

COVID-19 WINE INDUSTRY
IMPACT SURVEY
ANALYSIS



INTRODUCTION

[Wine Industry Suppliers Australia Inc \(WISA\)](#) is the peak national industry body representing businesses that supply products and services to Australia's grape and wine producers. WISA has over 150 business members that support a diverse grape and wine supply chain that offer significant value add to the core agricultural outcomes of the sector. Our members operate across key verticals including but not limited to viticulture, winemaking, packaging, engineering, distribution and logistics, marketing, tourism and commercial services: incorporating legal, accounting, insurance and other business advisors.

The supply chain sector of Australia's grape and wine industry represents 39,637 of the total 163,790 jobs across grape and wine production and the highly valuable related wine tourism sector.¹

As a major employment sector, WISA launched the COVID-19 Wine Industry IMPACT Survey to understand the cashflow sustainability, expected job losses and immediate and medium to long term needs of our members and the broader supply chain relating to the crisis.

The survey opened on the 19 March 2020 and closed on the 25 March 2020. WISA promoted the survey across

its social media channels and directly to our database of members and industry stakeholders. There were a total of 104 respondents to the 12 questions posed.

Analysis of the data was conducted by South Australian business growth and execution specialist consultancy [Hydra Consulting](#).

Key outcomes of the data showed that 20% of respondents do not expect their businesses to survive the COVID-19 crisis and 60% of respondents expect to have to lay-off staff.

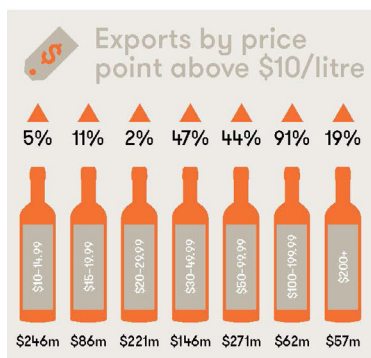
The wine industry supply sector relies on the success of its grape and wine producing customers. The jobs and economic output for the supply chain are directly related to the viability of the approximate 2,500 wine producers and 5,000 grape growing businesses.

The current COVID-19 crisis highlights the key significant risk for the Australian wine industry. Australia exports 63% of total production and 45% of the \$2.91bn of export value is directly exposed to the China market.

Wine Australia

Export report

1 Jan 2019 to 31 Dec 2019



Value of exports to the top 10 markets

China inc. HK and Macau	\$1.3b	▲ 12%
United States	\$419m	▼ -1%
United Kingdom	\$352m	▼ -9%
Canada	\$183m	▼ -13%
Singapore	\$105m	▲ 18%
New Zealand	\$91m	▼ -2%
Japan	\$52m	▼ -4%
Germany	\$48m	▼ -10%
Netherlands	\$43m	▲ 3%
Malaysia	\$35m	▲ 9%

Volume of exports to the top 10 markets (9L cases)

United Kingdom	24.9m	▼ -9%
China inc. HK and Macau	15.8m	▼ -17%
United States	15.3m	▼ -14%
Canada	6.2m	▼ -25%
Germany	3.5m	▼ -11%
New Zealand	3.3m	▼ -8%
Netherlands	1.9m	▼ -13%
Japan	1.9m	▼ -4%
Denmark	1.6m	▲ 23%
Belgium	1.0m	▲ 1%



63%
of wine produced is exported



19 million
glasses of Australian wine enjoyed overseas each day



2,903
active exporters



24,533
different products exported

1. Page 27, Table 5.4 Direct and Indirect Impact of the Total Wine Sector, Economic Contribution of The Australian Wine Sector 2019 by AgEcon Plus Consulting for Wine Australia

KEY FINDINGS

- Sole Traders and SME's made up the majority of respondents, reflective of the industry, with over 50% having an annual 2018/19 turnover of less than \$2M.
- 33% and 35% of respondents indicated cash flow holdings to cover essential overheads of 1-2 and 3-6 months respectively.
- 20% of participants don't expect to survive beyond COVID-19.
- 60% of participants expect to lay off staff, with half of those being in the next 1-4 weeks.
- 50% of jobs were full time with contract, part-time and casual making up the remainder of the employment types.
- In the short-term, businesses need support with overheads with reduced revenues such as wage relief (subsidy), financial support regarding direct cash injection and tax relief.
- In the short to medium term assistance will be required to quickly rebuild wine export and international inbound tourism markets.
- In the medium-long-term, businesses need continued tax relief, financial support and for the government to stimulate the economy.



