and rural Australia as an employer and through economic and social contributions to regional communities.

Increased profitability will not come through increased plantings. Production levels will be maintained around the current long-term average, and the wine produced will show an increase across all price points – from entry-level to highly sought-after super-premium offerings. This will result in stronger returns for grapegrowers and winemakers alike.

Our traditional varieties will still have an important place in the consumer offering from Australia's producers, but other varieties and innovative products will contribute strongly to the growth and profitability of the sector.

The relationship/nexus between wine, food, and tourism will be a key driver of growth and the sector, and will support resilient rural and regional communities across Australia through employment and provision of services. Direct-to-consumer offerings and vibrant tourism experiences will drive growth and profitability at the regional level.

Exports are key to the profitability of the sector. While the largest markets of China, North America and the United Kingdom will remain highly important customers, a diversified markets strategy will provide growth opportunities in Europe, India, Southeast Asia and Africa. Promotional strategies position Australia's wine to be sought-after globally, with a target of an annual growth rate, in unit-value, of three per cent.

Innovation is key to driving profitability. Winegrape production requires investment and change to respond to climate challenges and become more resilient. Australia's efficiency in the use of resources, especially water, will provide an international benchmark and the sector will produce zero net emissions and zero waste. Innovative, consumer-friendly wine and grape products will be packaged and distributed in ways that are radically different to those of 30 years ago.

A key driver to the sector's success will continue to be the collaborative behaviour between grapegrowers, winemakers of all different business models, suppliers and government. This partnership will drive innovation and collective marketing, where appropriate, and ensure that policy and strategy are driven by the sector, and for the sector, as a whole.

Moderate consumption of wine and grape products will continue to be an accepted part of the Australian culture, valued for the enjoyment they provide to many Australians and the benefits that the sector brings to communities and the country.



Photo: Wine Australia

The Australian wine sector will be celebrated for its stewardship credentials and valued for its respect of the environment. In 2050, our vision is for the grape and wine sector to be prosperous and a highly attractive career destination. Above all, it is valued and respected by Australians because of its contribution to the happiness, wellbeing and prosperity of our society.

Our vision:

Australian wine: enjoyed and respected globally

Our purpose:

To have profitable, resilient and sustainable grape and wine businesses.

Profitability is the incentive that will drive investment in the sector. This includes investment in research and development (R&D), new product development, marketing and market development, and increasing the capability of our people. Innovation is the key to ensuring sustained sector profitability.

The sector comprises an array of wine businesses. There are over 6500 independent winegrape growers and nearly 2500 wine producers, many of these also operating wine tourism and cellar door operations. Among the wineries, 27 crush more than 50,000 tonnes and produce a combination of fine and commercial / value wines, the latter providing a crucial entry level for new wine consumers.

A successful grape and wine sector will also drive profitability along the supply chain, and this vision acknowledges the key role of suppliers in shaping the future.

Our pillars of success:

- 1. Sustained growth in value to drive profitability**
- 2. An innovative culture driving excellence from grape to consumer**
- 3. Valued as an essential part of Australia's lifestyle and culture and a trusted custodian of the environment**
- 4. Australia's employment sector of choice**
- 5. A diverse sector unified by its pursuit of excellence.**



Photo: Wine Australia

Our 2050 targets:

- 3 per cent compound annual growth rate (CAGR) in unit value (a \$15 billion industry)³
- Total wine sector and associated tourism contribution to the Australian economy of over \$100 billion
- The number one valued product in each key market we operate in
- Continued improvement in wine drinkers' perception of the quality of Australian wine
- Australian wine education and research institutions ranked number one in the world
- Recognition as the world's most innovative wine sector, with a strong research and education focus
- Community respect for the sector's contribution to Australia's wellbeing
- Zero-waste and net-zero emissions
- The employer of choice in the supply chain and in Australia's wine regions
- National, state and regional policies, structures and resources in place to support a vibrant and sustainable grape and wine sector

³ Realised through 2% growth in unit value in premium wines, and 1% growth in commercial wines, and an increase in the volume share of premium wines from 16% to 50%. Assumes commercial volumes decline by 1% pa and premium volumes grow by 5% pa.

Key measures of success:

Our key measures of success are provided below:

Current status - 2019	2050 target
Total winemaking revenue - \$6.28 billion ⁴ Domestic market is \$3.5 billion and 496 million litres. Export market is \$2.78 billion and 814 million litres	\$15 billion Domestic market is \$5 billion ⁵ Export market is \$10 billion
Total economic contribution of the Australian wine sector to the economy - \$45 billion ⁶	\$100 billion
Current rankings, by value, in key export markets, for Australian still wine sales ⁷ : China - 3rd United States - 4th United Kingdom - 3rd Canada - 5th Hong Kong - 2nd	No. 1 valued product in each key market we operate in
Average perception ⁸ of Australian wine by key markets ⁹ : United States - 7.98 United Kingdom - 8.14 China - 8.56 Canada - 8.19 Hong Kong - 7.06 Japan - 7.33 Singapore - 7.47 South Korea - 6.95	Increased perception of Australian wine across key markets based on the consumer sentiment index.
At least two Australian wine education and research institutions are ranked in the top 5 globally for publication volume and impact	Australian wine education and research institutions are collectively ranked number one in the world

4 Wine Australia 2019. *Annual Operating Plan 2019-20*

5 Assumes domestic market CAGR of 1% and export of 4.5%

6 AgEconPlus 2019. Economic Contribution of the Australian Wine Sector 2019

7 IWSR Still wine sales 2018

8 Consumer sentiment index data derived by Wine Intelligence

9 Wine Australia 2019. *Annual Operational Plan 2019-20*

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Background

Situational snapshot

The Australian grape and wine sector has played an important part in Australia's economic success over the last five years, with Australia's winegrape growers, winemakers and wine tourism operators contributing \$45.5 billion to the Australian economy in 2018-19¹⁰. Indeed, almost all of the targets set for the sector in *Strategy 2025* have been comfortably surpassed.

