



Australian Government

Wine Australia

ANNUAL OPERATIONAL PLAN 2012 – 2013



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WINE AUSTRALIA

Wine Australia is a statutory authority established to provide strategic support to the Australian wine sector by delivering services designed to increase and sustain the demand for Australian wine.

WINE AUSTRALIA'S VISION

To build a more profitable wine industry by extending the Australian wine offer and lifting our reputation globally, and by providing foundation data and market insights to Australian producers that deliver a competitive advantage.

WINE AUSTRALIA'S MISSION

To enhance the operating environment of the Australian wine industry through providing the leading role in Market Development, Wine Sector Intelligence, Compliance and Trade

WINE AUSTRALIA'S VALUES

- Acting with integrity, transparency and passion
- Seeking to understand and implement industry priorities
- Being both agile and accountable to stakeholders
- Driving a performance driven culture

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EXECUTIVE SUMMARY

The Australian wine sector continues to experience difficult trading conditions. Key issues facing our industry include:

Impacts of global wine industry pressures:

- continued pressure on supply in a global market for wine with improved competitiveness of other wine producing countries;
- increasing retail consolidation and power in core markets;
- prevalence and rate of growth of buyers' own brands and other opportunistic brands;
- trade impediments and tariff disadvantages relative to competitor countries in key markets;
- saturation of focus and effort on the China market by most wine producing countries and producers; and
- markets for wine remain anchored or concentrated as commercial products largely purchased based on factors of price and convenience.

Impacts of macro economic pressures:

- the ongoing effects of global economic issues;
- impact on competitiveness and profitability of a strong and rising Australian dollar;
- increasing environmental and sustainability challenges, responsibilities and costs.

These issues are impeding our ability to grow the sector, they are eroding margins/profitability, are resulting in a reduction in our representation and diversity of offer and constraining our category growth against other wine producing countries and other beverages.

Globally, Wine Australia is executing a marketing strategy to recapture the excitement about the Australian category and evolve our positioning towards a stronger perception and recognition of quality, diversity (style, region, place and story) and value in our wines.

The brand of our strategy, A+ Australian Wine is a strong signal of evolution that invites a new way to look at Australian wine. The strategy challenges assumptions and assists changing expectations about the category. It communicates that there is more to discover about Australian wine.

Together with our partners, including Tourism Australia and Austrade, we are implementing programs and activities that re-establish confidence and excitement around the category in established markets; energetically develop our positioning in new and emerging markets; and promote Australian wine in the domestic market to address the loss of share to imports and other alcoholic beverages.

The strategic promotion of Australian wine will focus on education – building confidence and insights through targeted trade education and ensuring Australia is a cornerstone category in consumers wine knowledge. We will also raise awareness of quality and diversity through targeted investment in the international visits program.

Wine Australia's strategy is to educate, engage and energise, promoting Australia's best wines as second to none and promoting the quality, reliability, value and stories of the wider Australian branded category.

Through the wine sector intelligence service, Wine Australia is ensuring that foundation data and key market insights are provided to the industry in succinct, targeted, snapshot communications that are easily accessible through our website which is being redeveloped. The challenge ahead is to increase industry awareness about the information available to Australian producers to assist them with their decision making and planning and to compete more effectively in key markets.

Wine Australia's compliance service is implementing enhancements that ensure that the international reputation for Australian wine continues to be protected whilst addressing risks that have become evident as a consequence of increased bulk wine exports. Wine Australia will also continue to work with other Australian Government agencies to

address market access barriers and reduce tariff and technical trade barriers to facilitate trade of Australian wine in international markets.

While facing many and varied challenges, Wine Australia is encouraged by the promising renewal of interest in the Australian category in key export markets. We are already moving down the path towards a more sustainable platform with a more widespread appreciation and acknowledgement of quality, diversity and value of Australian wines.

