



2017-2021
VICTORIAN
WINE INDUSTRY
DEVELOPMENT STRATEGY

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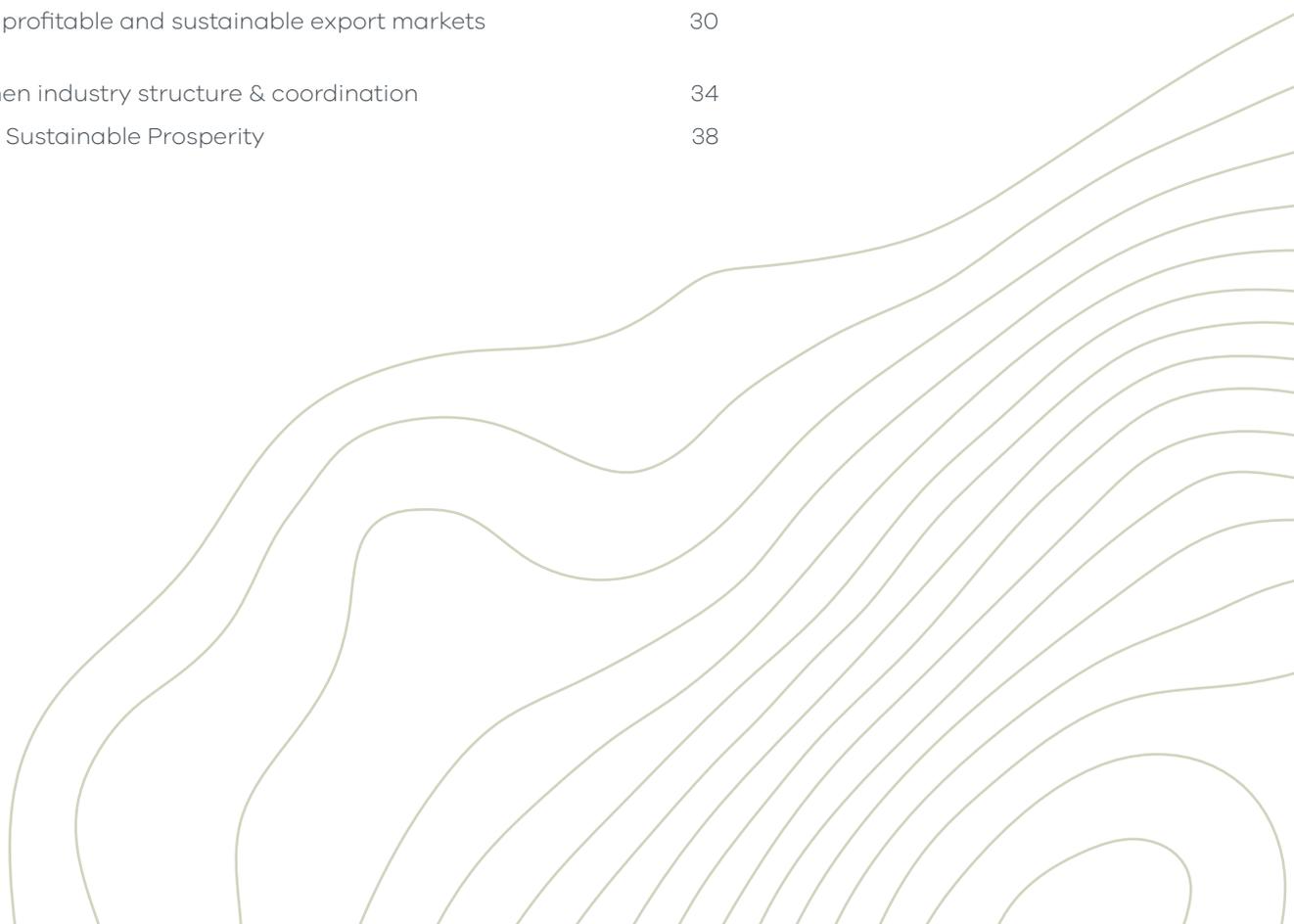
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MINISTER'S FOREWORD

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Victoria's wine industry contributes \$7.6 billion to our state economy and directly employs nearly 13,000 people. Many of these jobs are in regional Victoria. Victoria has more cellar doors than any other state, creating opportunities for visitors to experience our diverse and authentic quality wine experiences across the state and contribute to the liveability and vibrancy of our regions.

Victoria produces wines for every palate and budget, and our wines are on-trend with consumer preferences both here and overseas, yet our export markets do not always know the full story behind Victorian wines and our passionate, genuine and creative winemakers. We have an opportunity to grow our reputation for quality wines in new and reinvigorated markets by telling the stories of our wines, the places they are grown and the people who make them.

Victoria's wine businesses operate in a highly competitive global market, in which Victoria has less than a one per cent share. We need to be agile and innovative in finding ways to get the best value from our share. Our grape growers produce an array of varieties under conditions that are complicated by biosecurity challenges and the impacts of climate change.

The *Victorian Wine Industry Development Strategy 2017–2021* pinpoints key challenges and opportunities right across the wine value chain and sets out strategic priorities for the industry. The strategy supports our growers and wine businesses with skills and R&D investment to tackle challenges in the trading and production environments, initiatives for the wine industry to better connect with the food and regional tourism sector, and provides a framework for telling the stories of our wine in export markets. Critically, it supports the industry to develop a model of representation and coordination that will enable industry players to work together and with the Victorian Government for the benefit of the whole Victorian wine industry.

The Victorian Government and the Wine Industry Ministerial Advisory Committee have worked together to prepare this strategy. It includes the input of wine industry stakeholders gathered through workshops across the state and interviews with representatives of industry bodies.

We look forward to working with the wine industry to grasp new opportunities from a rapidly changing environment. This will achieve lasting, positive change in our wine industry and regional communities.

The Hon. Jaala Pulford MP
Minister for Agriculture
Minister for Regional Development



WINE INDUSTRY MINISTERIAL ADVISORY COMMITTEE CHAIR'S FOREWORD

You don't have to dig too far to find passionate people in wine. Vignerons love growing, crafting and sharing their wares, which creates a strong sense of community and hospitality around the industry and is the reason many are devoted to it. But primary production comes with its ups and downs, as does pitching a regional product on a global platform. There is plenty of determination in the Victorian wine community but there are also impediments to growth which need to be addressed to keep the state on track for a sustainable and prosperous future.

Victoria is the most diverse and interesting wine producing state in Australia. Its 22 unique regions and range of climates are expressed each vintage by over 600 different winemakers of all shapes and sizes. This positions Victoria with an unmatched advantage to produce a brilliant array of wine styles and varieties from deliciously drinkable everyday wines to rare, distinctive and cellar-worthy wines for the finest of occasions.

By working together, we can take this message and our wines to a wider audience across our own land and the globe. The Victorian Wine Industry Development Strategy 2017–2021 lays down a road map to grow the success of Victorian wine businesses from the vine to the wine list by targeting key areas for advancement. This strategy has been put together through a fruitful collaboration between government and industry as well as a broad-based consultation of key players in Victorian wine.

Industry has been represented through a Wine Industry Ministerial Advisory Committee, formed by the Hon. Jaala Pulford MP, the Victorian Minister for Agriculture and Regional Development, in late 2015. The Wine MAC consists of a dynamic and robust group of individuals from a broad range of regions and sectors within the Victorian wine scene. Together we have worked over the last 18 months to bring to the strategy formation process a wealth of practical experience and technical knowledge, and to ensure all regions and areas of specialisation are well represented in the plan.

The Victorian Wine Industry Development Strategy 2017–2021 accurately distils the current global wine market and local environmental and economic conditions to outline the range of challenges and opportunities that currently lie before us. Victoria is perfectly positioned to capture so many of these opportunities. My fellow Wine MAC members and I are very enthusiastic about the implementation of these strategic concepts in the coming years through decisive action by industry and critical support from Government. We look forward to working hard to ensure the whole industry will benefit today and for generations to come.