Target by 2025	Current status - 2018-19
Increase export sales from \$500 million per year to around \$2.5 billion on current value	Achieved - \$2.86 billion
Become the world's 5th largest wine producer	7th in 2018
Increase domestic sales from \$1.15 billion to \$2 billion	Achieved - \$3.5 billion (17/18)
Generate an additional \$700 million from wine tourism	Achieved ¹¹

Although *Directions 2025* ushered in a period of sustained growth for the Australian wine sector, it was not all as planned. It is critical that we learn from past experiences and ensure our future vision can respond to similar future challenges.

The Australian wine sector enjoyed considerable success from 1991 to 2007, more than tripling in size from less than 400 million litres to 1.2 billion litres and achieving total revenues of \$5 billion in 2007. The value of exports grew from \$212 million to \$3.04 billion during that period. The sector and many of its participants built an enviable global reputation for producing quality wine and created strong export markets, particularly in the United Kingdom, United States and Canada. Analysis of available information suggests that, on average, the sector enjoyed good profitability.

10 AgEconPlus 2019. Economic Contribution of the Australian Wine Sector 2019

11 Tourism Research Australia estimated that there were 8.3 million visits to wineries from both domestic and international travellers in year ending March 2019. For those travellers that included a visit to a winery, they spent \$9.3 billion in Australia during their trip. While domestic travellers made up the majority (88%) of visits to wineries, internationals contributed up to half of the spend in Australia

From 2007, a number of factors resulted in tough times for the sector, with profitability fundamentally lowered. The key drivers of this change were:

- the GFC, which hit world markets starting in August 2007 and accelerated through 2008 – coinciding with a significant fall in Australian wine exports
- the collapse of export returns due to the appreciation of the Australian dollar (A\$)
- changing consumer taste and perceptions, leading to a fundamental fall in demand for Australian wine in, at least, our two largest export markets (the United States and the United Kingdom)
- increased competition from wine exporting countries, including Italy, Spain, Chile, Argentina and South Africa
- acceleration of domestic retail consolidation, supplier management and vertical integration into wine through the period. The ability of retailers to extract margins from growers and winemakers increased pressure domestically and in key export markets
- slow domestic demand growth and increasing imports, and
- oversupply of grapes and winemaking capacity, in part exacerbated by accelerated depreciation schemes.

Export sales plummeted with the collapse of the United States market during this time. It has only been the growth in China that has raised profitability and returned export levels to those of 2007. To avoid the mistakes of the past, our strategies must not make the same mistakes of oversupply, by pursuing volume over quality, and short-term growth strategies. We must also ensure our strategies build resilience to enable grape and wine businesses to withstand external market shocks including currency fluctuations and global trade tensions.

Photo: Wine Australia



The key dimensions of our sector are set out below.

Our vineyards and wineries

- 65 winemaking regions
- Wine grapes grown in every Australian state
- 6251 winegrape growers
- 146,128 hectares under vine
- 2468 wineries
- 1.29 billion litres produced
- Average value of bottled exports \$4.90 in 2014-15, \$6.54 in 2018-19
- 8.3 million visits to wineries from domestic and international travellers.

Our sector

- Total winemaking revenue \$6.3 billion
- Fifth largest agricultural export sector, generating 9 per cent of all agricultural exports
- Australian economy gains an additional \$2.04 million for every additional \$1 million of gross output by the wine sector
- 163,790 direct and indirect full- and part-time jobs
- \$12 billion wages and salaries per annum.

Our markets

- 60 per cent of wine output is exported
- Australian wine is exported to 128 markets (2017-18)
- 2298 active exporters (2017-18)
- \$9.3 billion spent in Australia by travellers who visit wineries

Wine drinkers' perception of quality of Australian wine¹²:



Perception 8.32/10¹²
Top export market
by value



Perception 7.89/10¹²
2nd export market
by value and volume



Perception 8.14/10¹²
Top export market
by volume

12 Wine Australia 2019. *Annual Operating Plan 2019-20*

The operating environment

The wine sector faces unprecedented change over coming decades, presenting both opportunities and threats to its future prosperity. There have been fundamental changes in consumer behaviour, influenced, in part, by technology changes that will continue into the future:

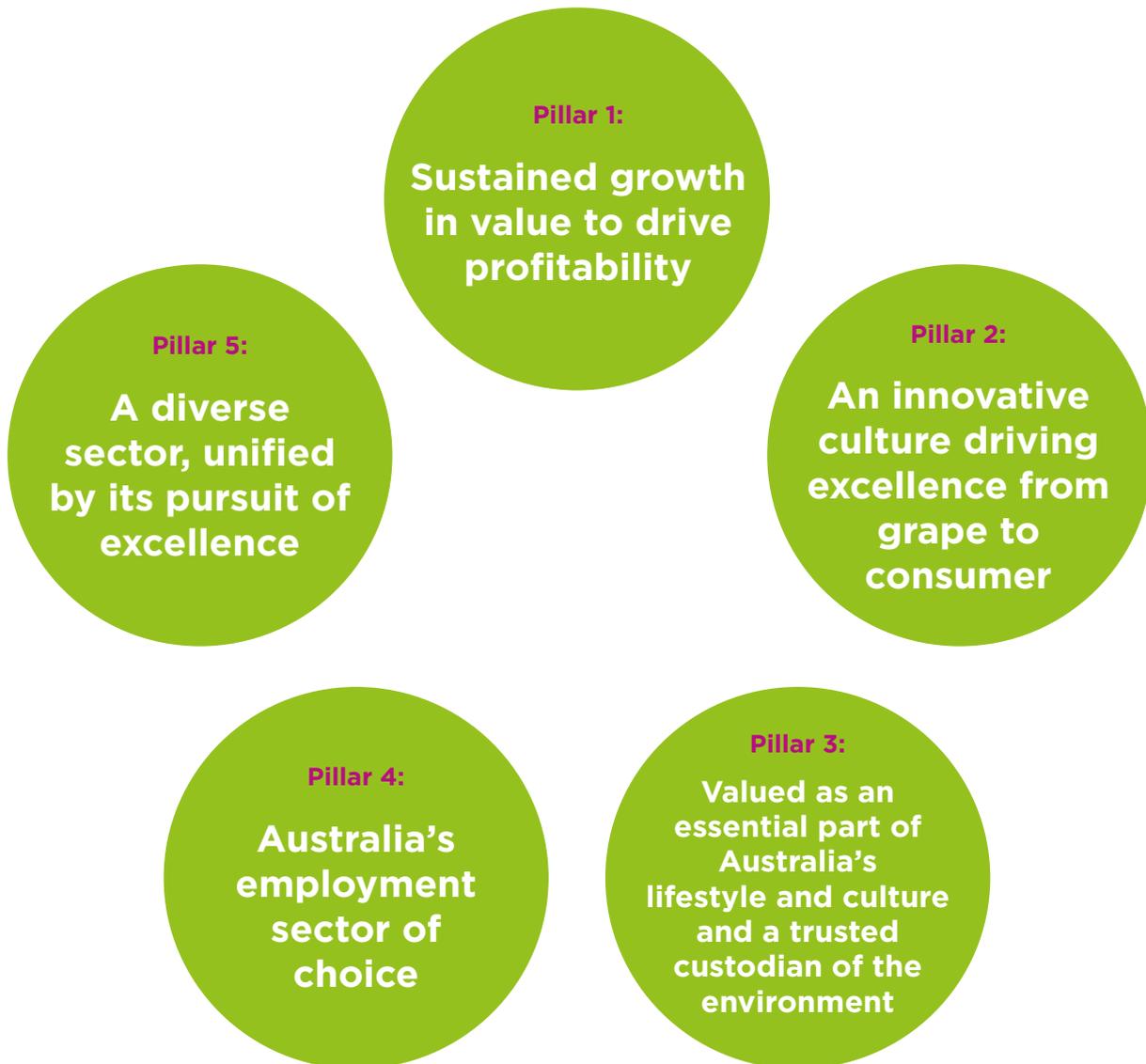
- Consumers have become the new watchdogs of brands' environmental and sustainability efforts.
- Our increasingly fragile environment requires our sector to ensure it leaves it in better shape than we found it. The sector must and provide sound stewardship of the planet through environmentally sensitive practices, be an active contributor to the protection of natural capital and work to eliminate waste and carbon emissions.
- Consumers are demonstrating a willingness to try new beverages and, in response, they are being offered an ever-widening product range, including no-alcohol and low-alcohol variations of traditional drinks. There is a blurring between traditional categories of wine, beer and spirits leading to increased demand for new products. The beverage market is becoming more competitive but presents opportunities for Australian grape and wine producers to offer innovative products. This includes novel packaging.
- New distribution channels are being developed, allowing winemakers the opportunity to develop more direct and personal relationships with the consumers of their products. The digital marketplace is rapidly replacing traditional forms of marketing. Growing the wine/food/tourism nexus is a major opportunity. New international markets are also emerging, creating opportunities for export growth.
- Consumers are becoming more conscious of their own health and that of their communities. Wine businesses can be justifiably proud of their contribution to personal and social happiness, but we must also acknowledge and help to address impacts of unsafe patterns of alcohol consumption.
- Technical innovations, such as robotics, artificial intelligence and the Internet of Things look set to revolutionise viticulture. These and other innovations such as improved varieties will be needed to tackle serious threats posed by climate change (e.g. extreme weather events), increasing scarcity and cost of inputs such as energy, water, and labour, along with heightened risks from pests and diseases.
- In the face of external shocks outside the sector's control, including geopolitical considerations, exchange rate fluctuations and a global economy, the sector must prepare strategies to be resilient and adaptive to changed circumstances.
- To meet these opportunities and threats, the wine sector must be profitable, so that its businesses can invest in research, development and adoption (RD&A) and attract the skilled people and capital needed to make the sector an innovative and entrepreneurial one.

While facing up to these challenges and seeking to capitalise on the opportunities, the Australian wine sector has, at its core, a number of unique attributes that enable it to produce fine wine across the spectrum of consumer demand. We also have an abundance of land, a wide range of climactic conditions and the ability to move production areas. This excellent viticultural potential will stand us in good stead into the future.

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Pillars, strategies and activities to achieve our Vision

This plan comprises five pillars, identified through an extensive research and consultation process undertaken during 2019. Each pillar in turn comprises a series of specific strategies, along with a set of principles to guide investment decisions.



Pillar 1: Sustained growth in value to drive profitability

Targets

- 3% compound annual growth in unit value (\$15 billion industry¹³)
- Total wine sector and associated tourism contribution to the Australian economy of over \$100 billion
- Number one valued product in each key market we operate in, and
- Continued improvement in wine drinkers' perception of the quality of Australian wine.

Rationale

Grape and wine sector participants need to be appropriately rewarded for their investment and their labour. In the absence of such rewards, there is no incentive to invest capital and human resources in innovation. Because input costs continue to grow every year, largely outside the sector's control, product price also needs to grow to ensure strong and sustainable returns.

A 3 per cent annual growth in unit value target is ambitious but achievable. Projections by Wine Australia for the period 2018-19 to 2028-29 show a 3 per cent compound annual growth rate (CAGR) in unit value could be realised through a 2 per cent growth in unit value in premium wines and 1 per cent growth in commercial wines. These figures assume that commercial volumes decline by 1 per cent per annum and premium volumes grow by 5 per cent per annum over the period, so that the volume share of premium wines increases from 16 per cent to 50 per cent.

The activities to be adopted under this pillar will evolve over time in response to prevailing conditions. The principles that will guide decision-making in the delivery of this pillar are:

- There will be a focus on raising the image of Australia as a fine wine producer so as to raise the price of Australian wine across all categories – in a relentless pursuit of increasing the unit value of all Australian wine.
- Core brand attributes of excellence, sustainability and integrity will be emphasised.
- Export value growth is required to maximise profitability in the sector because of the limited size of the domestic market, and the domestic per capita consumption.
- Domestic market share and growth in tourism will be critical drivers of profitability and cash flow for our regionally diverse sector.
- Wine and wine products need to be made easy for consumers to access, especially new entrants.
- There must be a range of markets pursued to suit the variety of Australian products.
- A flexible promotional approach will be taken that adapts to market realities.
- Sector institutional structures must be fit-for-purpose and designed to enhance Australia's strength in collaborative marketing, R&D, innovation and advocacy.

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13 Total sales of Australian wine

Strategies

a. Elevate the perception of Australian wine across all price points.