KEY RECOMMENDATIONS

Further to this survey, a COVID-19 IMPACT Teleconference was also facilitated by WISA on Thursday 26th March 2020. This teleconference allowed members to share their challenges and discuss opportunities including how further Government measures could make a positive contribution to the sector.

To underpin the sustainability of the Australia Grape and Wine supply chain WISA recommends the consideration of the following. We do note and welcome that some of these measures have already been announced through various Federal and State Government stimulus packages announced.

- Designate agriculture including wine, and the complex supply chain businesses that support the industry, as an essential sector so that the current 2020 vintage can continue without interruption and ensure there is product available for export as markets recover.
- The removal of the Wine Equalisation Tax requirement for a minimum of 6 months, preferably 12 months. This would support the cashflow of wineries to maintain supply of inputs of products and services required for the 2020 vintage.
- Provision of direct financial support to reduce overheads such as rent and utility costs over the next 6 – 12 months. This would allow businesses to maintain viability and to be ready to restart or scale back up as conditions improve.
- Provision of a direct 80% Wage Subsidy to employers (including regional, state and national NFP's supporting Australian grape and wine, tourism and supply chain business) for 6 months to ensure the relevant world class high level marketing, economic, export, regional development, educational, technical and scientific skills and knowledge of the sector are maintained and retained.
- Interest free loans to support the purchase and upgrade of capital equipment that will provide opportunity for improved production, energy and labour efficiencies post crisis adding capability to improve global competitiveness.
- Establishment of an Export Recovery Fund to ensure that demand for Australian wine globally rebounds as quickly as possible.
- General economic stimulus across the Australian economy for the short and medium term especially as recovery starts to occur in order to drive demand.

For further information and discussion on these recommendations please feel free to contact:

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SURVEY RESULTS

1. BUSINESS CATEGORY

The first question participants were asked to describe their main business category. Results are shown in Figure 1 below.

