



AUSTRALIAN GRAPE AND WINE AUTHORITY

STRATEGIC PLAN
2015-2020

Discussion Paper

9 DECEMBER 2014

Introduction

The Australian Grape and Wine Authority (AGWA) will endeavour to create a more prosperous Australian grape and wine community. Challenging market conditions for more than a decade have translated into tough economic conditions for many businesses. While these conditions have brought to the fore some of our most defining qualities, such as resilience and innovation, the Australian grape and wine community is capable of crafting a better future.

Australia makes beautiful fine wines that are redolent of their regions. Our wines speak to the authenticity and uniqueness of our vineyards and the skills and passion of our grapegrowers and winemakers. Our customers delight in them.

We believe that it is time to refocus on our best wines and what makes them special, and developing our new five-year Strategic Plan gives us the opportunity.

Australia has the resources and capability to be recognised internationally as the world's pre-eminent wine producing country. Our natural endowment of diverse, unique and superior terroirs, combined with our skilled and innovative people, means that we have the capacity to be recognised as the best in the world.

To achieve such an ambitious goal will take time and unwavering commitment, but I believe that the Australian grape and wine community has the talent and, more importantly, the desire to reach it.

We have the opportunity to imagine the future we want and to set out a plan on how we will grasp it. Now is the time to look ahead thirty years and to set an ambitious, cross-generational goal, and then to map out our steps over the next five years in our Strategic Plan to set us on that path.

It is the actions of our grapegrowers, wine producers and wine exporters that will enable Australia to be recognised as the pre-eminent wine producing country, but AGWA can and will commit to delivering exceptional services to provide the springboard to help the grape and wine community to achieve and communicate this goal of pre-eminence.

We will focus on increasing both the demand and the premium paid for Australia wine, and increasing our cost competitiveness. In doing so we believe it is important to clearly recognise that our community comprises two distinct offerings – fine wine and branded and commodity wine – with some players, of course, having interests across the spectrum. Acknowledging such diversity brings clarity to identifying key challenges ahead and prioritising our efforts to deliver the greatest returns to the whole grape and wine community.

We believe that increasing demand will be largely driven through the enhanced image and reputation of our fine wines, those wines of exceptional quality and finesse that reflect their provenance and terroir, and command a premium. Fine wines are driven by the imperative of the best possible quality and they include the best wines imaginable. This focus will deliver a halo benefit for the entire grape and wine community and our global promotion activities should reflect this belief.

Increasing competitiveness for the entire grape and wine community, but especially the branded and commodity wine segment, is also critical. We need to deliver services that improve our understanding of how we can better compete globally and provide solutions to deliver productivity improvements to improve commercial outcomes, while ever increasing our quality and innovating to either create, or respond to, emerging opportunities.

In developing our five year plan, we are asking you – the Australian grape and wine community – to identify your priority areas for increasing demand and competitiveness. I invite you to join us in drawing the map for the next five years.

A handwritten signature in black ink, appearing to read 'Brian Walsh', with a long, sweeping horizontal line extending to the right.

Brian Walsh
Chair, AGWA

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Overview

The Australian Grape and Wine Authority (AGWA) commenced on 1 July 2014 as the single statutory service body for the Australian grape and wine community.

Our role, as set out in the *Australian Grape and Wine Authority Act 2013* (the Act), is to:

- coordinate or fund grape and wine research and development (R&D) and facilitate the dissemination, adoption and commercialisation of the results
- control the export of wine from Australia, and
- promote the sale and consumption of wine, both in Australia and overseas.

We are funded by grapegrowers, winemakers and wine exporters through levies and user-pays charges, and by the Australian Government, which provides matching funding for research, development and extension (RD&E) investments. Our governance and operations seek the best possible return on this funding.

The Winemakers' Federation of Australia (WFA) and Wine Grape Growers Australia (WGGA) are our representative organisations under the Act.

