Wet rebate reform

Devastation to bulk wine producers and contract crush wineries in regional areas

Why target bulk producers we should have a case with the ACCC as its anti-competitive from other wineries to single us out – the traditional winery no longer exists and they are just being lazy and don’t want competition. The rebate should be taken away from all wineries if this is the case.

What this will do is force bulk producers into branded product and because we don’t have the corporate overheads like traditional l wineries. We can offer branded products to the retailers much cheaper and the retailers are already making plans to push more traditional brands off the shelf.

So removing it from bulk will create more competition for these lazy traditional wineries, but also the government will pay out more money in rebates as now instead getting the rebate on $0.80 a litre we will get the rebate on $2.40 a litre as it’s including the packaging costs. So the government will be paying out an extra $500 million in rebates per annum.

Impact to grape growers as the bulk wine producers move from bulk to packaged they don’t need as many grapes so grape growers won’t have a home for these grapes at viable prices – the traditional wineries will then buy them at way below the cost of growing which is the real reason traditional wineries want these changes – so they can make exorbitant margins from grape growers losses.

It seems the consultative group had no real bulk wine producers in the group – so it’s no wonder the direction has gone this way – we are South Australia’s 5th largest winery and we didn’t even get invited to the discussions in Adelaide on wet reform .

Bulk wine producers are doing a lot more for the economy than boutique cellar doors – we are cleaning up the mess WFA made by it’s 2025 vision and the ATO with it’s accelerated depreciation scheme on vineyard plantings. We can handle the large volume of grapes because we are not tied down in exorbitant marketing fees and packaged costs.

No matter what the direction the government is making $600 million profit from wet income today. Why do we have to take it away from bulk producers by June 30 next year as this will be catastrophic to so many wineries as 95% of wineries in Australia do contract crushing of bulk wine?

Why is there not a more reasonable approach – define the new guidelines by June 30 next year and then give a 5 year timeline to change the wine industry is just showing signs of recovery and these changes will be catastrophic if brought in too quickly.

Also why is the government dictating a business decision to outsource winemaking to a contract processing facility – by saying you must have 40% ownership of a winery – then you should also have 40% ownership in a bottling line and vineyards also? Maybe even 40% in distribution company also.

The government is going to force many people to attempt to set up small wineries and they will not be viable – a virtual winery is a smart business decision in today’s world where many young people are struggling to get into the Agriculture industry because of prohibitive costs involved. To outsource the winemaking is the only viable option for them and they still produce branded wine. It’s not the governments place to be dictating what assets people should own or lease. How bureaucratic do we want to make winemaking because of a rebate?

The decision to own 40% of a winery will destroy contract processing wineries and also most certainly all these new wineries that will develop will also fail as they will be too small to be viable in Australia with it’s enormous production cost due to high wages and electricity.

Lastly what does our bulk wine winery do for the community and government compared to a small facility with a cellar door??

We pay $2.8 million in wages to local employees

We pay over $2 million in GST to state government

We pay over $400k in payroll tax

We pay over $400,000 in levies

We pay over $1 million to South Australian freight companies

We create a home for over $12 million of grape sales to growers in South Australia

There is no boutique producer contributing to the economy like bulk wine producers – the wine industry over the last 7 years has moved from 25% bulk wine sales to 75% because of labour costs involved to package in Australia

Bulk wine is the future of the Australian wine industry – the government and people like AGWA and WFA need to get their heads out of the Barossa Valley and McLaren vale and help the big wine producing regions. These regions all get no assistance from marketing or R&d it’s all focused on the small premium regions which create very few jobs as a comparison to the large bulk wine producers.

In the very least give business the decency of time to change and adapt to new legislation and the wine industry is an extremely long cycle and an enormous strain on cash flow. This will avoid job losses high rates of suicide in the region and possibly even a healthier industry – but there have been too many changes in a short period the ATO are killing the wine industry.

This wet rebate has been going on for many years – why not give businesses time to change to avoid them from going broke which is exactly what the old traditional wineries want to remove competition. If you have a new direction it should be firmly in place by 2019 and businesses are given 5 years minimum grace to change and adapt – the wine industry has a very long product cycle vineyards have been planted to future programmes, wines are going through maturation and contracts are in place all with current legislation in mind. The wine industry is on the verge a small boom let see if the ATO and WFA can destroy it one more time for everyone with implementing catastrophic changes too quickly once again.

Thanks

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