

**FAIR WORK COMMISSION  
MINIMUM WAGE PANEL  
SUBMISSION – ANNUAL WAGE REVIEW 2023-2024**



**SOUTH AUSTRALIAN  
WINE INDUSTRY  
ASSOCIATION**

**SUBMISSION OF:** SOUTH AUSTRALIAN WINE INDUSTRY  
ASSOCIATION INCORPORATED

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## **South Australian Wine Industry Association**

The South Australian Wine Industry Association (SAWIA) is an employer and industry association representing the interests of wine grape growers and wine producers throughout the state of South Australia. SAWIA (as it is known today) was established in 1840 as the Society for the Introduction of Vines.

SAWIA is a not-for-profit incorporated association, funded by voluntary member subscriptions, grants and fee for service activities, whose mission is to provide leadership, advice and support to South Australian grape and wine businesses assisting them to prosper within a dynamic, diverse industry.

SAWIA membership represents approximately 96% of the grapes crushed in South Australia and about 40% of the land under viticulture. Each major wine region within South Australia is represented on the board governing our activities.

What SAWIA does for members is covered in four key areas:

- Representation and Leadership
- Advice and Information
- Products and Services; and
- Promotion and Opportunities.

SAWIA is a registered association of employers under the South Australian *Fair Work Act 1994* and is also a Recognised State-Registered Association under the *Fair Work (Registered Organisations) Act 2009*.

SAWIA has a long-standing interest in employment, immigration and related policy areas. SAWIA's policy positions in relation to employment are proposed and endorsed by our People & Workforce Committee, which is comprised of HR Executives and Senior Managers, some with national responsibilities, drawn from the membership.

### **Basis of submission**

The Fair Work Commission (FWC) in its Statement issued on 15 December 2023 announced the timetable for the making of submissions in the Annual Wage Review. Submissions are invited from interested groups and individuals who wish to provide input into the 2023–2024 Annual Wage Review (Wage Review).

The FWC must establish and maintain a safety net of fair minimum wages, taking into account the requirements of Section 284(1) of the *Fair Work Act 2009*.

In making this submission SAWIA takes into account these five objectives together with specific knowledge of the wine industry in Australia.

Whilst SAWIA is South Australian based, we take the national lead in relation to advocacy, representation and services regarding employment regulation and industrial relations, including Modern Awards. Therefore, and noting that some of our members have a national footprint, this submission is made with reference to the wine industry on a national basis.

## 1. The wine industry in Australia

The Australian wine industry consists of 65 wine regions across the six states and one territory (ACT). South Australia is the dominant wine producing State, representing 55% of the national grape crush<sup>1</sup>.

Based on the most current statistical information, Australia has 2,164<sup>2</sup> wine producers. At the last Census (2021) 22,672 people stated that their primary industry of employment was either the grape growing or wine manufacturing industry in Australia<sup>3</sup>. Best estimates at that time indicated that the wine industry workforce employs males and females in the ratio of 64% and 36% respectively.

The Australian wine industry is currently facing a number of significant challenges, some being of a structural nature, requiring long-term reform. This was recently recognised by the Commonwealth, State and Territory agriculture ministers in the first Agriculture Ministers' Meeting (AMM) 2024. The communique stated the following:

*“Ministers acknowledged the significant challenges facing wine grape growers, particularly in the inland regions and noted the work to date of governments to build new markets and provide financial and other support to wine grape growers through the current oversupply of red wine grapes.*

*Ministers agreed to establish a viticulture and wine sector working group, comprising representatives of the Commonwealth, state and territory governments, Wine Australia, Australian Grape and Wine and other relevant groups as agreed by the working group, to provide recommendations to Agriculture Ministers to address the challenges facing growers.”<sup>4</sup>*

Trading conditions continue to pose significant challenges for Australian wine exporters. Out of 112 countries that imported Australian wine over the past year, only 44 reported an increase in the value of imports compared to the previous year. Globally, there has been a decline in wine consumption, attributed to a tightening of the global economy leading to reduced discretionary spending and increased consumer awareness of health considerations. This general decrease in alcohol consumption has impacted wine consumption as well<sup>5</sup>.

Compounding these challenges is the global oversupply of wine, with an average surplus production of nearly 3 billion litres annually since 2012, which is more than double Australia's total annual wine production<sup>6</sup>.

In terms of health and wellness trends, consumer behaviours are shifting. Some are choosing to abstain from alcohol altogether, while others are reducing their consumption but opting for higher-priced wines. Additionally, there is a growing demand for no or low-alcohol wine options.

This has led to an increase in consumption in the premium wine segments (priced at US\$10 or more per bottle), while the commercial segment (priced below US\$10 per bottle) has seen a decline. These trends have a disproportionate impact on Australia, as the majority of Australian wine exports fall within the commercial price segments.