Kim Chalmers
Chair, Wine Industry Ministerial Advisory Committee

EXECUTIVE SUMMARY

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Victoria's Wine Industry Development Strategy aims to recalibrate the Victorian wine industry, setting it on a pathway to sustainable prosperity.

The Victorian wine industry directly contributes \$7.6 billion to the Victorian economy and provides 12,995 direct jobs (including wine tourism).

Victoria produces a broad range of wine styles in unique and diverse geographic settings. Victorian wine businesses, too, are diverse, encompassing all or various stages of production from the vineyard to the glass. Many wine industry businesses encompass different disciplines including viticulture, oenology, marketing, tourism and hospitality.

The wine industry currently faces considerable challenges including an unpredictable global market, planned domestic tax reform, as well as climate and biosecurity challenges to production. The industry recognises the need to adapt in response to changes in its operating environment.

The Victorian Government has committed to support the industry in its transition. The Hon. Jaala Pulford MP, Minister for Agriculture and Minister for Regional Development, has appointed a Wine Industry Ministerial Advisory Committee (Wine MAC) to provide the government with specialist advice. The Victorian Government and Wine MAC have worked together to develop this strategy for sustainable industry growth.

In developing this strategy, stakeholders were consulted in 14 sessions across Victoria's wine regions including a focused discussion session on biosecurity and research and development. Over 45 interviews were conducted with wine industry, visitor, retail and service-based organisations.

This strategy has been structured around four core strategic platforms. A series of programs is proposed to fulfil the strategic aim of each platform. Within the four strategic platforms, the Wine MAC and the Victorian Government agree that areas of particular priority are transitioning industry structure and building capability, increasing domestic tourism and growing export capability.

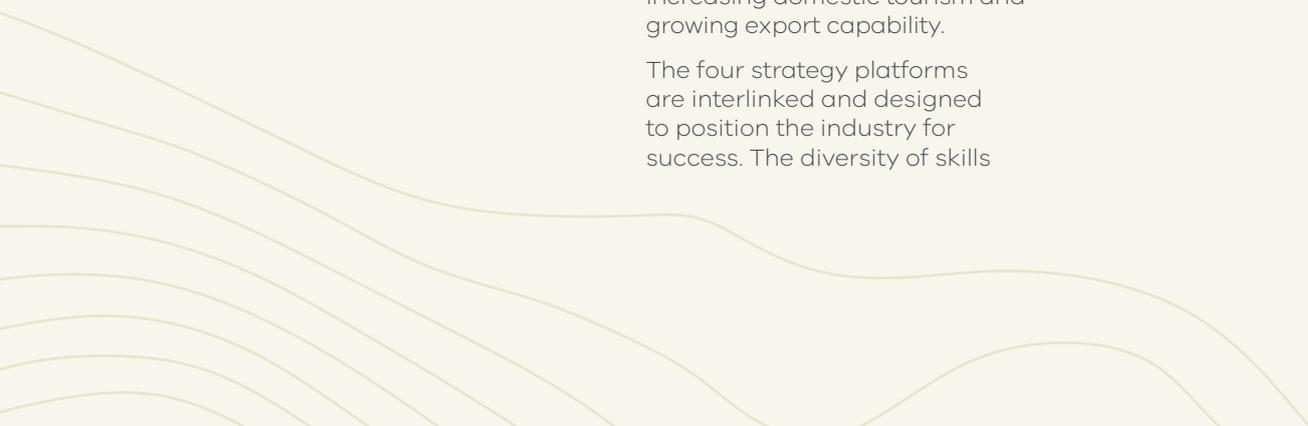
The four strategy platforms are interlinked and designed to position the industry for success. The diversity of skills

and business models in the Victorian wine industry means that there is a diversity of pathways to profitability for individual wine businesses. Each business will engage with different elements of the strategy according to their needs and goals.

The strategy is aligned with key Victorian Government sector development plans in food and fibre and the visitor economy.

The Victorian Government and the wine industry will jointly deliver this strategy. Together, we aim to achieve lasting positive change for the wine industry and the broader Victorian community, through the downstream benefits that the wine industry delivers.

Successful implementation of this strategy will see an industry that is more profitable, more coordinated, more skilled and better informed. Victoria's wines and wine regions will be recognised globally and at home.





Adapt

Support adaptation to a new industry operating environment

Victorian wine producing and marketing environments are changing quickly. Climate change is having an impact on grape and wine production, consumer preferences are dynamic, and global market conditions are challenging. While the traditional global wine market is unpredictable, particularly at the lower price points, there are emerging opportunities for Victorian business to enjoy.

Programs under this platform include: building business capability in key areas; investing in targeted research and development; and improving market insight and data. These programs will help Victorian wine businesses understand the forces of change and their future options to respond to them.



Visit

Increase visitation and expenditure within Victorian wine regions

Victoria has many boutique wine businesses that rely on the higher margins that come from direct-to-customer sales. The visitor economy is also increasingly important to many in the industry for income diversification. At the same time, visitors now expect a more holistic offering from wine businesses. Programs under this platform aim to better connect the wine industry to local visitor experiences. Aligning the activities and messages of regional wine associations with those of Regional Tourism Boards aims to increase visitation to wine regions for the benefit of all businesses across the supply chain through flow-on effects to grape prices and regional economies.



Trade

Develop profitable and sustainable export markets

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



Lead

Strengthen industry structure and coordination

Strong and coordinated industry networks and effective engagement with all levels of government will be needed to enable industry's transition to sustainable profitability under this strategy. Programs under this platform support industry to establish a model of representation that coordinates the flow of information and the delivery of services across the full wine supply chain, among the regions and between industry bodies.

THIS STRATEGY HAS BEEN STRUCTURED
AROUND FOUR CORE PLATFORMS.
UNDER EACH PLATFORM, A SERIES
OF PROGRAMS HAVE BEEN PROPOSED
TO FULFIL THAT STRATEGIC AIM.



ABOUT THE STRATEGY

The Victorian Wine Industry Development Strategy is a joint initiative of the Victorian wine industry, through the Wine Industry Ministerial Advisory Committee (Wine MAC), and the Victorian Government.

The strategy was initiated by the Hon. Jaala Pulford MP, Minister for Agriculture and Minister for Regional Development, who also appointed the Wine MAC. The strategy has been jointly developed by the Victorian Government and industry (represented by the Wine MAC) with the assistance of consultants McKinna et al.

It provides a clear direction for the wine industry to meet the challenges currently before it and capture opportunities over the next five years. This strategy sets out a plan for achieving the government's and Wine MAC's shared mission:

To set the Victorian wine industry on a pathway to sustainable prosperity by developing a shared understanding of the actions needed to grow domestic and international demand for the state's unique wines and support businesses to adjust to a new operating environment.

The strategy applies to all businesses from grape to glass. It embraces the visitor economy (i.e. tourism, events and hospitality) and will help drive export opportunities. The strategy was developed by consulting widely across the wine industry and undertaking a detailed analysis of current market conditions to identify critical issues for the industry. This strategy outlines a series of programs under four key platforms that respond to the 'critical challenges' for the industry.

These platforms align closely with the key goals and priorities of the Victorian Government's *Food and Fibre Strategy* and *Visitor Economy Strategy*. For example the *Visitor Economy Strategy* identifies the opportunity to build on the potential of regional Victoria through clear and consistent marketing, improving tourism infrastructure and more effective coordination.

These themes are identified for wine regions in Platform 2. Similarly, the *Food and Fibre Strategy* aims to equip businesses with skills and tools to innovate, build export capability and capture market opportunities. Platform 1 of this strategy supports wine businesses to adapt to prevailing trading and production environments through research, development and extension, business skills, technical innovation and biosecurity, while Platform 3 aims to build sustainable export markets and grow export capability.

Throughout the strategy, the term 'industry' refers to individual businesses throughout the wine value chain, regional wine associations and the state industry body, Wine Victoria.

VICTORIA'S WINE INDUSTRY IS VITAL FOR REGIONAL ECONOMIES

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In 2015, the Victorian wine industry, from the vineyard to the glass, contributed an estimated \$7.6 billion direct effect to the Victorian economy. This extends to approximately \$13.3 billion in value when downstream effects are included.

