Western Australian Wine Industry Strategic Plan 2014–2024

Contents

Western Australia

GI Regions and Sub-regions

Foreword

Wine quality in Western Australia has never been better. The key factors at play are the maturing age of vineyards, the pedigree of our vignerons and winemakers, our pristine environment, and the exceptional run of strong vintages starting in 2007.

Increasingly, our regional stories are developing depth and authenticity based solidly on provenance. The people who have invested their life in developing regional strengths are best placed to share these stories and are doing so with increasing success around the world.

We are maturing nicely. Recent extraordinary international and domestic wine show results prove we are focusing our energy correctly with the right varieties in the right regions. This story will remain the biggest tale of our industry in the coming decade.

Innovation will give us some benefit, however the evolving maturity of vignerons and winemakers working to achieve excellence with new clones and the right varietal selection for the region and site will pay the biggest dividends.

We stand at the dawn of a broader view that generic Australian marketing themes are a thing of the past. Most importantly, Tourism Australia, for the first time, will invest significant resources to promote the wine, food and lifestyle of Australia to a world of high value consumers searching for authentic experiences. It will represent Australia as it is today, a cosmopolitan society still strongly connected to its food producers focusing on our unique expression of food and wine. The runaway success of Margaret River Gourmet Escape is very symbolic of how we will continue to interact with our wine and food ambassadors in the future.

The state of play in general from the wine producer's perspective on domestic sales remains grim. The larger retailers continue to increase market share to more than 70% and that share continues to be filled with house brands. This makes the need for liquor licence reform to create alternative access to market for small producers extremely important.

It is also imperative that medium and large producers continue to expand export markets. A bottle exported is one less on the domestic shelf, and these developing markets offer the best solution to our capacity to grow more fruit than we can currently sell at sustainably profitable margins.

All roads lead to Asia, and more specifically, China. WA sends more than 50% of our exported wine into Asia and about a third of this into China.

Asia takes 60% of Australian wine valued above $10 per litre FOB, a category that is profitable and sustainable. As China's middle class continues to grow, so should its demand for more premium products, including quality wines that cannot be produced in bulk.

The potential of this market should be patently obvious to all. When considered beside the existing trade relationships that WA shares with China in other sectors, the opportunities presented are significant and must be realised through a collaborative and strategically implemented approach that utilises all the resources that can be accessed by a unified and influential industry.

In conclusion, the development of this strategic plan has been a highly constructive process of engagement with industry in shaping our future. It is clear we need to be focused on a unified voice with strong regional brands championing their provenance and personalities.

Nigel Gallop
Chair, Strategic Review Reference Group

April 2014

Acknowledgements

Strategic Review Reference Group

Chair:	Nigel Gallop	Fraser Gallop Estate, Margaret River
Members:	Jim Campbell-Clause	AHA Viticulture, Dunsborough
	Peter Forrestal	Independent wine journalist
	Cathy Howard	Whicher Ridge Estate, Geographe
	Denis Horgan	Leeuwin Estate, Margaret River
	Kate Lamont	Lamonts, Swan Valley
	Hunter Smith	Frankland Estate, Great Southern
	Redmond Sweeny	President, Wines of Western Australia Snake and Herring, Margaret River
	Glynn Ward	Department of Agriculture and Food
	Anthony Wilkes	Ferngrove Wines, Great Southern
Regional associations:	Blackwood Valley Wine Industry Association	
	Geographe Wine Industry Association	
	Great Southern Wine Producers	
	Margaret River Wine Association	
	Manjimup Wine Region Association	
	Peel Wine Association	
	Pemberton Wine Region Association	
	Perth Hills Vignerons Association	
	Swan Valley and Regional Winemakers Association	
Partner organisations:	Department of Agriculture and Food	
	Perth Region Natural Resource Management	
	Grape and Wine Research and Development Corporation	
	Wines of Western Australia	


CAB SAV
13

Executive Summary

This Strategic Plan is **the result of a wide-ranging strategic review** of the Western Australian Wine Industry in consultation with industry participants and stakeholders in late 2013. Industry fully supports the plan and gives the state peak body, Wines of Western Australia (WoWA), and Regional Associations, the mandate to implement this bold and ambitious strategy.

Vision	A Western Australian Wine Industry that grows sustainably and profitably, built on the reputation of its great fine wine regions.
Objective	The fine wine regions of Western Australia are recognised as some of the best, most distinctive and pristine in the world.
Pathways to success	A unified, focused, proficient and strategically influential industry. Regional fine wines of provenance and authenticity.
Mission	Develop a unified, influential voice to create opportunities for the fine wine regions of Western Australia. Work in partnership with national industry and government bodies to strengthen Western Australia's position as the pre-eminent regional fine wine producing state in Australia.
Charter	Wines of WA provides stewardship of the industry. Regional Associations are the custodians of their regional brands.

This Strategic Plan sets out an agenda of 10 strategic focus areas with objectives, initiatives and timelines. The strategy will achieve these objectives by working to maximise and align the existing and potential resources of industry and government at the national, state, regional and local levels. The plan ensures a long-term strategic direction while taking immediate action on priority issues. WoWA will establish Working Groups to address the strategic focus areas and develop actions and key performance indicators (KPIs) to pursue the linked objectives.

Strategic focus areas

1. Form a unified industry structure

Industry needs a unified voice to effectively harness and co-ordinate the available resources of industry and government in the best interests of the industry's future.

Industry will form a unified structure with WoWA and Regional Associations.

WoWA and Regional Associations will formalise their roles, responsibilities and relationships.

Core functions include:

- WoWA advocacy, co-ordination of effort, representation and policy formulation.
- Regional Associations promote and market regional brands, identify and address local issues.

Regional Associations will develop strategic and marketing plans in a collaborative manner ensuring resources are utilised efficiently while achieving the greatest impact.

2. Industry-wide funding for state and regional bodies

The organised industry structure needs secure funding to be effective.

WoWA will work with industry to develop an industry-wide secure funding model and canvas its introduction with industry.

3. Grow the demand for regional fine wines in domestic and international markets

The industry will pursue the strategic market development plans of regions in partnership with industry and government. The plans will align with national industry strategies but will focus on regional fine wines and key domestic and emerging Asian markets.

Targets include:

- Doubling exports to $100 million in the next three years.
- Increasing WA's regional fine wine share of key domestic markets.
- Re-engaging with North American, UK and European markets.
- WA's regional fine wines to become the wine of first choice for WA consumers.
- Greater focus on marketing fine wine regions from Wine Australia Corporation (WAC) internationally over the coming five years.
- A Wine Australia Office in Perth that has export development resources co-funded by WA's federal levies to WAC, the State Government and the WA Wine Industry.

To achieve these targets, industry will seek to extend the WA Wine Industry International Marketing Plan to a value of $5 million over the next five years and include a domestic strategy that aligns with these targets.

4. Focus on regional fine wine production

Western Australia is predominantly a fine wine producing state.

Industry will work collectively to grow the reputation of our fine wine regions and their capacity to deliver.

Targets include:

- Developing a critical mass of successful producers in each region united behind a clearly articulated regional identity.
- These producers achieve national and international recognition for their wines, which is measurable through show results and other formalised review systems (Parker, Halliday, Langton's).
- Increased and co-ordinated industry-relevant RD&E efforts to improve grape and wine quality, improve winemaking and reduce costs of production.
- Investigating profitable fine wine business models and existing successful fine wine regions around the world that focus on sustainably profitable fine wine production.

5. Expand wine and food tourism

The industry needs to capture the unrealised tourism opportunities and synergies between the food and wine sector for mutual benefit.

Initiatives include:

- Partnering with the tourism and food sectors at state and regional levels.
- Alignment with national industry strategies to expand domestic and international wine and food tourism.

6. Improve engagement with RD&E

The industry needs to make better use of the RD&E resources available to benefit from the rapid adoption of relevant research and innovation.

Initiatives include:

- Collaborative RD&E programs with industry, government and university partners that support the strategic objectives for fine wine production, environment and sustainability, biosecurity and market development.
- Co-ordinated RD&E efforts to build industry capacity in focus areas including grape and wine quality, cost of production, winemaking and pest and disease management.
- Strengthened industry framework to better identify and address state and regional RD&E priorities.

7. Improve industry biosecurity and enhance our clean and green competitive advantage

The industry will develop and implement biosecurity plans in collaboration with government and relevant cross-sector industries.

The plans will pro-actively protect industry's low pest and disease status and enhance its clean and green competitive advantage.

Initiatives include:

- Developing and implementing biosecurity plans for the Western Australian wine industry through the Guard system.
- Undertaking an education campaign to increase industry awareness and participation on biosecurity issues.
- Implementing on-farm biosecurity practices to monitor for pest and disease threats and provide surveillance for early detection and response to potential threats.
- Developing an industry self-funding mechanism for biosecurity and consult with industry on its implementation.

8. Improve industry environmental performance and sustainable use of natural resources

The industry will work to continuously improve its environmental performance, improve access to suitable land and water and adopt practices that lead to the sustainable use of natural resources.

Initiatives include:

- Disseminating information about the community's environmental expectations and government demands for sustainability.
- Facilitating access to tools and resources that assist the wine industry to continuously improve its environmental performance.
- Improving communication and information flow between industry and government on the management and access to limited natural resources, such as suitable land and water.
- Promoting RD&E to support sustainable environmental practices in viticulture and winemaking.

9. Social responsibility and health

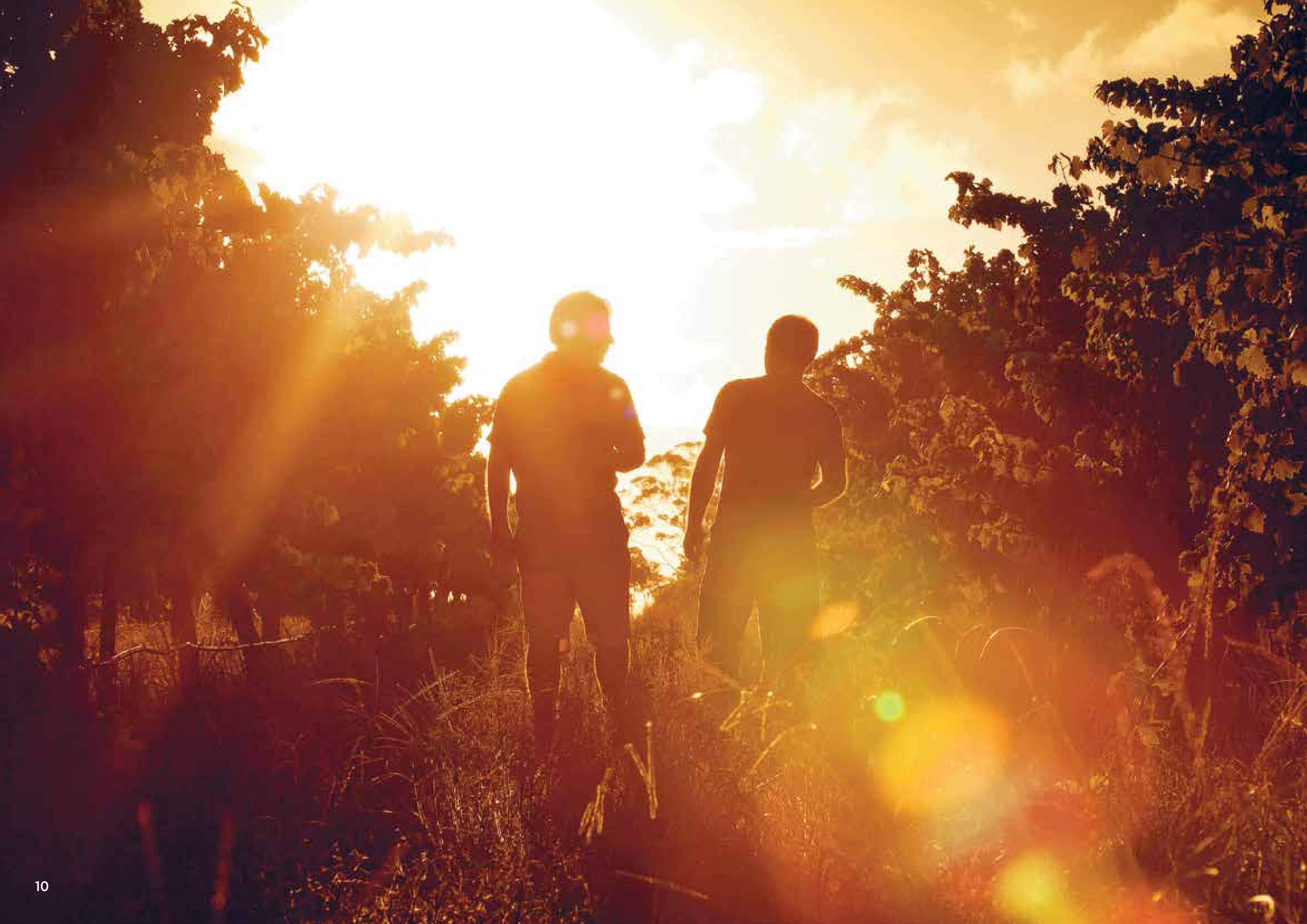
The industry and individual grape and wine businesses will pro-actively promote responsible wine consumption in our markets.

Industry will support and engage in relevant public health initiatives at national and state levels, collaborating as required with WFA.

10. Taxation

The industry should continue to work with WFA on tax policy to ensure that profitability for WA businesses is assured under any amendment to the WET system or any future taxation regime.

WA sends more than 50% of our exported wine into Asia and about a third of this is into China.



Industry Profile

The landscape of the wine industry, domestic and international, has changed considerably since the last Western Australian Wine Industry Strategic Plan was released in 1997. At that time the industry was young, growing rapidly and establishing its reputation as a premium wine producing region of the world. The industry is maturing and needs to decide on the direction it wants to take as it adjusts to the challenges in a global wine market.

In the last five years the wine industry has experienced one of the most turbulent periods in its history. A combination of factors has led to price competition and commoditisation which has impacted on industry's value and profitability.

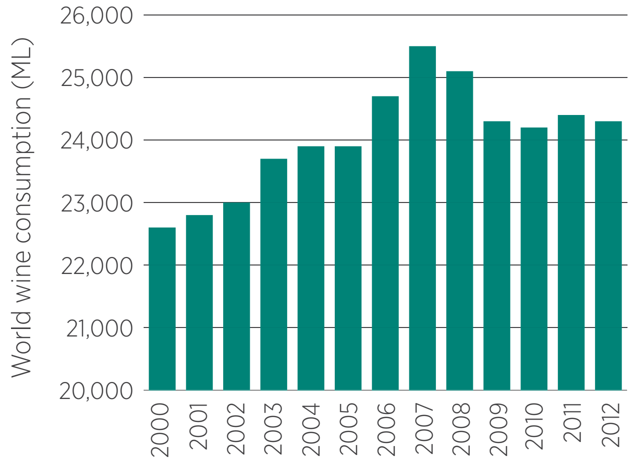
A new plan was needed to better manage these challenges and build on the industry's reputation as home to some of the best fine wine-producing regions in the world. The plan would provide a pathway for grape and wine businesses to capitalise on new opportunities to become more profitable, target future growth, encourage investment and achieve the collective goals of Western Australian Wine Industry participants.

World wine industry

Consumption trends

World consumption of wine was 24,300 million litres in 2012 as shown in Figure 1. After eight years of growth, consumption fell in 2008 and 2009 as a result of the world economic crisis. Consumption was expected to increase to 25,200 million litres in 2013. The European Union decreased demand, which was partially compensated by increased demand from North America and Asia.