There are green shoots of success evident in our key markets, with strong growth being recorded at more profitable price points in the four largest markets - UK, USA, Canada and China. With an improvement in our stock to sales ratio over recent years and an outstanding quality 2012 vintage in tank, there is cause for optimism and evidence that the sector's strategy is cutting through.

Continued successful investment in this strategy will see the industry improve the competitiveness and financial sustainability of Australia's 2400 wineries which are supported by over 7,000 Australian grape growers.

PART 1: WINE AUSTRALIA

PURPOSE

Established by the Wine Australia Corporation Act 1980, Wine Australia is the Australian Government statutory authority responsible for regulating and developing markets for Australian wine, and providing wine sector information and analysis.

In accordance with its powers and functions set out in the Wine Australia Corporation Act 1980, Wine Australia's mission is to enhance the operating environment of the Australian wine industry through providing the leading role in:

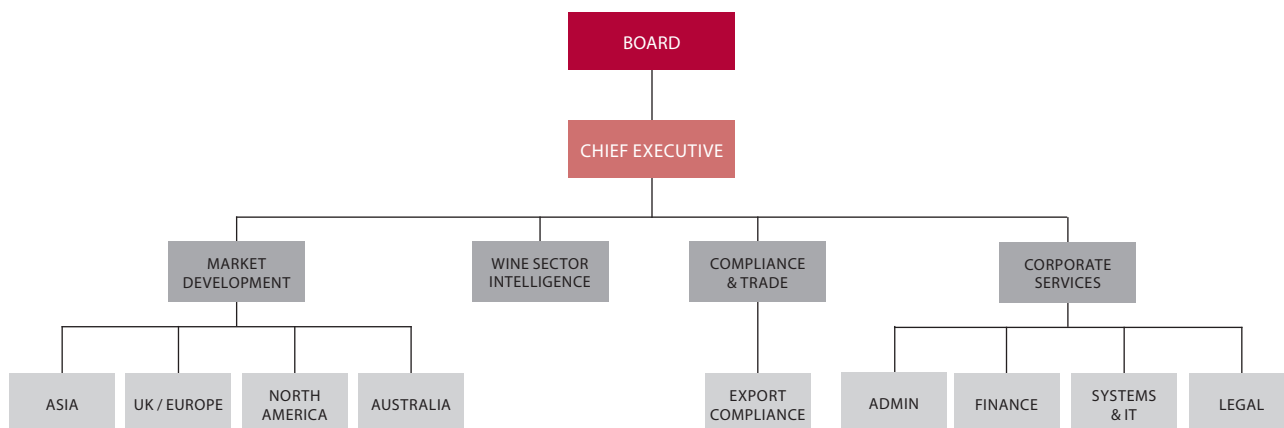
- Market Development
- Wine Sector Intelligence
- Compliance
- Trade

FUNDING

In 2012-13, Wine Australia's funding will be as follows:

- 43% from two industry levies – the Wine Grape Levy, based on the previous year's wine grape production, and the Wine Export Charge, based on the Free On Board (FOB) value of wine exports in the current year;
- 13% from voluntary industry contributions to Wine Australia's overseas market programs and user-pay events;
- 26% for fees associated with wine export approval process on a cost-recovery basis;
- 8% from the Australian Government; and
- 10% from other activities.

STRUCTURE



BOARD AND EXECUTIVE MANAGEMENT TEAM

The Members of the Corporation (the Board) are responsible to the Minister for Agriculture, Fisheries and Forestry, and through the Minister to Parliament, for the operations of Wine Australia. The Board oversees corporate governance, sets strategic direction and monitors the ongoing performance of Wine Australia and the Chief Executive.

Responsibility for the day-to-day conduct of the business is delegated to the Chief Executive, who ensures that the Board's decisions are translated into actions by the management team. The management team reports to the Chief Executive who in turn is accountable to the Board.

The management team is selected by the Chief Executive, in consultation with Board if appropriate, on the basis of experience and expertise.

Advisory Groups/Committees

The Board makes decisions with the support of the following advisory groups or committees, comprising Members and industry representatives.

