

# BUDGET AND POLICY SUBMISSION

2023 - 2026



**WINE VICTORIA**  
AUSTRALIA



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## VISION

**O**ur shared vision for the future is for a sustainable, cohesive and resilient Victorian Wine industry which is nationally and globally recognised.

## MISSION

**W**ine Victoria is the peak body representing the Victorian wine industry. We advocate and collaborate on behalf of the wine industry, ensuring members remain a high priority on key issues and initiatives with the Victorian Government as well as national governing bodies.



# Wine Victoria's Key Priorities on behalf of Industry

PRIORITIES	WHAT WE DO	WHAT MEMBERS RECEIVE
<b>Advocacy</b>	Provide a singular vision and voice for the Victorian wine industry to government and industry associations. Develop the strategic policy positions for the Victorian wine industry.	An operating environment that is supportive of a strong industry and the priorities it requires for growth.
<b>Communication</b>	Be a key information source for issues and opportunities that impact and influence our industry.	The knowledge to make informed business decisions.
<b>Collaboration</b>	Collaborate with key stakeholders across government, regional associations, national industry bodies, and other appropriate wine industry or associated organisations to provide maximum value for the Victorian wine industry.	A conduit that develops partnerships to leverage and maximize value for our members.
<b>Capability and Leadership</b>	Leverage opportunities to grow and develop the capabilities of the people that work within our industry.	A robust industry that is fit for purpose for the future.
<b>Viticulture and winemaking</b>	Supporting Victorian growers and winemakers to operate as efficiently as possible with best practice principles and future-focused outcomes. Focused on research, strategy and training that will improve quality, productivity, sustainable practices, climate change adaption and profitability over the long term.	Access to the latest technical information and skills development to support our members.
<b>Trade</b>	To seek out and enhance opportunities for the industry to improve profitability.	Opportunities to enhance sales growth and business development.



# Executive Summary

Support from the Victorian Government will ensure the industry can thrive – programs and policy advocacy outlined in this submission are intended to ensure our industry is competitive, growing the volume and value in our exports while ensuring employment in regional areas continues to grow. These programs are:

## FUNDING PROGRAMS

Growing Victorian Wine into the Future  
2022 – 2026

Victoria’s Global Priority Markets  
2022 – 2026

Reinstate the Wine Growth Fund  
2023 - 2026

## POLICY RECOMMENDATIONS

Wine and Health

Recycling and Container Deposit Scheme (CDS)

Victorian Liquor Subsidy (VLS)

Major Events & Commonwealth Games –  
Local Content Policy



# Executive Summary

**This submission is intended to inform political parties and stakeholders on the priorities of the Victorian wine industry.**

To better understand the impact of COVID-19, and to inform future planning and marketing for the industry, Wine Victoria commissioned RM Consulting Group to undertake research to understand the current performance of the Victorian wine industry and impacts post COVID-19 on export markets, tourism, and employment within the industry.

**The economic contribution of Victoria's wine industry was \$9.4 billion in 2021 (Gross Regional Output), comprising:**

- \$3.1 billion direct effect
- \$6.3 billion flow-on effect

**A total of 25,250 people employed in the sector, comprising:**

- 10,700 direct jobs in grape growing, wine production and wine-related tourism
- 14,600 flow-on jobs in broader goods and services

## KEY FINDINGS FROM RESEARCH

### CRUSH

In 2021, the wine grape crush in Victoria was estimated to be 335,000 tonnes which was an increase of 23% from the 273,000 tonnes in 2019. This has largely been due to favourable seasonal conditions, rather than an increase in the planting area.

The 2020 vintage was lower at 267,000 tonnes driven by drought and bushfire in the cooler climate wine regions, which reduced yields and impacted the quality of fruit through smoke taint causing some grape growers to not harvest. This will have a lag on subsequent years sales.

### EXPORT

In 2021 Victoria exported 4.7 million litres of packaged wine at a value of \$48.7 million, as well as 5.5 million litres of bulk wine at an export value of \$9.4 million. Victoria represents 14% of Australia's exported wine volume and 12% of the value of exported wine from Australia.

COVID-19 has significantly impacted Australia's ability to export wine to international markets. This is due to the negative impact of the pandemic on global shipping capacity and efficiency of container management at ports.

**This has resulted in:**

- Increased costs associated with exporting
- Reduced ability to get wine to international markets and to import materials required for vintage such as barrels and other inputs
- Limited capacity to store wine from the next (2022) vintage.

The Australian wine industry is very exposed to the current shipping issues as nearly all wine is exported by sea. Logistics experts do not expect these issues to resolve until the second half of 2022 at the earliest.



# Executive Summary

## KEY FINDINGS FROM RESEARCH

### **PRODUCTION, SALES, AND INVENTORY**

Victoria produced approximately 250 million litres of wine in 2021, which was a 27% increase from the 2019 volume of 197.7 million litres. Red wine accounts for over half (54%) of production with 135.3 million litres and white with 114.8 million litres (46%) in 2021.

While wine production has increased over the past three years, the total volume of wine sales has declined by -10% to 198.4 million litres in 2021. This decline has been more pronounced in export sales (-13%) compared to domestic sales (-4%) due to the significant reduction in the export of premium red wine to China.

The market conditions in the coming years are likely to be challenging for both Victoria and Australia. This is due to a long-term decline in demand in most mature wine markets, high inventory levels combined with global shipping difficulties causing problems in getting wine to market.

### **TOURISM**

COVID-19 caused a significant decline in winery tourist numbers and expenditure in Victoria. In 2020, there was a -25% reduction in the number of winery visitors and -27% reduction in the number of visitor nights and regional expenditure from \$2.67 billion to \$1.95 billion.

