



Australian Government

Wine Australia

# Wine Australia for Australian Wine

11 February 2022

Australia's Maritime Logistics System Inquiry  
Productivity Commission  
Locked Bag 2, Collins St East  
Melbourne Vic 8003

*Submitted electronically*

Dear Commissioners

## **Submission to Productivity Commission re Australia's Maritime Logistics System**

Wine Australia welcomes the opportunity to make a short submission to facilitate the Productivity Commission's inquiry into Australia's maritime logistics system.

### **Wine Australia - Background**

Wine Australia is a Corporate Commonwealth entity that operates in accordance with the *Wine Australia Act 2013 (Act)*. In accordance with section 3 of the Act, Wine Australia's objects include:

- to support grape or wine research and development activities
- to support the growth of the wine industry, and other industries that make wine
- to support the growth of international wine tourism, and services, products and experiences that complement international wine tourism
- to control the export of grape products from Australia
- to promote the consumption and sale of grape products, both in Australia and overseas, and
- to enable Australia to fulfil its obligations under prescribed wine-trading agreements and other international agreements.<sup>1</sup>

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<sup>1</sup> There being two such agreements - the Agreement between Australia and the European Community on Trade in Wine (Australia - EU Wine Agreement); and the Agreement on Trade in Wine between the Government of Australia and the Government of the UK of Great Britain and Northern Ireland (Australia - UK Wine Agreement).

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Wine Australia is funded by grape growers and winemakers through levies and user-pays charges and the Australian Government, which provides matching funding for research, development and adoption investments.

Wine Australia is not an advocacy body, nor does it engage in agri-political activity.

### **Current state of the Australian wine sector**

Approximately 60 per cent of wine produced in Australia is exported, with 619 million litres of wine exported from Australia over the 2021 calendar year. Of that volume, 62 per cent was exported in 24,000 litre bulk containers. The heavy nature of those containers limits the ports at which they can be offloaded.

The top five export markets by volume are the UK (243 million litres), US (125 million litres), Canada (47 million litres), Germany (34 million litres), and New Zealand (31 million litres).

Australian wine is currently shipped to 116 export markets. In 2021 there were 1876 active exporters.

Wine Australia's latest [Export Report](#) for the year ending December 2021 indicates a 30 per cent reduction in the value of Australian wine imports over the 2021 calendar year – a loss of \$1 billion in free on board (FOB) value to the Australian wine export market.

In addition, record wine production combined with a reduction in overall sales volume saw inventory levels and stocks-to-sales ratios increase in the year ended 30 June 2021.

Wine Australia's [Production, Supply and Inventory Report for the 2020–21](#) financial year confirms that the national wine inventory levels were the highest since 2005–06 at the end of June 2021 – a trend we expect will continue throughout 2022.

### **Impact of global shipping disruptions**

Global shipping delays are causing significant impacts for the Australian grape and wine sector.

Although the recent downturn in Australian wine exports is mostly attributable to the imposition on high deposit tariffs on Australian wine

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imported to China, it is being exacerbated by the limited availability and high cost of shipping containers.

Exporters have reported to us that they experienced both increased delay times, decreased reliability, and significantly increased costs of containers over the past year with major logistics companies recently reporting that Australia represents only one per cent of global container throughput. Accordingly, the Australian grape and wine sector considers that it is currently at the mercy of bigger international players with this increased demand for freight, hence at a competitive disadvantage.

This is causing cash flow and storage issues for wineries, with many businesses reporting that shipping delays have resulted in them having tanks and barrels that are still full ahead of the 2022 harvest period, meaning their ability to process and store wine from the 2022 harvest period is limited.

Accordingly, there is an expectation that, in many circumstances, grapes will be left on the vine over the 2022 harvest period with early forecasts suggesting that 300,000 tonnes of grapes may not be harvested – an estimated \$165 million in value.

Leading into the 2022 vintage period the sector also reported difficulties in securing additives, processing aids, barrels and winery equipment from overseas suppliers as a result of the shipping disruptions. Those able to secure such supplies reported that they paid a premium, thus significantly increasing production costs and putting further pressure on profitability.

The sector is reporting that this will have a significant impact across the Australian grape and wine sector.

Noting that the Australian Consumer and Competition Commission 2021 report into container stevedoring monitoring indicated that Australian ports have a poor reputation for efficiency and performance, to mitigate the impact of the global shipping disruptions, our stakeholders have indicated that:

- significant investment is needed to increase the efficiency and improve the infrastructure at Australian ports
- there is a need for improvements in domestic infrastructure affecting port efficiency, and
- there is merit in reviewing industrial relations practices connected to ports to ensure these are fit-for-purpose.

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## **Further information**

Through its administration of the export controls, Wine Australia collects data about every wine exported from Australia, including date of export, FOB value, volume, packing type, destination market, port of loading and unloading, vessel, etcetera.

Wine Australia would welcome the opportunity to assist the Commission through the provision of aggregated data should it be of assistance.

Please contact us if you require any further information.

Yours sincerely

## **Rachel Triggs**

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