- **Market Development Reference Groups** – provides guidance for the development and implementation of market development strategies and promotional programs on behalf of the Australian wine sector
- **Wine Sector Intelligence Advisory Committee** – provides guidance on the information and analysis services offered by Wine Australia.
- **Legislation Review Committee** – reviews the *Wine Australia Corporation Act* and *Regulations* and initiates any required changes to ensure that the law provides an effective framework for regulating the Australian wine sector and complies with Australia's international treaty obligations.

RELATIONSHIPS

Wine Australia's primary stakeholders are the Australian Government and the wine producers and exporters who pay the Wine Grapes Levy and the Wine Export Charge.

Wine Australia works closely with various Australian Government departments and agencies, in particular, the Department of Agriculture, Fisheries and Forestry, the Department of Foreign Affairs and Trade, the Grape and Wine Research and Development Corporation, Tourism Australia and Austrade.

Wine Australia also maintains strong connection with other stakeholders including the national, state and regional wine producer and wine grape grower associations.

Wine Australia provides services to the wine sector and information to the public and governments. Wine Australia is committed to providing these services with a client focus, whilst conscious of the need to maintain the integrity and reputation of Australian wine by enforcing wine law. Wine Australia aims to provide an efficient, prompt, helpful service to clients while respecting confidentiality and upholding the law in an impartial and consistent manner. Wine Australia's Client Service Charter is available on the website.

PLANNING AND REPORTING

Wine Australia adopts a consultative and strategic approach to planning and reporting, to achieve its objectives effectively and to meet its obligations as a statutory corporation. Table 2 summarises the key elements of the annual planning and reporting framework.

This document is published in response to:

- Section 31F of the *Wine Australia Corporation Act 1980* which requires the annual operational plan to set out particulars of the action that Wine Australia intends to take in order to give effect to or further, during the relevant year, the matters set out in the 2011-14 Corporate Plan;
- A ministerial direction which requires the annual operational plan to link planned outputs to the three-year Corporate Plan, set out relevant performance measures, and comply with the reporting requirements outlined in the Commonwealth Authorities (Annual Reporting) Orders 2011 under the *Commonwealth Authorities and Companies Act 1997*.

Wine Australia's annual report for 2012-13 will report in detail on Wine Australia's performance in achieving the objectives of this annual operational plan.

TABLE 1 – WINE AUSTRALIA PLANNING AND REPORTING CYCLE

Activity	Purpose	Timing
Board Planning Day Consultation with Advisory Groups/Committees	Sets out the Board priorities, following stakeholder input, for the year ahead.	February each year
Corporate Plan	Sets out Wine Australia's high-level goals, strategies and performance measures for a three-year period, developed in consultation with stakeholders and agreed by the Minister	Current Plan expires 30 June 2014.
Portfolio Budget Statement	As part of the Australian Government budget process, summarises the planned outputs, outcomes, performance information and financial statements for a given financial year.	March each year
Annual Operational Plan	Specifies the annual budget, resources and priorities that give effect to the Corporate Plan during a given financial year	30 April each year.
Annual Report	Provides information on Wine Australia activities and their performance in relation to the goals set in the annual operational plan and portfolio budget statement for a given financial year.	31 October each year
Annual General Meeting	Provides levy payers with opportunity to: <ul style="list-style-type: none"> - consider the most recent annual report; - receive an address by the Wine Australia Chairperson with respect to the performance of Wine Australia; - put questions to the Board concerning Wine Australia's activities; - debate and vote upon motions relating to a matter within the responsibilities of Wine Australia 	December each year

PART 2: THE YEAR AHEAD – 2012-13

STRATEGY

Wine Australia's Corporate Plan provides a framework for the delivery of outputs that address the priorities of the Australian wine sector during 2011-14. Table 2 provides an overview of the strategic framework set out in the Corporate Plan.