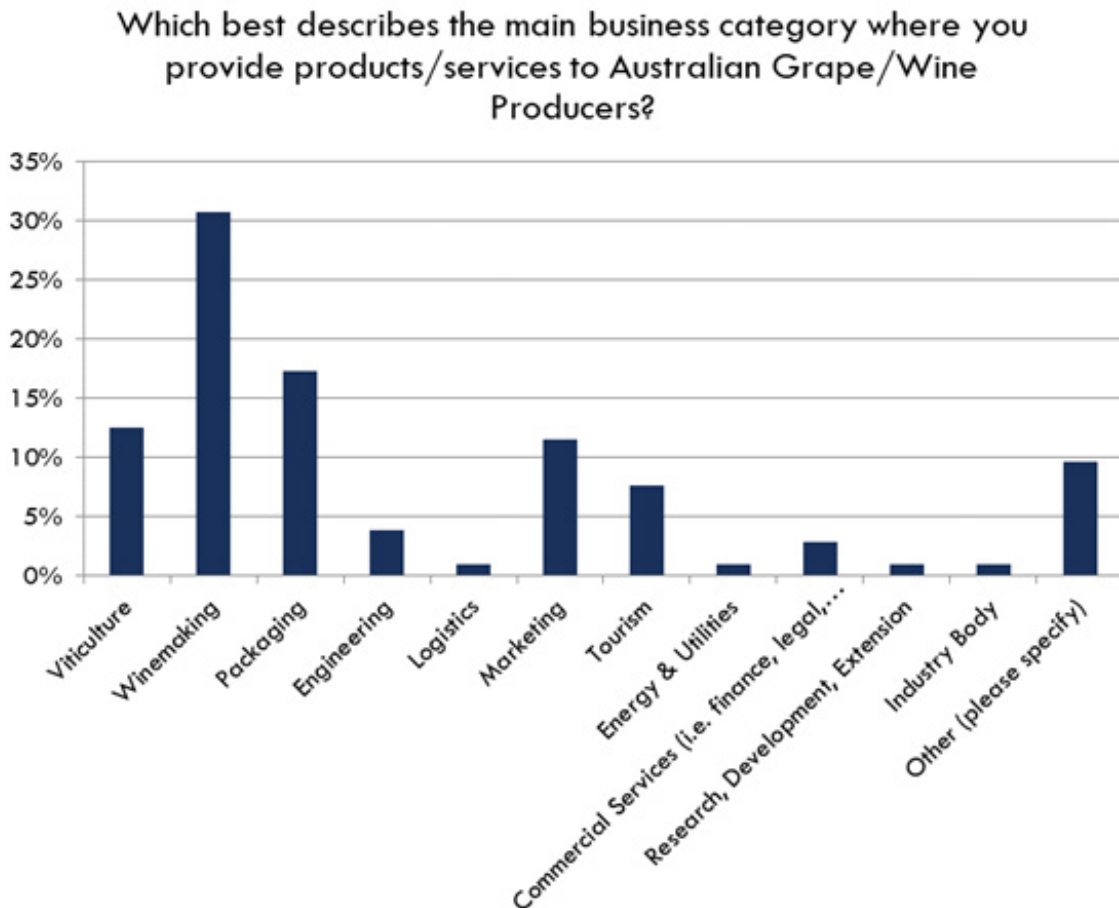


Figure 1 – Business categories

Results showed that the most common business category worked in by survey respondents was Winemaking (31%), Packaging (17%) and Viticulture (12%).

Those who selected other answers included sales, marketing, consulting, technology, management systems services, legal and e-commerce.

SURVEY RESULTS

2. FY 2018-19 TURNOVER

This question asked survey respondents about their turnover for the 2018/19 financial year. Answers can be seen in Figure 2 below.

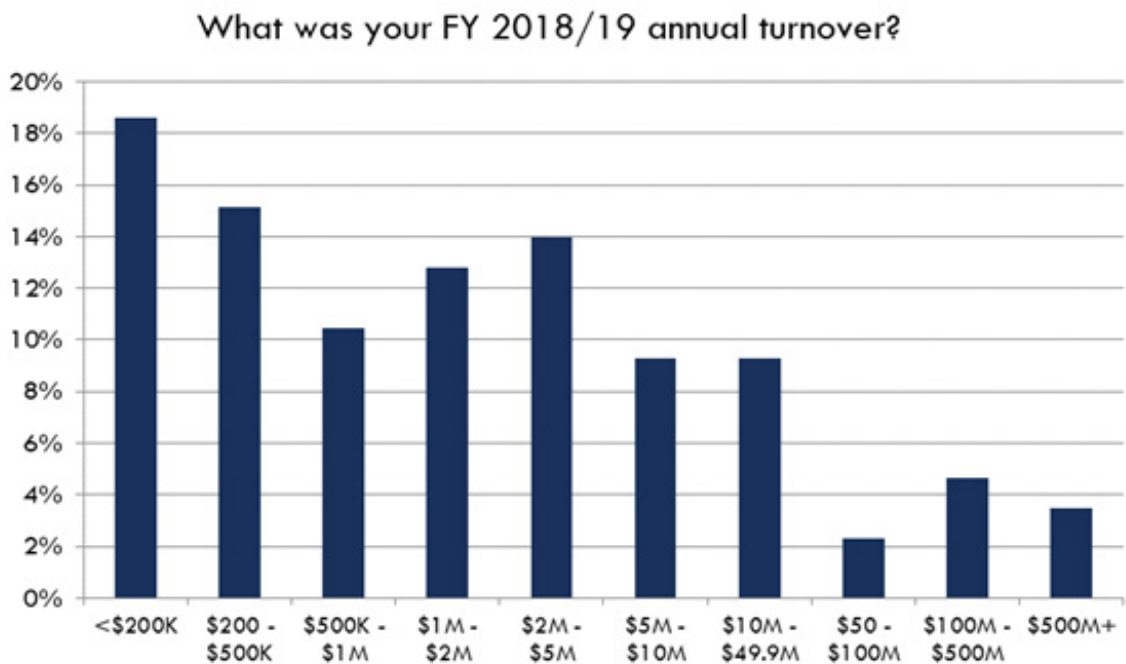


Figure 2 – 18/19 financial year turnover

Overall 57% of survey participants had a FY 18/19 turnover of less than \$2M.

SURVEY RESULTS

3. FULL TIME STAFF

This question asked participants how many full-time equivalent staff they employ. The results can be seen in Figure 3 below.