In a highly competitive international market, consumers need to be constantly reminded of the excellent quality of Australian wine. Promotion remains largely the domain of individual companies marketing their own brands. However, there is value in some coordination of promotional activities across the sector. This will involve collaboration with government/s and other sectors to maximise resources, leverage funding, obtain market research data and reduce trade barriers. The extent of these activities will be dependent on availability of funds and resources and should include:

- Continued elevation of the image of Australia as a fine wine producer
- Development of the sustainability and cultural attributes to underpin the brand story
- Wine education in all key markets
- Work with other agricultural sectors to continually lift the image of Australia as a clean, green producer of agricultural and value-added products
- In-market trade and consumer events
- Inbound trade missions
- Market research in existing markets, and
- Social and digital media outreach and engagement.

b. Protect our brand integrity through an industry culture of compliance, pride and engagement, backed by regulation.

Australian export growth relies on a strong and internationally-recognised regulatory system. This system provides consumers and foreign regulators with confidence that Australian wine exports are safe, true to label and meet export country requirements. This means ensuring our regulatory system has the appropriate standards, safeguards and the ability to respond quickly to border issues. The Australian grape and wine sector must also embrace a culture of compliance to ensure brand integrity.

In addition, Australian wine generally, and many individual brands, have built strong brand integrity (intellectual property) positions in domestic and overseas markets over many years. This intellectual property includes a reputation for quality and 'trueness' to regionality, and Australia's safe, clean and green credentials.

Theft of the Australian wine sector's intellectual property, for example by counterfeit and copy-cat products, is an ever-present threat. It must be countered to ensure that Australia's winemakers do not lose value unfairly to unscrupulous operators. Activities under this strategy will include:

- Implementing new systems to manage wine traceability and avoid counterfeiting (e.g. new label technology, blockchain)
- Delivering an export regulation system that provides confidence in product integrity, and
- Working collaboratively, internationally and with the Australian Government, to develop systems to protect against counterfeit and fraudulent product.

c. Develop the Australian wine sector partnership – wine, food, tourism.

Drinking wine is much more than the drink itself; it is an experience. Australian wine is the perfect accompaniment to any meal, and also to time spent with friends and discovering new destinations. Wine, food and tourism form a natural partnership.

Cellar doors provide opportunities for winemakers to build relationships with their customers and to expand their product offer to include food, accommodation and other experiences. Cellar doors bring tourists who visit other parts of the district, making them valuable contributors to regional economies.

Activities under this strategy will include:

- Building on the wine and food partnership – at home and in cafes and restaurants
- Working with other food and beverage sectors and building regional tourism opportunities
- Undertaking collaborative activities with state and regional associations to promote regions
- Promotion of regional cellar door tourism, in partnership with relevant bodies, and
- Supporting cellar door businesses through training, business development and other programs.

d. Ensure a breadth of markets to suit all Australian winemakers.

One of the strengths of Australian wine is its diversity. An ongoing challenge for the sector will be to identify profitable segments for a variety of products across a range of destination markets. This includes creating favourable trading conditions for entry into, and developing an understanding of, new or emerging markets. The sector must be in a position to take advantage of market opportunities when they arise. A key consideration will be to minimise the risk associated with over-reliance on one or two key markets. Diversifying markets also reduces the potential impact of external economic shocks arising from geopolitical tensions, exchange rate fluctuations and changing demand patterns. The domestic market, including tourism, underpins economic success and cannot be neglected.

Activities under this strategy will include:

- Collaborating with government/s and other industries to facilitate market access
- Undertaking market research in new and emerging markets
- Investing in the domestic market, and
- Undertaking collaborative market promotion activities.



Photo: Wine Australia

Pillar 2: An innovative culture driving excellence from grape to consumer

Targets

- Australian wine education and research institutions are collectively ranked number one in the world.
- Recognition as the world's most innovative wine sector, with a strong research and education focus.

Rationale

Innovation and education are critical to the ongoing success of any industry. While the Australian grape and wine sector is proud of its history, it is not trapped by tradition. This has allowed us to become global leaders in offering innovative, high-quality products in a variety of styles via new packaging and distribution channels to benefit consumers and enhance business sustainability.

The Australian grape and wine sector has a long history of providing levy funds in partnership with the Australian Government, to support cooperative endeavours where market failure is occurring. Historically, these funds have been administered by Wine Australia on behalf of the industry and Government with the ultimate objective of creating a more efficient and competitive industry. The co-funding model has been critical for the development of the sector and must be maintained into the future.

In a climate of declining R&D levies and increasing costs of R&D, the sector needs strategies that focus on returning value and ensuring appropriate funding (see also pillar 4).

Innovation is also vital to addressing significant challenges to the growing of grapes, including climate change and variability, declining availability of water at cost-effective prices, reduced access to plant health products and agrichemicals, and biosecurity threats.

Underpinning our world-leading viticulture and winemaking is a world-class education system. We must continue to push for further advances in our education system and resultant researcher and practitioner skills, so as to be the world's most innovative wine producer (see also pillar 4).

The tactics to be adopted under this pillar will vary over time depending on priority opportunities and challenges. However, investment in RD&A¹⁴ will be consistent with the following principles:

- A proportion of collectively funded RD&A will be bold, seeking to revolutionise current viticultural and winemaking systems
- We will collaborate with other agricultural sectors in relation to innovation and marketing, and market information
- We must continually support and grow our viticulture and oenology education sector

14 Activities to facilitate the adoption of innovations, including but not limited to activities traditionally termed 'extension'

- New knowledge will be co-created by relevant players in the value chain in partnership with the research sector: RD&A must be an active, dynamic process
- Private sector involvement in RD&A will be incentivised and maximised, and
- Ways will be found to manage data and knowledge in the industry, including the outputs of previous R&D, so that the return on R&D investment is optimised.

Strategies

a. **Maintain an appropriate level of funding for RD&A activities for the Australian wine sector.**

Grape and wine sector RD&A is currently funded by the grape and wine industry through levies and direct investment, by the Australian Government through levy co-investment, by state governments (via research agencies and infrastructure grants), by the universities and by CSIRO. The Australian Government has in the past demonstrated a commitment to Rural R&D Corporations (RDCs) and RD&A in the wine sector by matching such industry contributions up to a maximum of 0.5 per cent of gross value of production.