The industry generates an estimated 12,995 direct jobs (including tourism) and creates a total flow-on effect in the vicinity of 32,820 jobs. The majority of these jobs are located in regional areas.

The associated visitor industries of tourism and hospitality are significant employers of youth in particular, often in areas of regional Victoria that suffer high youth unemployment.

Primary production and winemaking operations offer substantial casual and seasonal employment. The wine industry also generates economic benefits to industries such as those providing infrastructure, production inputs and professional services, most of which are delivered by local businesses.

Not only does the wine industry contribute economically to regional prosperity, it greatly enhances regional liveability. The amenity provided by cellar doors, cafés and restaurants enriches local lifestyles and attracts people to live in regional Victoria.

The events and festivals coordinated by the wine industry also bolster the social capital of regional communities and give people a reason to visit regional Victoria.

Domestic and international visitors now expect a high standard of food and wine as part of the visitor experience and the Victorian wine industry is capable of meeting those expectations. Furthermore, most restaurants and cafés associated with the wine industry are champions of local produce.

The Victorian Government recognises that the wine industry is vitally important to Victoria's visitor economy and to the wider economies of Victorian wine producing regions.

VICTORIAN WINE INDUSTRY SNAPSHOT

The average value of Victorian wine is higher than the national average value.

The Victorian wine industry spans 22 diverse regions each with their own distinctive history, terroir, mesoclimates and wine styles. Victorian wine businesses can encompass all or various links in the supply chain including vineyards, wineries, marketers, brokers, contract bottlers, freight and logistics, input suppliers (vineyard and wine making), pruning and harvest contractors, retailers, professional advisors and the various elements of the associated visitor economy. Many Victorian wine business operators juggle the vastly different skills of viticulture, oenology, business management and tourism.

The diversity of skills and business models in the Victorian wine industry means that there is a multitude of pathways to profitability for individual wine businesses. For some, success may come through a focus on exports or e-commerce, while for others increasing direct-to-customer sales through a focus on visitor experiences, or transitioning to more contemporary practices and grape varieties may be the key.



12,995 jobs including tourism¹



\$7.6 billion direct economic contribution



1132 wine grape growers



319,471 t 20% of national crush volume²



223 ML 17% of national production³



747 wineries



499 cellar doors



23,088 ha of wine grapes⁴



9 million international visitor nights



\$297 million in exports



\$153.6 million 21% of national crush value²



3.2 million domestic visitor nights



\$1.5 billion in annual sales



\$5.7 billion in value adding

¹ Job estimate calculated using equivalent state numbers from the national Ag-Econ-Plus 2015 direct employment calculation including tourism.

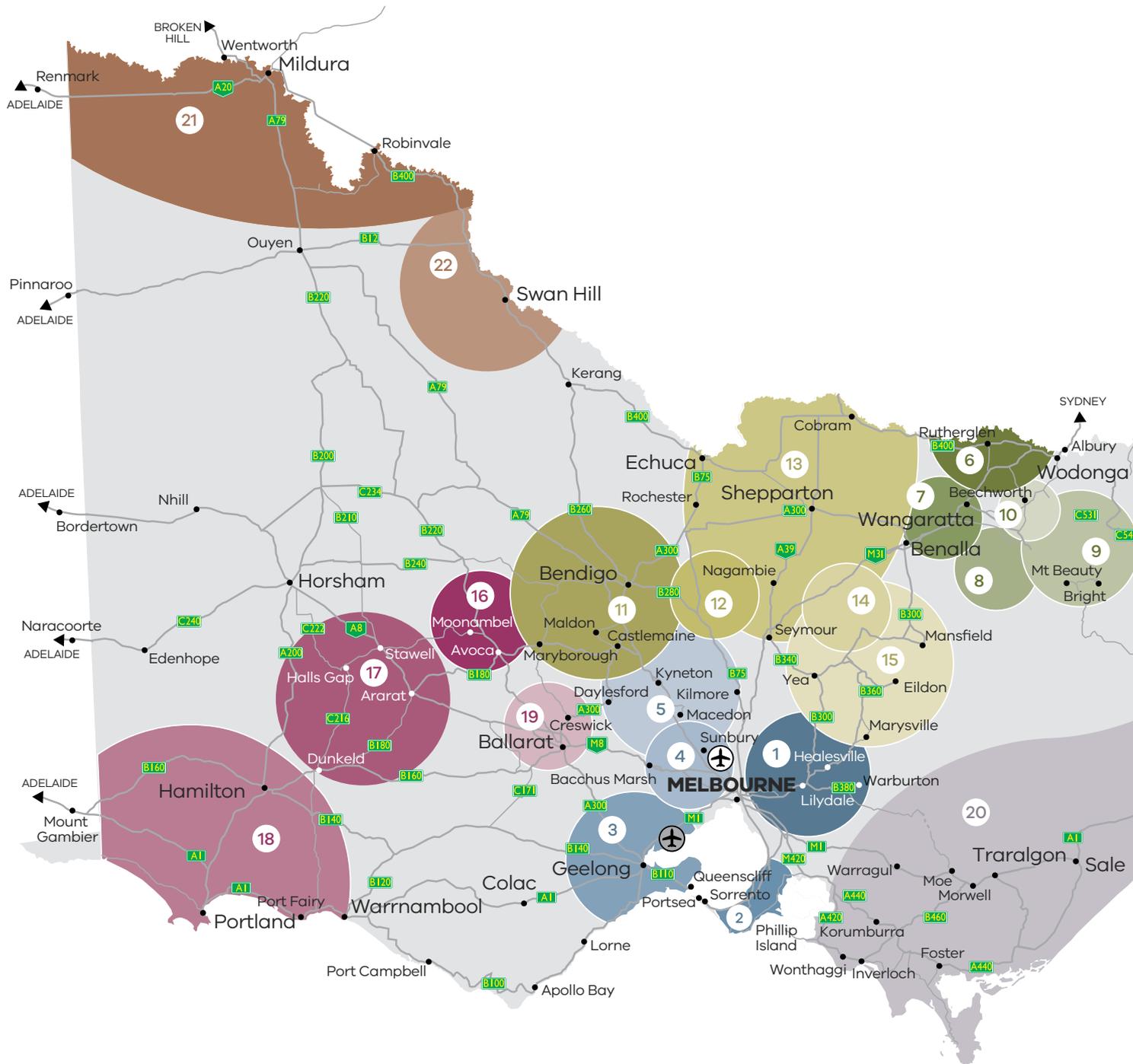
² ABS 2015 estimates of volume; value calculated by applying average price per tonne from WFA 2015 Vintage report.

³ National extraction rate sourced from State of Australian Wine, March 2016, applied to ABS crush data.

⁴ Winetitles – Wine Industry Directory 2016

WINE REGIONS OF VICTORIA

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AROUND MELBOURNE

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

NORTH-EAST VICTORIA

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

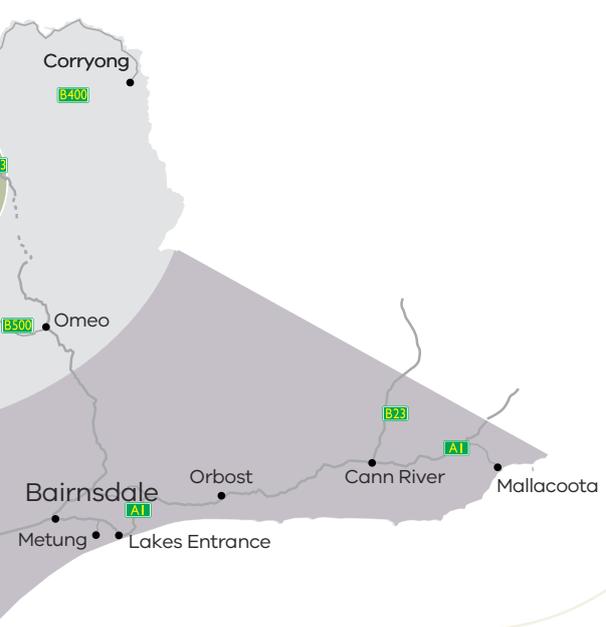
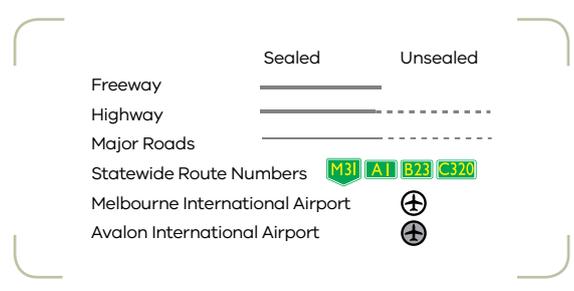
CENTRAL VICTORIA