The most significant reduction was in the number of international visitors to wineries (-32%) and association regional expenditure (-31%) due to Australia's international border closure from March 2020 to December 2021. Victoria's global tourist market is estimated to recover to pre-pandemic levels by 2024.

The 'soft' hospitality labour market continues to be problematic with difficulty staffing cellar doors and restaurants for wine businesses across the state. This is further compounding the downturn and delaying the recovery of wine-related tourism.

For every \$1 of direct value-added by the wine industry, a further \$2.17 of value is added elsewhere in the economy. A supported wine industry will directly grow the Victorian economy – particularly in regional Victoria. The reverse is also true; a wine industry not supported to increase production and value will also shrink the regional Victorian economy.



# Wine Regions of Victoria

## AROUND MELBOURNE

1. Yarra Valley
2. Mornington Peninsula
3. Geelong
4. Sunbury
5. Macedon Ranges

## NORTH - EAST VICTORIA

6. Rutherglen
7. Glenrowan
8. King Valley
9. Alpine Valleys
10. Beechworth

## CENTRAL VICTORIA

11. Bendigo
12. Heathcote
13. Goulburn Valley
14. Strathbogies
15. Upper Goulburn

## WESTERN VICTORIA

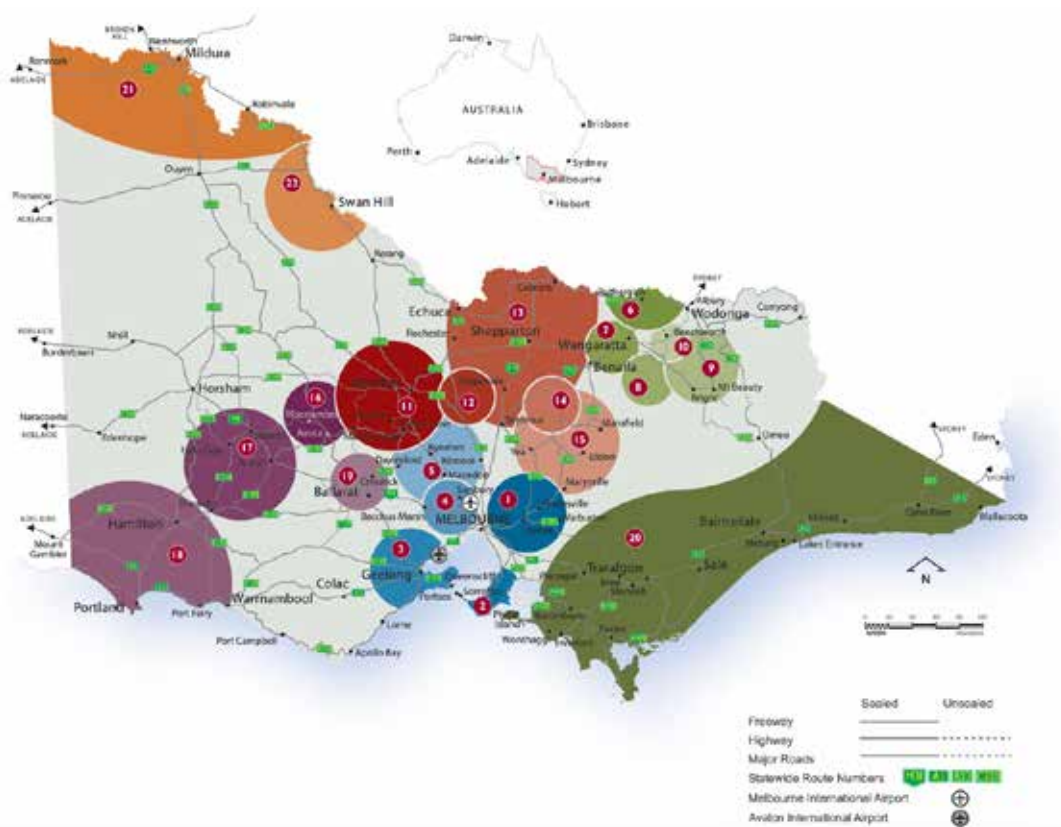
16. Pyrenees
17. Grampians
18. Henty
19. Ballarat