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<sup>1</sup> Wine Australia 2023, National Vintage Report 2023

<sup>2</sup> Source: The Australian and New Zealand Wine Industry Directory 2024

<sup>3</sup> This excludes casual workers such as grape pickers and other seasonal workers not working in those industries in the week prior to the Census. It also excludes people who worked in the wine and grape production industry as a second job.

<sup>4</sup> Department of Agriculture, Fisheries and Forestry 2024, Agriculture Ministers' Meeting, Friday 8 March 2024. Meeting Communiqué

<sup>5</sup> Wine Australia 2024, Australian Wine Export Report, Moving Annual Total – December 2023.

<sup>6</sup> Ibid

In 2023, Australian wine exports decreased by 2% in value to \$1.90 billion and decreased by 3% in volume to 607 million litres.<sup>7</sup>

Prior to the implementation of tariffs on Australian wine entering mainland China, China was Australia's primary export destination. Wine exports reached a pinnacle in the year ending 30 October 2020, with 121 million litres valued at A\$1.3 billion.

At this juncture, Australia commanded the largest market share of imported wine in China, accounting for 27% of volume and 33% of value. During the same period, Australia exported a total of 770 million litres of wine valued at \$3.1 billion, indicating that China represented 16% of export volume and 42% of export value.

The robust demand for Australian bottled wine in China was bolstered by the gradual elimination of import tariffs on Australian wine, which began in 2015 under the China-Australia Free Trade Agreement (ChAFTA). By 1 January 2019, the tariff on Australian wine had been reduced to zero, providing Australia with a 14% tariff advantage over its competitors, as the standard customs tariff for wine imported to China stood at 14%.

Following the introduction of the import tariffs in 2020, Australian wine exports to China plummeted to 2 million litres valued at \$11 million. As a result, Australia's market share for imported wine dwindled to 2% by volume and 3% by value.

It is deemed unlikely that Australian wine exports to China will revert to pre-tariff levels if and when Australia re-enters the Chinese market. This is primarily attributable to the contraction in China's imported wine market, a trend that was evident prior to the imposition of tariffs in late 2020.

The market continued its downward trajectory due to disruptions caused by COVID-19, a slowdown in China's income growth, and reduced imports of Australian wine, further dropping to 27 million cases in 2022—less than half of the 2017 peak.

The most recent export data shows a total wine export to China of 1.4 million litres and valued at \$10.1M<sup>8</sup>. In the twelve months to December 2023, down a further 52% in volume, due to the imposition of import duties

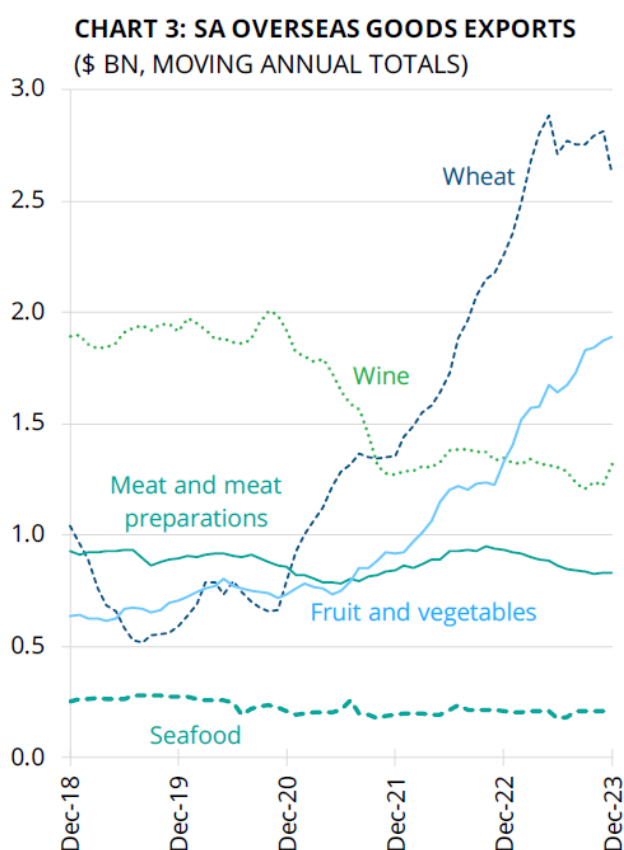
In South Australia, wine exports were the single largest commodity for many years, having now fallen to third place. Revenue has fallen from a top of \$2 billion in export revenue in November 2020 to \$1.32 billion in December 2023 (moving annual total). In just one year, December 2022 to December 2023, wine exports declined 23 percent in value<sup>9</sup>.