This commitment to RDCs recognises the significant market failure typical in rural industries and is vital to the prosperity of Australian agriculture. Most rural enterprises have insufficient capacity to commission research on their own behalf, and/or are unable to exclude ‘free riders’ from also sharing in the benefit of the research. Consequently, without government intervention, there would be substantial under-investment in rural-related research.

The benefit to government and the broader economy accrues through the improved international competitiveness of Australian rural industries, and the resulting impact on trade, regional investment and taxation, as well as the social impact on regional communities, and better management of Australia’s natural resources.

Activities under this strategy will include:

- Demonstrating positive returns on wine sector investments in RD&A to levy payers and tax payers
- Continuing to support investment in RD&A through an industry levy, matched by the Australian Government, with a cap on matching contributions for all statutory levies at no less than 0.5 per cent, and
- Encouragement of the utilisation of resources from a much broader base.

Photo: Wine Australia



b. Revolutionise viticulture.

General sector opinion is that significant opportunities exist to make gains through RD&A in viticulture, and that new technology platforms offer opportunities to revolutionise this vital part of the value chain in the face of water and climate challenges.

Activities under this strategy will aim to:

- Increase grape value, by better understanding and maximising organoleptic properties of grapes to meet specifications
- Increase viticultural efficiency
- Reduce cost of production and/or optimising margins
- Adopt new, superior (including better adapted) varieties
- Optimise the links between vine and location (soil, climate)
- Develop 'precision / agtech' vineyards
- Apply new technologies to enhance efficiencies (including through the use of robotics, machine learning, data)
- Improve (digital) exchange of best practices between farmers, researchers and advisors
- Establish centres of excellence / model vineyards
- Develop protected cropping systems, and/or
- Manage viticultural risks (see below).

c. Innovate in wine production.

The beverage market is changing rapidly. Consumers are constantly seeking new products and experiences. Major trends in the beverage market are towards new formulations providing new flavours and colours, and meeting consumer preferences around wellness and healthy lifestyles. Some producers are also responding to demands from a growing number of consumers for products that are low- or no-alcohol, or that carry sustainability credentials, including organic or other differentiating features.

There are also opportunities to increase efficiency in winemaking, for example through robotics, artificial intelligence and better data management.

Activities under this strategy will aim to:

- Increase wine quality
- Increase winery efficiency
- Create new products (low- or no-alcohol, wine products, organic / biodynamic, those with particular health benefits)
- Develop totally new grape products (nutraceuticals, beauty products), and/or
- Derive value from waste products.

d. Develop new ways of packaging and presenting our product.

The Australian wine sector must ensure that, while it continues to deliver the core product on which its success has been built, it also meets the needs of new or changing consumer segments that may otherwise be lost to competitor products.



This includes the development of innovative packaging - to improve convenience, meet sustainability requirements, differentiate products or simply add to consumer appeal. New distribution channels, including direct-to-consumer and digital marketing, can also improve the buying experience and help wine businesses build closer relationships with their consumer.

Activities under this strategy will include:

- Developing new sustainable packaging options, and/or
- Facilitating the development of new distribution channels, especially digitally.

e. Improve business performance.

Many Australian grape and wine sector businesses are small and do not enjoy the benefit of specialised skills such as financial management or marketing. Among these enterprises especially, and also among larger businesses, there are opportunities to improve profitability through collective initiatives that:

- Create economies of scale (for example, in the collection and analysis of market data)
- Harness the value of co-learning (for example, business benchmarking), and/or
- Increase transactional efficiencies (for example, new business models).

Activities under this strategy will include:

- Promoting diversity in the sector (see pillar 4)
- Identifying new business models (for example, using blockchain) and promoting them
- Identifying new business opportunities (energy generation, eco-system services)
- Collection and analysis of market data to assist business decision-making
- Development of objective measures of grape quality to improve supply chain transparency and equity
- Promotion of more transparent business relationships across the supply chain
- Advocacy and other activities to reduce red tape and compliance costs
- Facilitating benchmarking programs, and
- Facilitating access to data and knowledge.

f. Manage supply-side risks (see also pillar 3).

The grape and wine sector faces a number of serious risks, some of which are increasing over time. These will be constantly monitored and reviewed, and actions taken to mitigate them.

Activities under this strategy will include:

- Adapting to climate change and climate extremes
- Ensuring ongoing cost-effective access to critical inputs to the value chain, especially energy and water
- Reducing emissions
- Reducing waste
- Excluding exotic pests and managing existing pests and diseases, and preparing for future biosecurity threats, and
- Identifying and promoting the use of new products and integrated pest management (IPM) for the management of pests and disease.

g. Preserve and protect the sector's germplasm.

The supply of genetically diverse and high-health planting material is vital for Australian viticulture. National vine improvement activities need to be better managed with responsibility for establishing and monitoring standards, protocols, compliance and the provision of policy and technical advice to industry and government being clearly defined. Grapevine germplasm collections are a critically important resource for the Australian grape industries, now and into the future.

Activities under this strategy will include:

- A single management umbrella for collections to create an 'Australian' grapevine germplasm collection
- Collecting quantitative economic and marketing data on the benefits to the Australian sector of high-health status planting material, and
- Undertaking research, detection and surveillance of viruses and other plant pests, diseases and improving understanding of vector populations.

Pillar 3: Valued as an essential part of Australia's lifestyle and culture and a trusted custodian of our environment

Targets

- Community respect for the sector's contribution to Australia's well-being.
- Zero-waste and nett zero emissions.
- A sector that promotes and adopts sound environmental practices, leaving the planet stronger than in 2020.

Rationale

Without social licence to operate, the Australian grape and wine sector will struggle for relevance. To succeed and prosper, our key objective is to be respected and trusted for how we conduct our business. In an increasingly complex world, the grape and wine sector must demonstrate the value it contributes to our nation – in clever and careful use of our natural resources, in proactively working with government and the health sector to demonstrate our product's credentials, and through contributing to minimising alcohol-related harms, and in making a real commitment to the economic and social well-being of rural and regional Australia, especially through the provision of employment opportunities and services (see pillar 4). We must do these things well and be seen to be doing them well. It is also vitally important that the value-adding that takes place in the wine sector, which stands the sector in contrast to most other primary industries, is recognised and regarded.