- 11 Bendigo
- 12 Heathcote
- 13 Goulburn Valley
- 14 Strathbogie Ranges
- 15 Upper Goulburn

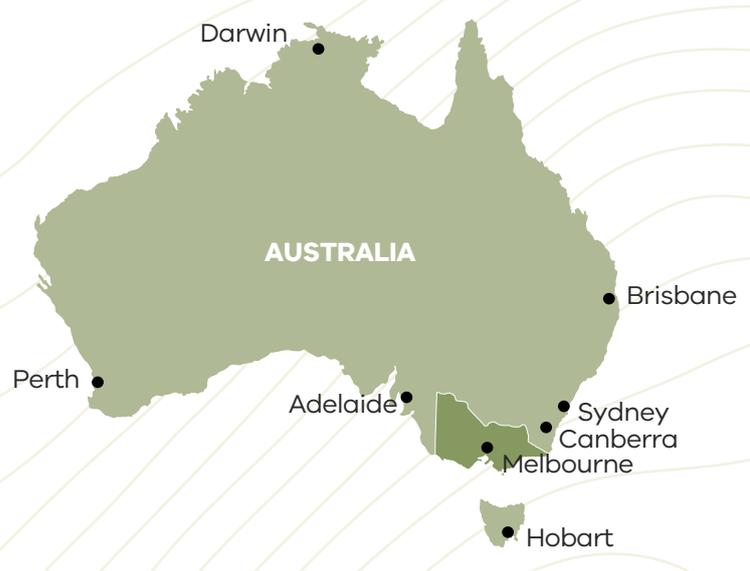
WESTERN VICTORIA

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

Source: Wine Victoria



- SOUTH-EAST VICTORIA
- 20 Gippsland
- NORTH-WEST VICTORIA
- 21 Murray Darling
- 22 Swan Hill



CHALLENGES

Challenging operational conditions of the domestic and global wine industry have led to an unpredictable market environment across the industry as a whole.

Australia produces four per cent of global production (2014) and six per cent of the volume of wine traded internationally. Victoria is an even smaller player on the international stage, producing approximately 0.8 per cent of global production. The wine industry operates in a highly competitive, global market, where trade is relatively flat and oversupply is forecast to prevail for some years.

The Australian and Victorian wine industry has experienced declining profitability over the last decade, mostly owing to the global wine surplus and persistently low prices.

This is a change in operating environment from previously strong demand and prices for Victorian grapes and wine.

Although at an aggregate level, national supply is approximately in equilibrium with demand, there is significant variation between varieties, styles and price points. This is reflected in grape and wine prices around the state. Most of the wine produced in Victoria is being sold, but on average it is sold at heavily discounted prices. This could be corrected by reducing overall supply and shifting the product mix to better meet existing and emerging market demands.

The industry is facing other challenges such as climate change and its related issues of earlier and more compressed vintages, decoupling of sugar and flavour ripening, rising water costs, heightened biosecurity risk and greater potential for smoke taint events.

The Commonwealth Wine Equalisation Tax (WET) Rebate and the Victorian Liquor Subsidy (VLS) are embedded in the business models of small to medium sized wineries. The planned reduction in the WET Rebate and any flow-on impacts to the VLS is likely to change the way these businesses access government support. Transition processes will be carefully planned to minimise the impacts of these changes on both the recipients and also the regional communities which rely on the businesses for employment opportunities.

The Victorian Government will work in partnership with industry to support adaptation to the challenges presented in the current operating environment.





27,500ML
GLOBAL PRODUCTION



1200ML
NATIONAL PRODUCTION



233ML
VICTORIAN PRODUCTION

Measure	GLOBAL	NATIONAL			VICTORIA		
	Total	Total	Global share (%)	Global rank	Total	National share (%)	National rank
Wine production (ML)	27,566 ¹	1200 ¹	4.4	7	223 ³	19 ⁸	3
Hectares (,000)	7573 ²	154 ²	2	11	23.5 ⁵	17 ⁸	3
Export volume (ML)	9804 ⁴	714 ⁴	7.3	5	135 ¹⁰	18	
Export value (AUD M)	37,390 ⁴	2168 ⁴	6	5	294 ¹⁰	14 ⁸	
Import value (AUD M)	37,119 ⁴	669 ⁴	2	15	240 ⁶	33	
Domestic value (AUD M)		2777 ⁴			1040 ⁷	44	

1 OIV – 2015 Global Economic Vitiviniculture Data (Australian data comparable to Wine Australia data).
 2 OIV – Report Mainz Congress 2015. Forecast figure 2014.
 3 Production calculations – National extraction rate sourced from State of Australian Wine, March 2016, applied to ABS crush data.
 4 OIV – 2013 Global Economic Vitiviniculture Data.
 5 Winetitles Media – Wine Industry Directory 2016.
 6 Department of Economic Development, Jobs, Transport and Resources – Victorian wine exports. Calendar year data ending December 2015.
 7 Wine Victoria – Regional Economic Strategy Development submission to Department of Economic Development, Jobs, Transport and Resources – 2015.
 8 Share calculation uses Wine Australia figures for total Australia.
 9 Wine Australia – The State of Australian Wine – March 2016.
 10 Wine Australia analysis for Wine Victoria Q1 2016.
 Export/import values converted from Euros at AUD 1 = EUR 0.68.

INDUSTRY OPPORTUNITIES

This strategy outlines a clear direction for overcoming these industry challenges and addressing the future development of the Victorian wine industry.

It aims to guide industry and government investment to grow a more productive and competitive wine industry that is able to overcome obstacles and capture the opportunities offered by an increasingly sophisticated domestic and export market.

With a clear strategic direction, the Victorian wine industry is well placed for an exciting future because:

- Victorian wine styles are on trend with consumers
- many of Victoria's iconic cellar doors are within easy reach of Melbourne's key visitor destinations
- Victoria has a point of difference and competitive advantage in wine export markets in its cooler climate and alternative varieties
- Victoria's fuller bodied wines are highly sought after as wines for every occasion by emerging Asian markets

- Victoria is well placed to capture export growth opportunities in new and reinvigorated markets
- online sales and digital marketing can showcase Victoria's many boutique producers to wider markets
- Victoria produces a broad range of wine styles across a range of price points in unique and diverse geographic settings.

There is scope to improve recognition of the individual offerings of Victorian wine regions by better differentiating Victorian wines in key export markets and creating a narrative for Victoria's wines, regions and producers.

The Victorian industry has an opportunity to leverage its competitive advantage in cooler climate, lighter styles and alternative varieties. These attributes should be marketed to highly targeted market segments. The Victorian wine industry must be a nimble niche market player, skilfully targeting market segments that suit its varied wine styles and areas of competitive advantage.

Victoria has a number of well established, iconic wineries, which are important drawcards for visitors to the wine regions. Through working together and with the Regional Tourism Boards, there are opportunities to build visitation with benefits for all businesses in the wine regions.

Victoria also has an opportunity to be an industry leader in sustainable production practices and new innovative products, giving Victorian grape growers and wine producers an advantage in the global marketplace.

The Victorian Government's partnership with the wine industry will contribute to environmental sustainability, stronger regional economies, increased visitation, investment, jobs and exports in regional Victoria.