Our research partners include the Australian Wine Research Institute (AWRI), Commonwealth Scientific and Industrial Research Organisation (CSIRO), universities, the National Wine and Grape Industry Centre (NWGIC) and state departments.

Our primary promotional partners include Tourism Australia, Austrade, and state and regional industry wine and tourism bodies.



Consultation to develop the plan

This discussion paper has been drafted to stimulate a deep and extensive consultation with the Australian wine community. We need to adhere to a relatively tight timetable given the requirement to submit the plan to the Minister by 1 May 2015. We are conscious also that the 2015 vintage is rapidly approaching and this will place heavy demands on your time. We therefore appreciate your cooperation and input.

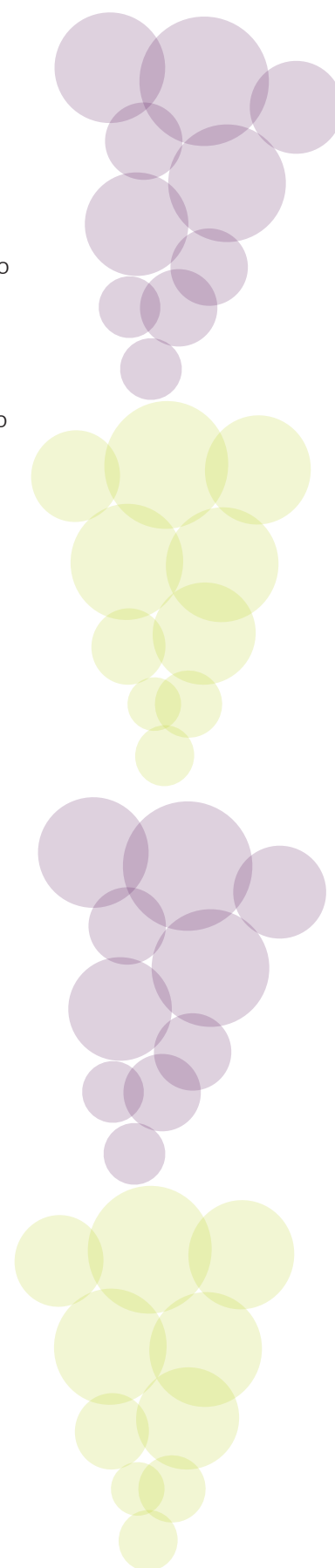
Our Strategic Plan will be developed following consultation with our stakeholders. We are also required to take into account a number of Australian Government priorities primarily relating to RD&E, given the matching RD&E funding we receive.

All levy payers are our stakeholders and we welcome your views. We clearly, however, cannot have individual discussions with some 8,000 plus levy payers so we encourage you to make your views known to either the peak representative organisations – WGGA and WFA – or to your state or regional association as we will be engaging directly with these bodies. We will also consult directly with the Australian Government and the Department of Agriculture.

Written submissions from any levy payer or other interested party will be welcome from now until 20 February 2015.

As mentioned, we propose to consult directly with WFA, WGGA and state and regional associations. We will also organise dedicated sessions with the Future Leaders alumni community, RD&E partners and a range of companies. An indicative timetable is set out below (subject to confirmation with participants)

9 December 2014	AGWA Strategic Plan 2015–2020 Discussion Paper issued
20 February 2015	Final date for written submissions
2 February–20 March 2015	Consultation meetings <ul style="list-style-type: none">• WFA (including membership committees), WGGA and Innovation Policy Committee• State and regional associations• RD&E partners (round table)• Future Leaders alumni (round table)• AWRI• Wine Innovation Cluster• First Families of Wine, other wine clusters and other companies
30 April 2015	Final date for Board approval and submission to the Minister



Feedback

If you wish to make a written submission to AGWA, please do so by 20 February 2015.