Additionally, wine is a valued component of Australia's culture, an element that must be further nurtured and grown.

The activities to be adopted under this pillar will be consistent with the following principles:

- We recognise the responsibility of every person on the planet, including those in the wine sector, to make positive change to increase sustainability.
- We are a sector committed to making a real and demonstrable positive difference to rural and regional Australia.
- We will be transparent in everything we do.



Photo: Wine Australia

Strategies

a. Enhance the sector's reputation.

It is critical that the grape and wine sector demonstrates to the community, consumers, customers and governments our social licence credentials. Our future requires the development of rich and enduring relationships based on mutual respect and understanding between these stakeholders. We must deliver against the principles of legitimacy, credibility and trust. Reputation is everything!

Activities under this strategy will include:

- Protecting the industry's reputation by proactively influencing domestic standards and educating the sector on labelling, food safety, environment and labour
- Maintaining an advocacy presence on international wine bodies and in trade negotiations to further enhance the sector's reputation abroad, and
- Undertaking marketing activities, including international visits, in-market education and wine tourism to position the sector (see also pillar 1).

b. Improve resource use efficiency.

The resources we use, (energy, water, plant health products, herbicides and fertiliser), are constantly increasing in price and their use is subject to increasing scrutiny by retailers and consumers. Many brands and labels are pitching much of their marketing on their sustainable use of resources (see also 3f). The wine sector must innovate to optimise its use of resources and its impact on the environment.

Activities under this strategy will include:

- Focusing on our clean, green reputation in everything we do (best practice) and reporting against it
- Using agtech, digital and other innovations to optimise resource use efficiency, especially water and energy, and



Photo: Wine Australia

c. Respond to climate change.

Climate change is already impacting the grape and wine community, as evidenced by changes in grape phenology and harvest dates, which has led to compressed harvests and greater pressure on vineyard and winery infrastructure. Vulnerability to the impacts of climate change varies along the value chain, with the vineyard being the most vulnerable. Management strategies to deal with the challenges of short-term climate cycles and long-term climate change in the vineyard are essential for winegrape growers and winemakers, as the effects of climate change can impact on competitiveness at an individual business level and that of the broader sector. The ability to manage the impact of heatwaves, drought, increased fire risk and salinity, and to mitigate their effect on grapevine physiology and grape and wine quality, has become an integral part of vineyard management in Australia. We can and will respond to the impact of climate change by following a strong and climate-adaptive business strategy; monitoring carbon emissions; investing in RD&A; and fostering cross-sector partnerships and engagement.

Adaption strategies are essential, but we also have a responsibility to engage in direct mitigation strategies. If everyone contributes, rather than expecting others to drive change, then change will happen. We must aim for a carbon-neutral industry by 2050. Nothing less will satisfy our sector and the planet.

Activities under this strategy will include:

- Developing adaptation strategies to manage in a climate-challenged world
- Investing in longer term RD&A in relation to smoke exposure on grapes in vineyards, mitigation management and in-winery remediation options, including improved diagnostics and instrument capacity
- Investment in R&D to prevent and mitigate the impacts of fire on vineyards and wineries
- Maintaining the supply of genetically diverse and high-health planting material
- Developing a clear national strategy for the grape and wine sector to reduce its greenhouse gas emissions (and actively collaborate on a similar strategy for the entire agricultural sector), and
- Mitigating emissions to achieve nett zero status.

d. Proactively position the role of wine in our society.

The social licence of our sector to operate is essential to a profitable and successful future. Consumers and society in general are becoming far more health conscious and careful about what they put into their bodies. The effects of alcohol on physical health are subject to scrutiny and research. The sector needs to be an active and open contributor to this discussion, and to highlight the very positive impacts wine can have on social interaction, mental health and happiness.

Wine needs to be promoted as part of a balanced, healthy lifestyle, when consumed in moderation, supported by a food and wine culture.

Activities under this strategy will include:

- Maintaining a proactive and transparent relationship with the community, governments and relevant health sector groups
- Promoting initiatives that target harmful consumption patterns and deliver responsible consumption messages from all parts of the sector
- Identifying the role that wine plays in social networks and the consequent benefits to mental health
- Undertaking research to identify the physical health benefits and risks from wine consumption, and
- Working with governments to position wine as a product to be consumed in a responsible manner.

e. Build community engagement, especially in rural and regional Australia.

The wine sector is a positive contributor to the fabric of Australian society, in the cities and especially in rural and regional Australia. Aside from employment (see also pillar 4) and economic prosperity, the sector should individually and collectively invest in programs that enhance the community and its natural resources and environment. This will further solidify the wine sector's position as a critical component of rural and regional Australia's DNA.

Activities under this strategy will include:

- Providing support for regionally relevant programs that enhance community well-being (e.g. health, education, youth and / or the elderly)
- Undertaking specific programs that enhance regionally important natural resources (e.g. wetlands, national parks), and
- Engaging local community leaders as industry advocates.

f. Improve and demonstrate the wine sector's sustainability credentials - domestically and internationally.

Increasingly, consumers and retailers are focusing on the life-cycle sustainability credentials of products before they are prepared to buy or stock them.

Activities under this strategy will include:

- Encouraging a positive sector image
- Working with other agricultural sectors in relation to sustainability standards
- Continually strengthening the standards of Sustainable Winegrowing Australia beyond 'best practice' to meet changing circumstances
- Achieving widespread adoption of Sustainable Winegrowing Australia, and
- Sustainability becoming part of the Australian wine brand story (see pillar 1).

Pillar 4: Australia's employment sector of choice

Target

The employer of choice in Australia's wine regions.

Rationale

Industries must relentlessly compete to attract and retain good people. Wine businesses are finding it difficult to recruit and retain workers from the vineyard through to the cellar door operations. At a time where demand for higher skills in the wine sector is increasing, tertiary course offerings and enrolments are in decline¹⁵.

The skill base required in the sector is also rapidly changing. In addition to winemakers, viticulturists and farm workers, those with skills in areas such as finance, marketing, export, data management, design and social media are also becoming more important. Progressively, skills in artificial intelligence, big data and precision agriculture and other fields as yet unthought of, will also be important.