WITH A CLEAR STRATEGIC DIRECTION,
THE VICTORIAN WINE INDUSTRY IS WELL
PLACED FOR AN EXCITING FUTURE.

CRITICAL CHALLENGES

Many Victorian wine businesses across the supply chain have adapted successfully to industry challenges and opportunities. However, much can be done to assist further industry growth. Extensive consultation and analysis identified a range of 'critical challenges' for the wine industry. The strategy's four core platforms respond to these critical challenges. The platforms emphasise building industry capability, growing the visitor economy, developing exports and transitioning industry structure.

CRITICAL CHALLENGES

The industry requires support to understand the challenges and opportunities associated with the new industry operating environment.

Continued investment in infrastructure is needed from industry and government.

Parts of the industry lack capability in key areas that will enable businesses to capture new opportunities to improve profitability.

Trade development activities need to be focused on higher value markets and segments to lift average sale price and improve profitability.

Growers need research, development, extension and biosecurity support, within the national framework. This will help growers to grow grapes more suited to contemporary drinker preferences, improve vineyard efficiency and adapt to climate change impacts.

STRATEGIC RESPONSE



OUTCOME



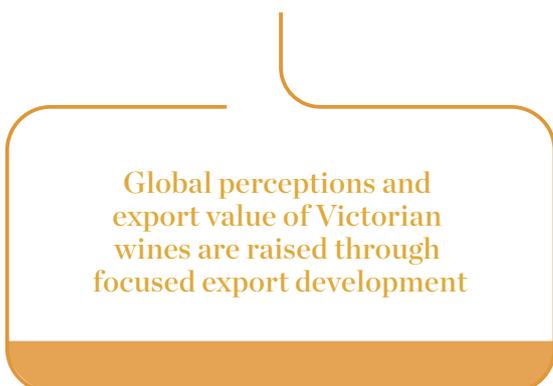
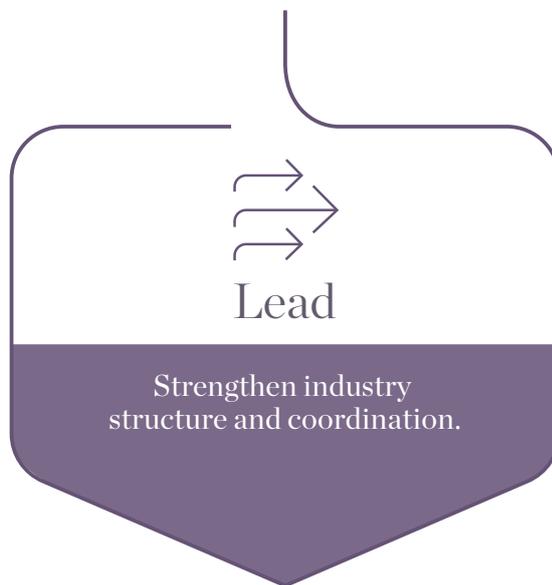
Climate change is having a major impact on grape growing and wine making.

Industry collaboration and coordinated leadership is needed to deliver this strategy.

Consistent messaging is needed to enable regional tourism bodies to communicate the Victorian wine proposition.

Victorian wine lacks a clear context in international markets: shared messages and program delivery between the industry and the government is needed to support export development.

The dialogue between industry and government needs to be strengthened to address regulatory burden and to address any policy challenges including health and taxation.





SUPPORT ADAPTATION TO A NEW INDUSTRY OPERATING ENVIRONMENT

INDUSTRY CRITICAL CHALLENGES ADDRESSED

- The industry requires support to understand the challenges and opportunities associated with the new industry operating environment.
 - Parts of the industry lack capability in key areas that will enable businesses to capture new opportunities to improve profitability.
 - Climate change is having a major impact on grape growing and wine making.
 - Growers and producers need research, development, extension and biosecurity support, within the national Research, Development & Extension framework. This will help growers to grow grapes more suited to contemporary drinker preferences, improve vineyard efficiency and adapt to climate change impacts.
-

OUTCOME

Wine businesses are equipped to respond to change with better skills and new practices.

01 Adapt

“We have the capacity to grow alternative varieties in the Murray Valley of exceptional quality; we just need to connect growers with the right buyers so they can benefit from an investment in switching to production of higher value grapes.”

/ SWAN HILL GRAPE GROWER

PROGRAMS	LEAD
1.1 Build capability in business skills and planning for growers, producers and wineries through development and promotion of wine-specific industry programs.	Industry Government (Small Business Victoria)
1.2 In partnership with national bodies, invest in localised, regional and statewide viticultural and wine research, development and extension and programs to support adaption to climate change, technical innovation, new and innovative products, productivity improvement and biosecurity management.	Government (Agriculture Victoria) Industry
1.3 Engage with Wine Australia and the Australian Wine Research Institute to improve Victorian production data and industry information.	Industry
1.4 Provide industry with the information and insights needed to identify new opportunities in domestic and export markets.	Industry Government (Agriculture Victoria, Trade Victoria)
1.5 Provide information and support to those impacted by the new operating environment to retrain, retire, refocus or change industries, crops or business models.	Government (Agriculture Victoria)

WHAT'S HAPPENING NOW

Wine Growth Fund

The Wine Growth Fund has been established by the Victorian Government to develop and grow Victoria's wine industry. Projects funded in 2016–17 have a total value in excess of \$3 million, with government contributing \$750,000 and industry in the order of \$2.3 million. The fund will support the development of export markets, marketing and tourism initiatives, improvement in wine production, new infrastructure developments and job creation.

Murray Valley Wine Grape Industry Development Committee

The Murray Valley Wine Grape Industry Development Committee (IDC) is a grower established body that collects levies to fund activities that benefit local wine growers and the industry. The IDC works closely with the Murray Valley Winegrowers Association (peak regional growers' body) to deliver services that include a weather station network, winegrape crush survey reports, biosecurity management input, extension advice, marketing information and commercial advice for growers.

RATIONALE

The operating environment to which industry will need to adapt presents challenges and opportunities.

CHALLENGES	OPPORTUNITIES
Global oversupply of wine and Australian oversupply of lower quality grapes	Victorian wines are on trend with consumers
Recent flat domestic and global markets Increasing wine imports	There is a shift in food styles to favour lighter, flavoursome wines
More complex market and channel segmentation	Higher visitor expectations of cellar door experiences
Category devaluation due to supermarket discounting and private label	Growth in international visitor numbers
Declining per capita consumption of wine	Growth of on-line and phone sales and impact of social media
Rise in popularity of craft beer and cider	Lower Australian dollar making Victorian wine exports more competitive and fuelling domestic tourism
Planned changes to the WET Rebate scheme and any change to the VLS could impact expanding businesses the most	Recent growth in Asian markets, which Victoria is well placed to service
Impacts of climate change	Prices holding for premium grapes
A high cost structure reduces Victoria's global competitiveness	Demand for entry level grapes increasing as plantings decrease
More savvy and price-driven, less brand-loyal retail customers	Victoria's geographic diversity supports a broad range of wine styles