Please address your written submission to:

Mr Brian Walsh
Chair
Australian Grape and Wine Authority

Postal address:
PO Box 2733
Kent Town SA 5071

Email address
strategic.plan@agwa.net.au



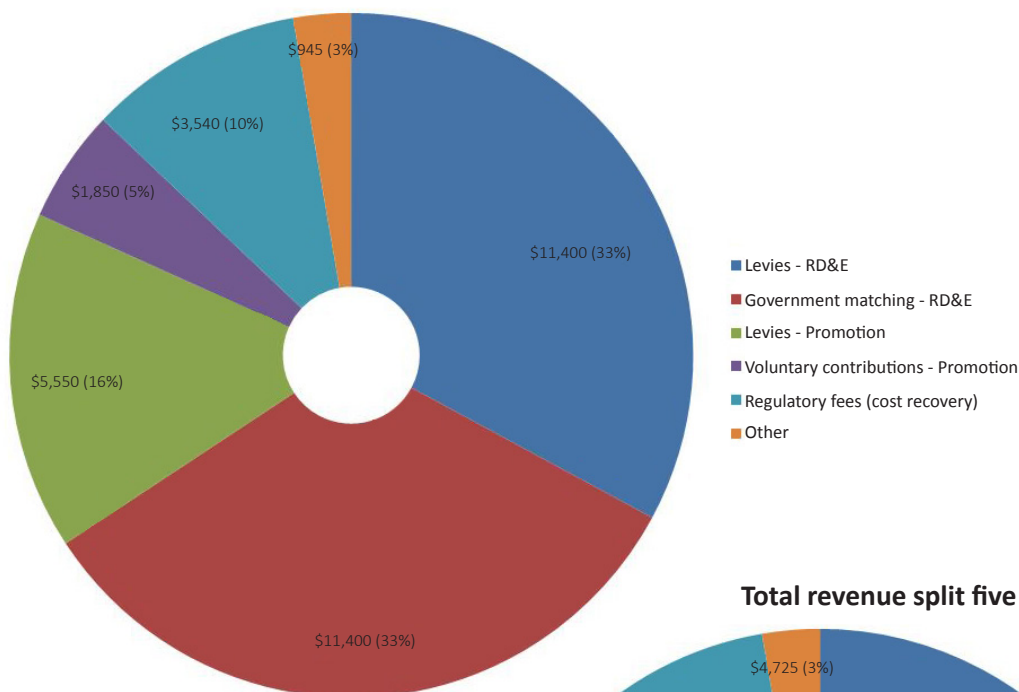
Anticipated priorities

We believe that all of our activities should be driven by the same priorities and guided by the same two goals: to increase demand and the premium paid for Australian wine, and to increase competitiveness.

