

WINE AUSTRALIA

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WINE AUSTRALIA

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

Wine Australia 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 *Wine Australia Act 2013* (Wine Australia Act). Our role under the Wine Australia 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.

Australian wine is a unique, high-quality product crafted in 65 wine regions around the country. The Australian wine sector has approximately 6,251 grape growers, 132,393 hectares of vines, 2,468 wineries and produces 1.3 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-time 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 2018–19, Wine Australia 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.

Wine Australia Budget Statements

This will be the fourth year of operation with these priorities. In 2017, Australian exports of wine increased by 15 per cent to \$2.56 billion, the highest annual growth rate since 2004. It was a record breaking year for volume, growing by 8 per cent to 811 million litres – a calendar year high. Average value increased to \$3.16 per litre free on board, the highest level since 2009. There was increased demand at all price points, and the rate of growth in exports was again fastest at higher price points. Wine exports priced at \$10 per litre and over free on board grew 29 per cent in 2017 to a record \$738 million and make up 28.8 per cent of exports. There were a record 2,210 active exporters in 2017 and Australian wine was exported to 126 destinations.

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

In 2018–19, we will deliver the Export and Regional Wine Support Package under the Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding. The \$50 million program is focused on wine promotion both internationally and domestically. Initiatives will benefit regional wine producers and assist export-focused businesses to continue to grow. We will also administer the Wine Tourism and Cellar Door Grant that commences in 2019–20.

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 (RDCs) in cross-sectoral collaborative research, including through the Australian Government's Rural Research and Development for Profit program, to deliver RD&E benefits to the broader community.

Since 2015-16, we have been collecting the Wine Export Charge on behalf of the Australian Government. This streamlined the payment process for companies that pay the charge. In 2017-18, we will continue to investigate ways to reduce the time spent on compliance for our levy payers. We will also work with the Department of Agriculture and Water Resources and other RDCs to establish a register of all 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: Wine Australia – Resource Statement – Budget Estimates for 2018–19 as at May 2018

	2017–18 Estimated actual \$'000	2018–19 Estimate \$'000
Opening balance/cash reserves at 1 July	1,903	1,959
Funds from Government		
Amounts received from related entities		
Amounts from portfolio department ^(a)	16,014	15,924
<i>Total amounts received from related entities</i>	16,014	15,924
Special appropriations^(b)		
<i>Wine Australia Act 2013, s. 32 – payments to the Authority</i>	33,804	32,600
<i>Total special appropriations</i>	33,804	32,600
Total funds from Government	49,818	48,524
Funds from industry sources		
Levies ^(c)	21,304	19,600
<i>less amounts paid to the CRF</i>	(21,304)	(19,600)
<i>Total funds from industry sources</i>	-	-
Funds from other sources		
Interest	228	276
Other	6,992	9,365
<i>Total funds from other sources</i>	7,220	9,641
Total net resourcing for Wine Australia	58,941	60,124
	2017–18	2018–19
Average staffing level (number)	53	53

(a) Funding provided by the portfolio department that is not specified within the Annual Appropriation Bills as a payment to that corporate entity (for example, a grant awarded to a corporate entity from one of its portfolio department's administered programs).

(b) Wine Australia 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 Wine Australia and are considered departmental for all purposes.

(c) 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 Wine Australia are detailed in *Budget Paper No. 2: Budget Measures 2018–19* and are summarised below.

Table 1.2: Wine Australia 2018–19 Budget measures

Part 1: Measures announced since the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO)

Wine Australia does not have any 2018–19 Budget measures.

Part 2: Other measures not previously reported in a portfolio statement

Wine Australia does not have any other measures not previously reported in a portfolio statement.

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 programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

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

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. 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 - to provide an entity's complete performance story.

The most recent corporate plan for Wine Australia can be found at:

<https://www.wineaustralia.com/getmedia/cf1b4573-7576-46ca-95ae-a02473d0ea14/Wine-Australia-Strategic-Plan-2015-2020-Dec-2017.pdf>

The most recent annual performance statement for Wine Australia can be found at:

<https://www.wineaustralia.com/getmedia/4917b8a5-35b8-4807-af18-18c969c6dc84/Performance-Evaluation-Report-2016-17-FINAL.pdf>

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.