Figure 1. World wine consumption (million litres) 2000–2012 *(Source: International Organisation of Vine and Wine, OIV)*



Countries that were historically large consumers and producers, such as France, Italy and Spain, have reduced consumption. The USA is becoming the largest market in terms of volume (2,900 million litres in 2012). Wine consumption is rising sharply in Asia, particularly China (1,780 million litres in 2012, up 67% since 2000). Wine consumption in the world's top wine consuming countries is shown in Table 1.

*Table 1. **World wine consumption in 2012*** *(Source: OIV)*

Country	Total consumption (million litres)	Per capita consumption (litres)
France	3,000	48
USA	2,900	9
Italy	2,300	37
Germany	2,000	24
China	1,800	1
UK	1,300	20
Russia	1,000	7
Argentina	1,000	24
Spain	900	20
Australia	**500**	**24**
Portugal	500	43
Canada	400	
South Africa	400	
World total	**24,300**	

The world's vineyards

Although the worldwide area under vines tends to be stable, it has decreased in recent years to about 7,528 million hectares in 2012 as shown in Figure 2. The reduction has mainly been in Europe due to vineyard removal and subsidised conversions in the face of falling prices and over-production. Spain, France and Italy, the three countries with the largest plantings of vines, have reduced areas. In the southern hemisphere and USA new plantings have continued at a moderate rate (0.3% increase in 2012 from previous year).

European countries account for about 58% of the world's vineyards as shown in Figure 3.

World wine production

World wine production increased during the 1970s but declined during the 1980s and 2000s. Wine production was expected to fall to 25,200 million litres in 2012, a decline of about 11% since 2000.

About 62% of wine comes from Europe, primarily France, Italy and Spain. In the 'New World,' the USA, Argentina, Australia, South Africa and Chile predominate as shown in Figure 4.

World exports

Global wine trade was valued at over A$32 billion in 2012 as shown in Table 2. While production has declined slightly over the past four decades the quantities traded have increased markedly and sales showed an increasing trend prior to 2009.

Three European countries, France, Spain and Italy, supplied 74.2% of global exports by value in 2009 as shown in Figure 5. Wine exports have been a success for Australia with exports doubling to A$1.8 billion in the decade to 2009.

Figure 2. World area planted to vines 2000–2012
(Source: OIV)

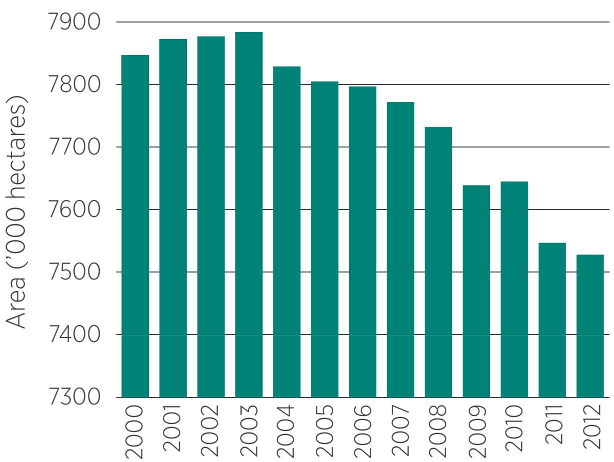


Figure 3. World vineyard area by country in 2012
(Source: OIV)

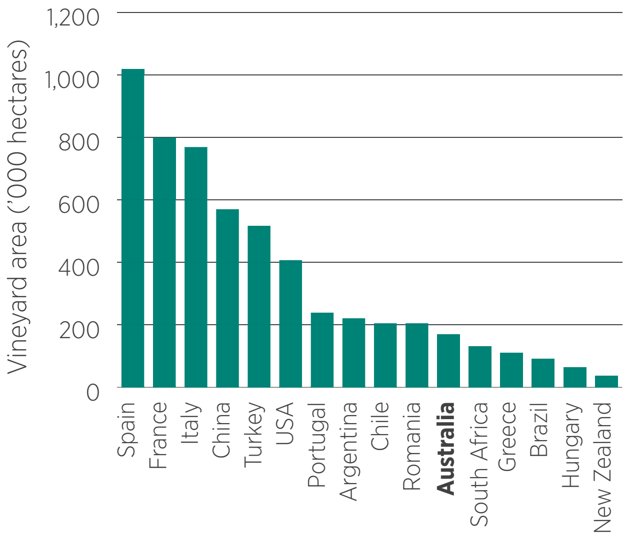


Figure 4. World wine production by main producing country *(Source: OIV)*

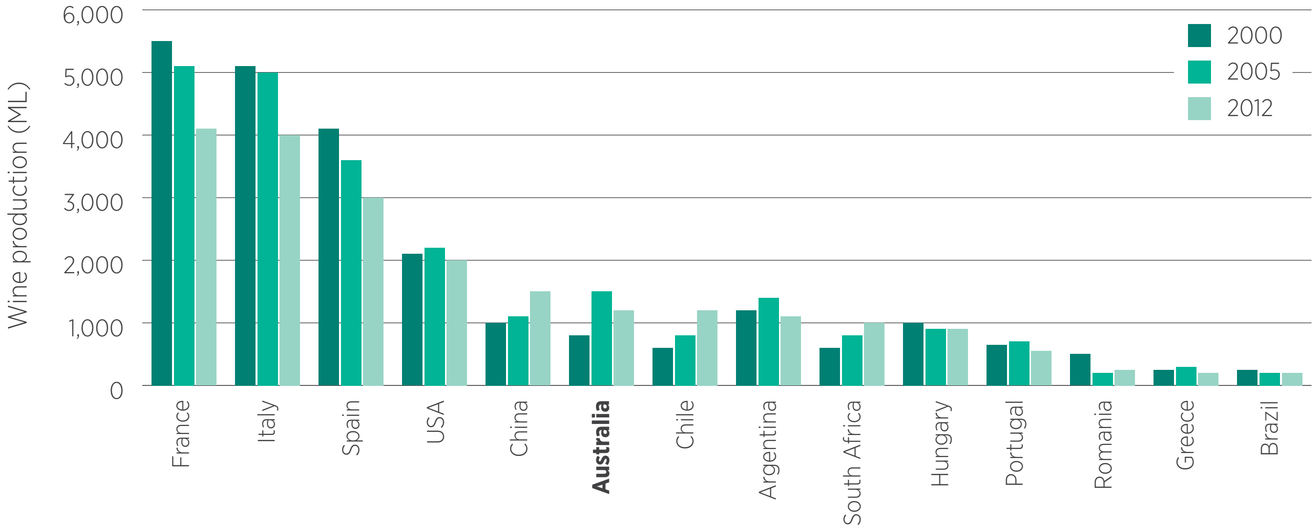
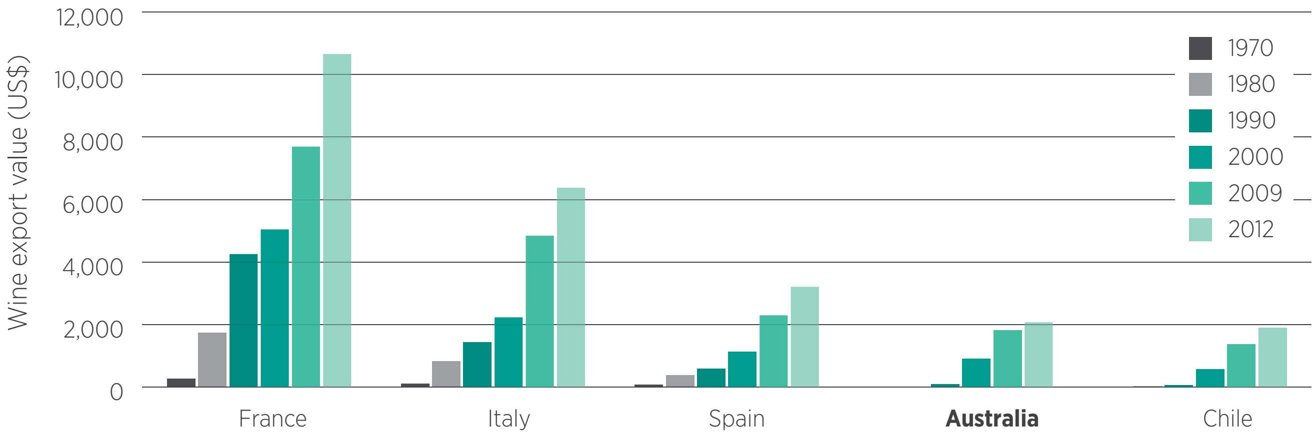


Figure 5. Top five wine exporting countries by value in US$ from 1970 to 2012 *(Source: OIV and FAO)*



Australia was the world's fourth largest exporter in value terms in 2012 with 5.9% of global trade by value and 7.6% by volume. Other 'New World' producers such as Chile, South Africa and New Zealand have seen stronger export growth than Australia over the same period.

Table 2. Top world wine exporters in 2012
(Source: OIV)

Country	Value (A$ million)	Volume (million litres)
France	10,109	1,499
Italy	6,051	2,120
Spain	3,044	1,947
Germany	1,256	396
Portugal	913	339
Australia	**1,966**	**735**
Chile	1,805	752
USA	1,390	401
New Zealand	989	176
Argentina	918	365
South Africa	730	413
Rest of the world	3,453	762
Total	**32,624**	**9,903**

World imports

Northern Europe and the USA are traditionally the largest net importers of wine. The UK and USA each represented about 11% of global imports by value in 2009. Imports into Asia have increased, particularly over the past two decades, reflecting increasing populations with capacity to pay.

Japan, China, Hong Kong and Singapore are now among the global top 20 importing countries. Despite its increasing production Australia imports major quantities of wine with US$365m of wine imported in 2009.

The top 26 world wine importers by value accounted for 93% of imports in 2012. North America, non-EU Europe and Asia showed the most dynamic growth (see Figure 6 and Table 3).

Figure 6. World wine imports by region and value *(Source: OIV)*

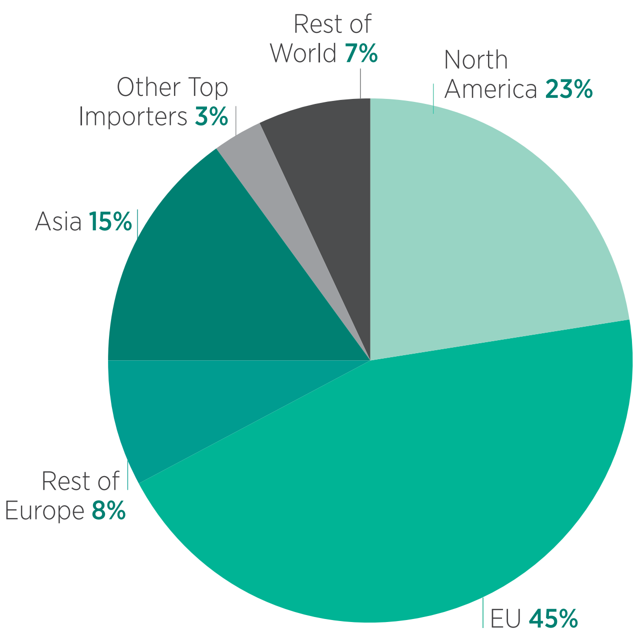


Table 3. Top world wine importers by value (A$ million) in 2012 *(Source: OIV)*

European Union	
UK	5,127
Germany	3,112
Netherlands	1,070
Belgium	1,253
France	821
Sweden	703
Denmark	648
Italy	397
Austria	270
Ireland	321
Finland	240
Poland	233
Czech Republic	223
Lithuania	212
Total EU	**14,695**

Rest of Europe	
Switzerland	1,205
Norway	414
Russia	1,063
Total other Europe	**2,682**

North America	
USA	5,121
Canada	2,002
Mexico	193
Total North America	**7,316**

Asia	
China	1,599
Japan	1,593
Hong Kong	1,049
Singapore	481
Total Asia	**4,721**

Other Top importers	
Australia	**604**
Brazil	305

Rest of world	
Other importers	2,171

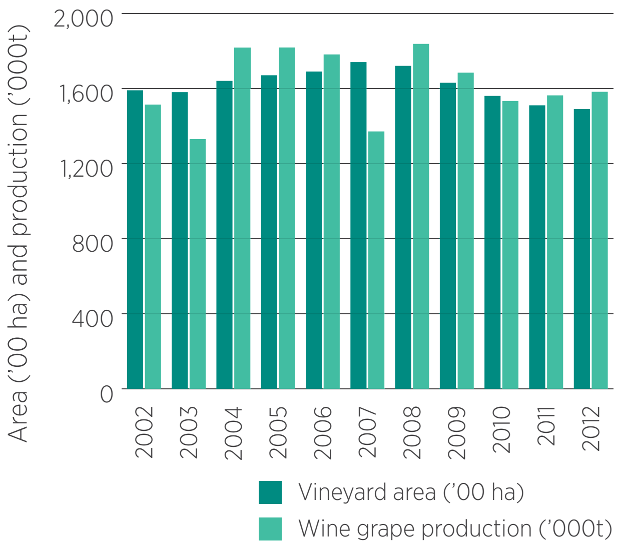
World total	
All importers	32,494

Australian Wine Industry

The Australian wine industry tripled in size from 1991 to 2007. Almost all of this growth was exported.

In 2007 exports peaked at 800 million litres (value A$3 billion), 12 times the level in 1991. Production grew from about 400 million litres in 1991 to a peak of about 1.47 billion litres in 2004. It has since declined to about 1.23 billion litres in 2012 (see Figures 7 and 8).

Figure 7. Australian wine grape plantings and production from 2002 to 2012 *(Source: ABS)*



Australian exports

Exports represent the largest market for Australian wine. They peaked at 80% of total production in 2007 (see Figures 9 and 10).

In the five years to 2013 export volumes declined by 12.5% while export value fell by 40%. Contributing factors were the global financial crisis, the high Australian dollar, increasing international competition and a decline in consumer preference for Australia's C and D quality wines in its major markets, the USA and UK. Australia's top export wine markets by value are shown in Figure 11.

