

AUSTRALIAN GRAPE AND WINE AUTHORITY

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AUSTRALIAN GRAPE AND WINE AUTHORITY

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Australian Grape and Wine Authority (AGWA) supports a prosperous Australian grape and wine community by investing in research and development (R&D), building international and domestic markets, disseminating knowledge, encouraging adoption and protecting the reputation of Australian wine. We are governed by the *Australian Grape and Wine Authority Act 2013* (AGWA Act). Our role under the AGWA Act is to:

- Coordinate or fund grape and wine research and development and facilitate the dissemination, adoption and commercialisation of the results;
- Control the export of wine from Australia; and
- Promote the sale and consumption of wine, both in Australia and overseas.

We are funded by grape growers and winemakers through levies and user-pays charges; and by the Australian Government, which provides matching funding for research, development and extension (RD&E) investments.

The Australian wine sector has approximately 5,160 grapegrowers, 135,178 ha of vines, 2,900 wineries and produces 1.2 billion litres of wine. In 2015, independent economic research quantified the Australian grape and wine sector's contribution to the national economy. The wine sector – defined as grape growing, winemaking and wine-related tourism – supported 172,736 full – and part-time jobs, most of which are in regional Australia and contributed \$40.2 billion to the value of gross output to the Australian economy.

In 2016–17, AGWA will invest in RD&E, regulatory services and marketing to support our two strategic priorities that are outlined in our five-year Strategic Plan 2015–2020. Our priorities are:

- Increasing demand and the premium paid for all Australian wine; and
- Increasing competition.

This will be the second year of operation with these priorities. Over the last year, we have seen increased demand for Australian wine in international markets, and the rate of growth in exports has been fastest at higher price points. Sales of wine over \$10 per litre free on board grew by 35 per cent in 2015 and now makes up a record 23 per cent of exports. Australian wine is exported to 122 destinations by 1,517 active wine exporters.

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Our marketing investments are focused on our strategy of *Promoting Australia wine* in the Asia Pacific, China, North America and the United Kingdom, Europe and in Australia.

In 2016–17, we will begin to deliver the Export and Regional Wine Support Package. The \$50 million programme is focused on wine promotion both internationally and domestically. Initiatives will benefit regional wine producers and assist export-focused businesses to continue to grow.

Our regulatory services activities are focused on our strategy of *Protecting the reputation of Australian wine* by licensing exporters, issuing permits for Australian wine and brandy exports, auditing label integrity to prevent false and misleading labelling and through the Geographical Indications Committee, defining the wine grape producing regions of Australia.

Our R&D investments are focused on seven core strategies:

- Building Australian grape and wine excellence;
- Improving resource management and sustainability;
- Improving vineyard performance;
- Improving winery performance;
- Enhancing market access;
- Building capability; and
- Business intelligence and measurement.

Our *Extension and adoption* strategy encourages practice change by extending new knowledge so that stakeholders benefit from R&D outcomes.

We also work closely with other research and development corporations in cross-sectoral collaborative research, including through the Australian Government's Rural Research and Development for Profit programme, to deliver RD&E benefits to the broader community.

In 2015–16, we started collecting the Wine Export Charge on behalf of the Australian Government. This streamlined the payment process for companies that pay the charge. In 2016–17, we will continue to investigate ways to reduce the time spent on compliance for our levy payers.

Continued successful investment in the development of the Australian wine sector will see the sector further improve its competitiveness and financial sustainability.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Australian Grape and Wine Authority – Resource Statement — Budget Estimates for 2016–17 as at Budget May 2016

	<i>2015–16 estimated actual \$'000</i>	<i>2016–17 estimate \$'000</i>
Opening balance/cash reserves at 1 July	8,843	1,053
Funds from Government		
Amounts received from related entities		
Amounts from portfolio department ¹	-	2,000
<i>Total amounts received from related entities</i>	<i>-</i>	<i>2,000</i>
Special appropriations²		
<i>Australian Grape and Wine Authority Act 2013, s. 32 – payments to the Authority</i>	<i>30,187</i>	<i>29,781</i>
<i>Total special appropriations</i>	<i>30,187</i>	<i>29,781</i>
Total funds from Government	30,187	31,781
Funds from industry sources		
Levies ³	18,159	17,601
<i>less amounts paid to the CRF</i>	<i>(18,159)</i>	<i>(17,601)</i>
Total funds from industry sources	-	-
Funds from other sources		
Interest	276	240
Other	7,320	4,293
Total funds from other sources	7,596	4,533
Total net resourcing for AGWA	46,626	37,367
	2015–16	2016–17
Average staffing level (number)	52.7	52.7

1. Appropriation Bill (No. 1) 2016–17.

2. AGWA is not directly appropriated as it is a Corporate Commonwealth Entity (CCE) under the PGPA Act. Appropriations are made to the Department of Agriculture and Water Resources and then paid to AGWA and are considered departmental for all purposes.