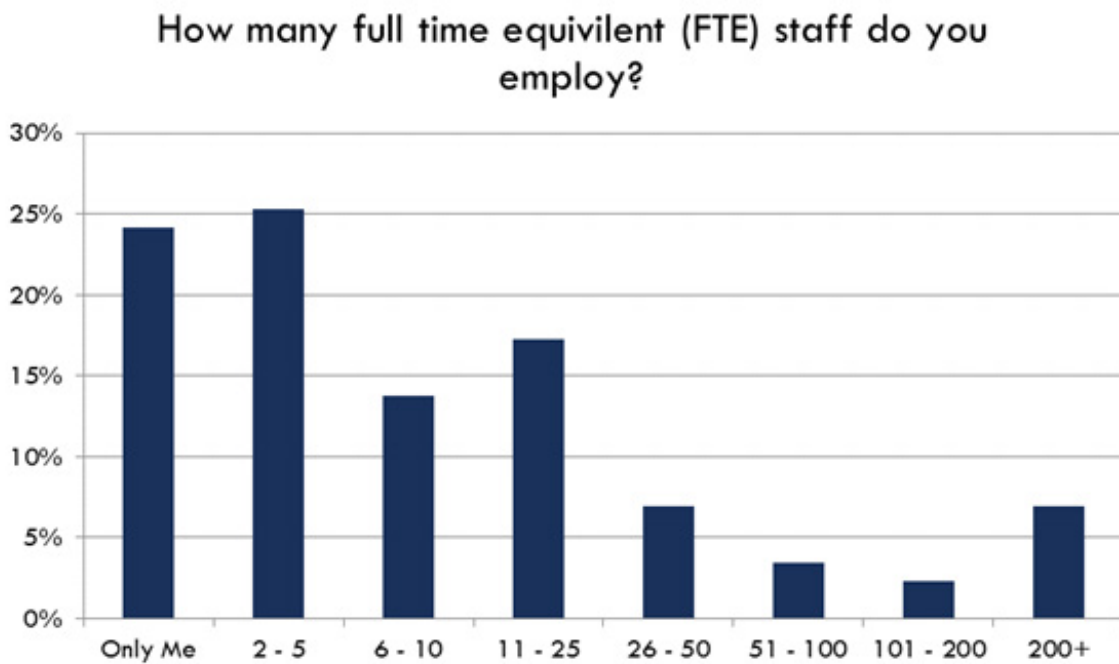


Figure 3 – Full-time equivalent employees

25% of participants had 2-5 full-time employees, 24% were sole traders. 79% of survey participants employed less than 25 FTE staff.

SURVEY RESULTS

4. EMPLOYMENT TYPE

This question asked about the nature of the workforce. The results can be seen in Figure 4 below.