## SOUTH - EAST VICTORIA

20. Gippsland

## NORTH - WEST VICTORIA

21. Murray-Darling Swan Hill





# Victoria's Wine Industry Snapshot<sup>1</sup>

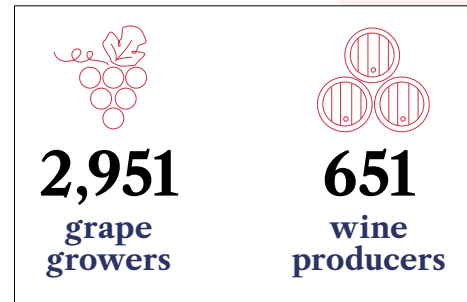
## ECONOMIC IMPACT



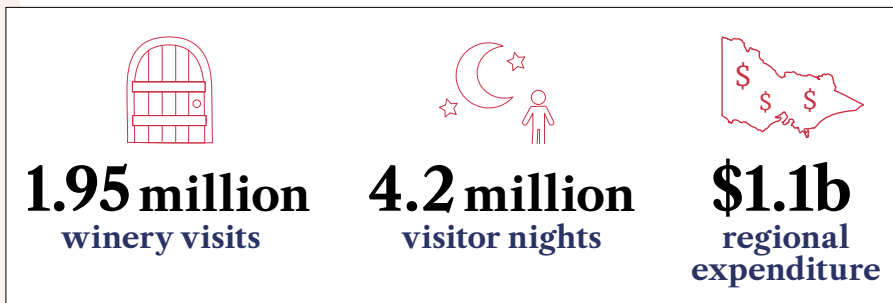
## EMPLOYMENT



## PRODUCERS



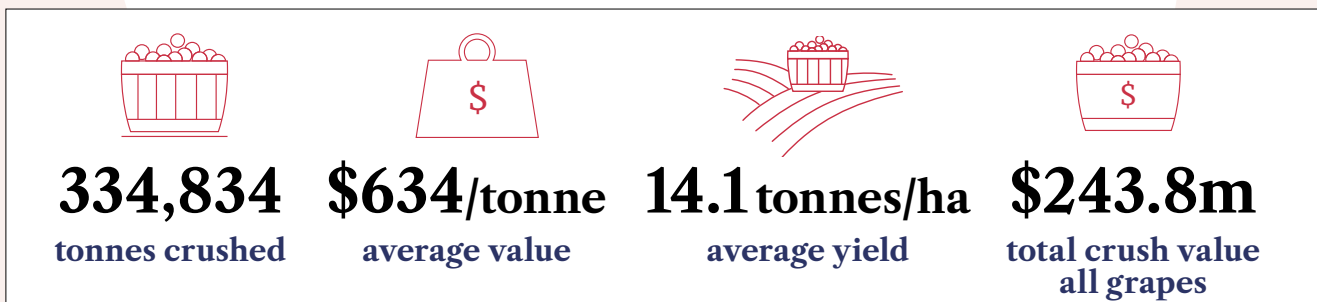
## TOURISM



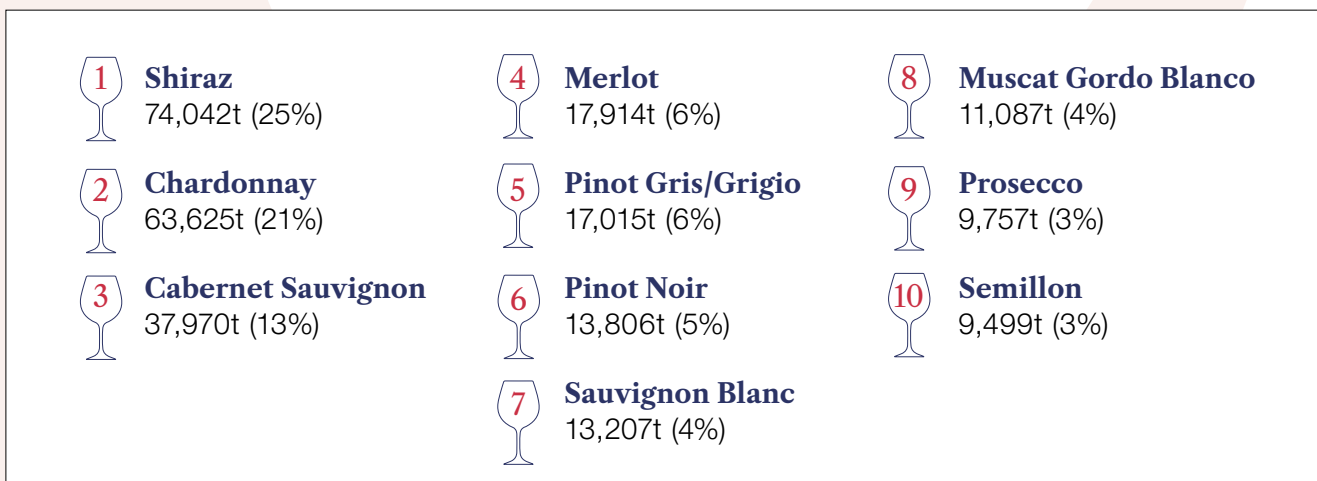
## PLANTINGS



## CRUSH



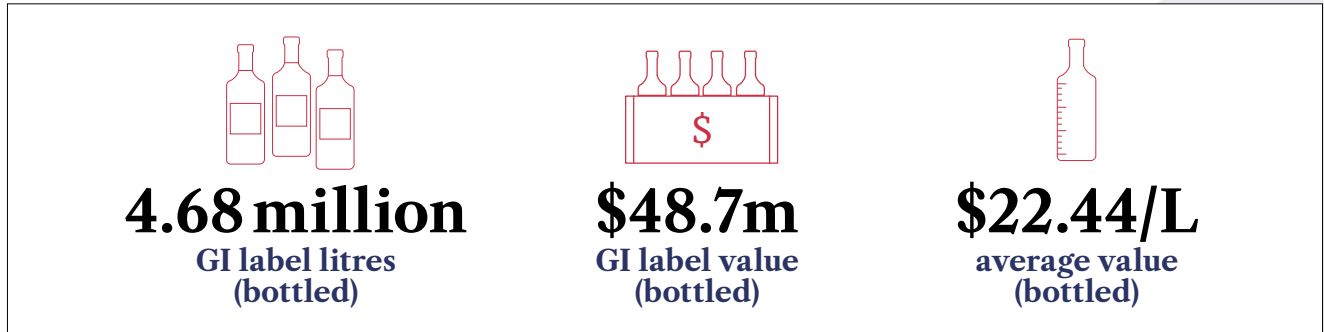
## TOP 10 VARIETIES BY WEIGHT



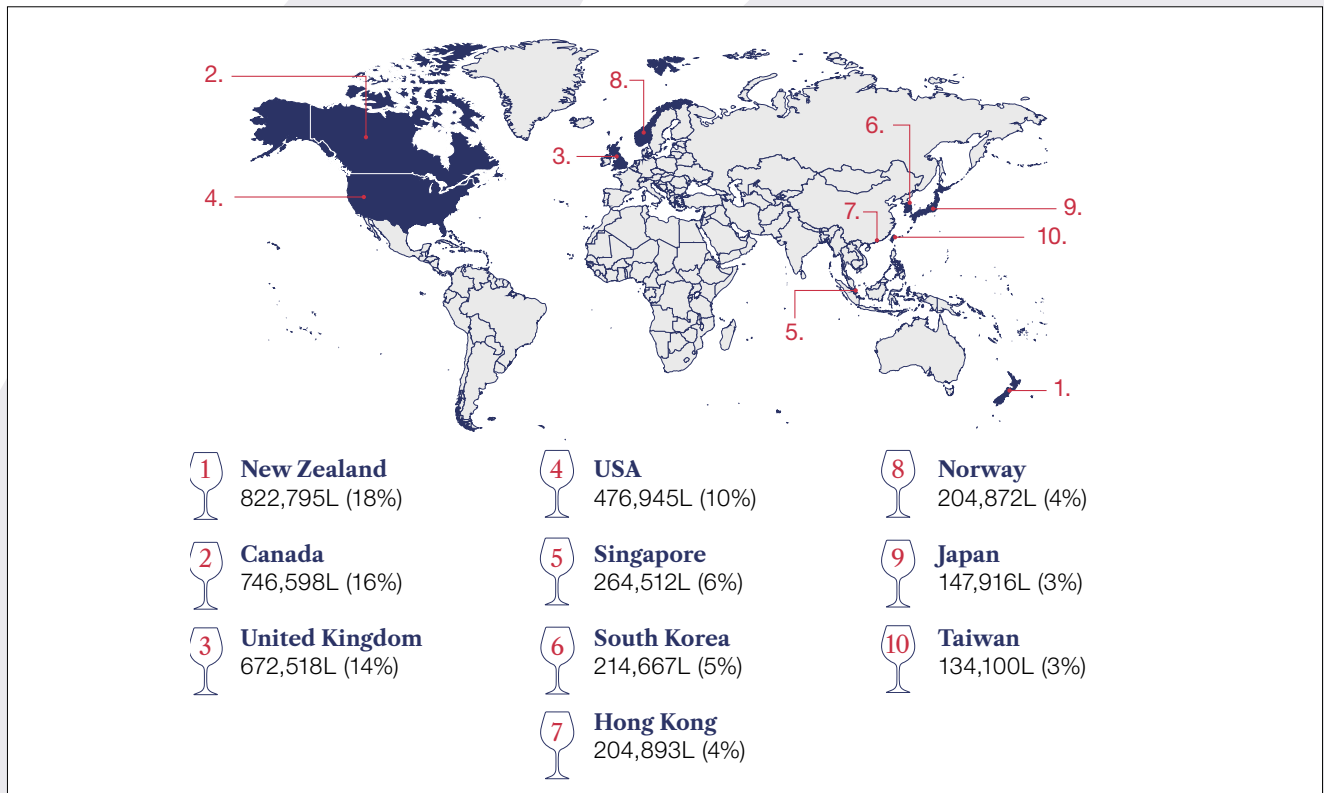
<sup>1</sup>Source: KRM Consulting Group Pty Ltd trading as RMCg

# Victoria's Wine Industry Snapshot<sup>2</sup>

## EXPORT



## TOP 10 EXPORT DESTINATION MARKETS BY VOLUME



## PRODUCTION, SALES AND INVENTORY



<sup>2</sup>Source: KRM Consulting Group Pty Ltd trading as RMCg

# Funding Programs

## GROWING VICTORIAN WINE INTO THE FUTURE 2022 – 2026

The wine industry is one of Victoria's key agricultural industries and a significant contributor to the state economy, jobs, tourism and exports. The industry is currently navigating changing global market conditions, going through a new phase of change and growth, along with addressing the challenges of a changing climate. The industry is also under pressure to demonstrate its economic and environmental sustainability.

Growing Victorian Wine into the Future 2022-2026, will address these challenges by taking advantage of vineyard redevelopment opportunities. This allows the Victorian wine industry to attract sustainable commercial investment, assisting in recovery from recent COVID-19 and international trade challenges, to position Victorian wine strategically in line with what modern consumers and 21st-century global

markets are seeking; sustainability, authenticity, regionality, and value. The proposed programs will help empower Victorian grape growers and winemakers to tackle climate change, work more sustainability for a healthier environment and increased profitability, protect and improve vineyard assets and connect with each other to build skills and knowledge leading to a secure and successful future for Victorian wine.