Linked programs

Department of Agriculture and Water Resources
Program: <ul style="list-style-type: none">• Program 1.10: Agricultural Resources
Contribution to Outcome 1 made by linked program: <p>Wine Australia and the Department of Agriculture and Water Resources work together to ensure a sustainable, productive and profitable grape and wine sector.</p>
Department of the Treasury
Program: <ul style="list-style-type: none">• Program 1.3: Support for markets and business
Contribution to Outcome 1 made by linked program: <p>Wine Australia delivers the Export and Regional Wine Support Package under the Department of the Treasury's Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding. This promotes wine and assists export-focused businesses to continue to grow. It will also benefit regional wine producers and their communities through increasing wine tourism. Wine Australia will also administer the Wine Tourism and Cellar Door Grant, which commences in 2019–20.</p>

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 program, 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.					
	2017–18 estimated actual \$'000	2018–19 estimate \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
Program 1.1: Wine Australia					
Revenue from Government					
Payment from related entities	16,014	15,924	26,062	10,000	10,000
Special appropriations					
<i>Wine Australia Act 2013</i> , s. 32 – payments to the Authority	33,804	32,600	32,150	32,150	31,400
Revenues from other independent sources	9,220	11,641	10,447	10,447	9,447
Total expenses for program 1.1	59,038	60,165	68,659	52,597	50,847
Outcome 1 totals by resource type					
Revenue from Government					
Payment from related entities	16,014	15,924	26,062	10,000	10,000
Special appropriations	33,804	32,600	32,150	32,150	31,400
Revenues from other independent sources	9,220	11,641	10,447	10,447	9,447
Total expenses for Outcome 1	59,038	60,165	68,659	52,597	50,847
Average staffing level (number)					
	2017–18	2018–19			
	53	53			

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2018–19 Budget measures have created new programs or materially changed existing programs.

As an entity established under the Wine Australia Act, Wine Australia 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.	
Program 1.1: Wine Australia	
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 research and development (R&D) in the seven strategic areas outlined in our Strategic Plan 2015–2020 for the benefit of wine grape 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>

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information		
Year	Performance criteria^(a)	Targets
2017–18	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.
	An increased number of RD&E newsletter subscribers.	1,100
	The number of regional clusters participating in the Regional Program 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 Wine Australia -funded events to engage influencers in key markets.	70
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	74 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.

Continued on following pages

Contributions to Outcome 1 (continued)

Performance information (continued)		
Year	Performance criteria^(a)	Targets
2018–19	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.
	RD&E newsletter has more subscribers.	2,500
	The number of Regional Program partners is maintained.	11
	Marketing	
	Export and Regional Wine Support Package activities are completed in line with the funding agreement.	100 per cent.
	Wineries and distributors who participate in Wine Australia events report that they are satisfied.	At least 90 per cent.
	Market insights	
	Improvement in customer satisfaction rating for market insights services.	75 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.	33 guides.

Continued on following page

Contributions to Outcome 1 (continued)

Performance information (continued)		
Year	Performance criteria^(a)	Targets
2019–20 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.
	RD&E newsletter has more subscribers.	(2017–18) 1,800. (2018–19) 2,500. (2019–20) 2,700. (2020–21) 2,800.
	The number of Regional Program partners is maintained.	11
	Marketing	
	Wineries and distributors who participate in Wine Australia events report that they are satisfied.	At least 90 per cent.
	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. (2020–21) 76.0 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.	33 guides to 2019–20.	

(a) New or modified performance criteria that reflect new or materially changed programs 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 2018–19 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 programs and statutory duties.

Wine Australia 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 \$19.6 million for the 2018–19 year, based on an expected 2018 vintage of 1.85 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.

Wine Australia is receiving additional revenue from government of \$50.0 million from 2016–17 to 2019–20 for the measure Ten Year Enterprise Tax Plan – wine equalisation tax rebate integrity and wine tourism funding.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

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

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
EXPENSES					
Employee benefits	9,131	10,143	10,143	10,143	10,143
Supplier	10,171	10,296	10,198	9,946	10,157
Grants	39,157	39,167	47,749	32,026	30,326
Other	21	1	21	21	21
Depreciation and amortisation	558	558	548	461	200
Total expenses	59,038	60,165	68,659	52,597	50,847
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Interest	228	276	276	276	276
Sale of goods and rendering of services	4,665	8,224	7,323	7,844	8,123
Other	2,327	1,141	848	327	48
Total own-source revenue	7,220	9,641	8,447	8,447	8,447
Total own-source income	7,220	9,641	8,447	8,447	8,447
Net cost of (contribution by) services	51,818	50,524	60,212	44,150	42,400
Revenue from Government ^(a)					
Commonwealth contribution	12,500	13,000	12,750	12,750	12,000
Industry contributions	21,304	19,600	19,400	19,400	19,400
Other	16,014	15,924	26,062	10,000	10,000
Total revenue from Government	49,818	48,524	58,212	42,150	41,400
Surplus/(deficit) attributable to the Australian Government	(2,000)	(2,000)	(2,000)	(2,000)	(1,000)
Total comprehensive income/(loss) attributable to the Australian Government	(2,000)	(2,000)	(2,000)	(2,000)	(1,000)

(a) 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 research and development and marketing activities.

