Winemaker's Federation of Australia

1. Question one – pp 13 - 14

Senator EDWARDS: [...] Finally, can you just explain your frustration—which came out in your submission—around the free trade agreement with China.
Mr Strachan: The bottom line is that, from memory, Chile and New Zealand have free trade agreements with China; they therefore, Chile in particular, get access to that market through lower tariffs than us. China is probably the one significant bright spot in the industry's future. At the moment, we are seeing some considerable success in that market—through a lot of hard work, I might add. We obviously want the playing field to be as level as possible and we would like to see those tariffs come down so that we are on the same footing as our competitors.

Senator EDWARDS: Do you know what the difference is? We are on 46 per cent.
Mr Strachan: I do not, actually. I am not sure. We can follow that up.
Senator EDWARDS: Okay. Thanks very much.

ANSWER:

Australia / China current arrangements:

The current import duty on bottled wine is 14%. Added to this are a further 10% consumption tax and VAT of 17%. All are applied to the CIF price, giving an effective total tariff of 48.2%. ICD (0.14) + VAT (0.17) + CT (0.10) + ICD (0.14) x VAT (0.17)

Total Import Tax rate = 1 – CT (0.10)= 48.20%

Bulk wine attracts an import tariff of 20%.

New Zealand / China arrangements

Under the NZ China Free Trade Agreement the phase out schedule for NZ bottled wine to China is as follows:

Base Rate 14%
1 Oct 2008 11.2%
1 Jan 2009 8.4%
1 Jan 2010 5.6%
1 Jan 2011 2.8%
1 Jan 2012 onwards Zero

Chile / China arrangements

Under the Chile-China Free Trade Agreement, the following tariff concessions were made:

Champagne & sparkling wine	14% by 2015
Wine (not sparkling); grape must with by alcohol in: ≤ 2l containers	14% by 2015
Wine (not sparkling); grape must with alcohol in: ≥ 2l containers	20% by 2015
Other grape must, nes	30% by 2015

2. Question two – page 15

Senator URQUHART: In relation to the 70 per cent market share of the two majors that you talk about, have you got any evidence that that has had any effect on wine growers that you represent? And are they prepared to step up to the plate?

Mr Strachan: They are definitely not prepared to say anything publicly, categorically. We have surveyed our members and asked them what the impact has been on their margins over the last—how long? Five years?

Mr Wilsmore: Ten years.

Mr Strachan: Ten years. There are other factors. We cannot point only to retailers.

Mr Wilsmore: It does vary. Some wine producers have seen their margins almost halved over that 10-year period. We have seen on average amongst them all at least a 10 per cent decline in margin.

Senator URQUHART: Are you able to provide the results of that survey to the committee?

Mr Strachan: We did it confidentially. We would have to check with our members.

Senator URQUHART: If you could do that, yes.

Mr Strachan: We could not give you all the details, obviously. We will try to give you what we can in a summarised version.

Senator URQUHART: That would be great. Thank you.

ANSWER:

From a small sample, the following is summarised data from a confidential survey of Australian winemakers.

Caution is warranted in the use of this information due to the small sample size and the lack of uniformity in how individual producers arrived at figures which vary in methods of calculation and accounting.

1. Percentage of total (both on-premise and off-premise) domestic sales to Coles and Woolworths – by value

Lowest	Highest	Average
16%	90%	49.5%

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2. Percentage of total (both on-premise and off-premise) domestic sales to Coles and Woolworths – by volume

Lowest	Highest	Average
16%	98%	50.6%

3. Percentage of off-premise domestic sales to Coles and Woolworths - by value

Lowest	Highest	Average
30%	93%	56.5%

4. Percentage of off-premise domestic sales to Coles and Woolworths - by volume

Lowest	Highest	Average
24%	99%	55.4%

5. Average margin ten years ago (2001) to Coles and Woolworths?

Lowest	Highest	Average
25%	54%	33.3%

6. Average margin today (2011) on sales to Coles and Woolworths?

Lowest	Highest	Average
15%	33.4%	24.7%

7. Change in margin across the last ten years

Lowest	Highest	Average change in margin	Average loss (by %age) in margin
-15%	-44%	-30%	-10.6%