Wine Victoria seeks a commitment, beyond the current pilot, that the Government works in partnership with the wine industry and its partners to deliver the next three years of the Growing Victorian Wine into the Future strategy. This program will help ensure the long-term viability and sustainability of Victoria's grape growers and wine-makers.



# Funding Programs

## GROWING VICTORIAN WINE INTO THE FUTURE 2022 – 2026

### SUMMARY OF 4 PROGRAM AREAS

**This proposal outlines four program areas, under which sit several priority areas that will inform the format and content of projects to be undertaken.**

**Program 1** - Addressing Climate Change

**Program 2** - Improving Productivity, Sustainability and Competitiveness

**Program 3** - Biosecurity Awareness and Preparedness

**Program 4** - Building Capability, Leadership, and Industry Assets

**Successful implementation of the Growing Victorian Wine into the Future 2022-2026 programs will result in a Victorian wine industry that demonstrates:**

- Increased sustainability and smaller carbon footprint
- Improved quality, productivity and profitability that encourages capital investment
- Recovery and growth of Victorian wine's contribution to the state economy, jobs, and exports
- Innovation in grape growing and winemaking that engages modern consumers at home and abroad
- Healthy vines and informed practices to protect the future of Victoria's vineyard assets
- A knowledgeable and well-connected industry that actively fosters the leaders of the future



# Funding Programs

## GROWING VICTORIAN WINE INTO THE FUTURE 2022 – 2026

### **BENEFITS**

Wine Victoria estimates the direct attributable economic benefits of the proposal to be \$19.5 million per annum, or \$78 million over the four-year life of the program, based on the expected improvement of wine grape quality and the resulting impact on grape value, wine value and exports. The expansion in the wine sector could also result in broader economic benefits and creating jobs in Victoria.