TABLE 2 – OVERVIEW OF WINE AUSTRALIA CORPORATE PLAN 2011-14

	Outputs	Strategies	Objective
Wine Australia Corporation Act	<p>Market Development</p> <p>Create a market environment that acknowledges and responds positively to Australian branded wine as a premium product</p>	<p>Targeted trade education programs to build confidence and insights.</p> <p>Increased investment international visitors program, targeting key influencers.</p> <p>Display and promote a diverse portfolio through exclusive trade and consumer events.</p> <p>Focus on new technologies to engage a greater and more targeted audience.</p>	<p>Build a more profitable wine industry by extending Australia's wine presence and reputation globally, and by providing foundation data and market insights to Australian producers that deliver a competitive advantage.</p>
Industry Priorities	<p>Wine Sector Intelligence</p> <p>Support the competitiveness of the Australian wine sector through the collection, interpretation and dissemination of global wine sector intelligence.</p>	<p>Provide timely, fit-for-purpose, accessible and appropriately targeted wine sector information and analysis to stakeholders.</p> <p>Contribute to the resolution of sector-wide strategic issues and priorities.</p> <p>Actively engage research communities and industry organisations in information-sharing and integrated relationships to leverage shared intelligence and processes for the benefit of the Australian wine sector.</p> <p>Optimise the dissemination and incorporation of Wine Australia-facilitated knowledge into Australian wine sector decision-making.</p>	<p>Outcome</p> <p>Enhancement of the operating environment of the Australian wine industry through providing the leading role in; Market Development, Wine Sector Intelligence, Compliance and Trade</p>
	<p>Compliance</p> <p>Protect the reputation of Australian wine.</p>	<p>Maintain a robust regulatory regime to protect and enhance Australia's reputation for producing wines that meet customers' expectations for quality, safety and integrity.</p> <p>Maintain an effective label integrity program to ensure confidence in the description and presentation of Australian wine.</p> <p>Assist wine exporters to comply with domestic and international wine production and labelling requirements.</p> <p>Lead an effective and rapid response to any incident that could adversely affect the reputation of Australian wine.</p> <p>Assist the Australian Government to ensure the Wine Australia Corporation Act and Regulations continue to provide a robust, credible and comprehensive regulatory system</p>	

	<p>Trade</p> <p>Improved market access for Australian wine exports.</p>	<p>Constructively engage in relevant international wine forums where Australian wine can benefit from collaborative international action on market access issues.</p> <p>Provide informed analysis and support to Australian Government officials for negotiations to improve market access for Australian wine.</p> <p>Cultivate relationships with key alcoholic beverage regulatory agencies to maximise Australia's understanding of international regulatory requirements and minimise the potential for Australian product to be found in breach of those requirements.</p>	
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2012-13 PRIORITIES

Output Group 1 – Market Development

This year sees Wine Australia evolving the way it will engage with industry, to ensure greater alignment with all its stakeholders. Wine Australia through close consultation with industry reference groups, State and Regional associations, and our trading partners, agrees it is time to move from a Membership “one size fits all” approach, to a more targeted and focused approach to meeting industry’s needs.

Instead of offering membership to a collection of activities in each market, Wine Australia will provide individual/ discrete opportunities to support Australian brands in each market. A “user pays” program. This approach is designed to offer industry a varied suite of opportunities and allow investment in the activities that best fits their brands, and market strategy.

Wine Australia sees this as a very positive move to match activities to brands in all markets, domestic and export, and provide more targeted investment in our strategy, and allow industry the choice of where and how they would like to invest their marketing funds.

Our market develop teams will continue to work within our current market strategy. In the past 6 months, the category has seen very positive signs of growth and confidence are flowing back into the industry in all markets. Wine Australia continues to use, A+ Australian wine as a brand, for our activities, which is a strong signal of evolution and invites a new way to look at Australian wine. It challenges assumptions and changes expectations about the category and communicates that there is more to discover about Australian wine

The objectives of our strategy are to;

- Re-establish confidence and excitement in established markets
- Energetically develop our positioning in new and emerging markets, and
- Promote Australian wine in our own domestic market to address the loss of market share to imports and other beverages

Table 3 shows the budget and key priority activities for 2012-13 for Market Development in the context of its objectives and strategies set out in the 2011-14 Corporate Plan.