3. Levies comprise the Grape Research Levy and the Wine Grapes Levy, imposed by the *Primary Industries (Excise) Levies Act 1999* and *Primary Industries (Customs) Charges Act 1999*.

CRF – Consolidated Revenue Fund

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the department are detailed in *Budget Paper No. 2, Budget Measures 2016–17* and are summarised below.

Table 1.2: Department of Agriculture and Water Resources 2016–17 Budget measures

Part 1: Measures announced since the 2015–16 Mid-Year Economic and Fiscal Outlook (MYEFO)

Programme	2015–16 \$'000	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000	2019–20 \$'000
Expense measures					
Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding ¹					
1.1					
Administered expenses	-	-	-	-	-
Departmental expenses	-	2,000	16,014	15,924	16,062
Total	-	2,000	16,014	15,924	16,062
Total expense measures					
Administered	-	-	-	-	-
Departmental	-	2,000	16,014	15,924	16,062
Total	-	2,000	16,014	15,924	16,062

1. The lead entity for the measure titled Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding is the Australian Taxation Office. Details of the measure appear in *Budget Paper No. 2* under the Treasury portfolio.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes. The following provides detailed information on expenses for each outcome and programme, further broken down by funding source.

Note:

From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the enhanced Commonwealth performance framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements - included in Annual Reports from October 2016 - to provide an entity's complete performance story.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.

Table 2.1.1: Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by programme, as well as by Administered and Departmental funding sources.

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.					
	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
Programme 1.1: Australian Grape and Wine Authority					
Revenue from Government					
Payment from related entities	-	2,000	16,014	15,924	16,062
Special appropriations					
<i>Australian Grape and Wine Authority Act</i> 2013, s. 32 – payments to the Authority	31,187	30,781	29,781	29,781	29,781
Revenues from other independent sources	7,358	6,886	6,886	6,886	6,886
Total expenses for programme 1.1	38,545	39,667	52,681	52,591	52,729
Outcome 1 totals by resource type					
Revenue from Government					
Payment from related entities	-	2,000	16,014	15,924	16,062
Special appropriations	31,187	30,781	29,781	29,781	29,781
Revenues from other independent sources	7,358	6,886	6,886	6,886	6,886
Total expenses for Outcome 1	38,545	39,667	52,681	52,591	52,729
	2015–16	2016–17			
Average staffing level (number)	52.7	52.7			

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each programme associated with Outcome 1. It also summarises how each programme is delivered and where 2016–17 Budget measures have created new programmes or materially changed existing programmes.

As an entity established under the AGWA Act, AGWA does not produce a Corporate Plan under the PGPA Act and is therefore exempt from the requirement to map purposes to outcomes.

Outcome 1: Foster and enable a competitive Australian wine industry by investing in research and development, building markets, disseminating knowledge and ensuring compliance.		
Programme 1.1: Australian Grape and Wine Authority		
Objective	Invest in research and development, building markets, disseminating knowledge and ensuring compliance to foster and enable a competitive Australian wine sector.	
Delivery	<p>We will invest in R&D in the seven strategic areas outlined in our Strategic Plan 2015–2020 for the benefit of winegrape growers, winemakers, wine businesses and the wider community.</p> <p>We will invest in marketing to promote Australian wine and grow international markets.</p> <p>We will invest in regulatory services to protect the reputation of Australian wine.</p> <p>We will support grape and wine businesses with market insights that allow them to make effective decisions.</p>	
Performance information		
Year	Performance criteria¹	Targets
2015–16	RD&E	
	R&D projects are funded in line with the approved Annual Operational Plan (AOP).	100 per cent
	R&D contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent
	<i>An increased number of RD&E newsletter subscribers.</i>	<i>1,100</i>
	The number of regional clusters participating in the Regional Programme is maintained.	11