### **RECOMMENDATIONS**

Wine Victoria is seeking \$2 million contribution from the Victorian State Government, to build on year one commitment for Growing Victorian Wine into the Future with a total cost of \$3.65 million. Contributions by industry and other partners will fund remaining investment.

Wine Victoria is seeking a partial funding commitment from the Victorian Government of \$2.0 million for the program. Contributions from industry and other partners will fund the remainder.



# Funding Programs

## VICTORIA'S GLOBAL PRIORITY MARKETS 2022 – 2026

**The trade priorities aim to develop a profitable and sustainable export market for Victorian wine. This platform seeks to address the following critical challenges:**

- Trade development activities need to be focused on higher value markets and segments to lift average sale prices and improve profitability.
- Victorian wine lacks a clear context in international markets: shared messages and program delivery between the industry and the government is needed to support export development.

The outcome sought through the trade priorities is more Victorian wine sold at higher prices through focused export development and better global perception.

According to the Victorian Government, wine is Victoria's most valuable export commodity measured on value per unit exported, and the industry is an important contributor to overall Victorian exports.



# Funding Programs

## VICTORIA'S GLOBAL PRIORITY MARKETS 2022 – 2026

Victoria represents 14% of Australia's exported wine volume and 12% of the value of exported wine from Australia.<sup>3</sup>

### In 2021, Victoria exported:

- 4.7 million litres of packaged wine at a value of \$48.7 million.
- 5.5 million litres of bulk wine at an export value of \$9.4 million.<sup>4</sup>

### Impacts of COVID on trade:

The volume of wine exported from Victoria has decreased by 57%, from 108 million litres in 2019 to 47 million litres in 2021.<sup>5</sup>

The average value per litre of exported bottled wine has remained static at approximately \$10 per litre from 2019 to 2021 (Figure 6-3). By comparison, the Victorian bulk wine price has increased by approximately 30% from \$1.31/L in 2019 to \$1.70/L in 2021.<sup>6</sup>

### Export to Top Destination Markets

Victoria's top ten destination export markets are shown in Figure 6-4. In 2021, most Victoria's wine exports went to New Zealand (18%), Canada (16%), the United Kingdom (15%), the United States of America (10%) and Singapore (6%).<sup>7</sup>

Premium wines, such as those produced in Victoria, are increasingly becoming sought-after in international markets. Moving away from a commodity market to premium positioning is key to the future of the Victorian wine industry.

Trade development activity is needed to capture Victoria's share of the opportunities emerging in higher-value export markets. The Victorian industry aims to collaborate with Wine Australia to focus trade development efforts on segments where Victoria has a competitive advantage. Victoria is uniquely positioned to offer a broad range of quality products at all price points, making our offering appropriate in diverse markets. Programs under this platform aim to raise industry export capability and grow the reputation of Victorian wine through stronger and more consistent messaging.



# Funding Programs

## VICTORIA'S GLOBAL PRIORITY MARKETS 2022 – 2026

### PRINCIPLES:

- Focus on growth in volume and value
- Broad industry involvement, including new and existing exporters
- Partner with Government agencies where appropriate
- Co-investment and/or in-kind contribution from industry
- Program governance and delivery managed by Wine Victoria

### OUTCOMES:

#### 1. Participation

- Increase participation of Victorian wine producers in international markets
  - Market entry activity
  - Producer education

#### 2. Performance

- Increase Victorian wine sales volume and value
  - Trade activity
  - On-Premise and Retail activity

#### 3. Awareness

- Increase awareness of Victorian wine regions
  - Influencer engagement
  - New and traditional media

### PRIORITY REGIONS:

- Global priority: create market entry opportunities and actively grow largest markets through program of activity
- Asia region priority: create market entry opportunities and align with other in-market activities





# Funding Programs

## VICTORIA'S GLOBAL PRIORITY MARKETS 2022 – 2026

### GLOBAL PRIORITY MARKETS:

Undertake an active program of activity (own and with fulfilment partners), including market entry, showcases, promotional work, brand ambassador work, trade initiatives and support, and strategic partnerships and relationships.

#### US

- Implement US strategy
- \$1.25M+ annually
- (Year One 2021-2022, Year Two 2022-2023- funded). Seek continuation of funding for Year Three 2023-2024 and beyond

#### UK

- Develop strategy and program of works
- \$500K+ annually

#### China

- Watching brief: maintain relationships (Vic House) and develop strategies for trade re-opening
- Maintain relationships, education
- \$100K annually, plus \$500K for re-opening activity

### ASIA PRIORITY MARKETS:

Support market entry programs and align with other trade and marketing programs

#### South Korea

- Market entry. Continue trade engagement activities with Global Vic, Austrade, and Wine Australia. \$100K annually.

#### Japan

- Market entry. Continue trade engagement activities with Global Vic, Austrade, and Wine Australia. \$100K annually.

#### Singapore

- Market entry. Continue trade engagement activities with Global Vic, Austrade, and Wine Australia. \$100K annually.

#### Malaysia

- Market entry. Continue trade engagement activities with Global Vic, Austrade, and Wine Australia. \$100K annually.

#### Vietnam

- Market entry. Continue trade engagement activities with Global Vic, Austrade, and Wine Australia. \$100K annually.