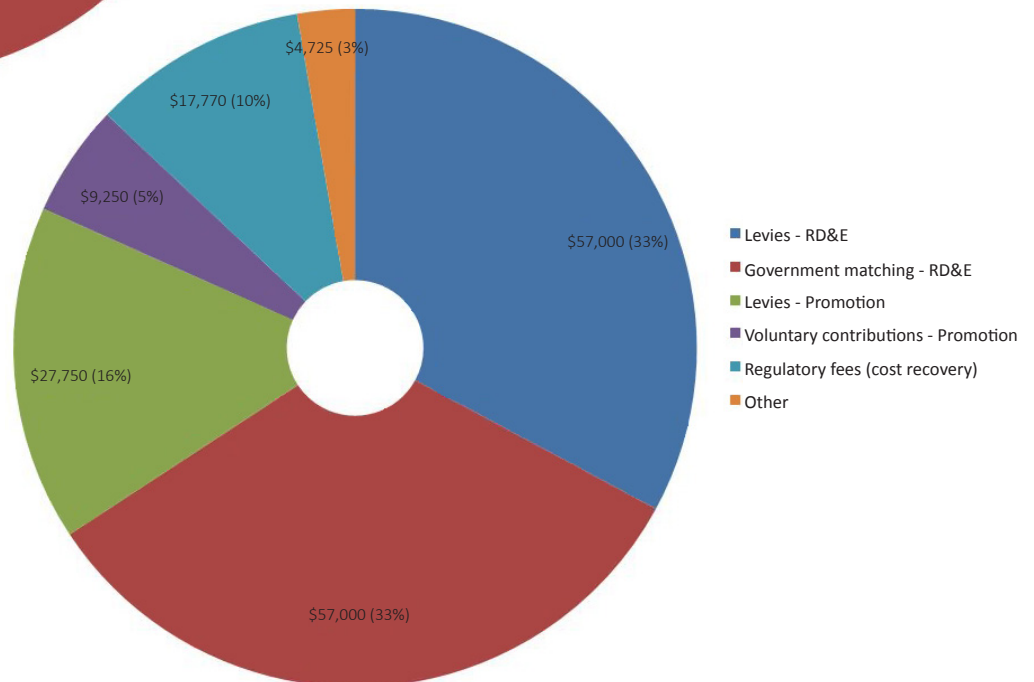
Five-year Budget

AGWA was formed to improve service delivery for levy-payers under a unified, coordinated strategy. Of significance is that funding streams are tied to certain activities, which imposes constraints on AGWA's flexibility in allocating resources.

Total revenue split per-annum ('000)



Total revenue split five year total ('000)



Anticipated priorities

Strategic Priority 1- Increasing the demand and the premium paid for Australian wine.

Context

Internationally, consumers are increasingly demanding food and beverages that deliver quality, uniqueness, authenticity and provenance with safety as a core guarantee. Australian wine already meets these demands and we must ensure that we capture the value of this promise.

But this, on its own, is not enough. The perception of Australian wine in the domestic and international markets does not reflect the high levels of quality, authenticity and the uniqueness of the Australian wine offering. We need to heighten understanding and appreciation of our fine wine credentials to increase demand and improve the commercial returns for the Australian wine community.

Australian wine is not an homogenous offering and we need to urgently shift perceptions.

AGWA is committed to funding the research that will enable the Australian grape and wine community to ceaselessly improve quality, a prerequisite of success in the competitive global fine wine market.

Australian wine's quality and provenance claims are underpinned by our sound regulatory system. Our Label Integrity Program gives confidence regarding product authenticity, and our export controls are squarely focused on managing risks, including those posed by agrichemical residues and other product taints.

In our established markets, we have developed strong relationships based on mutual respect and trust, which ensure that any compliance queries are rapidly addressed with minimal trade disruption. We are currently working to develop similar relationships in our emerging markets. Particularly in Asia, we need to firmly establish our reputation in the minds of consumers, trade and regulatory agencies, especially given the food safety concerns in the region.

Proposed future focus

Globally improved perception of Australia's fine wine offering is a key focus for increasing demand and the premium paid for all Australian wine. Research to better understand Australia's unique terroirs and how they influence wine style and quality will provide the tangible evidence to underpin our fine wine message.

Australia's fine wine regions and their unique terroirs are brought to life by the viticulturists and winemakers who dedicate their lives to eliciting the best possible wines from them. AGWA is dedicated to ensuring their stories are told to the fine wine consumers of the world.

Our promotional message must be centred on the quality of our fine wines, supported by performance data such as the results at key domestic and international wine shows and reviews from respected influencers. We will work together with individual wine companies, which make the largest investments in promotions, to amplify our message.

We will embrace social and online media tools to better engage with our customers, media and the wine trade. It is vital that we effectively communicate consistent and compelling messages across all platforms.

We will continue to engage trade and consumers through international wine events, and to support Australian wine companies through our popular and effective user-pays services.

We will also continue to invest in encouraging leadership in our wine community, because it is only by individuals rising to the challenge that we will be able to achieve our goal.

Ongoing compliance with winemaking and labelling requirements underpins our global credentials and remains a key priority.

Anticipated priorities

Strategic Priority 2 – Increasing the competitiveness of Australian wine.