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<sup>7</sup> Wine Australia 2024, Australian Wine Export Report, Moving Annual Total – December 2023.

<sup>8</sup> Ibid

<sup>9</sup> SA Overseas Goods Exports, December 2023, Department of Treasury and Finance, South Australian Government.

Figure 1: SA overseas goods exports (\$ BN, moving annual totals)<sup>10</sup>

Of the top five exports markets, three have declined in value including the two largest export markets, US, down 7 per cent and UK down 3 per cent. The greatest decline was in exports to Canada, down 24%.

These factors highlight an industry under significant pressure. Favourable government policy, including limiting cost increases and avoiding increasing the regulatory burden on business will be important components in supporting the industry in its path to recovery.

## 2. Challenges in the South Australian wine industry

The South Australian wine industry is integral to the state's identity, with over 3,200 growers overseeing 75,485 hectares of vineyards, 680 wineries, and approximately 340 cellar doors spread across 18 distinctive wine regions. South Australia produces over 80% of Australia's premium wine. The industry serves as a vital economic catalyst, a major tourist attraction, and a source of immense state pride.

The resilience of this industry is attributed to its people, its dedication to sustainability, its innovative approach, its global presence, its rich heritage, and the unique combination of soils, topography, and climates across its regions, which collectively contribute to a diverse range of wine styles.

In 2023, the industry has leveraged these strengths to navigate challenging conditions that have placed significant pressure on grape and wine businesses. These challenges, influenced by geopolitical factors (most notably, the loss of the China market), global wine

<sup>10</sup> SA Overseas Goods Exports, December 2023, Department of Treasury and Finance, South Australian Government.

production impacts, evolving consumption patterns, rising operational costs, a competitive labour market, and variable seasonal weather conditions, have necessitated a re-evaluation of business operating models.

In November 2023, SAWIA in cooperation with Bentley's SA undertook the South Australian Wine Industry Snapshot, a survey of the South Australian wine industry to identify current challenges and emerging trends.

Persistent production and supply challenges were evident in the 2023 Snapshot, with over half of the respondents indicating an oversupply of grapes. Two-thirds of this excess grape yield was harvested, while the remainder was either left in the vineyard (either on the vine or discarded) or managed in other ways. Consequently, grape contracts continue to be terminated or not renewed.

This oversupply, compounded by seasonal conditions, resulted in a reported grape crush of approximately 662,000 tonnes, which is 14% below the 10-year average, as per the 2023 South Australian Winegrape Crush Survey by Wine Australia.

Inventory levels for red wine remain elevated, averaging a three-year stock on hand, with 55% of wineries reporting high to very high inventory levels.

The oversupply of wine and grapes, escalating costs and financial strain, and evolving consumer preferences leading to reduced demand were identified as the most pressing challenges for businesses.

There is also widespread concern in the wine industry in relation to the dominance of the larger supermarket chains and their increased presence in the liquor retailing market. The market share of the Australian alcohol retailing market held by the largest supermarket operators is now close to 75%<sup>11</sup>. This gives them more bargaining power with wine producers to drive prices down, and results in tight net margins for wine producers.

37% of businesses indicated a significant need for financial improvement, marking a 14% increase compared to 2022. Among businesses experiencing a red wine oversupply, nearly half reported a significant need for financial improvement. Inflation, rising interest rates, cash flow, and liquidity were cited as the primary financial difficulties encountered by these businesses.

SAWIA is also aware of businesses across the industry embarking on cost-saving measures and restructures, including 50% of respondents already having implemented with another 28% planning to commence such measures. Specifically, this may include closure of sites, and outsourcing, leading to a reduction in staffing levels.

The cost of labour will continue to be an important consideration for the wine industry going forward. Hence, a cautious approach to wage increases is required to not put additional burden on the wine industry at this challenging time.

### **3. Supply chain constraints**

Over the last couple of years, the wine industry has experienced significant challenges associated with international shipping, including delays in departures, difficulty accessing shipping containers, delays in delivery and pick up of goods.

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<sup>11</sup> IBISWorld 2023, Liquor Retailing in Australia - Market Size, Industry Analysis, Trends and Forecasts (2024-2029)

The recent conflict in the middle east is also increasing the costs of shipping routes passing the Red Sea<sup>12</sup>.