### BENEFITS

- Open new export markets and expand existing markets
- Grow Victorian wine value and volume in international markets
- Creating a more sustainable industry through market diversification

### RECOMMENDATIONS

The Victorian Government supports the Priority Market Program with a contribution of \$8,650,000 over the four years to 2026. The Victorian wine industry will match funding with direct investment and in-kind support for the program

<sup>3</sup>Source: Wine Australia (2021) MAT data

<sup>4</sup>Source: Wine Australia (2021) GI label claim data

<sup>5</sup>Source: Wine Australia, Victoria State Export Reports (12 months to 31 December) and data for 2019, 2020 and 2021, <https://www.wineaustralia.com/market-insights/australian-state-export-reports>

<sup>6</sup>Source: Wine Australia, Victoria State Export Reports (12 months to 31 December) and data for 2019, 2020 and 2021, <https://www.wineaustralia.com/market-insights/australian-state-export-reports>

<sup>7</sup>Source: Wine Australia, Victoria State Export Reports (12 months to 31 December) and data for 2019, 2020 and 2021, <https://www.wineaustralia.com/market-insights/australian-state-export-reports>

# Funding Programs

## REINSTATE WINE GROWTH FUND 2022 – 2026

The Wine Growth Fund was a highly successful program to develop and grow the wine industry in Victoria, and to support the industry to be viable and sustainable. Grants up to a maximum of \$20,000 were available to individual organisations. Applicants were expected to make a financial contribution and/or source third-party funding. Grants were provided on a \$1 for \$1 basis.

Through the Wine Growth Fund, the Victorian Government committed to growing the State's wine industry to increase its domestic and international markets, improve wine tourism and grow local businesses.

**A key benefit of the fund is to support investment and jobs by:**

- Supporting business investment into new facilities and services
- Supporting business investment into new / upgraded technologies
- Encouraging wineries and wine growers to expand operations to enhance business viability, retain existing jobs and create new jobs



# Funding Programs

## REINSTATE WINE GROWTH FUND 2022 – 2026

### **Achieving positive outcomes:**

Rutherglen Estates revitalised its existing cellar door by designing an art gallery in the existing space. The winery has already secured the rights to display an extensive collection of indigenous Australian art that including paintings and sculptures.

The project is expected to generate two new jobs. It will improve the tourism offering in Rutherglen and encourage extended stays that will consequently create flow on benefits to the local economy.

Tourism Northeast used funds towards a three-stage major research project. This project will allow for the enhancement and/or development of new products, more targeted communications and marketing, and the potential development of infrastructure required to attract greater numbers of wine tourism visitors to the region.

Lethbridge Wines - Sustainability through mulch and compost project was a vineyard trial that compared two types of under-vine mulch cover - straw and woodchip - over eleven acres. This project set out to improve water use efficiency, decrease evaporation losses and increase grape yields and quality by using the best method of under vine mulch.

### **BENEFITS**

- support adaptation to a new industry operating environment
- increase visitation and expenditure within Victorian wine regions
- develop profitable and sustainable export markets
- strengthen industry structure and coordination
- support investment and jobs.

### **RECOMMENDATION**

That the Victorian State Government commits to \$1 million per annum, a total of \$3 million, to support the Victorian wine industry over the next 3 years to support dollar for dollar investment to develop and grow the wine industry in Victoria.



# Policy Recommendations

## WINE AND HEALTH

The Victorian wine industry welcomes the actions by all levels of Government to reduce alcohol-related harm in society. As part of this effort, Wine Victoria has been at the forefront of working with our members to activate responsible consumption messaging and prevent abuse where we have direct influence.

The wine industry supports many of the priorities and actions outlined in the 2019 National Alcohol Strategy, 2019-2028. These include national standardisation of Responsible Service of Alcohol requirements, improved awareness and enforcement of secondary supply legislation to delay the start of underage drinking, and improved treatment, information, and support services.

However, our industry opposes actions that are population-wide strategies because these are considered ineffective in helping those in real need. The key area of concern for the Victorian wine industry in relation to the National Alcohol Strategy is minimum unit floor pricing (**MUFP**).