Increased sector profitability will be a key enabler of this pillar as it will greatly impact the sector's capacity to offer attractive employment terms.

The activities to be adopted under this pillar will be consistent with the following principles:

- We respect our workforce and aim to provide fair, shared rewards for effort.
- Attractive, fair and flexible working conditions to attract and retain the very best people.
- Clear career paths are needed to attract and retain good people.
- Young people must be encouraged to enter the sector, starting from education in secondary schools.
- The Australian wine sector promotes and celebrates diversity and inclusion in all its forms.
- We must maintain a culture that supports entrepreneurship and a risk appetite favouring transformational innovation.

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15 Australian Wine Industry Technical Conference, Securing talent in viticulture and winemaking, Workshop - discussion paper (July 2019).

Photo: Wine Australia





Photo: Wine Australia

Strategies

a. Improve leadership and other professional skills.

The sector requires a constant supply of vibrant leaders both at a representative organisational level and for individual businesses. There is also a need to attract good people into the sector.

Activities under this strategy will include:

- Delivering regional governance and leadership programs
- Ensuring the necessary higher education and vocational education and training courses are in place to meet the sector's needs
- Sponsoring sector participants in national leadership programs
- Providing business upskilling opportunities for sector participants (see also 2a)
- Providing structured career paths for participants, including opportunities for workplace exchange – locally and internationally, and
- Delivering programs to promote the provision of physically and mentally safe work environments across the supply chain.

b. Increase and promote diversity in the sector.

Many of the wine sector's iconic brands were championed by recent immigrants to Australia. Today, our sector remains vibrant and diverse and we must continue to celebrate these strengths. Diversity is not only the right thing to do, it makes economic sense and is good for business. Our aim should be to be inclusive of every race, gender, religion and sexual and political persuasion.

Activities under this strategy will include:

- Implementing the sector's Diversity and Equality Charter
- Demonstrating our respect for the traditional owners of the land we now farm
- Highlighting our 'diverse but integrated' credentials in our marketing programs, and
- Providing cultural awareness training to existing and new employees.

c. Ensure sector RD&A capability remains high.

As noted in Pillar 2, innovation will drive the sector's ongoing sustainability and profitability. While this plan actively encourages collaboration with other wine-producing countries and other agricultural sectors, harnessing and applying the best new technologies and knowledge, it remains imperative that the sector retains its own strong RD&A capacity. The strategies will ensure that returns from RD&A activities are maximised and driven by industry demand, by:

- A high level of industry participation in setting the RD&A agenda
- Providing the research needed to allow industry to innovate and become more profitable and competitive
- Guiding the expenditure of the government matched levy
- Building research capability and maximise efficiency in delivery, and
- Expanding the funding base for RD&A through the attraction of new investors and a broader range of research participants.

Activities under this strategy will include (see also pillar 2):

- Providing clear policy advice to the government on RD&A issues on behalf of the grape and wine sector
- Fostering strategic partnerships between RD&A providers and funding bodies, which will give confidence to providers to invest in long-term people development
- Supporting a range of service providers to maintain diversity of thinking
- Establishing strong linkages to grape and wine sectors of other countries to develop partnerships and harvest opportunities
- Establishing linkages into agtech ecosystems, and
- Awarding postgraduate scholarships.

d. Undertake targeted awareness programs to attract industry participants.

Australia's wine (and food) culture has developed strongly over the last half-century but is yet to be widely recognised as matching that of countries such as France and Italy. Further strengthening and demonstrating Australia's wine culture will improve the sector's prosperity, help to make the wine sector a more attractive workplace and underpin future demand for our product.

Activities under this strategy will include:

- Providing resources to secondary level students that promote career opportunities in the wine value chain
- Ensuring the necessary higher education and vocational education and training courses are in place to meet the sector's needs (see 4a), and
- Promoting our wine and food culture at every opportunity (see pillar 1).

Pillar 5: A diverse sector, unified by its pursuit of excellence

Target

National, state and regional policies, structures and resources in place to support a vibrant and sustainable grape and wine sector.

Rationale

A strength of the Australian wine sector is its highly diversified geographic, soil and climate environs, which allow a wide variety of wines to be produced. Historically this has resulted in a large number of wine industry bodies at national, state and regional levels, each of which is resourced either through levies or membership fees.

While there are many 'voices', it is imperative that they all move in one direction to show a unified focus to governments, customers, consumers and sector participants.

Critically, the sector needs the financial resources to support collective RD&A, marketing, regulation, policy development and other activities. It will be creative in how it finds these funds and also transparent and equitable in the way it deploys them for the overall good of the sector.

The activities to be adopted under this pillar will be consistent with the following principles:

- The sector will support a reasonable levy system to fund collective activities
- We will collaborate to the greatest practicable extent with other agriculture sectors and bodies, such as RDCs, to achieve benefits for Australian wine
- We will be creative in finding additional resources to support our activities
- Our regional diversity will continue to be advocated for, promoted and celebrated
- The sector will continue to support providing levy funds in partnership with the Australian Government to support cooperative RD&A in the face of market failure
- Levy funds provided for marketing must be used accountably and expended for industry benefit
- Sector bodies will always be accountable to their stakeholders
- Sector bodies will be structured and governed such that they appropriately balance equity, transparency and efficiency in the discharge of their roles, and
- All parts of the sector will contribute resources equitably.