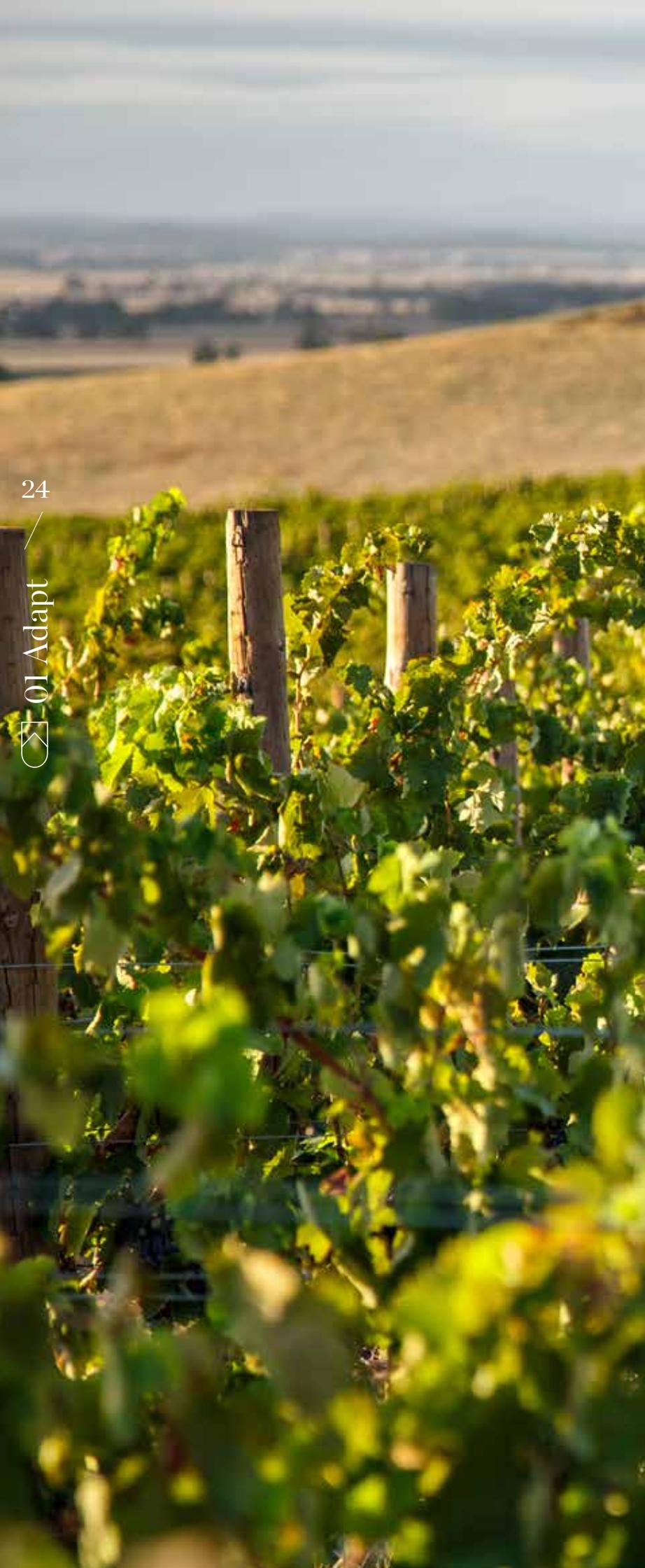
WHAT'S HAPPENING NOW

Research, Development and Extension

The Victorian Government works within the national R,D&E framework to invest in areas that are important for Victoria's wine industry. Current research focuses on Phylloxera control and understanding the impacts of climate change on vineyard productivity and grape quality.

Building on the Victorian Government's \$4 million investment in Agriculture Victoria's Centre of Expertise in Smoke Taint Research, the Victorian wine industry contributed an additional \$40,000 to ensure continuation of key research and delivery of new tools for vignerons to determine atmospheric smoke risk. Further co-investment by the Victorian and Commonwealth Governments and Wine Australia (industry R&D levy) has delivered important mitigation and remediation solutions for smoke taint.

The Australian Wine Research Institute (AWRI) node in Victoria was established in late 2011 under a Memorandum of Understanding among Wine Victoria, Wine Australia and the Victorian Government. AWRI delivers workshops and seminars on topics as diverse as consumer and market insights, precision and low-input viticulture, cost of production benchmarking and aromas in wine.



Victoria's wine grape growers are passionate experts who produce a wide array of quality grape varieties.

However, many in the industry are experiencing a lack of profitability as they face challenges in adapting to the prevailing industry operating environment. Apart from making great wine, winemakers increasingly need to think about product and income diversification, direct marketing, delivering a memorable cellar door experience, providing a holistic food and wine visitor experience, export marketing and new and innovative products in order to be successful. While some Victorian wineries have already successfully adjusted to the new operating environment, many face capability gaps that prevent them from taking full advantage of new opportunities.

Building capability in key areas, along with better data and market analysis, will assist some producers to adapt to these new market conditions. For example, improving business management skills or increasing awareness of market signals will help producers to better identify drivers of profitability and to produce grapes that are more accurately targeted to the needs of wineries.

Readily accessible and easy to understand data and industry insights will help growers to conduct long range planning to align the varieties that they grow with future market trends. Wineries and winemakers will also benefit from better industry information to help them match supply and product mix to existing and emerging market trends.

Some producers experiencing a lack of profitability may need information and support to make the decision to retrain, retire, refocus or change industries, crops or business models. Support includes financial counselling, transition workshops and information on how to reduce biosecurity risks when leaving the industry.

Producers require regionally relevant research, development and extension to grow better grapes, improve productivity and adapt to the challenges of climate change. Climate change means warmer average temperatures and higher frequency of heatwaves, shifting seasonal rainfall patterns and reduced water availability and water quality during the growing season.

This affects grape and wine quality through decoupling sugar and flavour ripening and creates logistical and processing pressures at vintage via a compressed harvest window. Some wine varieties will become more difficult to grow in certain regions, although others may become easier. Victoria's geographic and climatic diversity is an advantage in the face of these changes.

The risk of smoke taint is also associated with climate change, with fires and planned burns likely to become more frequent. Biosecurity concerns are ever-present and climate change may exacerbate some risks, especially Phylloxera and other exotic pests and diseases (e.g. Pierce's disease).

WHAT'S HAPPENING NOW

Business Skills and Training

The Victorian Government supports all small businesses with a range of low-cost and local support programs across the state. For example, the Small Business Victoria Workshops program provides over 350 low-cost workshops per year to more than 4000 participants. There is potential to tailor these programs to the wine industry to increase uptake.

The Australian Alternative Varieties Wine Show

The Australian Alternative Varieties Wine Show (AAVWS) showcases varieties that fall outside the mainstream and attracts over 200 exhibitors from across Australia and New Zealand. The AAVWS association is completely funded through industry partnerships and income from entries and events. Growing from just a handful of entries in 2001 to 772 entries encompassing 102 grape varieties in 2016, this event has helped to diversify Australian wine offerings. AAVWS hosts international guests each year, providing global exposure.



INCREASE VISITATION AND EXPENDITURE WITHIN VICTORIAN WINE REGIONS

INDUSTRY CRITICAL CHALLENGES ADDRESSED

- Consistent messaging is needed to enable regional tourism bodies to communicate the Victorian wine proposition.
 - The wine industry and regional tourism bodies would each benefit from shared strategic intent, programs and in some cases resources.
 - Continued investment in infrastructure is needed from industry and government.
-

OUTCOME

Regional wine marketing is enhanced through shared resources, a clear vision and coordinated approach.



Visit

“This business has survived because we diversified our income through investment in accommodation and dining experiences that enhance the value of our wine brand.”

/ ALPINE VALLEY BUSINESS MANAGER

PROGRAMS	LEAD
2.1 Explore opportunities for regional wine associations and Regional Tourism Boards to develop formal relationships to leverage the many opportunities set out in the Victorian <i>Visitor Economy Strategy</i> .	Industry
2.2 Work with industry to develop Victorian wine messaging and integrate into relevant marketing and communication activities.	Visit Victoria
2.3 Build on Victoria’s food and wine competitive strength through partnerships with Regional Tourism Boards, Tourism Australia, commercial travel industry/brand partners and media.	Visit Victoria
2.4 Engage with Regional Tourism Boards, Wine Victoria and the Melbourne Food and Wine Festival to develop a program of year round regional food and wine events.	Visit Victoria Industry
2.5 Collaborate with Regional Tourism Boards and industry to facilitate investment in food and wine tourism infrastructure and new experiences.	Government (Regional Development Victoria)
2.6 Support individual wine businesses to improve their own infrastructure, product presentation, hospitality skills and visitor experience offering.	Industry

WHAT’S HAPPENING NOW

Wander Victoria

The diversity and beauty of regional Victoria make the State an epicurean visitor’s playground. Wine and food messaging is a key feature of current marketing undertaken by Visit Victoria in domestic and international markets. Visit Victoria’s intrastate marketing campaign ‘Wander Victoria’ captures wine and food in core campaign elements. This \$4.5 million campaign will be supported with further activity over the next two years aiming to inspire Melburnians to visit regional Victoria.