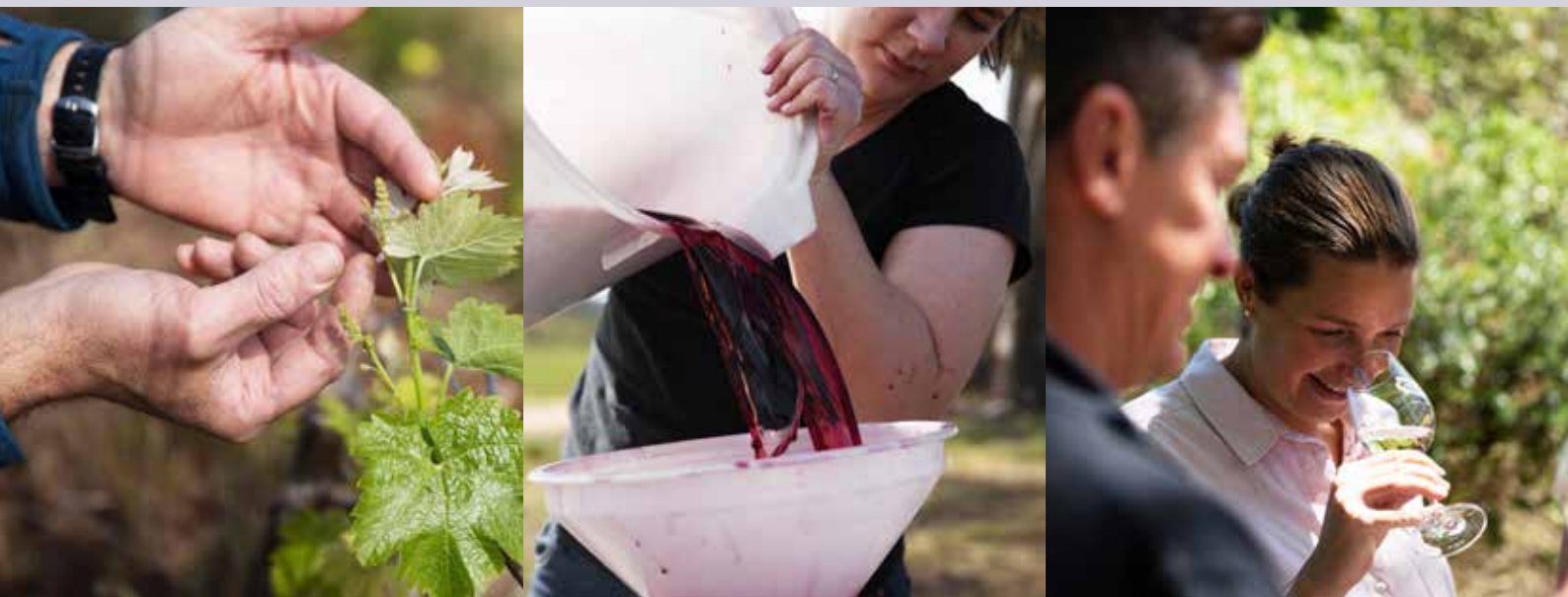
MUFP is the responsibility of state and territory governments. If legislated, MUFP would determine that alcohol products cannot be sold at a price lower than a stated value per unit of alcohol.

Compared with many other countries, Australia already has substantial regulatory regimes in place concerning alcohol, including price controls through excise and GST applied to alcoholic products and advertising controls.

### **With respect to the taxation regime, the National Alcohol Strategy (2019-2028) (NAS) noted:**

*"In 2015, the Organisation for Economic Co-operation and Development (OECD) reported that Australia consistently ranks in the top third of countries for the taxation of alcoholic beverages, particularly for beer and spirits. Excise rates for alcohol are indexed twice a year in line with the consumer price index (CPI). Wine is subject to a separate wine equalisation tax (WET) which is based on value and not alcoholic strength."<sup>1</sup>*

<sup>1</sup> National Alcohol Strategy (2019-2028) NAS, p. 21



# Policy Recommendations

## WINE AND HEALTH

The Northern Territory is the first Australian Government to introduce an MUFP. As a result of the NT's \$1.30 MUFP, the cost of a four-litre cask of red wine in the NT increased to approximately \$56.00, compared with a current price range of \$12-\$22 in Melbourne. Additionally, an average bottle of white wine has a minimum price of approximately \$9.75.

The Victorian Wine Industry believes that an MUFP unfairly targets low socio-economic consumers and incorrectly profiles them as the main source of alcohol abuse.

Additionally, an MUFP will directly increase revenue for the large liquor retailers, while generating no additional revenue for Government health expenditure and no flow-on benefits for producers.

This inability of Government to gain a net benefit from a MUFP to fund policies to deal with harm, means that increased prices on lower-cost products will not result in any health gains for people with serious alcohol addiction. However, there will be a net cost to general consumers in lower socio-economic circumstances with increased alcohol prices, a clear unintended consequence of MUFP policy.

Victoria is a premium-producing wine state. In the recent past, the Victorian wine industry has been willing to negotiate the removal of bulk and unbranded product from the national taxation rebate system (WET rebate), thus limiting the long-term viability of this lower-cost stream of products in a competitive domestic market.

As wine producers at all price points work on increasing the premium aspects of their product, we will continue to seek assistance from Governments in promotion and production assistance to meet this objective. We will also work with governments on effective policies that ensure our product is enjoyed responsibly but not excessively.

## RECOMMENDATION

- No minimum unit floor pricing policy is introduced in Victoria over the next four years; and
- The wine industry is consulted as a stakeholder and partner in the development of any policy that ensures our products are consumed responsibly.



# Policy Recommendations

## RECYCLING AND CONTAINER DEPOSIT SCHEME (CDS)

Wine Victoria strongly supports recycling wine bottles as part of the sustainable and responsible operation of Victorian grape growers and winemakers. We endorse initiatives that recycle waste in the most effective manner and maximise the value and benefit of that waste.

Wine Victoria welcomes the introduction of the four-bin kerbside collection system, which separates glass products from other recycling streams. We believe that, in conjunction with the proposed Container Deposit Scheme (CDS), the new collection system will improve the quality of all recycled materials, decrease contamination in other recycling streams like paper and cardboard, and improve the quality of glass collected. These initiatives will result in more recycled glass bottles and increased use of recycled glass sand in civil construction projects.

**The joint operation of these initiatives maximises their effectiveness.**

Waste materials should be recycled in the most appropriate manner to maximise their value in the circular economy and to remove them from the litter stream. Therefore, the two initiatives are most effective working in tandem.

Wine Victoria believes that the most appropriate method of recycling wine bottles is through the four-bin system where glass is separated and that a Victorian CDS should exclude these bottles.

It is important that a Victorian CDS be consistent with the schemes operating in other states and territories to improve their effectiveness and minimise the operational cost for the beverage producers who fund these programs. In New South Wales, Queensland, South Australia, Western Australia, the Northern Territory and the ACT, states and territories where Container Deposit Schemes currently operate, wine bottles are excluded from the schemes.