Figure 8. Australian export and domestic volumes in millions of litres *(Source: Wine Australia)*

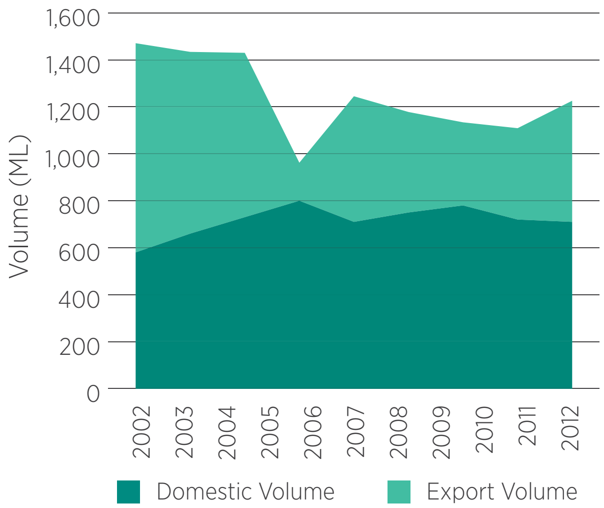


Figure 9. Australian wine export volume in millions of litres from 2004 to 2013 *(Source: Wine Australia)*

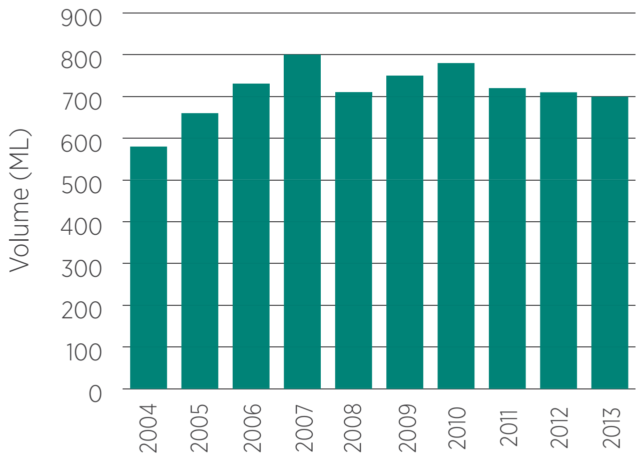
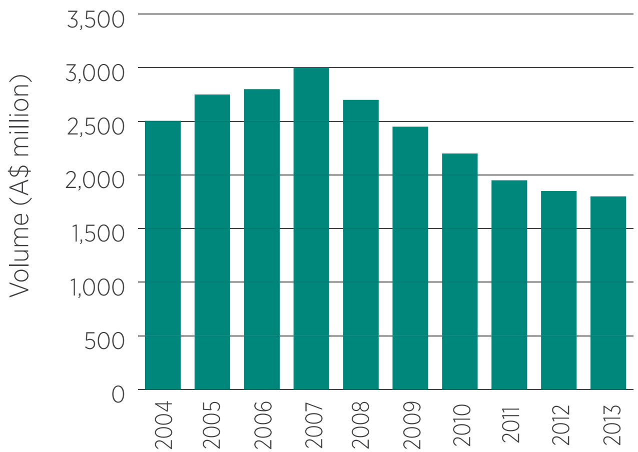


Figure 10. Australian wine export value in A$ million from 2004 to 2013 *(Source: Wine Australia)*



Production concentration

The Australian industry is dominated by a few major producers with two of these accounting for over 50% and 16 accounting for 86% of production. Some 2,300 producers account for less than 14% of production.

The four largest Australian wine producers collectively accounted for about 40% of industry revenue in 2013. This represents a medium level of concentration in global terms. The major companies are Treasury Wine Estates, Premium Wine Brands, Accolade Wines Holdings Australia and Casella Wines which represent about 16%, 11%, 9% and 8% market share respectively.

Other major wine producers include Australian Vintage, Foster's Group, Lion, McWilliam's Wine Group, De Bertoli, Warburn Estate, Samuel Smith & Sons, and Brown Brothers Milawa Vineyard.

Position of Western Australian Wine

Western Australia produces about 45 million litres of wine annually, representing nearly 5% by volume of Australia's production, but 12% of the value. It produces nearly one quarter of Australia's fine wines (specialty and super-premium).

WA exports fell from $52.9m in 2006 to $33.0m in 2010 but rebounded to $45.3m in 2012 with large sales increases to China and Hong Kong. China is now WA's largest export market representing 35% by value. Western Australian wines are exported to more than 60 countries. The top 10 destination countries by value are shown in Figure 12.

The average FOB price of WA export wines in 2012 was A$6.48 per litre compared with A$2.61 per litre for the rest of Australia. The average price across WA's top five export markets was A$7.29 per litre.

Figure 11. Australian wine top export markets (A$ million) in 2013 *(Source: Wine Australia)*

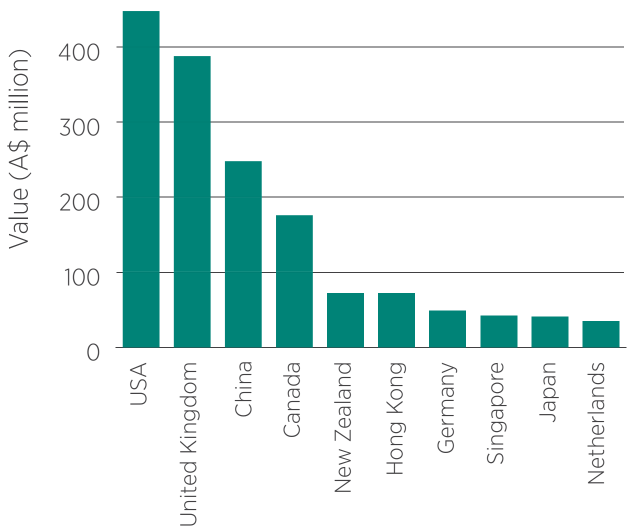
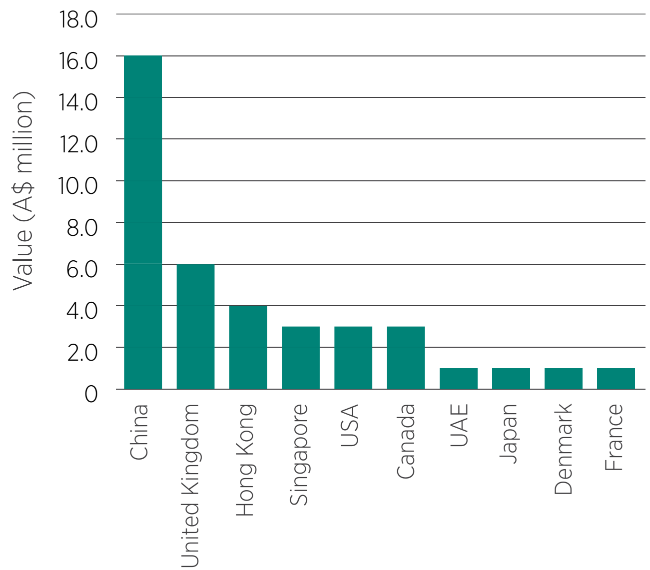


Figure 12. Value of WA wine exports by destination in 2012 as A$ million *(Source: ABS)*



Grape and wine production

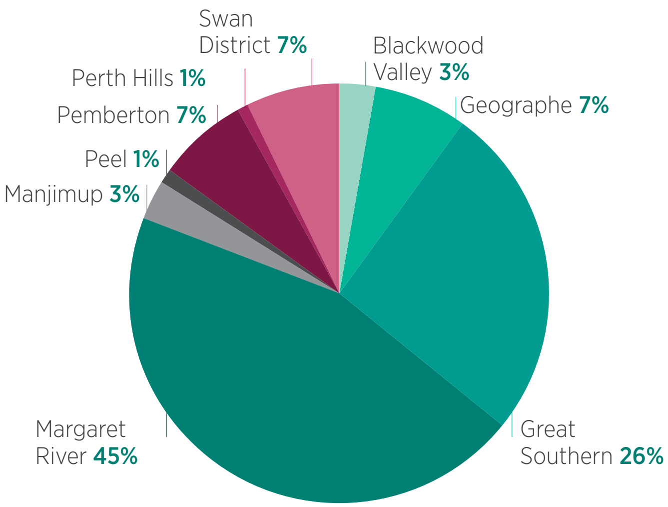
Wine grape plantings in WA were about 13,000ha in 2012. Around 70% of the vineyard area is in the Margaret River and Great Southern regions (see Table 4 and Figure 13).

Table 4. Number of wine grape properties and area planted in Western Australian wine regions in 2012 *(Source: DAFWA)*

Region	Number of properties	Area planted (ha)
Blackwood Valley	49	435
Geographe	107	869
Great Southern	150	3,424
Margaret River	386	5,960
Manjimup	28	393
Peel	13	108
Pemberton	45	971
Perth Hills	46	168
Swan District	249	897
Total	**1,073**	**13,225**

Western Australian grape production peaked at nearly 88,000 tonnes and 56 million litres of wine in 2004. Since 2010 grape production has stabilised at around 68,000 tonnes and wine production at about 45 million litres (Figure 14).

Figure 13. Vineyard area by percentage in Western Australian wine regions *(Source: DAFWA)*



Diverse and integrated supply chain

The Western Australian industry is complex and multi-layered with many different business models. It is dominated by small, mostly privately-owned and family-operated businesses. There are more than 500 grape growers, 400 wine producers and over 300 wineries.

The largest three wine businesses together produce nearly 40% of the total wine, while the next five largest companies account for about 15%. The major companies are Accolade Wines Holdings Australia, Fogarty Wines and Ferngrove Estate. Other major wine producers include Vasse Felix, Burch Family Wines, Cape Mentelle, Leeuwin Estate and Plantagenet Wines. The wine production supply chain is diverse and highly integrated with a reasonably high level of engagement by industry participants. Distribution and marketing channels are diverse.

Figure 14. Western Australian grape and wine production from 1998 to 2012 *(Source: Wine Australia)*

Fine wine production

Western Australian wine production is based predominantly on premium varieties, and cool and maritime climate viticulture.

Western Australia is a relatively low yield, high cost producer of high quality fine regional wines. The future of the industry lies in the production of fine wines from WA's premium wine regions at premium prices.

Value of the wine industry to Western Australia

The wine industry is a significant contributor to the Western Australian economy. Wine is a major value-adding industry with significant regional economic and employment benefits. Wine is the largest value-adding horticulture industry in Western Australia according to estimates by the Department of Agriculture and Food shown in Tables 5a, 5b and 6. The value of wine at the point of final sale was estimated at $684 million in 2010 and expected to grow to $795 million by 2015.

The value of wine increases 10 times from the farm gate as grapes to the end consumer as wine. (Potatoes are the next highest, increasing value by seven times.) The average increase in value across all horticulture industries is three times.

Wine represented 41% of the $1.1 billion total value added by the main 11 horticulture industries in 2010. The total value of horticulture at the final point of sale was estimated at $2.35 billion of which wine accounted for about 30%.

The industry is highly reliant on the domestic market, principally the local WA market. About 48% of the total value was generated through wine sales in WA, 40% in eastern Australia and 12% in exports. Direct sales to customers are strong, accounting for up to 21% of total sales and up to 80% of income for some small wine companies. Direct sales are the most profitable channel to market.

Table 5a. Western Australian horticulture industry value chain analysis for 2010 and estimate for 2015

Year	2010	2015
Farm gate value	$725m	$879m
GVAP	$829m	$1.0b
Value added	$1.6b	$1.9b
Value of industry	$2.3b	$2.8b
Ratio of final sale value to farm gate value	3.3	3.3
Industry with highest farm gate value	Wine	Wine
Highest value-adding industry	Wine	Wine
Industry with highest flow-on benefits	Wine	Wine
Industry with highest export value	Carrots	Carrots
Industry with highest growth rate in value added by 2015	–	Avocados

Table 5b. Comparative Western Australian horticulture industry value chain analysis for 2010 and estimate for 2015

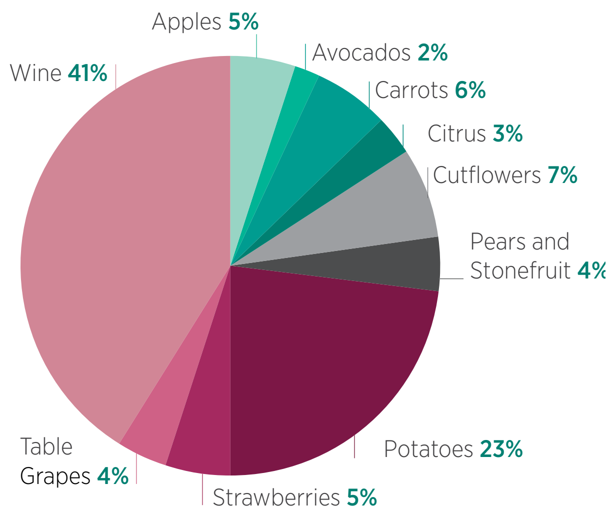
Horticulture industry	Farm gate value ($m)		GVAP ($m)		Value added ($m)		Value of industry ($m)	
	2010	2015	2010	2015	2010	2015	2010	2015
Fruits	202	273	234	316	286	386	397	534
Vegetables	336	386	398	458	593	667	909	1,024
Cutflowers and nurseries	122	146	132	159	281	337	355	426
Wine	**65**	**73**	**65**	**73**	**473**	**569**	**684**	**795**
Other	0.8	1.1	0.8	1.1	1.1	1.4	1.6	2.1
Total	**724**	**879**	**829**	**1,007**	**1,633**	**1,960**	**2,347**	**2,782**

Table 6. Value chain analysis of selected horticultural industries for 2010

Product	Farm gate value ($m)	Export value ($m)	Eastern states sales value ($m)	Value added[1] ($m)	Industry value[2] ($m)	Final sale value/farm gate value ($m)
Apples	34.3	0.9	3.2	59.5	79.7	2.3
Avocados	20.1	0.6	9.6	23.4	32.6	1.8
Carrots	56.4	50.4	11.8	65.0	105.1	1.9
Citrus	17.8	–	0.7	35.0	46.0	2.6
Cutflowers	35.3	4.6	23.9	81.6	103.1	2.9
Pears and stone fruits	25.9	3.2	4.0	42.7	57.5	2.3
Potatoes	54.1	7.1	2.6	268.0	384.2	7.1
Strawberries	55.4	3.9	31.5	53.8	93.7	1.7
Table grapes	27.5	1.1	1.0	42.3	47.2	1.7
Wine	**65.1**	**32.9**	**102.3**	**427.9**	**684.4**	**10.5**

1 Value added: sum of profit, wages, interest, rent
2 Value of industry: final sale value of product (sum of retail, interstate supply and export values)

Figure 15. Contribution of different horticulture industries in total value added (2010)




DAMY
MEURSAULT - FRANCE
AM
120506
SHIRAZ
DAMY
MEURSAULT - FRANCE
AM
120507
SHIRA
120507

Pathway to Success

Western Australia is the pre-eminent regional fine wine producing state in Australia. The industry faces increasing competition from many other Australian regions and the world. This Strategic Plan informs what the Western Australian Wine Industry should now do to ensure a profitable future.

The pathway to success for the Western Australian Wine Industry is through:

- a unified, focused, proficient and strategically influential industry
- regional fine wines of provenance and authenticity.

The Strategic Plan enables the Western Australian Wine Industry to grow in value, profitability and sustainability by building on the reputation of its great fine wine regions. It positions the industry to capitalise on new opportunities to become more profitable, target future growth, encourage investment and achieve the collective goals of the WA Wine Industry.

The industry will work in partnership with industry and government to align and maximise the resources to create opportunities for the fine wine regions of Western Australia.

Through consultation with the wine industry and associated stakeholders a number of priorities and strategic focus areas have been identified that will be the starting point for action.

Fine wine definition

The definition of fine wine in the strategic review was based on the Australian wine industry quality segmentation of grapes and wine developed by WFA. The five segments (A, B, C, D, E/F) are defined on price:

The definition of fine wine includes the A and B quality segments which make up icon, ultra-premium and super-premium wines. There was some debate within the WA industry that under this price definition of quality the domestic price for fine wines is A$20/bottle and over.

Quality code	Wine quality segment*	Grape price (A$/tonne)	Domestic retail price (A$/bottle)	Export FOB price (A$/litre)
A	Icon and ultra-premium	>2,000	>30	>10
B	Super-premium	1,501–1,999	15–30	7.50–9.99
C	Premium	601–1,500	10–15	5.00–7.49
D	Popular-premium	301–600	7–10	2.50–4.99
E/F	Commercial	<300	<7	<2.50
Bulk wine is allocated to its own quality segment, under $1/L to E/F, and more than $1/L to D.				

** Adopted from Lokshin, Rabobank*

Strategic Framework

Strategic Focus Areas and Initiatives

1 Forming a cohesive industry structure

- Formalise state peak body and regional associations' roles and relationships.
- Compile core principles and policies.
- Develop strategic and marketing plans for each region.

2 Creating funding certainty for the peak body and regional associations

- Develop an industry-wide, sustainable funding model.
- Consult with industry on the structure of a wine industry-specific funding model.
- Canvas industry on introducing an industry-wide funding model.