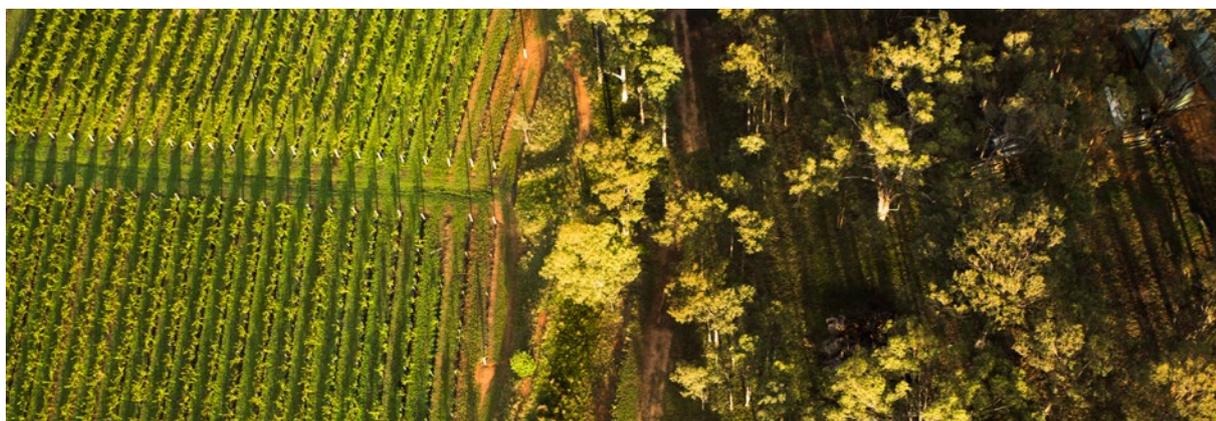


Photo: Kimberley Low / Wine Australia

Strategies

a. **Ensure sufficient, sustainable resourcing for collective sector activities.**

For the sector to successfully achieve its agreed RD&A, marketing, policy and communication priorities, it requires adequate financial resources, especially given its ambition to be the best in the world. New sources of funding need to be actively explored.

The current RD&A and marketing levies are based on volume not value. This creates some inequity whereby the higher-volume, lower-priced commercial / value part of the sector contributes a relatively higher proportion of the levy load. Levies based on volume are also more onerous in times of low prices. The levy rates are also fixed in dollar terms, meaning that they decline in real value over time as the cost of RD&A, marketing and other activities increases.

Activities under this strategy will include:

- Identifying new sources of funding to better meet future requirements
- Developing options and advocating for a levy structure that is more equitable for all winegrape growers and winemakers
- Seeking greater co-contributions and other partnerships for marketing activities (see pillar 1)
- Improving transparency and industry ownership of marketing activities to demonstrate clear benefits from industry investment
- Seeking greater co-funding for RD&A, including co-contributions from beneficiaries and private sector involvement (see pillar 2)
- Collaborating more with other agricultural industries, including rationalising procurement and management programs, and
- Continuously striving for greater efficiencies in sector bodies.

b. **Optimise the structuring, governance and operation of sector bodies.**

As noted above, the wine sector is geographically diverse with many national, state and regional bodies supporting the sector. This sector-based representation is valuable but does come at a cost. The sector needs to maximise the efficiency with which it invests its funding from all streams, and continually challenge itself as to whether these structures provide the best value for money and the greatest transparency.

Activities under this strategy will include:

- Improving governance and industry engagement in levy-funded and fee-supported activities and bodies
- Developing options for rationalising the sector's representative bodies while maintaining maximum engagement with all stakeholders, and
- Adopting innovative means of sector engagement including greater use of digital / virtual communications.

c. Develop and promote industry policy on key issues for the sector.

Sector representation at all levels has a key role in actively engaging with governments, agricultural and other industries, banks, insurance companies and input suppliers, to ensure that the sector has:

- sound policy platforms in which to operate, and
- access to capital, insurances, risk management tools and inputs needed to operate successful businesses.

Activities under this strategy will include:

- Maintaining strong working relationships with governments at all levels so that the sector has access to decision makers
- Developing well-argued, clear and succinct positions on policy issues of importance to the sector
- Maintaining a strong and well-funded advocacy and policy development capability, and
- Regularly consulting on policy deliberations and outcomes with the sector.

5

Monitoring, evaluating and reporting against the plan

Accountability for progress against targets will be of paramount importance to the successful delivery of this plan. So too will objective monitoring, evaluation and reporting (MER) to measure performance and adopt and adjust strategies to deliver on the vision.

Five-year plans for both Australian Grape & Wine and Wine Australia need to be prepared to meet the strategic objectives within the vision, and these plans need to include clear and measurable performance indicators. As far as possible, MER will make use of data sources already available. Progress against performance indicators will be reported annually at the respective annual general meetings and/or in the annual reports.

While this is a 30-year vision statement, progress against the strategy should be formally reviewed regularly, at least once every two years. More specifically, as Australian Grape & Wine and Wine Australia commence the revision of their 5-year plans in year 4 of the cycle, both organisations should undertake an evaluation of progress towards the 30-year targets.

This sector vision should be a living document and adjusted as circumstances require. Success should be celebrated, and lack of progress evaluated and rectified.

The following table provides a listing of key targets, data sources from which to monitor progress, and general responsibility / accountability.

Targets	Data sources	Responsibility / Accountability
3% compound annual growth rate (CAGR) in unit value (a \$15 billion industry)	Wine Australia market insights	Private companies Wine Australia Australian Grape & Wine
Total wine sector and associated tourism contribution to the Australian economy of over \$100 billion	Independent economic analysis (e.g. Economic Contribution of the Australian Wine Sector)	Private companies Wine Australia
The number 1 valued product in every key market in which we operate	Wine Australia market insights	Private companies Wine Australia

Continued improvement in wine drinkers' perception of the quality of Australia wine	Wine Australia market insights	Private companies Wine Australia
Recognition as the world's most innovative wine sector, with a strong research and education focus	Survey of world's leading wine writers and consumers (commissioned) Demonstration of new practices RD&A expenditure Progressive increase in higher education enrolments	Private companies Wine Australia
Community respect for the sector's contribution to Australia's wellbeing	Inclusion of relevant questions in national surveys Examples of sector contributions Benchmarking data showing improvements in resource use efficiency	Private companies Wine Australia Australian Grape & Wine
Zero waste and nett zero emissions status	Direct market research to monitor progress (commissioned) Improvements in resource use efficiency	Private companies Wine Australia Australian Grape & Wine
The employer of choice in Australia's wine regions	Inclusion of relevant questions in national surveys Recruitment / retention data	Private companies Australian Grape & Wine
National, state and regional policies, structures and resources in place to support a vibrant and sustainable grape and wine sector	Satisfaction surveys of levy payers and members	Private companies Wine Australia Australian Grape & Wine



Photo: Wine Australia

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