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Performance information (continued)		
Year	Performance criteria¹	Targets
2015–16 (continued)	Marketing	
	The number of user-pays events hosted with wine sector partners to engage influencers in key markets.	42
	The number of AGWA-funded events to engage influencers in key markets.	70
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	73.5 per cent
	Regulatory services	
	Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	300
	Market export guides provide accurate information about import requirements for largest export markets.	27 guides.
2016–17	RD&E	
	Projects are funded in line with the AOP.	100 per cent
	Contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent
	<i>RD&E newsletter has more subscribers.</i>	<i>1,100</i>
	The number of Regional Programme partners is maintained.	11
	Marketing	
	<i>The Export and Regional Wine Support Package activities are completed in line with the funding agreement.</i>	<i>100 per cent</i>
	The number of user-pays events hosted with wine sector partners to engage influencers in key markets.	42
	The number of AGWA-funded events to engage influencers in key markets.	70
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	74 per cent

Performance information (continued)		
Year	Performance criteria¹	Targets
2016–17 (continued)	Regulatory services	
	Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	300 audits.
	Market export guides provide accurate information about import requirements for largest export markets.	28 guides.
2017–18 and beyond	RD&E	
	Projects are funded in line with the AOP.	100 per cent
	Contracts are actively managed through regular and ongoing monitoring of the research.	100 per cent
	<i>RD&E newsletter has more subscribers.</i>	<i>(2017–18) 1,600 (2018–19) 1,700 (2019–20) 1,800</i>
	The number of Regional Programme partners is maintained.	11
	Marketing	
	The number of user-pays events hosted with wine sector partners to engage influencers in key markets.	42
	The number of AGWA-funded events to engage influencers in key markets.	70
	Market insights	
	Customer satisfaction rating for services.	(2017–18) 74.5 per cent (2018–19) 75.0 per cent (2019–20) 75.5 per cent
	Regulatory services	
	Risk-based audits reinforce a culture of compliance and help protect the reputation of Australian wine.	300 audits.
	Market export guides provide accurate information about import requirements for largest export markets.	29 guides to 2019–20.
	Material changes to Programme 1.1 resulting from the following measures:	
Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding		

1. New or modified performance criteria that reflect new or materially changed programmes are shown in *italics*.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016–17 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no differences between the entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The Budget incorporates the contracted and committed research, development and extension activities, the anticipated marketing programmes and statutory duties.

AGWA receives levies on the tonnage of fruit grown (Grape Research Levy); grape products used in the manufacture of wine (Wine Grapes Levy); and on the value of wine exported (Wine Export Charge). Revenue from these levies is expected to be approximately \$17.7 million for the 2016–17 year, based on an expected 2016 vintage of 1.68 million tonnes.

RD&E expenditure attracts Commonwealth matching funding, which is calculated in accordance with the provisions of the *Primary Industries Research and Development Act 1989* (PIRD Act).

Other major sources of revenue are export licence and associated fees, promotional user-pays events, export partnership sponsorships and Australian Wine Overseas scheme sales.

AGWA will receive additional revenue from government of \$50.0 million over four years for the new measure Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding.

3.2.1 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3.1 Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
EXPENSES					
Employee benefits	7,716	8,148	8,148	8,148	8,148
Supplier	11,094	9,441	9,441	9,629	9,797
Grants	19,320	21,613	34,627	34,537	34,675
Other	63	22	22	22	22
Depreciation and amortisation	352	443	443	255	87
Total expenses	38,545	39,667	52,681	52,591	52,729
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	276	240	240	240	240
Sale of goods and rendering of services	7,082	6,646	6,646	6,646	6,646
Total own-source revenue	7,358	6,886	6,886	6,886	6,886
Total own-source income	7,358	6,886	6,886	6,886	6,886
Net cost of (contribution by) services	31,187	32,781	45,795	45,705	45,843
Revenue from Government¹					
Commonwealth contribution	12,028	14,180	28,194	28,104	28,242
Industry contributions	18,159	17,601	17,601	17,601	17,601
Total revenue from Government	30,187	31,781	45,795	45,705	45,843
Surplus/(deficit) attributable to the Australian Government	(1,000)	(1,000)	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	(1,000)	(1,000)	-	-	-

