Submission to the Productivity Commission Review of Australia's General Tariff Arrangements

Winemakers Federation of Australia

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1.0 CONTACT DETAILS

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2.0 WINEMAKERS' FEDERATION OF AUSTRALIA

The Winemakers' Federation of Australia is the Australian wine industry's peak voluntary national body, representing the interests of the nations small, medium and large winemakers. The Federation's members in total produce around 90% of Australian wine.

It is comprised of two electoral colleges – the Australian Wine & Brandy Producers' Association, and the Australian Regional Winemakers' Forum. Each Electoral College has five nominees on the Executive Council with an independent President appointed for a maximum three-year period.

Due to the high level of vertical integration in the Australian wine industry, the Federation represents members on a wide range of issues, from primary production (grapegrowing) to manufacturing (winemaking), distribution and marketing.

3.0 Introduction

Australian wine exports rose from $10.8 million in 1986 to over $1 billion in the last year. This spectacular growth is set to continue and provides major opportunities for the Australian industry, with Strategy 2025 targeting Australia to become 5% of the world's wine market by 2025, up from less than 2% in the early 1990s.

Grapegrowers, winemakers and investors have all shared the benefits of strong and sustained growth so far, with the real value of wine production up 90% and that of winegrape production up 150% over the past decade (compared with only a 25% increase for the real value of other farm production).

However, high plantings of premium grape varieties internationally, and stable or falling world demand for wine mean that the international market place will be highly competitive in the medium term

In addition, as large areas of new plantings in Australia and elsewhere come into production in the next few years it is likely that profit levels of grapegrowers will fall as grape prices return to a more sustainable level. Wine producers will also come under increased competitive pressures; increasing incentives for greater production efficiency.

The need for efficiencies in production through reducing input costs is imperative for Australia to maintain a competitive force in the increasingly global wine market. Currently, the Australian wine industry faces higher costs then our international competitors through the presence of tariffs on inputs.

4.0 Issues

Of most concern to the industry, are tariffs on oak barrels and coopers products, although tariffs on other lines including 8309 (stoppers, caps and lids including crown corks, screw caps and pouring stoppers capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal); and 8422.30.00 (Machinery for filling, closing, sealing, or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; machinery for aerating beverages) are also of concern.

Coopers products and oak barrels

Storage of wine in oak barrels is a crucial part of the winemaking process for most wine types. In this sense, the origin of the oak is as important to the end product as the grape variety as it imparts a definite character to the finished wine. The vast majority of oak barrels used in Australia are imported French or American oak. There is no wine stored in oak barrels produced from oak grown in Australia.

The current import tariff on oak of between 3-5% (depending on the product) is clearly adding substantially to the costs of Australian wine production. There is no competitive reason for such a tariff as there is no Australian oak industry.

The demand for oak barrels has been trending upwards in recent years as Australian wine companies have begun to produce more premium-end wines, a process that requires longer maturation periods. The value of imports of coopers products and oak barrels has risen from $38 million in 1997/98 to over $56 million in 1998-99.

Table 1: Imports of Coopers products and staves

Country	**1997-98 ($m)**	**1998-99 ($m)**
France	29	43
United States	9	12
Others	1	1
Total	39	56

The major suppliers of oak barrels are France and the United States, and South Australia and Victoria are the main states that import barrels.

5.0 Conclusion

The Winemakers Federation of Australia would submit that all tariffs on oak products under codes 4416 and 4407 should be removed as they form an unnecessary impediment to Australia's competitiveness.

Annex 1: Tariff items relating to wine industry inputs

4407 WOOD SAWN OR CHIPPED LENGTHWISE, SLICED OR PEELED, WHETHER OR NOT PLANED, SANDED OR FINGER-JOINTED, OF A THICKNESS EXCEEDING 6 mm

4407.1091.01 Coniferous wood, cut to size for making staves (excl. planed or sanded)

4416 CASKS, BARRELS, VATS, TUBS AND OTHER COOPERS' PRODUCTS AND PARTS THEREOF, OF WOOD, INCLUDING STAVES

8309 STOPPERS, CAPS AND LIDS (INCLUDING CROWN CORKS, SCREW CAPS AND POURING STOPPERS), CAPSULES FOR BOTTLES, THREADED BUNGS, BUNG COVERS, SEALS AND OTHER PACKING ACCESSORIES, OF BASE METAL:

8309.10.00 09 No - Crown corks 5%

8309.90.00 10 .. - Other 5%

8422 DISH WASHING MACHINES; MACHINERY FOR CLEANING OR DRYING BOTTLES OR OTHER CONTAINERS; MACHINERY FOR FILLING, CLOSING, SEALING OR LABELLING BOTTLES, CANS, BOXES, BAGS OR OTHER CONTAINERS; MACHINERY FOR CAPSULING BOTTLES, JARS, TUBES AND SIMILAR CONTAINERS; OTHER PACKING OR WRAPPING MACHINERY (INCLUDING HEAT-SHRINK WRAPPING MACHINERY); MACHINERY FOR AERATING BEVERAGES:

8422.30.00 Machinery for filling, closing, sealing, or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; machinery for aerating beverages

25 Machines for filling, closing or sealing bags or cartons

26 Labelling machines

27 Other

8422.90.00 Parts 5%

32 .. Of machines for filling, closing or sealing bags or cartons; of labelling machines

33 .. Of other machinery of 8422.20.00 or 8422.30.00

34 .. Other