Context

Australia has a long history of excellence in quality grape and wine research delivering a competitive advantage, and a unique model to fund such research – combining levies from the wine sector with matching public funds from the Australian Government.

Research findings do not respect borders, and competitor countries have adopted the results of Australian-funded research, aided by foreign ownership of some of our largest companies (and levy payers), researchers moving internationally and winery personnel working vintages in other countries. However, the flow of knowledge is not one way, and the Australian wine community also benefits from research, development and innovation by our competitors.

We focus on research excellence in partnership with our key research partners: the AWRI, CSIRO, universities, NWGIC and state departments. The demands on research ‘from vine to glass’ along the value chain are increasing with significant investment needed in business skills, economic research and data.

An important principle underlying all RD&E investments is to drive value for our levy payers and the Australian Government by maximising the return on our investments and delivering tangible market outcomes.

As the RD&E model comes under increased scrutiny we need to highlight the public benefits of our RD&E outcomes – from sustainable environmental management in a changing climate, to stronger rural communities and sustainable businesses. The Australian Government’s Rural R&D Priorities and Strategic Research Priorities underpin these broader benefits.

We also need to encourage the adoption of the R&D outcomes by the Australian wine community. The challenging economic conditions have naturally slowed uptake of some R&D outcomes because businesses have not had the spare capital to invest in new tools or practices, but it has also acted as a catalyst for focusing on business practices that deliver better value or reduce costs.

Tariff and non-tariff barriers continue to impose unnecessary costs on Australian exporters and reduce competitiveness. We welcome the recently negotiated free trade agreements with Japan, Korea and China but technical trade barriers in Asia and other emerging markets represent a significant cost for exporters.

Globally, the public health lobby is campaigning for further controls on alcohol, including wine, based on the adverse health outcomes that arise from excess consumption and we need to defend the economic and social benefits the Australian wine community provides.

Proposed future focus

An overarching objective of our RD&E focus will be to ensure alignment with market development objectives. We will continue to invest in RD&E that improves competitiveness.

We will invest in data sets throughout the supply chain to increase our understanding of our international competitiveness across the fine wine and branded and commodity wine segments and of the market dynamics of each of these wine types in all markets. We will also obtain better information about the supply side, so that we can understand what grapes are grown where and have more reliable information about expected crop sizes. This information is critical to informing the strategic decisions of our wine community organisations and to guide better business decision-making.

Anticipated priorities

In the vineyard, we need to continue research to understand how to manage the impacts of climate change as well as shorter climate cycles such as El Niño.

Managing biosecurity threats is a major priority in protecting the assets and incomes of our grapegrowers and their customers.