TABLE 3 – MARKET DEVELOPMENT OVERVIEW

Output Group 1 - Market Development	
2011-14 Corporate Plan Objective	2012-13 Budget
Create a market environment that acknowledges and responds positively to Australian branded wine as a premium product	\$ 8.85 million.
2011-14 Corporate Plan Strategies	2012-13 Priority Activities
Targeted trade education programs to build confidence and insights.	<p>Deliver engaging seminars and tastings with distributors, importers, retailers, sommeliers and other key influencers</p> <p>Deliver trade focused, market specific education programs that promote our best wines as being second to none and that evolve our positioning towards a stronger perception of quality, diversity and value.</p> <p>Partner with third party organisations including agents, distributors and wine educators to ensure Australia content is updated and current and is an appropriate for global consumer and wine trade education.</p>

	<p>Establish educational scholarship opportunities with approved providers to deliver Australian wine sector perspective and experience.</p> <p>Introduce one-day wine schools and other activities for targeted trade and consumer groups.</p>
Increased investment international visitors program, targeting key influencers.	<p>Enhance the scope and range of international visits, with particular focus on key buyer and media visits for category review purposes to demonstrate that there is more to discover about Australian wine.</p> <p>Expand on premise and influencer visits from in market education programs, including One day wine schools, SIP classes and A+ wine schools.</p> <p>Continue to work closely with regional and state associations to portray a diverse regional story. Coordinate the marketing activities of the various national, state, regional bodies to ensure aligned resource allocation and net benefit outcomes.</p>
Display and promote a diverse portfolio through exclusive trade and consumer events	<p>Deliver programs and activities that target profitable growth opportunities in the Australian domestic market, USA and North East Asia region.</p> <p>Raise awareness of the quality, diversity and value of the Australian category targeting millennial audience events and activities, with a focus with online communities.</p> <p>Targeted retail promotions and activity to restore consumer demand for key varieties produced in Australia.</p>
Focus on new technologies to engage a greater and more targeted audience.	<p>Continue to enhance and update the A+ Australian wine website to facilitate conversation, interaction, and relationship building with trade, media and consumers.</p> <p>Leverage on-line community with strong social media engagement across all activities, and encourage online retail involvement.</p> <p>Ensure full integration of activities with the A+ Australian wine website. Deliver targeted trade education programs to build confidence and insights.</p> <p>Increase communication of in- market intelligence and insights to our stakeholders</p>
2012-13 Performance Indicators	
<ul style="list-style-type: none"> • 3% increase in the percentage of shipments of bottled wine exports > the current MAT average of \$4.00 per litre • 1% increase in market share for Australian wine in the Australian domestic market, measured by wholesale sales data. 	

Output Group 2- Wine Sector Intelligence

A key Wine Australia objective is to be a critical partner for industry by providing targeted and relevant information products and services to assist business with sound commercial decision-making. In the year ahead, the key priority will be to promote the upgraded website to ensure increased awareness and adoption by the industry of Wine Australia's information products and services. Opportunities to enhance funding through sponsorships on the website will also be a priority.

Wine Australia will continue to review foundation data sets to ensure that industry is supported by an appropriate knowledge base at a time when resources are limited but information is critical. Of particular importance is to ensure the availability of key supply data such as vineyard data by GI region and variety that has traditionally been collected through the ABS Vineyards Survey, and other annual wine statistics also collected by the ABS such as wine grape crush, wine production and wine stocks, all of which are under threat. Wine Australia will maintain close dialogue with current foundation data providers and develop new information networks.