3 Growing consumer and market demand

- Develop a collaborative marketing plan to increase consumer demand for the fine wine regions of WA in domestic and international markets.
- Double WA wine exports to $100 million in the next three years.
- Make the fine wine regions of WA the first choice for WA consumers.

4 Focusing on fine wine production

- All wine regions achieve high reputation and high capacity to deliver fine wines.
- Investigate and adopt successful wine business models for WA.
- Investigate fine wine industry regions that focus on quality and value to provide guidance for the adoption of regional fine wine models in WA.

5 Expanding the wine and food tourism market

- Develop collaborative programs with the food, tourism and government sectors.

Strategic Focus Areas and Initiatives	
6	**Innovative research, development and extension** • Develop collaborative RD&E programs that support strategic objectives. • Co-ordinate, engage and adopt industry-relevant RD&E. • Establish a framework to better identify and address state and regional priorities.
7	**Enhancing industry biosecurity** • Develop and implement biosecurity plans for the WA wine industry. • Increase education of biosecurity issues for industry. • Promote adoption of on-farm biosecurity practices. • Develop an industry funding model for biosecurity.
8	**Environmental performance and sustainable use of natural resources** • Improve understanding of environmental issues and performance. • Improve access to suitable land and water for viticulture. • Promote RD&E in sustainable environmental practices.
9	**Responsible consumption of wine** • Promote responsible consumption of wine. • Contribute to the national alcohol debate in line with WFA policies and research.
10	**Taxation** • Work towards more ethical and equitable future taxation arrangements. • Maintain tax rebates for regional communities.

We stand at the dawn of a broader view that generic Australian marketing themes are a thing of the past.

Strategic Focus 1

Forming a cohesive industry structure	Initiatives	Timeline	Responsibility
Create a unified industry structure which is focused, proficient and influential at national, state and regional levels of industry and government.	Form a unified industry structure with WoWA as the state peak body supporting strong Regional Associations championing their brand.	6 months	WoWA & RAs
Objective:	Formalise the roles and responsibilities of the state peak body and regional associations and their relationships.	6 months	WoWA & RAs
A unified industry which effectively harnesses and co-ordinates the resources of industry and government in the best interests of the industry's future (stewardship).	Compile and develop core principles and policies on key issues.	1 year	WoWA
	Regional Associations develop strategic plans for their specific needs and priorities.	1 year	RAs to lead, WoWA

"Individuality/Regionality with Cohesion ..."

(Mt Barker Regional Workshop, Appendix 1)

"In three regional workshops, industry showed consistent majority support for a more organised representational structure."

(Summary of Regional Workshops, Appendix 1)

A unified, focused and influential industry is better able to effectively harness and coordinate the resources of industry and government to achieve the best outcomes for the industry's future.

A unified and organised industry

Grape and wine producers want a more unified, organised and integrated industry with greater participation. The representative bodies must be more influential at national, state and regional levels of industry and government. The wine industry needs to strengthen its relationship and engagement with government to help realise its potential. The industry needs to communicate and pursue Western Australian interests more effectively and articulate a common story and consistent position on key issues.

Formalise roles and responsibilities

The industry will formalise its structure around a state peak body and regional associations. There needs to be clearer delineation and documentation of roles and responsibility. WoWA should continue as the state peak body and its constitution should be amended to formally document this structure and the roles and responsibilities of each representational level.

The core role of WoWA is advocacy at national industry and government levels and co-ordination of effort at state level. Other functions include representation on national industry and government bodies, accessing additional funds for key industry programs, policy formulation (e.g. taxation, water regulation, environment, occupational health safety, liquor licensing); influencing national bodies on key issues (e.g. social issues, WET) and ensure the WA industry receives fair value for its contribution to national industry bodies such as WFA, WAC and GWRDC. WoWA will co-ordinate R&D direction and communication of results; and compile the strategic direction.

Core roles of Regional Associations include leading the promotion and marketing of their regional brands, developing strategic marketing plans, liaison with the state peak body to benefit from partnerships with other regions, advocacy on local issues, and identifying regional issues and needs that can be acted on by the state peak body. The state peak body would support and cooperate with these efforts as required.

Greater skills and regional representation on WoWA is required for it to better identify and issues and needs at state and regional levels.

Strategic Focus 2

Creating funding certainty for the peak body and regional associations	Initiatives	Timeline	Responsibility
The organised industry model requires consistent, sustainable funding and greater participation for it to be effective.	Investigate and develop an industry-wide secure funding model for regional and state bodies.	12 months	WoWA & RAs
Objective:	Provide greater education to all regions about the nature of a new funding model and how it can be structured to obtain industry consent to implement the accepted model.	12 months	WoWA & RAs
An industry-wide secure funding model which expands the number of participants and increases value to producers.	With industry consent, introduce a new funding model structured specifically for the wine industry.	12 months	RAs to lead, WoWA

"In three regional workshops, industry showed consistent, majority support for a sustainable funding model, providing a mandate for Wines of Western Australia to investigate the implementation of such a structure in collaboration with Regional Associations."

(Summary of Regional Workshops, Appendix 1)

The organised industry model requires consistent sustainable funding and greater participation by producers to be effective. Grape growers and wine producers have an appetite to support a sustainable industry-wide self-funding model which is independent, equitable and cost effective.

The industry would support a new funding model that:

- captures all industry participants
- provides financial certainty over a forward projection of several years (i.e. structured financial modelling)
- provides a framework that is independent of individual personalities and incumbents to industry positions
- funds both the state and regional bodies
- provides funds for advocacy and leverage at both the national industry and government levels
- allows the industry to seek leverage on collected funds
- gives State Government and national industry certainty about governance and effective use of funds
- supports useful partnering models with other industries and non-wine industry bodies
- allows the ability to rapidly engage with the entire industry on specific funding strategies, such as biosecurity and RD&E
- strengthens the capacity of regional associations to service their growers and producers
- provides flexibility for regions to fund specific services
- ensures current voluntary participants will pay the same or less.

The Agricultural Produce Commission (APC) in Western Australia is a legislated system for the industry-wide collection of a 'fee for service' which can be structured specifically for the wine industry. The APC is used successfully by several horticulture and agriculture industries to provide relevant services to their producers.

Smaller regions should consider pooling their funds to provide more cost effective services while maintaining individual regional identity.

Strategic Focus 3

Growing consumer and market demand

Grow the demand for Western Australian regional fine wines both domestically and internationally.

Objective:

Increase the value of WA wine exports to all our key international markets and increase market share in all key domestic markets.

Initiatives	Timeline	Responsibility
Develop and pursue market development programs of regional associations in collaboration with industry and government partners that increase the consumer demand for the regional fine wines of WA on international and domestic markets. The new programs build on the success of the International Marketing Plan 2011–2014.	6 months	WoWA, RAs & WAC
Develop an international marketing initiative with support of government to double wine WA wine exports to $100 million in the next three years. This would support the efforts of WA's leading 20 international brands and new entrants, and encourage greater regional participation in line with their regional and marketing plans.	6 months	WoWA, RAs, producers & DAFWA
Explore opportunities to collaborate with government, wine value chain, retailers, and food and tourism sectors to increase consumer demand for Western Australian wines within WA. Regional wines to become the wines of first choice by Western Australian consumers.	6 months	WoWA, RAs, DAFWA

"Do we wait for the collapse and see who has survived?"

(Swan Valley Regional Workshop, Appendix 1)

Increasing consumer demand for the regional fine wines of Western Australia in domestic and international markets is a key objective for the industry to drive sustainable future profit growth.

The demand for fine wine at higher price points is growing in the key domestic markets plus China, UK, North America and emerging Asian markets. WAC has projected an undersupply of quality grapes for fine wine to meet future demand in these markets. Fine wine price points are still solid in several other key international markets such as Scandinavia and Canada.

Increase exports

The Western Australian industry needs to increase wine exports significantly. Exports reached a peak of only 20% of production value in 2005 compared to the national average of 60%. Although WA wine export value has grown from A$33 to A$45.3 million in the last two years, exports only account for 13% of production.

China is now WA's largest export market increasing more than 150% to A$16 million and fine wine exports to the United States have shown resurgence. Increasing wine exports will have a positive effect on domestic demand by balancing supply and assisting smaller producers who concentrate their efforts on the domestic market.

The WA wine industry has potential to more than double exports to A$100 million in the next three years. Exports would increase from 13% to nearly 30% of total production and whilst still below the national average, fit more comfortably with our production profile.

A new collaborative plan with industry and government partners is required to boost exports, building on the success of the WA wine industry's International Marketing Plan now in its final year. The new plan would support individual brands and regions to drive export value and encourage greater regional and producer participation. The initiatives would align and collaborate with WAC core objectives providing a greater focus on regional fine wines and markets in Asia. This could lead to regional fine wines from WA being established as a luxury, clean and green brand in Asia with routes to market in China improved for WA exporters.

China is predominantly a red wine market and other markets are vitally important for white wines from the fine wine regions. We need to re-engage the North American, UK and European markets to increase market share. Premium chardonnay is something all the regions of WA have in common.

Increase domestic consumer demand

The Australian domestic market remains the most important for WA wine producers accounting for 87% of WA wine sales. One of the key challenges to drive profitability in the WA Wine Industry is to retain and build market share and price-points in the mature Australian domestic market through the promotion of regional fine wines.

The WA market accounts for 40% of WA wine sales. There is potential to grow value share by increasing consumer demand from Western Australians for regional fine wines. These should become the first choice by Western Australian consumers and visitors to WA.

Explore opportunities to develop an annual program to engage with high end sommeliers and off-premise gatekeepers to increase awareness across the whole supply chain of all our fine wine regions, including a major event executed in collaboration with strongly branded partners who provide synergistic opportunities.

Retail concentration is having a major negative impact on prices for local producers in some regions. WFA are working with the national retailers and competition regulator to improve fairness, transparency and equity in the domestic market through a Code of Conduct and other measures. The state peak body will further work with WFA on this issue.

There is also potential for Western Australia to leverage off WFA's proposal to support national retailers in the development of a 'Buy Australia First' campaign which aims to capture market share from imports and re-engage Australian consumers.

Access to market must be focused on by the peak state body to ensure all producers have strong commercial opportunities to get their product to market to ensure the authentic messages are heard. Liquor license reform for access to market must remain paramount for the whole industry.

Collaborative market development plan

The industry needs to advocate strongly for marketing support and partnerships within industry, government and synergistic sectors such as food and tourism. The Western Australian Wine Industry's International Marketing Plan has been successful in boosting exports through collaboration, partnerships and co-ordination of effort. An extension of this plan is needed to build on this success and to include the domestic market.

WoWA should advocate for partnerships and funding for the plan and play a co-ordinating role. Regional Associations would implement the marketing initiatives for their regions.

The industry could explore opportunities for a Western Australian wine ambassador similar to those engaged by other Australian food sectors such as the Australian Lamb campaign and the MLA, Elders, and Shangri-La joint venture that promotes high-end Australian beef in China.

The new plan would align national industry marketing initiatives with Western Australian having a greater focus on regional fine wines, China and other high-end emerging markets in Asia. Proposed national industry (WAC, WFA) initiatives[1] include core marketing programs, social media-based platforms to promote Australian wine, partner in an Australian Wine and Food Centre in Shanghai, regional programs, and calls for the government to fast-track the 'Australia-China Free Trade Agreement' to enable the full export potential of the fine wine segment to be captured.

Strategic Focus 4

Focusing on fine wine production	Initiatives	Timeline	Responsibility
There is unrealised potential to increase value and profitability by focusing on fine wine production. **Objective:** Increase the value and profitability of the Western Australian Wine Industry through improvements in grape and wine quality and the adoption of profitable fine wine and regional association business models.	Develop strategies to support the success of each wine region to produce fine wine with high international reputation and high capacity to deliver.	6 months	RAs & WoWA
	Identify the characteristics of successful, profitable fine wine businesses in Western Australia.	6 months	WoWA, RAs, DAFWA
	Develop a collaborative RD&E program with industry, government and university partners and co-ordinate effort to lift the proportion of fine wines from 40 to 70% of production by value within 10 years.	1 year	WoWA, RAs, DAFWA, CU, UWA, AWRI, GWRDC
	Investigate existing wine industry systems and regions that focus on quality, profitability and building the value of grape and wine businesses. Consult with industry on their modification and application to WA.	1 year	WoWA, RAs DAFWA

"The only way forward is to focus on quality."

(Margaret River Regional Workshop, Appendix 1)

Western Australia is predominantly a fine wine producing state. The fine wine regions aim to be recognised as some of the best, most distinctive and pristine in the world, on par with world-renowned wine regions such as Bordeaux, Champagne and the Napa Valley.

Develop our regions

The common goal of the Western Australian Wine Industry is for its wine regions to develop a high reputation and sustainable capacity to deliver fine wines to the world. The industry collectively supports each region in its effort to achieve this goal. Margaret River has had great success in developing their international brand which will continue to gather momentum. Their well organised marketing plan should continue to be supported. This success can be duplicated in other regions focused on fine wines with very clear and united business plans that are also supported by government.

Increasing fine wine production

To build on this success as a fine wine producer, each Regional Association, in collaboration with its members, needs to develop a critical mass of successful producers who are united behind a clearly articulated regional identity. These producers will achieve national and international recognition for their wines, which is measurable through show results and other formalised review systems such as the James Halliday Wine Companion rating, the Parker Report, Langton's and Decanter Regional Reviews. In focusing on this collaborative commitment to both producing and marketing fine wine, demand for fruit of commensurate quality will increase ensuring the production of such fruit is sustainably profitable.

There is potential to achieve this through the application of relevant research and the restructuring of vineyards to deliver high quality fruit. Improving the quality of fruit and vineyard mix has the potential to address the projected undersupply of fine wine grapes.

By 2024 Western Australia will be making better wines, technically and qualitatively. The wine styles and quality will be based on a combination of championing regional/ varietal strengths and consumer preferences in our key markets. Wine quality will be better in every region by ensuring the right varieties and clones are grown in each region and site and this will be driven by Regional Associations who provide stewardship over their clearly articulated regional identity that is supported by a critical mass of committed producers in each region. As a result, the production of lower grade fruit and wine will be reduced.

Quality is one of the WA Wine Industry's greatest strengths.

Fine wine business models

The Western Australian Wine Industry has many different business models with significant variation in performance. Some are doing well while others are struggling. Businesses will make decisions based on their individual position, strategy and view of economic fundamentals.

The best opportunities exist for:

- producers of high quality fruit and/or fine wines
- producers who are able to establish a niche brand, market and/or method of distribution
- cost efficient producers who can offer product that is "fit for market" at sustainably profitable price positions.

High quality, fine wines remain sustainably profitable in domestic and export markets.

Potentially successful business models include:

- growers of high quality grapes that make fine wines
- mid-sized producers with competitive costs and high-quality established and desired brands
- small high quality wine companies (up to 10,000 cases), including 'icon' wineries, selling mostly direct to loyal customers
- companies able to create and/or capture unique market opportunities using commercial payments to growers and winemaker's resources.

A clearer understanding of profitable business models will help support fine wine regions in Western Australia. The industry should seriously investigate the factors that contribute to successful fine wine business models that could be modified and adopted for the profitable and sustainable development of grape and wine businesses in Western Australia.

Successful fine wine business models would assist the Western Australian Wine Industry to achieve its aims of:

- financial sustainability
- demand to outstrip supply by 2018
- profitability at every point in the value chain
- sustainable price positioning.

This would be an important resource to facilitate further investment in a profitable wine agribusiness.