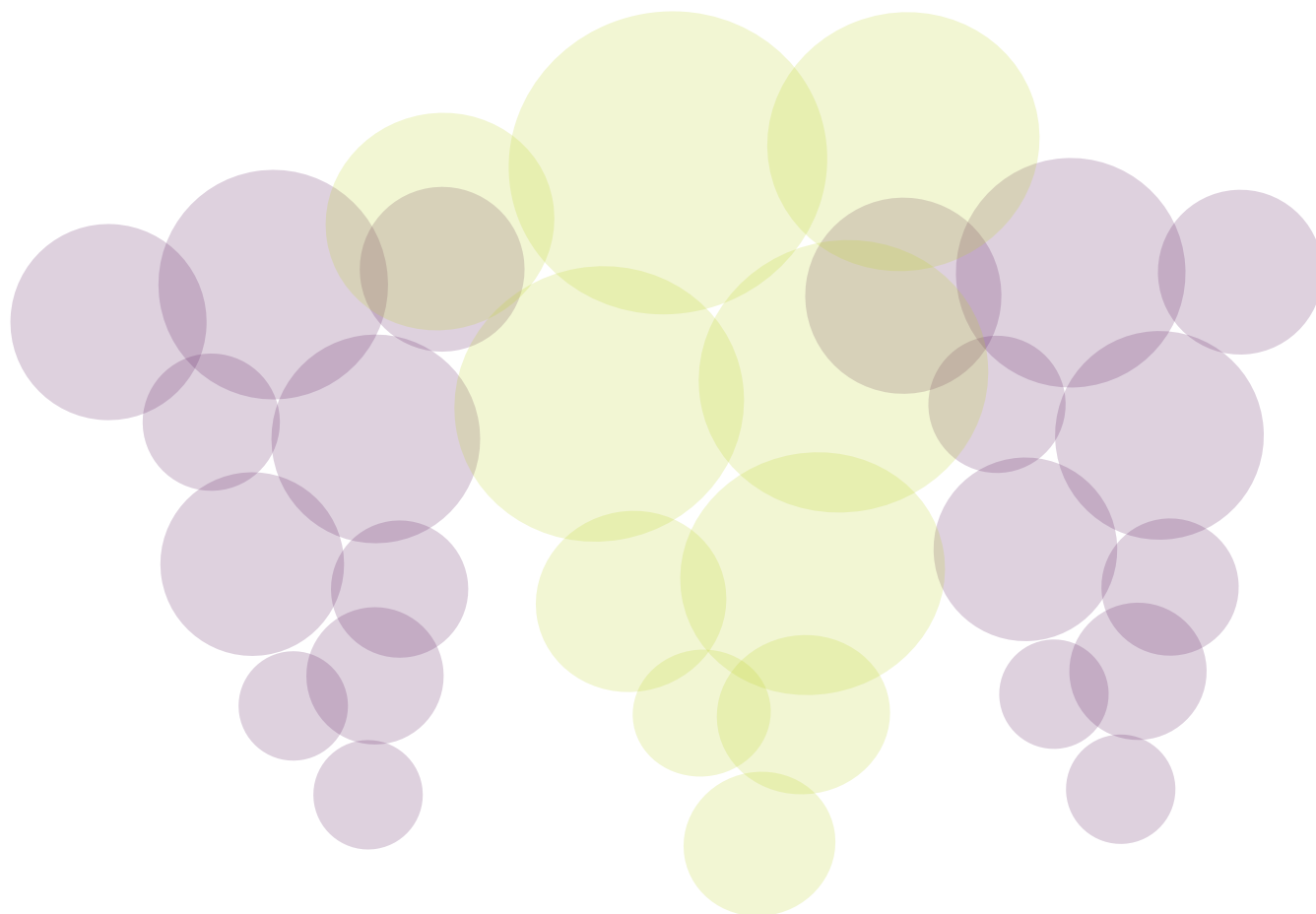
Research into managing pests and diseases and maintaining access to high-quality planting material also remain priorities.

We will continue to invest in improved vineyard and winery performance to make best use of our natural resources, make the best quality wine possible and enhance our competitiveness.

We will continue to provide technical expertise to support free trade agreement negotiations, and to maintain a consistent dialogue with all of our trading partners. A particular focus will be building relationships with regulatory agencies in emerging markets to address technical issues.

We will seek to ensure an informed and balanced debate on wine and health, based on sound science.

Finally, we can only compete if we attract talented, skilled people to our wine community. We will invest in tomorrow's researchers and future industry leaders.