Wine Australia's information products and services will continue to be reviewed, refined and adapted to reflect and respond to industry needs. This includes ensuring the provision of information and analysis to support Wine Australia's marketing strategy. Operating as an inter agency information hub will ensure industry is provided with required supply and demand intelligence. The innovative Wine Information Dashboard will continue to be maintained and improved and incorporated in the enhanced website.

Wine Australia will continue to promote the availability of information products and services through a wide range of communication avenues such as contributing articles to industry publications, regional visits and presentations to industry groups and companies. As discussed earlier, the upgraded website will be the key platform for this.

Wine Australia will contribute to the setting and resolution of key strategic priorities by actively engaging research communities and industry organisations in information sharing and integrated relationships to leverage shared intelligence and processes for the benefit of the Australian wine sector. Wine Australia will continue to be represented at the National Wine Research, Development & Extension and Innovation Forum.

Table 4 shows the budget and key priority activities for 2012-13 for Wine Sector Intelligence in the context of the objectives and strategies set out in the 2011-14 Corporate Plan.

TABLE 4 – WINE SECTOR INTELLIGENCE OVERVIEW

Output Group 2 - Wine Sector Intelligence	
2011-14 Corporate Plan Objective	2012-13 Budget
Support the competitiveness of the Australian wine sector through the collection, interpretation and dissemination of global wine sector intelligence.	\$0.9 million.
2011-14 Corporate Plan Strategies	2012-13 Priority Activities
Provide timely, fit-for-purpose, accessible and appropriately targeted information and analysis to stakeholders.	<p>Undertake continuous assessment and evaluation of foundation data sets with reference to industry requirements, alternative providers and sources and funding arrangements.</p> <p>Maintain the sector's relationship with the ABS to ensure the collection of key viticulture, wine grape crush, wine production, wine stocks and domestic wine sales data.</p> <p>Work to increase the sector's control and management of foundation data.</p> <p>Continue to review, refine and adapt information products and services to reflect and respond to industry needs.</p>

Contribute to the resolution of sector-wide strategic issues and priorities.	<p>Develop strategic intelligence for the Australian wine sector to inform policy development and debate on key issues.</p> <p>Facilitate identification of priority areas.</p> <p>Define and communicate market opportunities for each price and channel segment for the Australian wine category.</p>
Actively engage research communities and industry organisations in information-sharing and integrated relationships to leverage shared intelligence and processes for the benefit of the Australian wine sector.	<p>Operate as an inter-agency information hub to ensure industry is provided with required supply and demand intelligence.</p> <p>Make all information and statistics freely available to the Australian wine community to support improved decision-making.</p> <p>Seek ways to minimise the costs to the wine sector of data collection and reporting.</p>
Optimise the dissemination and incorporation of Wine Australia-facilitated knowledge into Australian wine sector decision-making.	<p>Wide promotion of the upgraded Wine Australia website to attract greater use of information products by customers.</p> <p>Investigate upgrading the on-line report builder tool or alternatives to make downloading data much easier.</p> <p>Undertake state, regional and company presentations and deliver industry journal content to foster greater adoption and utilisation of information products and services.</p>
2012-13 Key Performance Indicators	
Increased use of information products and services.	

Output Group 3 - Compliance

International wine reputations can be fragile, and Australia has long enjoyed favourable repute for the production of high quality wines presented with truthful labels. Wine Australia's export procedures contribute substantially to the maintenance of the high regard in which our wines are held internationally.

Wine Australia will continue to adopt a risk management approach to the development of our export control process.

In 2011-12, Wine Australia changed the way we administer compliance with the export controls in the *Wine Australia Corporation Regulations* by replacing mandatory pre-export testing with more resources dedicated to auditing and analytical testing. Our audits will test the systems that winemakers have in place to manage compliance with Australia's stringent standards. Auditors will collect or call for samples and these samples will be submitted to suitably accredited laboratories for analysis. We will conduct 300 audits each year across Australia's wine producing regions. These audits will cover at least 30% of the national crush and there will be appropriate focus towards exporters who are not wine producers.