Clearly and eloquently articulated regional identity

There are successful wine industries around the world that focus on quality rather than quantity to sustain profitability and build asset value for their grape and wine businesses. These include the European 'appellation system' and that used in California's Napa Valley. Regional Associations should consult with their grape growers, wine producers and industry stakeholders on the potential to adopt the aspects of these systems that can contribute to the development of a clearly articulated regional identity. This regional identity will be based on the measurable strengths of the region with regard to variety, wine style and regional personality and personalities.

Key to success is the development of a critical mass of producers in each region with the capacity to deliver the promise of the region. The role of Regional Associations, with support from WoWA is to ensure producers have the opportunity to pursue the standards articulated in the region's identity statement.

Strategic Focus 5

Expanding the wine and food tourism market	Initiatives	Timeline	Responsibility
Expanding the wine and food tourism market The diversity of wine tourism opportunities within Western Australia is not fully realised. **Objective:** Capture the tourism opportunities and synergies between the food, wine and tourism sectors for mutual benefit.	Explore opportunities for collaboration with Tourism WA, the tourism sector, the WA Food Council and our food sector partners to co-invest in initiatives to expand both domestic and international wine and food tourism markets.	1 year	WoWA & RAs
	Collaborate with our key national industry partners, WFA and WAC, to ensure Western Australian Wine Industry interests are addressed in the national Wine and Food Tourism Strategy and resources are allocated to Western Australia.	2 years	WoWA & RAs

"By 2024, Wine and Tourism are successfully working together ... "

(Swan Valley Regional Workshop, Appendix 1)

"There is a strong desire for many wine businesses to build sales volumes in direct to customer channels. Wine tourism is a key strategy in achieving this."

(Industry Online Survey, Appendix 2)

A strong connection between wine and food provides regions with increased destination appeal, introducing visitors to wine via their interest in food and vice versa. Enriching the wine experience supports and encourages collaborative marketing, and diversified offerings provide more profitable returns.

Collaborate and partner with the food and tourism sectors

The wine industry should consider joint investment with Tourism WA with a view to attracting visitors to experience WA and develop a taste for our products. Wine tourism can stimulate profitable wine sales through cellar doors, restaurants and other direct sales channels. Direct sales to consumers, including cellar door sales, mail order, e-commerce and function sales are the most profitable for any wine business as the winery receives full retail price. Direct sales to unlicensed customers account for around 20% of total Western Australian wine sales. Sales to licensed customers (retailers, restaurants) account for 80% of total sales in many small wine businesses.

The industry needs to leverage the wine, food and tourism-based economic development in Western Australia to increase recognition of our wine regions.

Food sector partners that the wine industry should consider strengthening relationships with for mutual benefit include:

- WA Food Council
- Buy West Eat Best
- Agrifood 2025+ Gourmet Way
- Wineries and cafés.

The Margaret River Gourmet Escape is a successful collaboration with the tourism and food sectors which needs to be continued and extended to other regions. The industry should also explore opportunities for a Western Australian wine ambassador, similar to those engaged by other Australian food sectors.

Strategic Focus 6

Innovative research, development and extension The RD&E resources of industry, government and universities need to be better targeted and co-ordinated to drive innovation and profitability in the Western Australian Wine Industry. **Objective:** Increase industry engagement in RD&E and adoption of research outcomes and innovations to improve grape and wine production practices and profitability.	Initiatives	Timeline	Responsibility
	Develop collaborative RD&E programs with industry, government and university partners that support the industry's strategic objectives for fine wine production, sustainable management of environment and natural resources, biosecurity and market development.	1 year	WoWA, TC, GWRDC
	Co-ordinate innovation and RD&E efforts to build industry capacity in strategic focus areas, such as grape and wine quality, improving genetic material, winemaking, management of pests and diseases and cost of production.	1 year	WoWA, TC, RAs, GWRDC, WAVIA
	Strengthen industry framework to better identify and address state and regional RD&E priorities through the Western Australian Wine Industry Technical Committee.	6 months	WoWA, TC, RAs

"We need industry-relevant RD&E to drive innovation …"

(consistent message from all three Industry Workshops)

RD&E is a major driver of innovation and profitability in the wine industry. Relevant RD&E is required to build the capacity and skills needed to stay on top of our game.

Wine industry RD&E is well organised and highly capable. Grape and wine producers can access RD&E capability through a range of industry, government, university and other organisations at national, state and regional levels. These include AWRI, CSIRO, NWGIC, GWRDC, DAFWA, CU, UWA, MU and NRM.

The Western Australian Wine Industry needs to improve engagement with RD&E providers and funders to make better use of the resources available and to benefit from the rapid adoption of relevant research outcomes and innovation. There is unrealised opportunity for local grape and wine producers to share their knowledge and learn from the best in Western Australia.

Other key RD&E initiatives for the wine industry include:

- Collaborate with industry, government and university partners on RD&E programs that target WA Wine Industry needs and support the strategic objectives.
- Co-ordinate RD&E efforts to build industry capacity in focus areas such as improving grape and wine quality, winemaking, managing risks (e.g. pests and diseases, climate change, water availability, smoke taint) and managing the businesses of grape and wine production.
- Improve communication of research outcomes and innovation to industry.
- Improve the framework to identify and address regional and state RD&E priorities through an active Technical Committee.
- Investigate the need for a dedicated industry development officer, part-funded by WA industry, to co-ordinate delivery of research and extension information.
- Improve the genetic resource available to industry through improved clonal material, new varieties and rootstocks. For example, the ARC project, *Genomic basis of clonal variation in Cabernet Sauvignon*, is a significant national project led by WA researchers and jointly funded by the WA industry.

Strategic Focus 7

Enhancing industry biosecurity

Western Australia has a competitive advantage in biosecurity with relatively few major pests and diseases. Industry and government recognise the need to be more diligent to maintain and advance this advantage.

Objective:

Industry has biosecurity plans and procedures in place that pro-actively protect against the incursion of significant exotic pests and diseases and maintain and enhance our clean and green competitive advantage.

Initiatives	Timeline	Responsibility
Develop and implement biosecurity plans for the Western Australian Wine Industry through the Guard system.	1 year	WoWA, TC, DAFWA
Undertake an education campaign to increase industry awareness and participation on biosecurity issues.	1 year and ongoing	WoWA, DAFWA
Implement on-farm biosecurity practices to monitor for pest and disease threats and provide surveillance for early detection and response to potential threats.	1 year and ongoing	WoWA, RAs, local industry
Develop an industry self-funding mechanism for biosecurity and consult with industry on its implementation.	6 months	WoWA, RAs

Biosecurity Retail power
WET rebate Imports
Environment and sustainability Oversupply
Health and alcohol

(Word cloud from Swot Analysis – Threats, from Industry Online Survey, Appendix 2)

The Western Australian Wine Industry has fewer pests and diseases than most other wine producing countries and regions of the world. This provides both economic and market access advantages.

The industry is under threat from the introduction of exotic pests and diseases. These threats are managed by the state and national quarantine introduction and border protection services. However, a major cost in managing incursions of pests which are present in eastern Australia but not in WA, is the responsibility of the WA industry if they are introduced. Industry needs a mechanism to self-fund these biosecurity costs.

The industry needs better understanding of biosecurity issues and to adopt policies and practices which protect our clean, green competitive advantage. The industry and government recognise the need to be more diligent in biosecurity.

There is need for an education and awareness program on biosecurity in the WA industry. An accurate register of viticultural plantings would assist in monitoring, surveillance, early response and management of potential pest incursions. The vineyard register would provide valuable information for assessing potential grape supply. On-farm biosecurity plans and practices are an important part of the ongoing diligence in biosecurity.

Industry should continue to contribute to the federal bodies which do the same body of work and ensure no duplication of resources occurs.

Strategic Focus 8

Environmental performance and sustainable use of natural resources

Environmental issues, the availability of suitable land and water, and management of natural resources are major considerations for future sustainability.

Objective:

Improved understanding of the impact of environmental factors on industry, better management and access to land with suitable soils and water, and adoption of practices that lead to sustainable use of natural resources.

Initiatives	Timeline	Responsibility
Disseminate information about environmental expectations to meet the consumer, industry and government demands for sustainability and facilitate access to tools and resources that assist the wine industry to continuously improve its environmental performance.	Ongoing	WoWA, RAs, NRM, CU
Improve communication and information flow between industry and government on the management and access to limited natural resources such as suitable land and water and facilitate the adoption of practices that lead to improvements.	Ongoing	WoWA
Promote research, development and extension to support sustainable environmental practices in viticulture and winemaking.	Ongoing	WoWA, NRM, CU

Quality Regions

Clean and green

Scale Market growth

(Word Cloud from Swot Analysis – Strengths, Industry Online Survey, Appendix 2)

Improved use of natural resources will enhance the Western Australian Wine Industry's clean and green status and improve market access. Western Australia has the potential to be a world leader in clean, green practices.

The lack of land with suitable soil and access to quality water supplies restricts expansion opportunities for fine wine producers and can drive proponents to inappropriate sites with higher risks to quality and negative environmental outcomes.

The industry needs to identify and ensure the availability of land and water suitable for future viticulture. Regional and state planning processes need to recognise the importance of agricultural land and water resources to the wine industry. Industry should actively contribute to, and advocate for land and water use planning policies and proposals that protect viticulture land use where appropriate.

The Wines of Western Australia Technical Committee, in collaboration with Regional Associations, is best placed to coordinate and drive these initiatives.

Other key initiatives include:

- implementing system-based approaches to minimise the industry's environmental footprint and improve environmental performance, such as EntWine Australia and the Australian Wine Industry Stewardship program
- ensuring widespread commitment to biodiversity through participation in on-farm and community programs
- continuing to promote the uptake of more efficient water use practices, tools and technology
- increasing industry knowledge and facilitate adaptation to climate change and mitigation of greenhouse gas emissions.

Strategic Focus 9

Responsible consumption of wine	Initiatives	Timeline	Responsibility
The health of individuals and communities is a major concern of industry and governments of all countries in which we market wine. **Objective:** Ongoing support and commitment to the responsible consumption of wine.	Promote responsible consumption of wine to consumers in all our markets.	Ongoing	WoWA, RAs, individual businesses, WFA
	Support the active contribution and engagement of industry in consultative public health initiatives at national and state levels to allow outcomes that support the responsible consumption of wine.	Ongoing	WoWA, WFA

> "Key industry issues not being addressed collectively with a single, clear position (WET, Health, Biosecurity, funding/partnerships with government agencies)."
>
> *(Margaret River Regional Workshop, Appendix 1)*

The issues around health, alcohol and social responsibility are a high priority for the wine industry. The wine industry is facing a social and political environment that is increasingly challenging the legitimacy of wine. WFA has developed an action plan that acknowledges the industry's responsibilities as an alcohol producer, while highlighting its commitment to a moderate drinking culture.

- The Western Australian Wine Industry supports the WFA 'Wine and Social Responsibility Strategy' and proposed actions to 'Continue to Engage the Wine and Health Debate' which aims to develop healthier patterns of wine consumption, enhance the social responsibility of the wine sector and provide balance to the alcohol policy debate. The WA industry should help to establish a moderate wine drinking culture in all our markets.
- The Western Australian Wine Industry and participants in our grape and wine businesses should proactively promote the responsible consumption of wine with our consumers in all our markets.
- Industry should participate in WFA initiatives to promote a responsible industry and drinking culture.

Strategic Focus 10

Taxation	Initiatives	Timeline	Responsibility
Wine tax arrangements have a significant impact on wine industry profitability and licence to operate in the community. **Objective:** Optimal taxation arrangements and eligibility for the WET rebate to support the growth and social licence to operate of regional fine wine businesses in WA.	Monitor future taxation arrangements and seek profitable growth and social licence to operate in the fine wine industry. Work with WFA to evaluate future taxation models and ensure WA Wine Industry interests are considered.	Ongoing	WoWA and RAs
	Work with WFA during the WET rebate review process to ensure the WET rebate is maintained for WA's small winemakers and regional communities, and any changes do not diminish the profitability of the regional fine wine industry.	1 year	WoWA and RAs

"Why do we subsidise New Zealand products?"

(Margaret River Regional Workshop, Appendix 1)

Monitor and review future taxation arrangements

The WA Wine Industry will pursue proposals for a taxation system that maintains the profitability of regional grape growers and winemakers enabling them to secure a positive economic impact in regional communities. Future tax arrangements need to be equitable and ethical, do not distort market signals and enable industry to respond to the anti-alcohol debate

The WA industry will continue to monitor the future of Wine Tax Policy and its impact on the fine wine industry. The WA Wine Industry remains "open-minded" to the taxation future and expects to be a participant in any taxation review on alcohol. The WA industry supports WFA action to adopt a standing tax force with appropriate industry representation.

The WA industry remains fundamentally opposed to the current *ad valorem* tax system. It is not the most equitable and ethical system and disadvantages the WA Wine Industry which focuses on fine wine production. The *ad valorem* tax distorts market signals by providing a competitive advantage to producers of cheaper wine in the Australian marketplace. The *ad valorem* tax leaves the Australian wine industry exposed in the anti-alcohol debate if price of wine becomes a motivating factor

Reforming the WET rebate

The WA Wine Industry supports maintaining the Wine Equalisation Tax (WET) rebate value. A survey of WA wine producers in 2011 established that the WET rebate contributes to ongoing profitability and viability of 95% of producers. Industry recognises the current WET rebate legislation captures the intent for regional grape growers and winemakers but there are loopholes that lead to 'rorts' which need to be addressed for the long-term best interests of industry.

The WA industry supports WFA's proposed actions to reform the WET rebate with the following provisions:

- ensure the WET rebate is maintained for authentic regional producers
- does not diminish the profitability in the WA Wine Industry
- focuses on and clearly defines authentic producers
- forms an experienced working group to re-draft the definition
- any reforms must retain highly skilled winemakers and the grassroots human capital for the future of the industry.

Industry supports the WET rebate removal from NZ producers as it is not in keeping with its original intent. WA opposes any changes to the WET rebate without wider reform.


GREGOIRE

Action

The Strategic Plan to 2024 will guide relationships within the Western Australian Wine Industry and between its industry, government and other partners over the next 10 years. The plan proposes major changes to how the industry is structured and operates in the short and medium term.

Industry will review progress after 6 months and 12 months and revise the plan to include any major changes and improvements. This plan ensures a long-term strategic direction, while allowing action to be taken by WoWA and the Regional Associations on current issues.

Priorities

WoWA as the state peak industry body will pursue specific issues referred to in strategic focus areas, objectives and initiatives included in this document.

Implementation

The proposed implementation plan (see following) indicates the order of priority, industry representational structure and allocation of operational responsibility in pursuing the strategic priorities.

Form working groups

WoWA will form working groups to address the priority strategic focus areas and develop action plans to pursue the linked objectives.

The Working Groups will comprise industry members and draw on other resources where skills and expertise are required to ensure there is capacity to achieve the objectives in each strategic focus area (SFA). Membership will be determined by WoWA and each group will be accountable to WoWA.

There may be issues that have been identified as priorities in the strategic plan that do not require a working group to be formed. It may be possible to combine some of the remaining priority issues into broader themes to be covered by a single working group.

Where a priority is identified and there is an existing industry or government body dealing with the issues, WoWA will nominate someone to participate as a wine industry representative.

Proposed Working Groups are:

1. Industry Structure and Funding (SFA 1 and 2): WoWA and RAs
2. Market Demand and Consumer Interaction (SFA 3, 4, 5 and 10): RAs, WoWA, Industry members
3. Innovation, RD&E, Extension and Biosecurity (SFA 4, 6, 7 and 8): Wine Industry Technical Committee
4. Regulation and Social Responsibility (SFA 9 and 10): WoWA, RAs.

Where cross-overs of priority issues between Working Groups are found, they would collaborate as required.