Prepared on Australian Accounting Standards basis.

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

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	1,959	2,883	3,202	1,458	458
Trade and other receivables	1,964	2,513	2,492	2,447	2,447
Other investments	9,867	4,020	2,020	2,020	2,020
Total financial assets	13,790	9,416	7,714	5,925	4,925
Non-financial assets					
Land and buildings	7	-	-	-	-
Property, plant and equipment	344	114	64	14	14
Intangibles	642	3,449	2,951	2,540	2,340
Inventories	9	-	-	-	-
Other	742	863	863	863	863
Total non-financial assets	1,744	4,426	3,878	3,417	3,217
Total assets	15,534	13,842	11,592	9,342	8,142
LIABILITIES					
Payables					
Suppliers	446	743	493	243	43
Grants	2,804	2,623	2,623	2,623	2,623
Other	53	60	60	60	60
Total payables	3,303	3,426	3,176	2,926	2,726
Provisions					
Employee provisions	1,017	1,202	1,202	1,202	1,202
Other provisions	95	95	95	95	95
Total provisions	1,112	1,297	1,297	1,297	1,297
Total liabilities	4,415	4,723	4,473	4,223	4,023
Net assets	11,119	9,119	7,119	5,119	4,119
EQUITY*					
Parent entity interest					
Retained surplus (accumulated deficit)	11,119	9,119	7,119	5,119	4,119
Total Equity	11,119	9,119	7,119	5,119	4,119

* '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 2018–19)**

	Retained earnings	Total equity
	\$'000	\$'000
Opening balance as at 1 July 2018		
Balance carried forward from previous period	11,119	11,119
Adjusted opening balance	11,119	11,119
Comprehensive income		
Surplus (deficit) for the period	(2,000)	(2,000)
Total comprehensive income	(2,000)	(2,000)
Estimated closing balance as at 30 June 2019	9,119	9,119
Closing balance attributable to the Australian Government	9,119	9,119

Prepared on Australian Accounting Standards basis.

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

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	228	277	276	276	276
Grants	47,900	49,050	55,049	39,452	38,797
Net GST received	1,121	3,892	3,163	2,698	2,603
Other	9,139	7,776	8,171	8,195	8,150
Total cash received	58,388	60,995	66,659	50,621	49,826
Cash used					
Employees	9,010	9,958	10,143	10,143	10,143
Suppliers	11,688	10,104	10,448	10,196	10,357
Grants	38,207	42,721	47,749	32,026	30,326
Total cash used	58,905	62,783	68,340	52,365	50,826
Net cash from (used by) operating activities	(517)	(1,788)	(1,681)	(1,744)	(1,000)
INVESTING ACTIVITIES					
Cash received					
Investments	12,000	9,000	12,000	10,000	10,000
Total cash received	12,000	9,000	12,000	10,000	10,000
Cash used					
Investments	10,818	3,153	10,000	10,000	10,000
Purchase of property, plant and equipment	609	3,135	-	-	-
Total cash used	11,427	6,288	10,000	10,000	10,000
Net cash from (used by) investing activities	573	2,712	2,000	-	-
Net increase (decrease) in cash held	56	924	319	(1,744)	(1,000)
Cash and cash equivalents at the beginning of the reporting period	1,903	1,959	2,883	3,202	1,458
Cash and cash equivalents at the end of the reporting period	1,959	2,883	3,202	1,458	458

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
ASSETS					
Funded internally from departmental resources ^(a)	609	3,135	-	-	-
TOTAL	609	3,135	-	-	-
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	609	3,135	-	-	-
Total cash used to acquire assets	609	3,135	-	-	-

(a) 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 2018–19)

	Land and buildings \$'000	Other property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2018				
Gross book value	898	1,079	2,450	4,427
Accumulated depreciation/amortisation and impairment	(898)	(735)	(1,808)	(3,441)
Opening net book balance	-	344	642	986
CAPITAL ASSET ADDITIONS				
Other movements				
Depreciation/amortisation expense	-	(260)	(298)	(558)
Total other movements	-	(260)	(298)	(558)
As at 30 June 2019				
Gross book value	898	1,109	5,555	7,562
Accumulated depreciation/amortisation and impairment	(898)	(995)	(2,106)	(3,999)
Closing net book balance	-	114	3,449	3,563

Prepared on Australian Accounting Standards basis.