Wine Australia in 2022 attested to the impact on wine exports due to the challenges associated with international shipping:

*“The global freight crisis emerged in the second half of 2021, hampering exporters’ ability to get wine into markets – particularly in the US and Europe. Logistics companies Hillebrand and Flinders Port Holdings reported that the combination of a fundamental shortage of container ships and a sudden and strong rebound in global demand driven by the US and China – compounded by COVID-19 related labour shortages and other factors – led to port congestion, worst ever schedule reliability and increased costs.*

*Exporters experienced both increased delay times and increased costs of containers over the past year. Flinders Port Holdings reported that Australia also represents only 1 per cent of global container throughput, so we are at the mercy of bigger international players with this increased demand for freight. The crisis is not expected to be resolved before the end of 2022”<sup>13</sup>.*

The Australian Competition and Consumer Commission (ACCC)<sup>14</sup> notes there has been some improvement in vessel schedule availability, but still lags behind pre-pandemic. Importantly, global shipping lines have reduced their service to Australia, servicing fewer ports and no longer servicing Australia directly. This continues to put pressure on Australian wine exports via higher shipping costs.

#### **4. Australia’s economic situation for 2024 and the outlook for 2025**

According to the Reserve Bank of Australia (RBA), growth in the Australian economy is expected to slow down from 1.5%, to 1.3% in June 2024 and then gradually increase to 1.8% in December 2024 and 2.1% in June 2025.

The cash rate is expected to remain at its current level until mid-2024 before easing to approximately 3¼ % by mid-2026.

Headline inflation is expected to decline from 4.1 to 3.2% in 2024.

#### **5. Industrial arrangements in the Australian wine industry**

The most common industrial arrangement for Australia’s wine producers is to pay their employees minimum award wages in accordance with the *Wine Industry Award 2020*. Therefore, any movements in award wages will be felt across the wine industry.

For small and medium sized wineries, labour costs are often the single largest expense. There is often very little scope for small and medium sized wineries to reduce other costs by, for example, obtaining more favourable terms and conditions in relation to energy and water cost which form a significant part of the overall cost of production.

In order to control labour costs, assessing penalty rates, overtime rates, staffing levels and operating hours is essential. Particularly for smaller businesses, owner-operators are taking on more working hours and shifts, as an alternative to engaging external staff.

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<sup>12</sup> Wine Australia 2024, Australian Wine Export Report, Moving Annual Total – December 2023.

<sup>13</sup> Wine Australia 2022, End of year 2021 export figures show global challenges continue to impact Australian wine exports, <https://www.wineaustralia.com/news/media-releases/wine-australia-export-report-december-2021>

<sup>14</sup> Australian Consumer and Competition Commission 2023, Container stevedoring monitoring report, 2022-23, December 2023.

Although there are approximately 40 active Enterprise Agreements in the wine industry, these predominantly pertain to Australia's 15 largest wine companies. The majority of these agreements have been negotiated in collaboration with employee associations.

Agreements that have been negotiated and approved have seen wage increases of around 3-3.5% for the life of the agreement, which is broadly in line with current enterprise agreements for the private sector, 3.1%<sup>15</sup>.

The planned increase to the superannuation guarantee from 11.0% to 11.5% for July 2024, will also be a cost burden for business and applies to all employees and will be based on employees' actual wages. In SAWIA's view this must be taken into account in the wage setting decision.

## **6. Position and recommendation**

The Expert Panel is established under the *Fair Work Act 2009*. The Panel is required to review modern award minimum wages and to make a national minimum wage order.

The minimum wages objective requires the Panel to establish and maintain a safety net of fair minimum wages. The modern awards objective requires the Expert Panel to ensure that modern awards, together with the National Employment Standards (NES), provide a fair and relevant minimum safety net of terms and conditions.

SAWIA supports fair and equitable wages for employees in the wine industry and we pride ourselves as being a great industry to work for. Whilst all employees would like to get a wage increase, the size of any such increase must be balanced against the overall economic environment, the impact of increased labour costs on employment and the viability of the business and industry to absorb such increases.

Given the complex challenges currently faced by the Australian wine industry, it is imperative to approach the issue of minimum wages with a balanced and pragmatic perspective. The downturn in Australian wine exports, coupled with the global oversupply of wine and the financial strains experienced by a significant portion of businesses, underscores the need for caution in implementing wage increases.

The minimum wage increase awarded in June 2023 of 5.75% was historically high. Another high increase would further strain the financial viability of wine businesses already grappling with inflation, rising interest rates and cash flow issues.

Moreover, the reduction in staffing levels due to cost-saving measures and operational restructuring within the wine industry highlights the industry's sensitivity to labour costs.

Therefore, in the interest of sustaining the industry's competitiveness and supporting its recovery, any wage increase for the wine industry should be **no greater than 3.5%**.

This measured approach will help strike a balance between the need to provide fair wages to employees and the imperative to ensure the industry's continued growth, stability and the protection of jobs in these challenging times.

**END**

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<sup>15</sup> Department of Employment and Workplace Relations, Trends in Federal Enterprise Bargaining Report September Quarter 2023