This makes good policy sense. The CDS aims to reduce the number of containers that are found in the litter stream. At the same time, the fourth glass-only kerbside bin provides a solution for collecting all glass containers used at home and commercial premises and are otherwise unsuitable for the CDS. Data has indicated that the division is correct because containers excluded from the CDS make up a minimal percentage of the litter stream.



# Policy Recommendations

## RECYCLING AND CONTAINER DEPOSIT SCHEME (CDS)

**National consistency will improve the overall effectiveness of these schemes and ensure that the cost of operating them is minimised for the beverage producers who fund them.**

In the context of a CDS, it is important to remember that the vast majority (approx. 90 percent) of Victoria’s wine businesses are small, often family-operated, businesses with limited financial resources to absorb additional costs if a CDS were to include wine bottles.

These additional costs include direct costs of paying the 10-cent refund to consumers and handling fees to recycling facilities; the indirect cost of extra administration time to produce sales reporting for the scheme coordinator, processing accounts payable, and managing label registration requirements.

Victoria’s small wineries do not have the sales volumes or market power to increase their prices to offset the direct and indirect cost of a CDS. It would be another fiscal burden for an industry damaged by bushfires, hampered by tariffs imposed by China, and struggling with the COVID impact of reduced sales to licensed premises.

### RECOMMENDATION

Wine Victoria recommends that the Victorian Government implement a Container Deposit Scheme CDS which is consistent with those in other states and territories and exclude wine bottles from the CDS.



# Policy Recommendations

## VICTORIAN LIQUOR SUBSIDY (VLS)

### Context

The Victorian Liquor Subsidy (VLS) is a 15 per cent subsidy on the wholesale value (7.5 per cent of retail value) of wine sold through the cellar door and wine club. The subsidy is a state rebate of Federal taxes on cellar door sales, and as such, is only available to large scale producers who have exhausted the Wine Equalisation Tax (WET) rebate and have demonstrated sufficient cellar door sales to be qualified to be regionally significant and hence, iconic.

Wine Victoria recognises that the current VLS subsidy format requires occasional review and reform but submits ongoing government investment in the subsidy is crucial to ensure the wine industry continues to support the Government's economic objectives in relation to regional tourism and job creation.

### Economic Impact – Findings of Wine Victoria's review

In 2016 Wine Victoria commissioned a review to evaluate the economic impact of the VLS, and to understand the impact of any possible removal of the scheme on the wine industry and recipient businesses.



#### **The review found that the Victorian Government has received significant benefit from investing in the recipients of the VLS, which has notably:**

- generated \$680 million in gross state product annually (likely \$850 million);
- supported 4,935 ongoing jobs (direct and indirect) (likely 6250);
- resulted in new infrastructure investments: \$7 million in cellar door infrastructure renewals and capital works - 80% of recipients have made infrastructure investments.
- supported events and activities: Investing \$1.1 million cellar door events annually.
- increased visitation: by a range of 5% to 20% each year; and
- generated government revenue of \$8.5 million to state and local governments.

\*It should be noted that this figure is understated as there are additional recipients who have not contributed to the evidence base.





# Policy Recommendations

## VICTORIAN LIQUOR SUBSIDY (VLS)

### Importance of the VLS to Wine Tourism

Recipients of the VLS act as regional tourism icons, generally employ large numbers of staff, have the required high-end food offerings, and generate activity and investment throughout the local community by hosting culturally enriching events.

The Government has set tourism strategies that rely on regional visitation and quality wine offerings. Ongoing, reliable, and timely investment is fundamental to ensuring iconic cellar doors continue to flourish and attract visitors.

### RECOMMENDATIONS

Whilst the actual cost of the VLS is unknown by industry, we understand the annual spend by government is approximately \$2.5 million – \$3.0 million each year, depending on number of sales that are made by wineries through the cellar door once the federal WET rebate has been exhausted.

As such, Wine Victoria estimates the total program cost for the VLS over a four-year period should be budgeted at \$12 million.



# Policy Recommendations

## MAJOR EVENTS & COMMONWEALTH GAMES – LOCAL CONTENT POLICY

### Overview

In recognition of the contribution that a Victorian industry and workforce can make to the state economy, the Victorian Government introduced a local supplier and policy to ensure that the Government procures workers locally and legislation (Victorian Local Jobs First Bill) to mandate minimum local supplier content on major projects.

This initiative was applauded by the wine industry and was seen as an excellent model for how the Government could support the food and beverage sector.

### Opportunities

Victoria is the events capital of Australia – annually attracting a range of highly connected international influencers to play and stay. At each event, a range of food and beverage offerings are served.

Unfortunately, at many of these events, wines from other states or countries are profiled (see below). The Opportunity to put our premium producers and products on the world stage represents, for many, a promotional money can't buy opportunity that the wine industry would welcome.

The creation of a minimum local content policy for Victoria's Major Events (where the government provides sponsorship or funding) would be a key path to ensuring our producers are intrinsically linked to the prestige of Victoria's enviable events calendar.

Wine Victoria recognises there are various contractual arrangements in place to deliver these events and a smaller target to start the policy would be required. As such, we recommend that a 20 per cent minimum content across the board is put in place for the first year (10 per cent minimum for beverage producers).

Wine Victoria would like to ensure that the staging of the 2026 Commonwealth Games is a prime opportunity to profile what regional Victoria has to offer to the world – the best food and wine, outstanding arts and culture, and breathtaking landscapes. The Games will also leave a legacy for elevating trade and tourism opportunities for Victorian produce.

### Recommendation

The development of a mandated Local Content – Food and Beverage policy for all the Victorian Government's major events including the 2026 Commonwealth Games.

## RECOMMENDATION

The development of a mandated Local Content – Food and Beverage policy for all the Victorian Government's major events including the 2026 Commonwealth Games.





Thank you for your consideration.

**Contact**

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