Review of working groups

WoWA will develop a set of key performance indicators (KPIs) for each Working Group. The progress and continued status of each group will be reviewed by WoWA with reference to these KPIs.

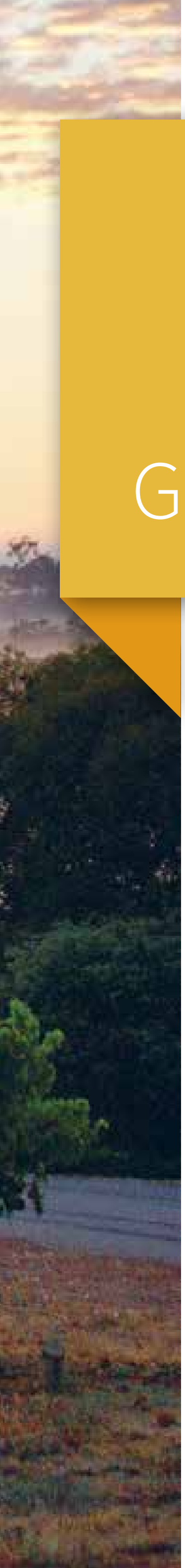
Review of industry strategic plan

The new Wine Industry Strategic Plan will be reviewed by WoWA and RAs at six months and 12 months following its ratification, and annually thereafter. The review will include assessment of WoWA's operations, each Working Group and an update of the priorities to be pursued in the following year.

Implementation Plan

Strategic Focus	Level of representation and priority					
	State		Regional		Local	
	High	Medium	High	Medium	High	Medium
1	Development of Strategy, MOUs; ratify and incorporate to constitution		Develop regional business plans and MOUs			
2	Conduct poll and develop MOUs		Develop regional business plans and MOUs			
3	Advocacy for Funding and Partnerships		Strategy and execution of tactics		Execution of tactics	

Strategic Focus	Level of representation and priority					
	State		Regional		Local	
	High	Medium	High	Medium	High	Medium
4	Moderate process and generate data to develop FWBM criteria		Input to process, define regional identity and foster a critical mass of producers			Input to process, defining regionally-specific expressions of fine wine
5	Advocacy for Funding and Partnerships		Development and execution of tactics		Execution of tactics	
6	Advocacy for Funding and Partnerships			In-region advocacy for relevant research and extension		In-region advocacy for relevant research and extension
7	Advocacy for Funding and Partnerships			On-ground surveillance for incursions and identifying possible threats or practices		On-ground surveillance for incursions and identifying possible threats or practices
8	Advocacy and management of Technical Committee			Support for in-region implementation of best practice operations	Execution of tactics	Support for in-region implementation of best practice operations
9	Develop state-specific policy paper and lobby to ensure contents are implemented			Support for in-region implementation of best practice operations		Support for in-region implementation of best practice operations
10	Develop state-specific policy paper and lobby to ensure contents are implemented			Communicate policy to members, feedback up to state body	Execution of tactics	



Glossary

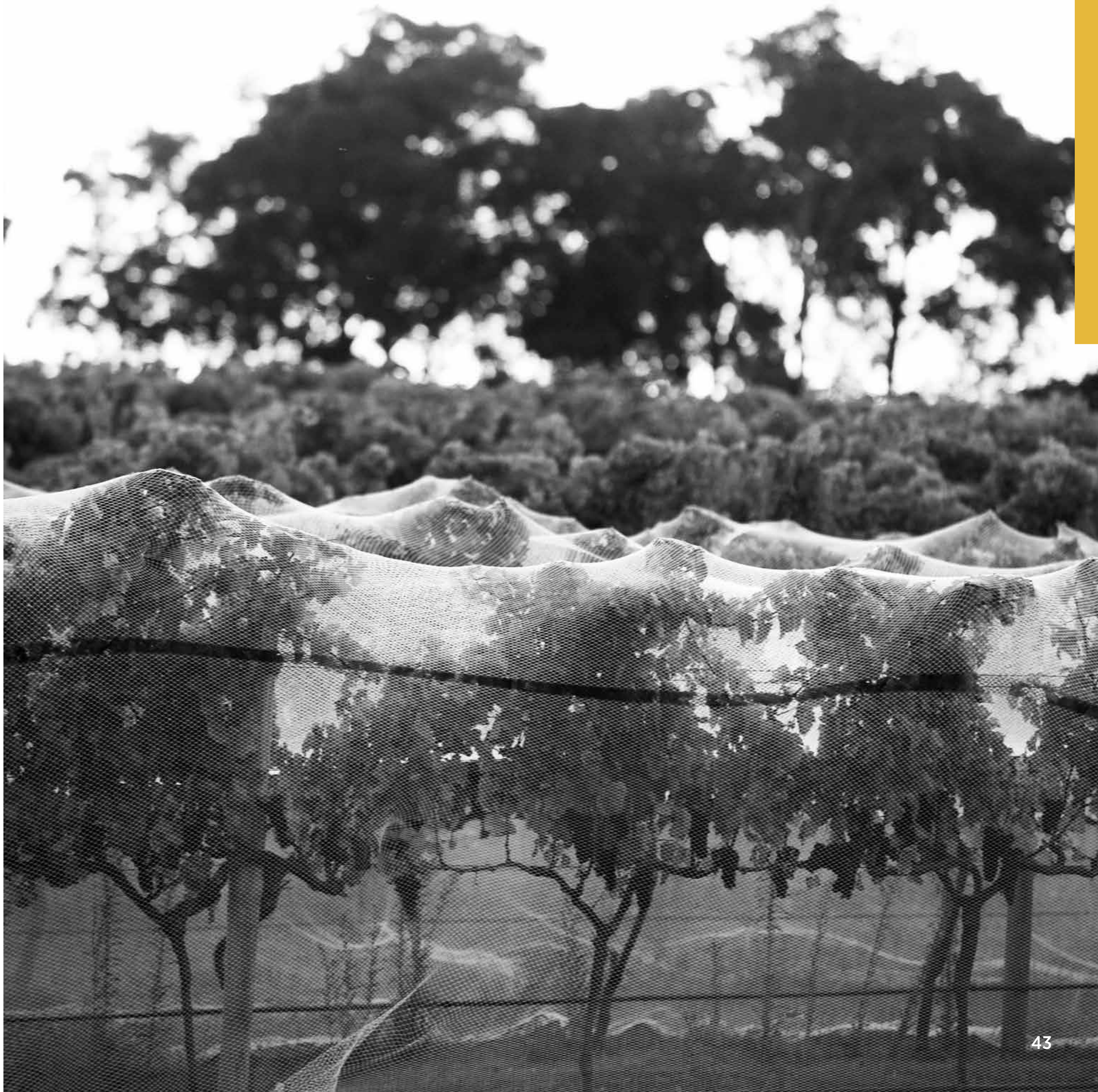
ABS	Australian Bureau of Statistics
APC	Agricultural Produce Commission
AWRI	Australian Wine Industry Research Institute
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CU	Curtin University of Technology
DAFWA	Department of Agriculture and Food, Western Australia
FAO	Food and Agriculture Organisation
GWRDC	Grape and Wine Research and Development Corporation
RA	Regional Associations
MU	Murdoch University
NRM	Natural Resource Management
NWGIC	National Wine and Grape Industry Centre
OIV	International Organisation of Vine and Wine
TC	Wines of Western Australia Technical Committee
UWA	The University of Western Australia
WAC	Wine Australia Corporation
WAVIA	Western Australian Vine Improvement Association
WET	Wine Equalisation Tax
WFA	Winemakers' Federation of Australia
WGGA	Wine Grape Growers of Australia
WoWA	Wines of Western Australia

Bibliography

These documents were considered in the desk top reveiw of industry. Order of documents indicates importance of each document to the review process:

- Strategy 2025. Prepared by the Winemakers' Federation of Australia (WFA), 1996.
- Directions to 2025 'An industry strategy for sustainable success', Wine Australia, May 2007.
- The Western Australian Wine Industry Strategic Plan 1997, Wine Industry Association of Western Australia and the Western Australian Government.
- Western Australian Wine Industry 3–Year International Marketing Plan 2011–14, prepared by Wines of Western Australia.
- Wine Restructuring Action Agenda (WRAA), two joint statements prepared by the Winemaker's Federation of Australia (WFA), Wine Grape Growers' Australia (WGGA), Wine Australia (WA) and the Grape and Wine Research and Development Corporation (GWRDC): 'Wine industry must confront the reality of oversupply,' November 2009, and 'Wine sector must continue to focus on transition,' December 2010.
- An overview of the Australian Wine Sector 2013, Winemakers' Federation of Australia (WFA), presented by Paul Evans at the Australian Wine Industry Technical Conference in Sydney, 17 July 2013.
- Strategic Research, Development and Extension Plan 20012 17, 'From vine to glass: supporting a competitive Australian wine sector', Grape and Wine Research and Development Corporation (GWRDC).
- Industry Biosecurity Plan for the Viticulture Industry 2009, prepared by Plant Health Australia (PHA), Version 2, August 2009.
- The Australian Wine Industry Environment Strategy 'Sustaining Success', Winemakers' Federation of Australia.
- Wine and Food Tourism Strategy 'Harnessing the tourism potential of wine and food in Australia 2020', Winemakers' Federation of Australia.
- Health and Social Responsibility Strategy 2011 14, Winemakers' Federation of Australia.
- Western Australian wine industry research and development priorities 2010, prepared by the Wine Industry Association Technical Committee.
- Department of Agriculture and Food, Western Australia Strategic Plan 2011–2015.
- The Marketing Decade 'Setting the Australian Wine Marketing Agenda 2000–2010', Winemakers' Federation of Australia and the Australian Wine and Brandy Corporation, 2000.
- Wine Industry Profile, prepared by the Department of Agriculture and Food, in 'Profiles of the major Western Australian agriculture industries', 2013.
- The Chinese grape and wine market 2012, prepared for the Grape and Wine Research and Development Corporation by Rabobank International.
- Innovation driving sustainable success – a research prospectus for the Australian grape and wine sector 2010–2012, Winemakers' Federation of Australia.
- Sustainable Food and Wine Value Chains, prepared by Andrew Fearne for the Government of South Australia. August 2009.
- Contribution of horticulture to the Western Australian economy 2012, Department of Agriculture and Food, Western Australia.
- Research, Development, Extension and Commercialisation Plan 2013–2018, Australian Wine Research Institute.

- Wine: A Partnership 2010–2015, prepared by the South Australian Wine Industry Council for the South Australian Wine Industry and the Government of South Australia.
- Wines of Chile 'Strategic Plan 2020' International Markets, Vinos De Chile – Wines of Chile, November 2010 (www.winesofchile.org).
- Swan Valley Vision 2012 'Securing the future of Perth's Swan Valley', prepared by the Swan Valley & Regional Winemakers Association.
- Wine for China: the practicalities, prepared by Primary Industries and Regions South Australia (PIRSA), August 2012.
- Liquor Control Act of Western Australia 1988.
- 'Wine tourism Uncorked', Winemakers' Federation of Australia, 2008.
- State Government Strategy for Tourism in Western Australia 2020, Tourism Western Australia, 2010.
- AGRIFOOD 2025+: The Future Way – Gourmet Way. Department of Agriculture and Food, Western Australia (www.agric.wa.gov.au).
- Environmental Management Guidelines for Vineyards, prepared by Winewatch for Wines of Western Australia, 2011.



Appendices

Appendix 1. Industry Workshops

Three regional industry workshops were facilitated by Rosscrae International, DAFWA, Regional Associations and Wines of Western Australia in August 2013. The workshops were open to all industry stakeholders and were conducted as open forums to discuss the state of industry within a framework that aimed to determine the following:

- What are the challenges that the industry currently faces and what is the current state of the industry with regard to standard business benchmarks such as profitability, return on investment and projected future performance?
- What would the ideal state of the industry in 2024 be if the correct strategies were implemented to address these challenges?

The following summaries of each workshop show that much of the key information that informed the development of the Strategic Plan was gathered through the workshop process.

Combined Summary Results of All Workshops

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Business Environment	• Industry is currently in/approaching mature business cycle • Competition, over-supply, pricing pressure, retail consolidation/difficult to maintain sustainable price models • Cost of production increasing • High level of regulatory intrusion • Subsidised New Zealand product • Imported wine competition	Clear understanding of profitable business models Collaborative focus on market development Strong advocacy to influence positive change to regulatory requirements Industry relevant RD&E to drive innovation	• We changed the rules/re-invented our offer • Profitable at every level of the value chain • Stronger more valuable/rewarding industry • We dealt with growth dynamics successfully • Markets, domestic and international, are coming to us • We are perceived as a luxury brand • We produce some of the greatest wines in the world from some of the greatest wine regions in the world
Advocacy/Representation	• Disparate, fractured industry • Role of representative bodies unclear • Key industry issues not being addressed collectively with a single, clear position (WET, health, biosecurity, funding/partnerships with government agencies) • Isolation is a factor – we are different to SE Australia	A unified, strategically influential voice with clearly defined roles for execution at all levels of representation A sustainable model for revenue raising to support representation at all levels	• WA industry has strong strategic influence at all levels of government • Cohesive industry – everyone participates • We are all clear and hold a consistent position on key issues
Market Development	• No clear understanding of market development roles for state and regional bodies • Disparate approach to partnership with government agencies/synergistic industry groups • Lack of connection with national body activity/no board representation on WAC	Clearly defined roles for marketing activity at each representational level Strong advocacy for marketing support/partnerships Develop strong inter-industry and intra-industry relationships and partnerships Increase in domestic and international wine tourism	• WoWA advocates for market opportunities • Regional bodies execute tactics • Strong working relationships with government agencies • Strong working relationships with synergistic industries

MT BARKER REGIONAL WORKSHOP

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Business Environment	• Industry is currently in/approaching mature business cycle • Competition, over-supply, pricing pressure, retail consolidation/difficult to maintain sustainable price models • Export is difficult • High cost of production • Cost of production increasing (particularly external costs we cannot control e.g. utilities, licences) • Cost of regulatory compliance increasing • Diminished equity for Brand WA in local market • Imported wine competition • Can't increase price • Retail pressure on <300 tonne businesses • WET rebate exists, false economy, propping up 50% of businesses • Australian wine brand diminished in US market	Clear understanding of profitable business models Collaborative focus on market development Strong advocacy to influence positive change to regulatory requirements Industry-relevant RD&E to drive innovation	• Demand outstrips supply by 2018 • More competitive in WA market (50–75% are WA wines) • WA wine consumers make WA regional wines the wine of first choice • WA produces 30% of Australia's premium wines (up from 20% today) • What constitutes a premium wine is defined and understood by producers and consumers • Energetic, vibrant industry • Wine quality in regions increase (40 70% premium wines) • WA is leader in research • Industry financially sustainable • Fewer vineyards
Advocacy/Representation	• Disparate, fractured industry • Role of representative bodies unclear • Key industry issues not being addressed collectively with a single, clear position (WET, Health, Biosecurity, funding/partnerships with government agencies)	A unified, strategically influential voice with clearly defined roles for execution at all levels of representation A sustainable model for revenue raising to support representation at all levels	• Strong regional bodies taking lead on marketing and local issues • Strong state body, strategic influencer

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Market Development	• No clear understanding of market development roles for state and regional bodies • Disparate approach to partnership with government agencies/synergistic industry groups • Lack of connection with national body activity	Clearly defined roles for marketing activity at each representational level Strong advocacy for marketing support/partnerships Develop strong inter-industry and intra-industry relationships and partnerships Increase in domestic and international wine tourism	• WoWA advocates for market opportunities • Regional bodies execute tactics • Strong working relationships with government agencies • Strong working relationships with synergistic industries

The Industry Voice

- A majority in the room believed that the current level of industry cohesiveness, organisation rates less than 5 on a scale from 1 to 10, where 1 is highly disparate and 10 is highly organised. 9 to 2 supported this view.
- An absolute majority in the room supported the position that industry should be highly organised with a centralised core seamlessly linked to all levels of industry. All rated it at 7 or higher in importance.
- An absolute majority supported the position that such a model requires consistent and sustainable funding.
- A significant majority supported the in-principle position that a whole of industry fee for service provides the best mechanism for achieving sustainable industry funding (8 to 3).