The promotion of food and wine experiences continues to be a fundamental element of Visit Victoria’s regional marketing strategy. There is an opportunity to provide guidance to Regional Tourism Boards, industry associations and individual businesses to help align their activities to best leverage the regional marketing strategy.



RATIONALE

Victoria has many boutique wineries that depend on the higher margins of direct-to-consumer sales for their overall profitability. Visitation drives cellar door sales, wine club membership, repeat purchases and encourages brand loyalty.

It is therefore essential that the wine industry aligns closely with the regional visitor industry to drive food and wine tourism and build awareness of Victoria's wine styles, regions and diverse wine experiences. The Victorian tourism sector relies on strong wine tourism offerings and the Victorian *Visitor Economy Strategy* identifies wine and food tourism as key to regional economic growth. Wine is a core component of tourism marketing in most regions of Victoria, yet the industry tends to operate independently from tourism boards, duplicating resources.

Although wine is a critical element of regional tourism, there is strong evidence that it is no longer enough by itself. Visitors seek experiences beyond cellar door tastings. Their expectations include, for example, boutique accommodation options, local food, food and wine matching, cooking classes and wine appreciation knowledge. Visitors also value opportunities to engage in other experiences such as nature-based activities, art and culture, and health and wellness treatments during their stay. They seek to buy products that they cannot find at home or at a special price.

Wine businesses now find themselves needing to bridge the worlds of viticulture, oenology and tourism. Skills in sales, hospitality and marketing are variable in wine businesses. Because food is now an integral component of the overall wine experience, the industry also needs to continually develop and refine culinary and hospitality skills to ensure that it caters to the evolving needs of visitors.

A shared commitment by government and the industry to invest in tourism infrastructure and experiences, as articulated in the Victorian Visitor Economy Strategy, will support regional economic growth and enable the wine industry to keep pace with changing visitor expectations. Luxury accommodation is noted as a product gap in many areas of regional Victoria.

Government and industry will investigate opportunities to invest in tourism experiences beyond cellar doors to create compelling reasons to visit and allow the government to meet its objectives of economic growth in regional Victoria.

Collaboration between regional wine associations and Regional Tourism Boards and improved integration of strategies is critical to drive cellar door visitation and wine sales. Regional Tourism Boards have been established by the Victorian Government to be the peak regional tourism organisations.

They provide advice to government on supply and demand areas of the industry and are the key organisations from which government seeks input in relation to funding programs, such as the Regional Tourism Infrastructure Fund. There is a great opportunity for the wine industry to work more closely with Regional Tourism Boards to capture their expertise, professional experience and networks and gain a better return from the existing marketing spend.

The diversity of Victoria's wine offering is a great strength for the state. Spread across 22 wine regions, each with its own inspiring landscape, Victoria produces quality wine in every conceivable style, price and for every palate. There is, however, a lack of clear messaging about Victorian wine. The development of a set of messages and assets for the wine regions would assist in marketing communications and create greater clarity for both industry and visitors.

The messaging will capture the diversity and unique attributes of Victorian wine and will complement messaging for export activity in order to add value through differentiation. It will build on the growing strength of Victoria's brand through cohesive communication.

WHAT'S HAPPENING NOW

Mornington Peninsula International Pinot Noir Celebration

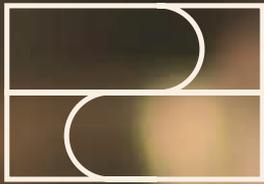
The bi-annual Mornington Peninsula International Pinot Noir Celebration includes tutored tastings, vineyard visits and a degustation dinner featuring local produce and a selection of international Pinot Noir. It is a wonderful opportunity to showcase the region and Victoria's best Pinot Noirs.

La Dolce Vita Wine and Food Festival

The La Dolce Vita Wine and Food Festival aims to cement the King Valley as the Australian home of Italian wine styles. The festival offers wine tastings, authentic regional cuisine according to family recipes and celebrates the history and heritage of the region. The festival is supported by regional wine association investment of \$85,000. Over 3,800 visitors attended the 2016 festival, generating \$1.4 million for the local economy.

Seriously Shiraz

Held in the Grampians over the Melbourne Cup weekend, Seriously Shiraz is a collection of wine, food and entertainment events celebrating Shiraz and other local specialty varieties. This event is supported by a collaborative marketing campaign between the Grampians Winemakers Association, the Grampians and Pyrenees Shires and Grampians Tourism.



DEVELOP PROFITABLE AND SUSTAINABLE EXPORT MARKETS

INDUSTRY CRITICAL CHALLENGES ADDRESSED

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

OUTCOME

More Victorian wine sold at higher prices through focused export development and better global perception.



“Yes, you could say that our business is an export success story but it has taken many years of in-market leg work. We tailor our wine styles and marketing for each country. We are incredibly excited about the FTAs opening up new opportunities.”

/ MURRAY VALLEY INTEGRATED WINE BUSINESS MANAGER

PROGRAMS	LEAD
3.1 Assist businesses to determine export readiness and grow capability and capacity with specific wine industry programs.	Industry Government (Trade Victoria)
3.2 Work with Wine Australia to develop a shared rolling program of activities that can create a context for Victorian wine.	Industry
3.3 Enhance and promote collaborative export initiatives, such as export clusters.	Industry Government (Agriculture Victoria)
3.4 Provide Victorian industry with export market data and intelligence that outlines specific market and product opportunities.	Industry Government (Trade Victoria)

WHAT'S HAPPENING NOW

Wine Australia Export Market Development

In 2014–2015, the Victorian wine industry funded Wine Australia to the value of \$2.2 million in export market development, including industry levies of \$1.7 million. Wine businesses also paid a total of \$500,000 to participate in Wine Australia's in- and outbound export programs to key markets, including China, the USA, the UK and Canada.

In addition to industry levies and Wine Australia export programs, the largest investment in export market development is estimated to come from individual Victorian companies. The industry benchmark for exporting companies to maintain and grow their markets is approximately 10 per cent of their export value. In Victoria's case, this equates to investment of approximately \$20 million of in-market infrastructure, human resources and marketing activities.

Australia's First Families of Wine

Australia's First Families of Wine, made up of 12 of Australia's leading family-owned wine companies, four of which are based in Victoria, promote Australian wine in export markets. This group tells the “Heart and Soul” stories of wine to a domestic and export audience, with quality and heritage at the forefront.



RATIONALE

Being less than one per cent of global production, the Victorian wine industry must position itself as an agile and innovative niche market player. The development of export markets is critical to the profitability of all parts of the Victorian wine industry. The movement away from a commodity market to premium positioning is key to the future of the Victorian wine industry.

The diversity of Victorian wine is both its strength and weakness. Victorian wine lacks a definitive proposition in export markets. The Victorian Government and industry will work together to build international recognition of Victoria's diverse wine regions, varieties and producers. Creating this context depends on shared messages and increasing the foot-traffic through Victoria's wine regions by wine buyers and industry representatives in key international markets. Wine Australia will be a critical partner in this work. Coordination with Visit Victoria (Platform 2) is essential to ensure congruence with messaging for domestic tourism.

Victoria's point of difference and its competitive advantage in wine export markets is its diversity of varieties, including a range of high quality alternative and cooler climate varieties. An export focus on higher value products will benefit all wine grape growers and producers by building Victoria's international reputation for quality wines in all export markets.

A strong export sector is as important to grape growers as it is to winemakers, because of the positive effect of higher wine prices on grape prices.

A focused export strategy is endorsed by Wine Australia, which recommends targeting Victorian Pinot Noir and Chardonnay into the USA and fuller-bodied Victorian styles into China, where these wines are highly sought after. The entry-level market in China may be challenging, as Victoria's high cost structure across the supply chain makes it difficult to compete globally; however demand for high-end Australian and Victorian wine is growing rapidly.