Table 5 shows the budget and key priority activities for 2012-13 for Compliance in the context of the objectives and strategies set out in the 2011-14 Corporate Plan.

TABLE 5 – COMPLIANCE OVERVIEW

Output Group 3 – Compliance	
2011-14 Corporate Plan Objective	2012-13 Budget
Protect the reputation of Australian wine.	\$3.0 million.
2011-14 Corporate Plan Strategies	2012-13 Priority Activities
Maintain a robust regulatory regime to protect and enhance Australia's reputation for producing wines that meet customers' expectations for quality, safety and integrity.	<p>Develop and implement a replacement electronic export approval system.</p> <p>Devise and implement a system authorising accredited facilities to produce import certificates required by the European Union.</p> <p>Conduct a range on analytical tests on approximately 10% of wines registered for export to ensure compliance with the Australia New Zealand Food Standards Code.</p>
Maintain an effective label integrity program to ensure confidence in the description and presentation of Australian wine.	<p>Train four new inspectors to audit compliance by producers and exporters with the requirements of the Label Integrity Program.</p> <p>Conduct 300 label integrity audits, scheduled both randomly and in areas of greatest risk</p> <p>Contribute to the development of an Australian grapevine quality standard through participation in the steering committee established for that purpose.</p>
Assist wine exporters to comply with domestic and international wine production and labelling requirements.	<p>Continue to review export market guides to ensure exporters are provided with timely and accurate regulatory information.</p> <p>Continue to provide an advisory service to industry on wine label requirements.</p>
Lead an effective and rapid response to any incident that could adversely affect the reputation of Australian wine.	Review Incident Response Plan to ensure it remains an effective tool to manage incident that threatens the reputation of the Australian wine sector.
Assist the Australian Government to ensure the Wine Australia Corporation Act and Regulations continue to provide a robust, credible and comprehensive regulatory system	<p>Continue to review the Wine Australia Corporation Act and Regulations to close any gaps that may undermine existing regulatory controls.</p> <p>Review the elements of Standard 4.5.1 and determine whether an alternative legislative basis is feasible.</p>
2012-13 Performance Indicators	
The absence of any significant incidents that reflect adversely on the international reputation of Australian wine.	

Output Group 4 - Trade

As the range of markets exposed to Australian wine continues to diversify, new impediments to the smooth flow of trade are continually encountered. Tariff barriers are particularly prevalent across Asia, but technical obstacles involving labelling and wine composition can be equally prejudicial to Australia's market development activities.

Wine Australia will continue to work towards the reduction or removal of barriers to the free trade in Australian wine, particularly by promoting harmonisation of technical standards across jurisdictions and by advocating the mutual acceptance of relevant laws by our trading partners.

The maintenance of close relationships with counterpart regulatory authorities in key export markets will remain a critical element of our market access activity.

Table 6 shows the budget and key priority activities for 2012-13 for Trade in the context of the objectives and strategies set out in the 2011-14 Corporate Plan

TABLE 6 – TRADE OVERVIEW

Output Group 4 - Trade	
2011-14 Corporate Plan Objective	2012-13 Budget
Improved market access for Australian wine exports.	\$0.2 million.
2011-14 Corporate Plan Strategies	2012-13 Priority Activities
Constructively engage in relevant international wine forums where Australian wine can benefit from collaborative international action on market access issues.	<p>Represent Australia at the APEC Wine Regulatory Forum with a view to enhancing regulatory coherence in the region.</p> <p>Contribute to work of the Organisation of Vine and Wine, FIVS and the World Wine Trade Group. Particular focus will be applied to work seeking to harmonise or apply mutual acceptance principles to international standards relating to winemaking practices or agricultural chemical usage.</p> <p>Participate in newly established industry trade reference group in order to ensure alignment of wine sector priorities with Wine Australia's activities.</p>
Provide informed analysis and support to Australian Government officials for negotiations to improve market access for Australian wine.	Prepare submissions providing details of current market conditions, Australia's recent trade performance, an assessment of market potential and priority tariff and technical impediments, when embarking on new international negotiations.
Cultivate relationships with key alcoholic beverage regulatory agencies to maximise Australia's understanding of international regulatory requirements and minimise the potential for Australian product to be found in breach of those requirements.	<p>Implement the third round of reciprocal staff exchanges with the US Tax and Trade Bureau</p> <p>Maintain regular contact with agencies in other key export markets, in particular the Wine Standards Branch of the UK Food Standards Agency, the TTB, the LCBO and AQSIQ in Beijing.</p> <p>Continue to provide leadership of the FIVS-ABRIDGE technical advisory committee.</p>
2012-13 Performance Indicators	
Strong and effective contribution to efforts to reduce tariff and technical barriers to the free trade of Australian wine in international markets.	