General comments

- Less reliance on China, increase export to Europe
- Individuality/regionality with cohesion
- Industry to provide career opportunities/pathways at all levels
- Vineyards and wineries in WA are valuable assets
- Wine is an industry of choice
- Wine quality is better in every region
- Right varieties in right regions
- Tell consumers what we do best
- Technical quality and R&D
- Innovation
- Remove road blocks
- Retail concentration in Albany has destroyed prices for local producers
- Market intelligence for the premium wine sector needed, Suggest Wine Intelligence

MARGARET RIVER REGIONAL WORKSHOP

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Business Environment	• Cost of Production increasing • Subsidised New Zealand products • Imported wine competition • WA wine businesses prepared to erode margins for sales (Volume vs Margin) • Retail duopoly has a greater share of the market • No barriers to entry in the industry • Opportunistic, cannibalistic behaviour • Distribution channels competing against industry • Difficult to engage the younger generation of consumers • WA lacks influence at the national level • High level of regulation and intrusion in the industry • Licensing costs too high and restrictive	Clear understanding of profitable business models Collaborative focus on market development Strong advocacy to influence positive change to regulatory requirements Industry relevant RD&E to drive innovation	• Profitable at every point in the value chain • Cohesive industry with everyone participating • Secure land and water • Strategic influencer at the national level • Not necessarily bigger but more valuable • Clearer picture of supply and demand and understanding what drives these (decisions, human behaviour) • Better able to predict the future • Structure and policy framework prepared for growth or decline depending on the cycle • Industry policy on a range of key issues • WA wine is a luxury brand in Asia
Advocacy/Representation	• Disparate, fractured industry • Role of representative bodies unclear • Key industry issues not being addressed collectively with a single, clear position (WET, Health, Biosecurity, funding/partnerships with government agencies) • Isolation is a factor – we are different to SE Australia • Anti-alcohol lobby is a major factor	A unified, strategically influential voice with clearly defined roles for execution at all levels of representation A sustainable model for revenue raising to support representation at all levels	• WA industry is a strong strategic influencer • WA has strong, relevant regional bodies • WoWA does strategic influencing on external issues • Regional bodies do strategic influencing on internal issues

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Market Development	• No clear understanding of market development roles for state and regional bodies • Disparate approach to partnership with government agencies/synergistic industry groups • Lack of connection with national body activity/no Board representation on WAC	Clearly defined roles for marketing activity at each representational level Strong advocacy for marketing support/partnerships Develop strong inter-industry and intra-industry relationships and partnerships Increase in domestic and international wine tourism	• WoWA advocates for market opportunities • Regional bodies execute tactics • Strong working relationships with government agencies • Strong working relationships with synergistic industries

The Industry Voice

- An absolute majority in the room believed that the current level of industry cohesiveness, organisation rates less than 5 on a scale from 1 to 10, where 1 is highly disparate and 10 is highly organised.
- 84% supported the position that industry should be highly organised with a centralised core seamlessly linked to all levels of industry. All rated it at 7 or higher in importance where 1 is not important and 10 is critically important.
- An absolute majority supported the position that such a model requires consistent and sustainable funding.
- 80% supported the in-principle position that a whole of industry fee for service provides the best mechanism for achieving sustainable industry funding.

General comments

- Let's do something huge ...
- Thrive and grow strategy
- Stronger more valuable rewarding industry
- In 2024 wine businesses have an asset that continually increases in value
- Industry is clear on key positional issues
- Influential at all levels of government
- Great wine regions from WA
- The only way forward is to focus on quality
- Consistent, clear industry-wide message to affect incremental, meaningful, long-term change
- Clarification of roles and responsibilities
- Current oversupply/capacity may be an asset when cycle swings up

SWAN VALLEY REGIONAL WORKSHOP

	2014 Current Reality	Strategic Focus	2024 Ideal Future
Business Environment	• Low grape prices • Climate change is reality • General oversupply • Underselling our product • Lowered consumer perception of WA products • Retail consolidation adversely affects all levels • Commodification of wine • Threat of imported wine • Difficult to raise capital for expansion or improvements • Labour costs/input costs are high	RD&E to drive quality improvements RD&E to drive innovation in product and market engagement Business models to support premium production Market Development programs to support premium price points	• Exporting 50% of production • A safe choice for consumers • An edgy choice for consumers • An ultra-premium choice for consumers • WA is a premium producer
Advocacy/Representation	• National agenda affects state issues • Poor communication within industry and by industry to stakeholders and decision makers • Licensing/compliance constraints • Alcohol and Health issues a threat to all • International agreements/free trade have not been pursued vigorously • Funding activities is a challenge • Engagement with national bodies needs to improve	Cohesive, integrated, organised representation Centralised, levied funding model WA interests are strongly communicated and pursued	• A diversity bringing strength • A strong unified voice advocating on behalf of the industry • Relationships with other synergistic industries are strong
Market Development	• Conservative, pedestrian attitude to change • Wine Tourism is important • Premium products require time to make and market	Strong promotional activities Education across all levels of the value chain Build relationships with allied/synergistic industries	• Recognition of WA regions – The world knows us • We built a reputation equivalent to the Napa Valley • Other regions have successfully leveraged off Margaret River's reputation • Wine and tourism have successfully worked together • We have strong relationships across all levels of influence in our key markets

The Industry Voice

On the current state of industry representation, 40% rated it below 5 and 100% below 7 where 1 is highly disparate and 10 is highly organised.

On the need for a high level of organisation, 90% rated the level of organisation to be 7 or higher.

On the need for a highly organised voice, 80% rated it at 8 or higher where 1 is no need and 10 is critical and supported the position that such a model requires consistent and sustainable funding.

On funding, 90% supported a centrally administered fee for service as an acceptable method of funding

General Comments

- Do we wait for the collapse and see who has survived?
- A plan to thrive is needed
- Where do we set the bar for goals?
- Any plan requires a formalised review process to ensure ongoing relevance
- Need to become a market driven industry
- Difficult to determine needs of a diverse industry
- Strategy 2025 was a fundamental cause of the current situation
- Should there be a prize for everyone? Regardless of how they operate their business?
- Co-operative competition – where are the boundaries?
- We are good at noting the differences in the industry not the commonalities
- We have one of the best grape growing environments in the world. Industry Workshop Poll Results

Industry Workshop Poll Results

In each workshop, participants were asked to consider the issue of industry organisation with regard to representation, advocacy and collaborative market development.

The questions posed were:

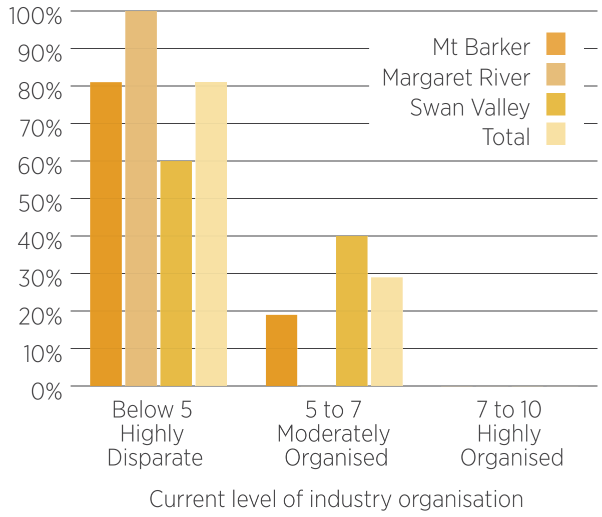
1. On a scale of 1 to 10 where 1 is highly disparate and 10 is highly organised, how would you rate the current level of industry organisation?
2. On a scale of 1 to 10 where 1 is not important and 10 is critically important, how do you rate the need for a highly organised industry with a centralised core seamlessly linked to all levels of industry?
3. On a scale of 1 to 10 where 1 is not important and 10 is critically important, how would you rate the need for a sustainable funding model to support a highly organised structure of representation?
4. In principle, would you support a centrally administered fee for service funding model where the revenue raised is returned to the region from which it is collected to support a vibrant and highly organised level of representation?

Industry showed consistent, majority support for a more organised representational structure with a centrally administered fee for service model. This provides a mandate for Wines of Western Australia to investigate the implementation of such a structure in collaboration with Regional Associations.

Results for each workshop are shown in the following graphs.

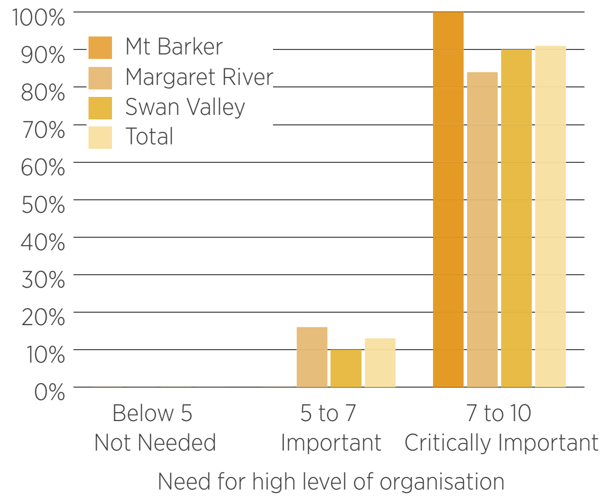
1. On a scale of 1 to 10 where 1 is highly disparate and 10 is highly organised, how would you rate the current level of industry organisation?

Figure 16. Current level of industry organisation



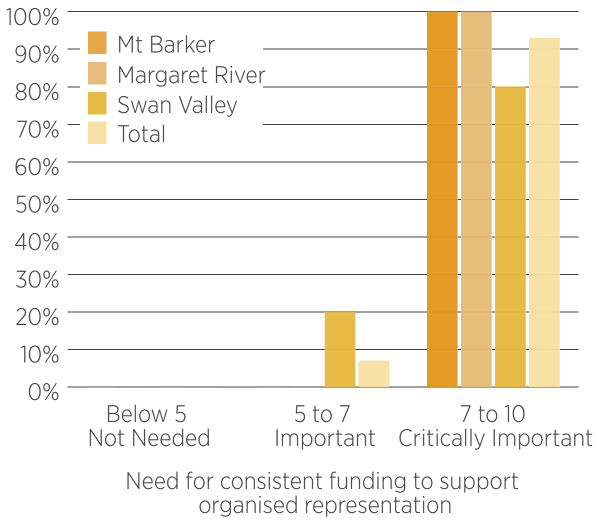
2. On a scale of 1 to 10 where 1 is not important and 10 is critically important, how do you rate the need for a highly organised industry with a centralised core seamlessly linked to all levels of industry?

Figure 17. Need for high level of organisation



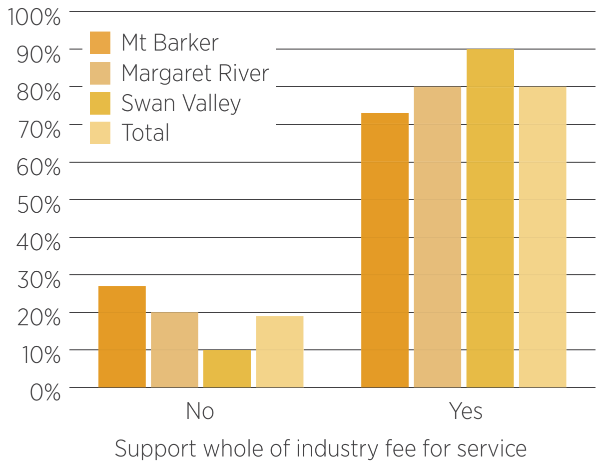
3. **On a scale of 1 to 10 where 1 is not important and 10 is critically important, how would you rate the need for a sustainable funding model to support a highly organised structure of representation?**

Figure 18. Need for consistent funding to support organised representation



4. **In principle, would you support a centrally administered fee for service funding model where the revenue raised is returned to the region from which it is collected to support a vibrant and highly organised level of representation?**

Figure 19. Support whole of industry fee for service



Industry showed consistent, majority support for a more organised representational structure.

Appendix 2. Industry Online Survey

An online survey of the whole of industry was conducted to **gather key data about the current makeup of the industry** as well as future intentions of participants. In total, 102 businesses completed the survey.

The survey captured information on:

- Participants' profiles
- Production and operations
- Business profiles
- Sales channels and strategies
- The business environment
- Industry structure and representation
- SWOT analysis
- Contact information (optional).

In addition to providing data to support the information gathered in the workshops, the online survey provided valuable information that will be useful in developing tactical programs to implement the Strategic Areas of Focus of the Plan.

Industry structure and representation

With regard to industry association/representative organisation fees, participants were asked:

Would you support a single fee collection, by a single administrative function, which then distributes the percentages of your fee to the relevant other bodies under a formal and transparent agreement?

- 39% of respondents were in favour
- 11% disagreed
- 50% needed more information to decide.

Figure 20. Participant profile

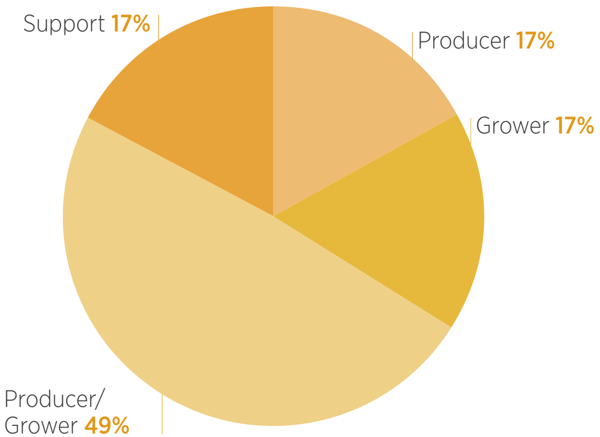


Figure 21. Business profile

Participants represented all regions.