Many mid to small sized wineries are not confident about exporting and may lack skills to do so successfully. Smaller businesses often do not have the critical mass to be sustainable exporters in their own right; however, they could potentially export successfully as part of an export cluster. Victorian wine producers need support to understand the product needs of target export markets and to promote Victoria's points of difference.

WHAT'S HAPPENING NOW

Export Market Development Association

The Export Market Development Association coordinates cooperative programs facilitating export market development for member wineries. Producers can test export markets for their product in a low-cost, low-risk manner. Investment by the association covers 30 per cent of costs (up to \$5000) for four or five producers to participate in programs offered by Wine Australia or state governments. Each year these programs see up to 80 qualified wine influencers including trade, media, distributors, buyers and sommeliers visit the King Valley region for an immersive and educational experience.

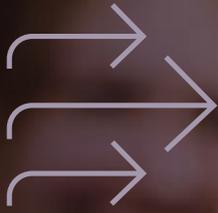
Mornington Peninsula Pinot Noir Roadshow to London

Ten producers and their wine travelled to the London Wine Fair 2016, co-ordinated by the Mornington Peninsula Vignerons Association in conjunction with Wine Australia and self-funded by the producers. Mornington Peninsula Pinot Noir was showcased for the first time en masse to the London trade. Over 200 people attended with 40 attending a specialist Masterclass.

Growing Victoria's Wine Exports

In late 2016, Wine Victoria, the Victorian Government, Victorian Regional Wine Associations and Wine Australia formed an agreement aimed at growing and positioning Victoria's wine exports. By combining and aligning government and industry investment, the partnership aims to increase the value and volume of Victorian wines exported each year.

The Victorian Government, in partnership with industry, also helps businesses to capture export opportunities by providing market insights, enhancing capability with export training and strengthening supply chain and trade relationships. The government will continue to host inbound trade missions and support targeted outbound missions and market development.



STRENGTHEN INDUSTRY STRUCTURE & COORDINATION

INDUSTRY CRITICAL CHALLENGES ADDRESSED

- Industry collaboration and coordinated leadership is needed to deliver this strategy.
 - The dialogue between industry and government needs to be strengthened to address regulatory burden and policy challenges in areas including health and taxation.
-

OUTCOME

Industry works together and with government to drive change.



“This is a fantastic industry to be part of and I have enjoyed my many years in it, but with all the challenges of recent times, I do feel we have lost our vision for the future.”

/ GIPPSLAND VIGNERON

PROGRAMS	LEAD
4.1 Define the value proposition of Wine Victoria and assess how it can support this strategy.	Industry
4.2 Develop a business case for a sustainable Wine Victoria funding model that articulates Wine Victoria’s role and where it partners with other government and industry organisations to champion industry development.	Industry Government (Regional Development Victoria)
4.3 Investigate how economies of scale and improved outcomes can be achieved through rationalisation of the number of regional wine associations and identify opportunities to collaborate with Regional Tourism Boards (see Strategy Program 2.1).	Industry (Lead) Government (Visit Victoria)
4.4 Work with government to address regulatory and market failure challenges including tourism road signage, responsible service of alcohol, labour regulations and industry awards, smoke taint and biosecurity.	Industry

WHAT’S HAPPENING NOW

Wine Industry Ministerial Advisory Committee

The Victorian Government appointed the Wine Industry Ministerial Advisory Committee (MAC) to provide it with specialist advice on opportunities for the Victorian wine industry and issues affecting the long term performance and sustainability of the industry. The Wine MAC has provided industry leadership in developing this strategy.

Victorian Viticulture Biosecurity Committee

The Victorian Viticulture Biosecurity Committee is a collaborative venture between Agriculture Victoria and key stakeholders in the viticulture industries, including the wine grape, table grape and dried fruit industries, plus the nursery and vine improvement sectors. It provides a biosecurity policy forum for government and major industry stakeholders involved with the cultivation, processing and marketing of vines and vine products in Victoria.



RATIONALE

The Wine Industry Development Strategy articulates a clear imperative for the Victorian wine industry to transition to a sustainably profitable footing. The wine industry has committed to work effectively together and with government to realise the benefits of the strategy and protect its assets in the face of the challenges it faces. Strong internal coordination and cooperation will be essential to drive change.

In developing its future representation model, the wine industry will consider the need to:

- coordinate service delivery and provision of information across the wine supply chain and across the Victorian regional wine associations, which themselves have a range of administrative arrangements
- deliver consistent messages to governments, Wine Australia, visitors and export markets.

The Victorian wine industry has the opportunity to cultivate a spirit of working together for the benefit of the whole industry by forming strong, coordinated networks and making a realistic assessment of its future needs. Effective engagement with government will raise awareness of impediments to industry growth. There is an opportunity to strengthen the dialogue between industry and government in areas such as road signage, biosecurity challenges and controlled burns.

As the peak industry body, there is a role for Wine Victoria to play in delivering the objectives of the strategy. Wine Victoria is well placed to assist government and industry organisations to tailor programs to the industry and raise awareness of professional development opportunities.

The current regional representation model presents some challenges. There are currently 22 regional wine associations, many operating with limited resources to deliver growth for the industry. This creates unnecessary competition and duplication between associations. With this number of independent associations, it is difficult for the industry to deliver clear messages in its interactions with Wine Australia, Regional Tourism Boards and all levels of government.

A review of regional representation is recommended. The review would identify strategies to reduce duplication, consolidate resources and achieve greater alignment with Regional Tourism Boards.

The Victorian Government is ready to assist the industry, for example by supporting a structural review, by facilitating alignment with Regional Tourism Boards, by delivering services or identifying service delivery partners, and through the regional partnerships model of regional priority setting.

WHAT'S HAPPENING NOW

Victorian Winegrower Liaison Committee

The Victorian Winegrower Liaison Committee provides co-ordination of innovation, extension and adoption activities. Agriculture Victoria co-funds a Victorian extension officer employed by the Australian Wine Research Institute under the Liaison Committee agreement.

Wine Victoria Future Leaders

In 2015, Wine Victoria launched its Future Leaders program. With the future in mind, Wine Victoria has brought together a group of Victoria's next wine industry leaders in a mentoring program to develop their understanding of industry and government relationships and the roles of Wine Victoria. Many of these young leaders have now taken on roles within Wine Victoria, the Wine MAC and their local industry boards.

Wine Yarra Valley and Yarra Ranges Tourism

Wine Yarra Valley and Yarra Ranges Tourism have worked together to develop new wine and cider trails and encouraged wineries to invest in Yarra Ranges Tourism product development and marketing initiatives. Wine Yarra Valley works with Yarra Ranges Tourism to improve the tourism experience for visitors to the region.

Aussie Wine Month

Each year, Wine Australia coordinates a campaign to raise awareness about the diversity and quality of Australian wines among consumers and key influencers. Wine businesses, wine regional associations, restaurants, retailers and other interested parties also get involved in Aussie Wine Month, Australia's biggest celebration of Australian wine. The month-long event aims to create excitement and buzz about Australian wine among consumers, media, the wine trade, restaurants, bars and key influencers.

TOWARDS SUSTAINABLE PROSPERITY

The Victorian Government and the wine industry will jointly deliver this strategy. Together, we aim to achieve lasting positive change for the wine industry and the broader Victorian community, through the downstream benefits that the wine industry delivers.

Successful implementation of this strategy will see measurable progress in the following areas

- A more informed and better skilled sector
- An environmentally sustainable industry that is better equipped to manage biosecurity challenges
- A higher proportion of sales through a vibrant visitor economy
- A more profitable wine industry with fewer unviable businesses
- Better global recognition of Victoria's iconic wine regions
- A more coordinated and connected industry

The Victorian Government and the industry will work together to develop actions that support the strategic intent of each of the four platforms. These will build on the initiatives highlighted in this strategy, which are already setting the scene for a more profitable industry poised for an exciting future.



OUR SHARED VISION FOR THE FUTURE IS A
VIBRANT, AGILE VICTORIAN WINE INDUSTRY
THAT IS NATIONALLY AND GLOBALLY
RECOGNISED AND WORKING TOGETHER
TO ACHIEVE ONGOING SUCCESS.