Appendix 1 - Current situation

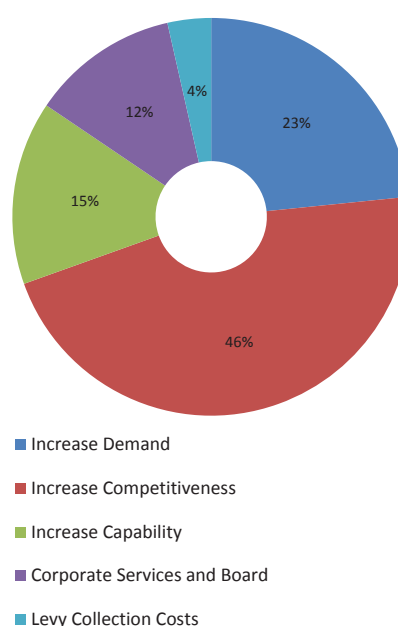
Current strategic priorities 2014–15

SP1: Increase Demand	SP2: Increase Competitiveness	SP3: Increase Capability
<ol style="list-style-type: none"> Enhanced Image <ul style="list-style-type: none"> Education Marketing Communications Trade And Consumer Engagement Enhanced Reputation <ul style="list-style-type: none"> Annual Analytical Survey Label Integrity Program Winery Inspections Regulatory Services Improved Access to International Markets <ul style="list-style-type: none"> International Organisation engagement Market Access support 	<ol style="list-style-type: none"> Delivering Knowledge <ul style="list-style-type: none"> Market Information and Insights Consumer Information and Insights Improving Products and Processes <ul style="list-style-type: none"> Objective measures of quality and assessment systems Germplasm (yeast and bacterial) Process Efficiency Understanding the Environment and Sustainability <ul style="list-style-type: none"> Climate Adaptability Germplasm Vineyard Efficiency Pest and Disease Management Biosecurity 	<ol style="list-style-type: none"> Adopting Research Outcomes <ul style="list-style-type: none"> Regional Extension Services Developing People <ul style="list-style-type: none"> Industry Leadership Development Supporting Researchers

Income and expenditure 2014–15

Strategic Priority	Program	\$M
1. Increase Demand	Enhanced image	6.689
	Enhanced reputation	1.051
	Improved access to international markets	0.642
	Total SP 1	8.382
2. Increase Competitiveness	Delivering knowledge	1.386
	Improving Products and processes	8.831
	Understanding the environment & sustainability	6.319
	Total SP 2	16.536
3. Increase Capability	Adopting research outcomes	4.293
	Developing people	1.059
	Total SP 3	5.352
Corporate Services and Board		4.301
Levy Collection Costs		1.268
Total Expenditure		35.839

2014-15 Expenditure by Strategic Priority

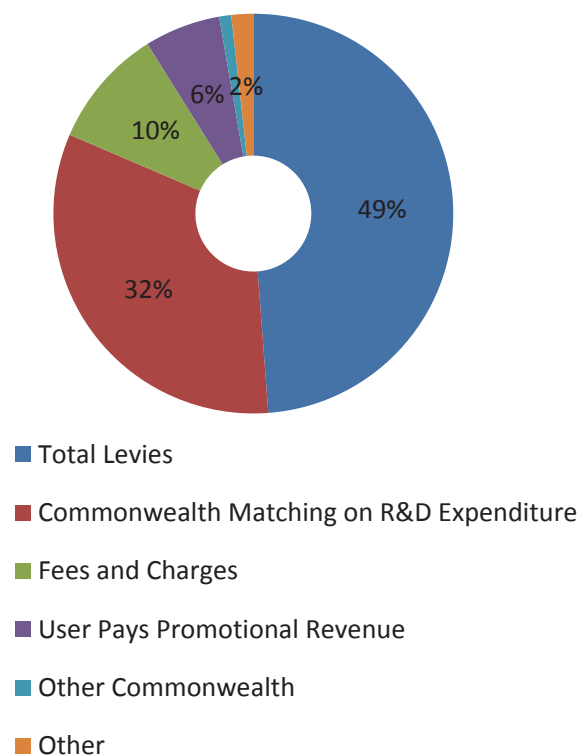


Appendix 1 - Current situation

Revenue 2014–15:

	\$M
Levies	
Wine Grape Levy	11.899
Grape Research Levy	3.420
Wine Export Levy	2.174
Total Levies	17.493
Commonwealth Matching on R&D Expenditure	11.700
Fees and Charges	3.463
User Pays Promotional Revenue	2.199
Other Commonwealth	0.350
Other	0.634
Total Income	35.839

2014-15 revenue by type (%)



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