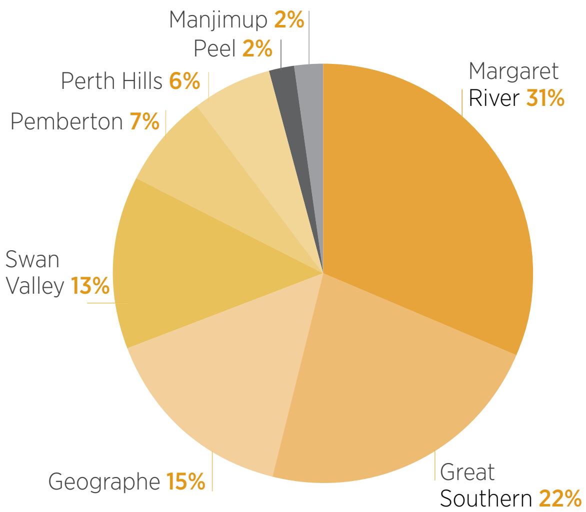
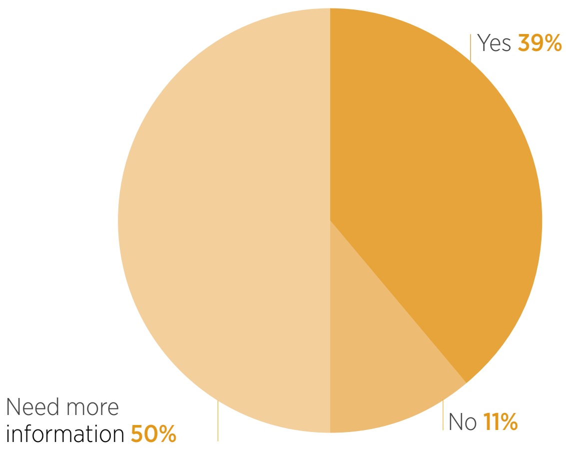


Figure 22. Support for industry-wide single fee collection



SWOT analysis

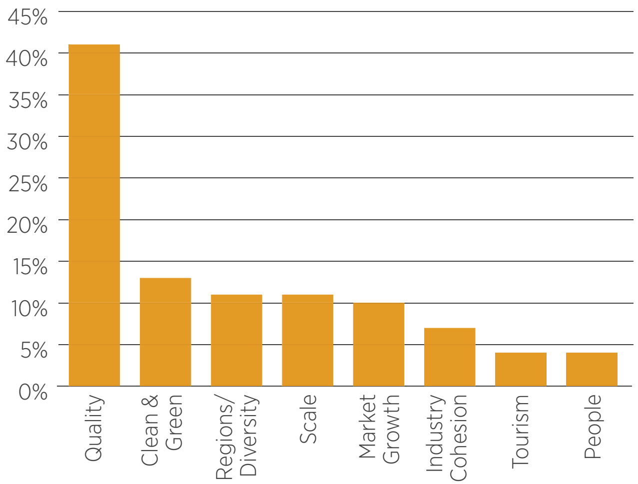
Participants were asked to list three key Strengths, Weaknesses, Opportunities and Threats that they believe the Western Australian Wine Industry should consider in the review and be acted on either now or in the future.

Strengths

Key strengths in order of importance were:

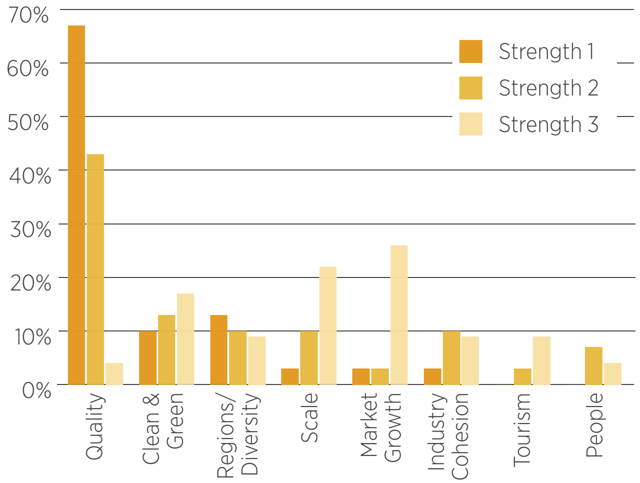
- Quality
- Regions Clean and green
- Scale
- Market growth

Figure 23. Strengths ranked in order of percentage responses



Quality was overwhelmingly seen as the greatest strength of the WA Wine Industry. Responses related quality to wines; consumer perception and market reputation for high quality wines; capacity to produce premium wines and grapes in all regions; increasing demand for cool climate wines; climate and location of regions suited to production of high quality fruit and wines.

Figure 24. Strengths ranked in order of priority



The diversity of WA's wine regions was seen as a major strength. Regions were strongly linked with diversity and quality related to their capacity to produce a diverse range of distinctive fine wine varieties and styles. Regional differentiation was an important factor.

The industry's 'clean and green' image was a major strength. Key factors were a clean grape growing environment, relative lack of pests and diseases, low chemical inputs, strict quarantine barriers, good quality water and sustainable use on natural resources.

WA's relatively small scale of production was regarded as strength. The responses indicated that smaller scale provided the flexibility and capacity to compete globally in high value niche markets.

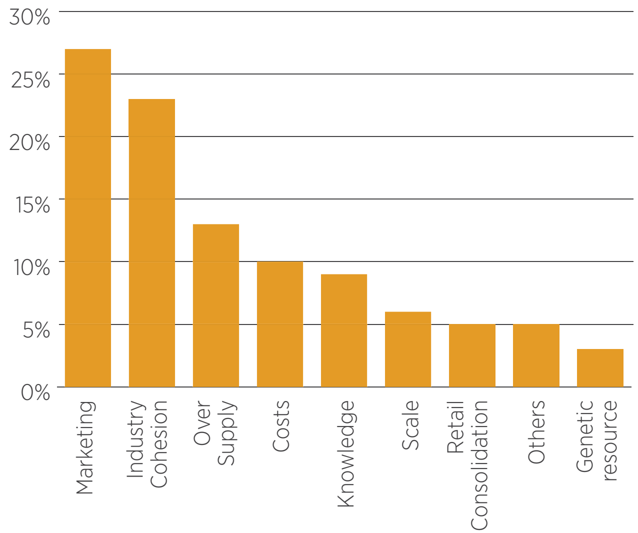
The potential for growth in international and local markets was a strength. Respondents indicated growth would be driven by growth in the economy, population, exports, and consumer perception and support for WA wines.

Weaknesses

Key weaknesses in order of importance were:

- Marketing
- Industry cohesion
- Oversupply
- Costs
- Knowledge
- Genetic resources

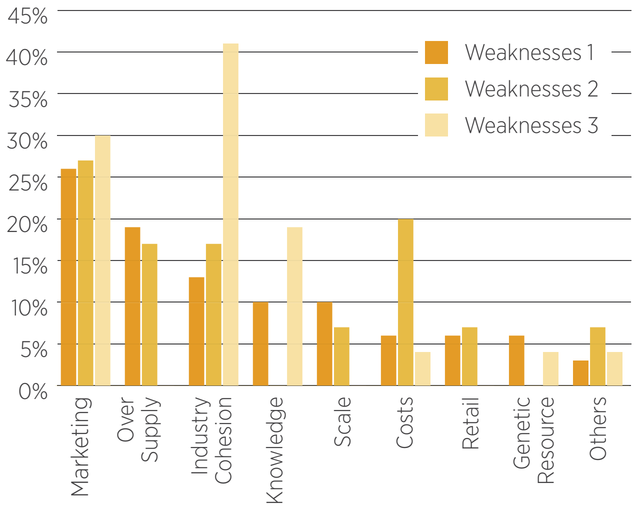
Figure 25. Weaknesses ranked in order of percentage of responses



Marketing issues were regarded as the main weakness. These included geographic isolation and distance to national and international markets; lack of funds for market development, marketing and promotion; low level of exports and knowledge about access to export markets; competition from imports; poor distribution and route to market for many wine producers.

Industry cohesion was a major weakness. Responses included fragmentation of industry structure; lack of unity, coordination and funding of industry bodies; lack of industry cohesiveness and direction; inability to drive essential industry needs to government.

Figure 26. Weaknesses ranked in order of priority



Oversupply of wine and grapes was a major issue for some respondents. The important factors included: over-production of lower grade fruit holding back prices; too many vineyards and wine production capacity; too many plantings in poor areas.

Lack of technical knowledge was an important weakness. Respondents saw this as having a negative impact on production and quality in the long term. They indicated a need for more RD&E input, more grower and winemaker forums and greater innovation in products and promotion.

Costs are a major issue. Respondents highlighted the high cost of production relative to other wine regions of the world; the high cost of inputs; the tyranny of distance to the east coast of Australia affecting the cost of doing business in WA.

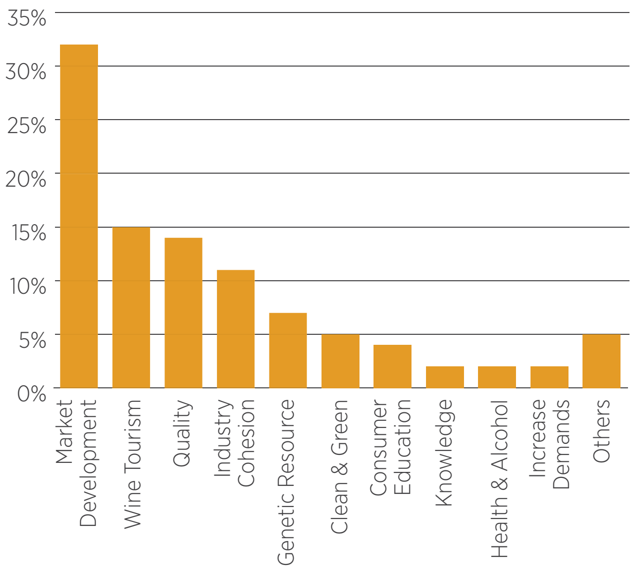
Genetic resources were also an important weakness. Respondents indicated the industry needed better access to improved clones, varieties and rootstocks, and reduce the production of varieties in unsuitable areas.

Opportunities

Key opportunities in order of importance were:

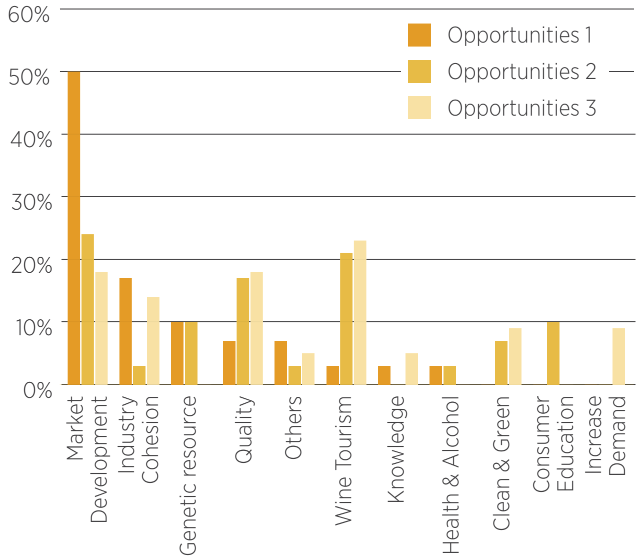
- Market development
- Industry cohesion
- Wine tourism
- Quality
- Genetic resources

Figure 27. Opportunities ranked in order of percentage responses



Market development was overwhelmingly seen as the greatest opportunity for the industry. The survey highlighted a number of focus areas including marketing and promotion of WA's fine wine regions; expansion of export markets particularly to China and other emerging markets in Asia; increased marketing for ultra-premium wines; growing WA wine market for WA wines; target education and promotion of WA wines direct to Asian consumers; actively engage with sommeliers interstate to develop WA wine ambassadors.

Figure 28. Opportunities ranked in order of priority



Industry cohesion was a major opportunity. Respondents indicated that a cohesive approach and was needed to provide a single, influential whole of industry voice on a range of critical issues. These included: liquor licensing; tourism; engage with state government and national industry bodies on key issues and reforms; access funds and resources for major industry initiatives.

Wine tourism and wine and food partnerships were major opportunities. Respondents highlighted a number of initiatives including: food and wine promotion, develop regional food and wine tourism experiences, improve co-ordination with tourism industry, increased promotion of food and wine tourism, work more in partnership with DAFWA and Tourism WA, and integrate wine and tourism marketing.

Quality was a strength that respondents saw an opportunity to improve on. Initiatives and innovations included: premium quality assurance program and fruit production standards; focus on high quality wine with lower alcohol; planting grape varieties and clones suited to climate; product differentiation for low yielding, higher quality fruit.

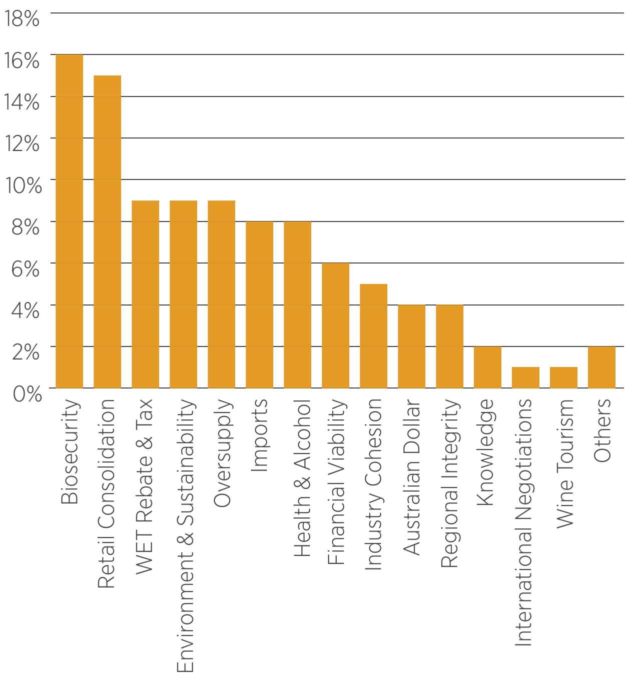
The survey identified a major opportunity in improving the genetic resources available to industry. This included: improved planting material of new varieties; improving access and availability of imported and locally-selected clonal material.

Threats

Key threats in order of importance were:

- Biosecurity
- Retail power
- WET rebate
- Imports
- Environment and sustainability
- Oversupply
- Health and alcohol

Figure 29. Threats ranked in order of percentage responses

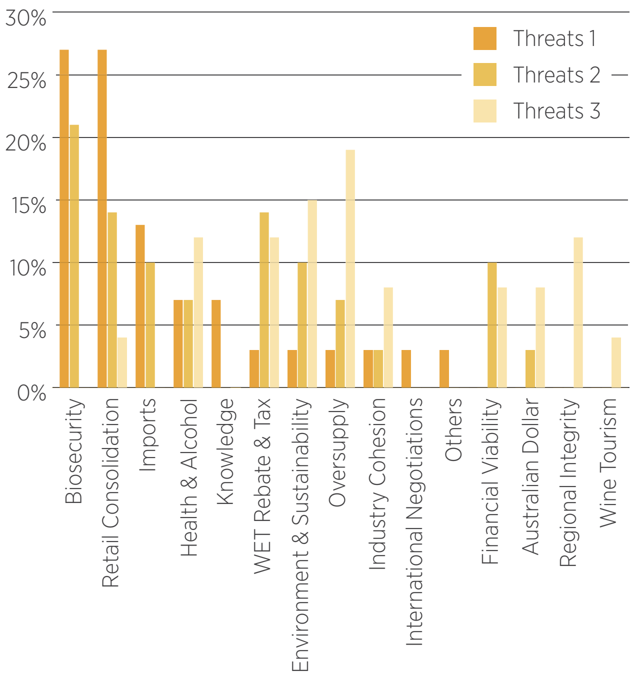


The two major threats to the WA Wine Industry, identified by survey, were biosecurity and retail consolidation.

Biosecurity to protect the industry's grape production base from the incursion of exotic pests and diseases was the main issue. The perceived relaxation of quarantine barriers to importation of fresh table grapes and grapevine planting material was identified. Disease risk associated with abandoned vineyards was another important issue.

The consolidation of retail power in the hands of the two main retail chains was considered a major threat. This was adversely affecting avenues to market for smaller producers and providing unfair competition from house brands and imports.

Figure 30. Threats ranked in order of priority



Possible amendments to, or removal of, the WET rebate was potentially a major threat to the profitability of WA's smaller producers. Other issues identified included the unfair competition for New Zealand producers who are able to claim the WET rebate, and potential adverse effects from any future changes to the taxation regime.

Competition from imported wines was a major threat. This included cheaper commodity wines as well as quality wines from South America. The threat was exacerbated by wine writers promoting imported wines and the high Australian dollar.

Wines of Western Australia
Claremont Showgrounds
Lou Giglia Pavilion
Gate 1 Graylands Road
Claremont WA 6010

(08) 9284 3355
winewa@winewa.asn.au
www.winewa.asn.au