PART 3: 2012-13 FINANCIAL INFORMATION

INCOME

Wine Australia's total income in 2012-13 is forecast to be \$12.45 million, comprising the following:

- Levy contributions from industry through the Wine Grape levy and Wine Export charge are expected to be \$5.3 million;
- Industry contributions to user-pay promotional activities is forecast to be \$1.6 million;
- Export approval process fees are forecast to be \$3.2 million;
- Australian Government support to new marketing activities is forecast to be \$1.05 million; and
- Other income, which includes sales from the Australian Wine Overseas programs, interest on investments and sponsorships from Export Partners is forecast to be \$1.3 million.

EXPENDITURE

The Board of Wine Australia has approved annual expenditure of \$12.95 million.

Wine Australia is estimating an operating loss in 2012-13 of \$0.5 million. This loss will be funded by Wine Australia's accumulated reserves.

These figures are indicative only. Changes in the operating environment may require Wine Australia to vary the total expenditure or specific allocations to secure its financial objectives.

Table 7 shows the break-up of the proposed expenditure, by Output Groups:

Budget Allocation	2012-13 \$m	2011-12 \$m
Market development	8.85	8.9
Wine Sector Intelligence	0.9	0.5
Compliance	3.0	3.2
Trade	0.2	0.1
Total	12.95	12.7

RESERVES

Wine Australia's revenue depends upon the volume of grape products used in the manufacture of wine during the previous financial year, the value of wine exported during the current financial year, the number and destination of wine export shipments and industry's support for the program membership program and user-pay promotional activities – all of which can be highly variable, given the volatility of the current wine industry environment.

Significant variations in revenues estimates may give rise to variations in expenditure programs. Where these variations are not identified until the later part of the financial year, it may not be possible to make compensatory adjustments to the expenditure program within the same financial year.

Income which is not spent in the current year is retained by Wine Australia for use in subsequent years.

Wine Australia aims to maintain reserves equivalent to 12.5% of 'eligible expenditure', being total expenditure excluding Australian Wine Overseas scheme expenditure, to cover its working capital requirements, income volatility, capital expenditure and other short term funding requirements. Currently the level of reserves exceeds the 12.5% target.

Income has declined in recent years as industry addresses the issues of global supply/demand imbalance, a declining image of Australian wines, global wine industry pressures and macro economic pressures.

Careful management of these cash reserves has placed Wine Australia in a strong position to increase expenditure on marketing initiatives above the estimated income flow for 2011-12 through to 2012-13. Wine Australia has budgeted for an operating deficit \$0.5 million in 2012-13, in full compliance with its Reserves policy.

PAYMENTS TO THE WINEMAKERS' FEDERATION OF AUSTRALIA

The Winemakers' Federation of Australia (WFA) is the national organisation representing Australian winemakers and is the declared winemakers' organisation pursuant to section 5A of the Wine Australia Corporation Act.

In 2012-13, on receipt of detailed applications Wine Australia may provide WFA with funding for agreed projects relevant to Wine Australia's functions




Wine Australia
www.wineaustralia.com