1. Revenue from Government includes a Commonwealth contribution under the PIRD Act and levies collected from industry by the Department of Agriculture Water and Resources for R&D and marketing activities.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance Sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	1,209	1,332	1,775	2,030	2,042
Trade and other receivables	2,070	4,903	4,903	4,903	4,978
Other investments	6,656	5,685	5,685	5,685	5,685
Total financial assets	9,935	11,920	12,363	12,618	12,705
Non-financial assets					
Property, plant and equipment	368	254	33	-	-
Intangibles	352	1,405	1,183	961	874
Other	237	366	366	366	366
Total non-financial assets	957	2,025	1,582	1,327	1,240
Total assets	10,892	13,945	13,945	13,945	13,945
LIABILITIES					
Payables					
Suppliers	1,320	1,019	1,019	1,019	1,019
Grants	678	5,064	5,064	5,064	5,064
Other	488	350	350	350	350
Total payables	2,486	6,433	6,433	6,433	6,433
Provisions					
Employee provisions	828	934	934	934	934
Total provisions	828	934	934	934	934
Total liabilities	3,314	7,367	7,367	7,367	7,367
Net assets	7,578	6,578	6,578	6,578	6,578
EQUITY*					
Parent entity interest					
Reserves	166	166	166	166	166
Retained surplus (accumulated deficit)	7,412	6,412	6,412	6,412	6,412
Total Equity	7,578	6,578	6,578	6,578	6,578

* 'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2016–17)

	Retained earnings	Revaluation Asset Reserve	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2016			
Balance carried forward from previous period	7,412	166	7,578
Adjusted opening balance	7,412	166	7,578
Comprehensive income			
Surplus (deficit) for the period	(1,000)	-	(1,000)
Total comprehensive income	(1,000)	-	(1,000)
of which:			
Attributable to the Australian Government	-	-	-
Estimated closing balance as at 30 June 2017	6,412	166	6,578
Closing balance attributable to the Australian Government	6,412	166	6,578

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	299	242	242	242	242
Grants	30,011	29,024	43,038	42,948	43,086
Net GST received	2,068	2,403	2,403	2,403	2,403
Other	7,355	6,930	6,930	6,930	6,930
Total cash received	39,733	38,599	52,613	52,523	52,661
Cash used					
Employees	8,010	8,465	8,465	8,465	8,465
Suppliers	10,524	9,789	9,789	9,789	9,726
Grants	22,745	21,840	34,854	34,764	34,902
Total cash used	41,279	40,094	53,108	53,018	53,093
Net cash from (used by) operating activities	(1,546)	(1,495)	(495)	(495)	(432)
INVESTING ACTIVITIES					
Cash received					
Investments	10,059	12,500	10,000	10,000	10,000
Sales of property, plant and equipment	2	-	-	-	-
Total cash received	10,061	12,500	10,000	10,000	10,000
Cash used					
Investments	8,339	9,500	9,062	9,250	9,556
Purchase of property, plant and equipment	683	1,382	-	-	-
Total cash used	9,022	10,882	9,062	9,250	9,556
Net cash from (used by) investing activities	1,039	1,618	938	750	444
Net increase (decrease) in cash held	(507)	123	443	255	12
Cash and cash equivalents at the beginning of the reporting period	1,716	1,209	1,332	1,775	2,030
Cash and cash equivalents at the end of the reporting period	1,209	1,332	1,775	2,030	2,042

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2015–16 Estimated actual \$'000	2016–17 Budget \$'000	2017–18 Forward estimate \$'000	2018–19 Forward estimate \$'000	2019–20 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ¹	683	1,382	-	-	-
TOTAL	683	1,382	-	-	-
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	683	1,382	-	-	-
Total cash used to acquire assets	683	1,382	-	-	-

1. Includes the following source of funding:
– internally developed assets.

Consistent with information contained in the Statement of Asset Movements and the Budgeted Statement of Cash Flows.

Table 3.6: Statement of asset movements (Budget year 2016–17)

	Land and buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2016				
Gross book value	882	1,375	2,018	4,275
Accumulated depreciation/amortisation and impairment	(882)	(1,007)	(1,666)	(3,555)
Opening net book balance	-	368	352	720
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase – other	-	107	1,275	1,382
Total additions	-	107	1,275	1,382
Other movements				
Depreciation/amortisation expense	-	(221)	(222)	(443)
Total other movements	-	(221)	(222)	(443)
As at 30 June 2017				
Gross book value	882	1,482	3,293	5,657
Accumulated depreciation/amortisation and impairment	(882)	(1,228)	(1,888)	(3,998)
Closing net book balance	-	254	1,405	1,659

Prepared on Australian Accounting Standards basis.