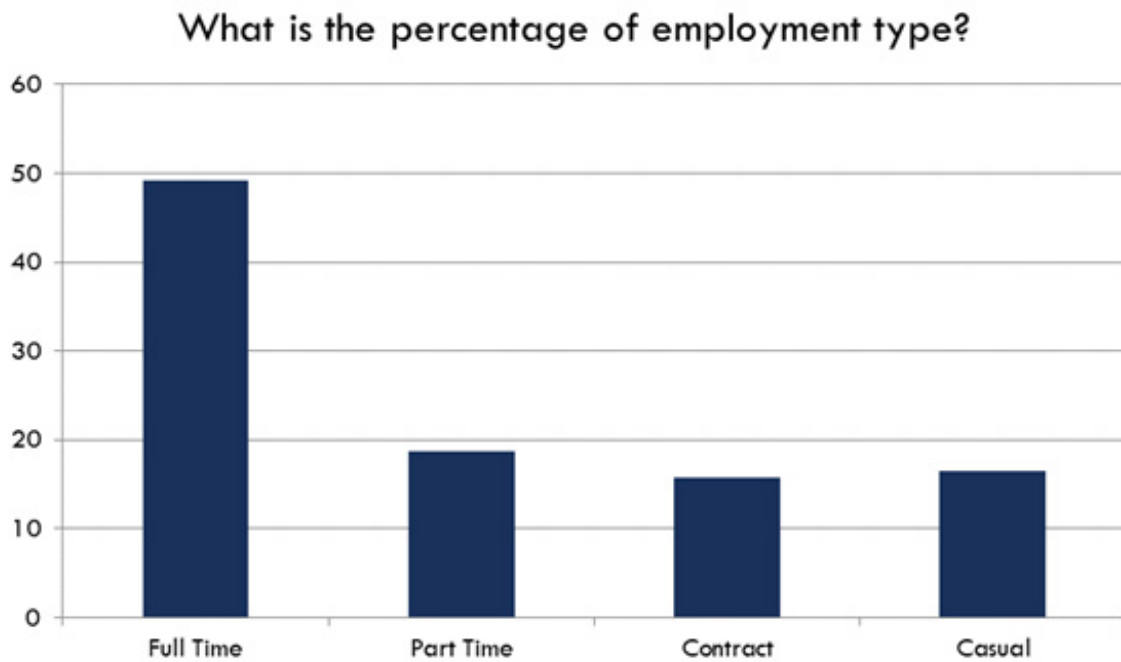


Figure 4 – Types of employment

50% of respondents staff were employed full time, 18% part-time, 15% contract and 17% casual.

SURVEY RESULTS

5. STATE/TERRITORY OF EMPLOYMENT

Participants were asked which state/territory that their staff are employed in. The results can be seen in Figure 5 below.



Figure 5 – Staff by state/territory

40% were employed in South Australia, 25% Victoria, 16% New South Wales and 7% Western Australia.

SURVEY RESULTS

6. CASHFLOW RESERVES

This question asked participants how many months of cashflow reserves they had to cover their core overheads. The results can be seen in Figure 6 below.

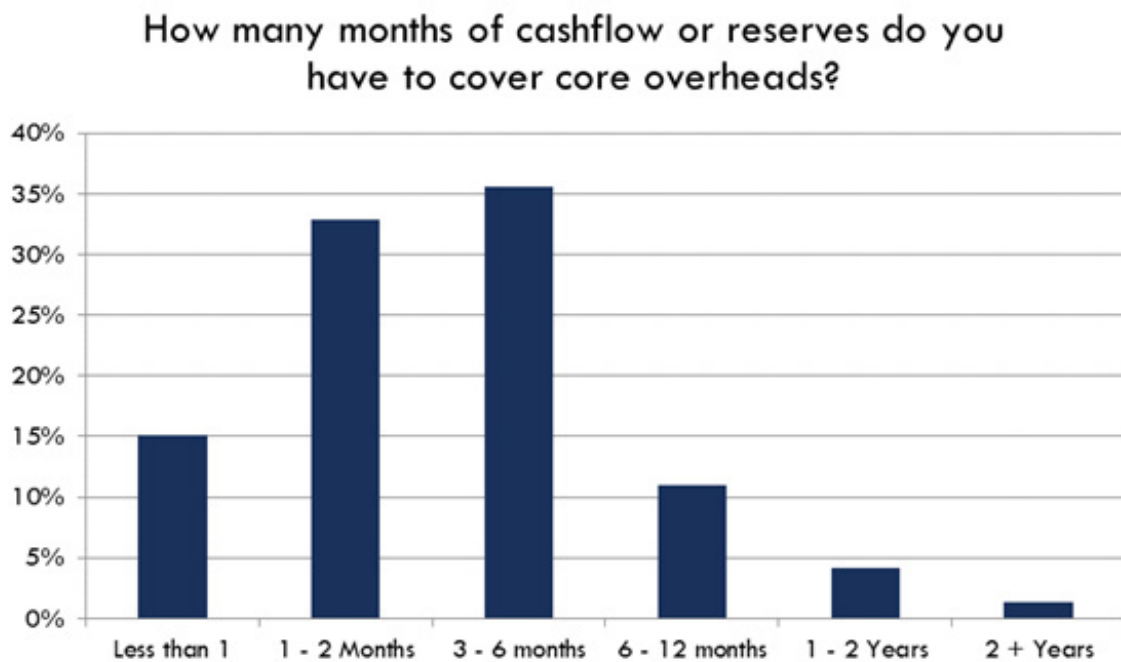


Figure 6 – Months of cashflow reserves

The most common response from participants was that they had 3-6 months of reserves or cash flow to cover core overhead costs. 33% of participants only had 1-2 months of reserves/cashflow, and 15% had less than one month in reserves/cashflow.

SURVEY RESULTS

7. SURVIVING COVID-19

This question asked participants if they expect that their business will be able to survive the impacts of COVID-19. The results can be seen in Figure 7 below.

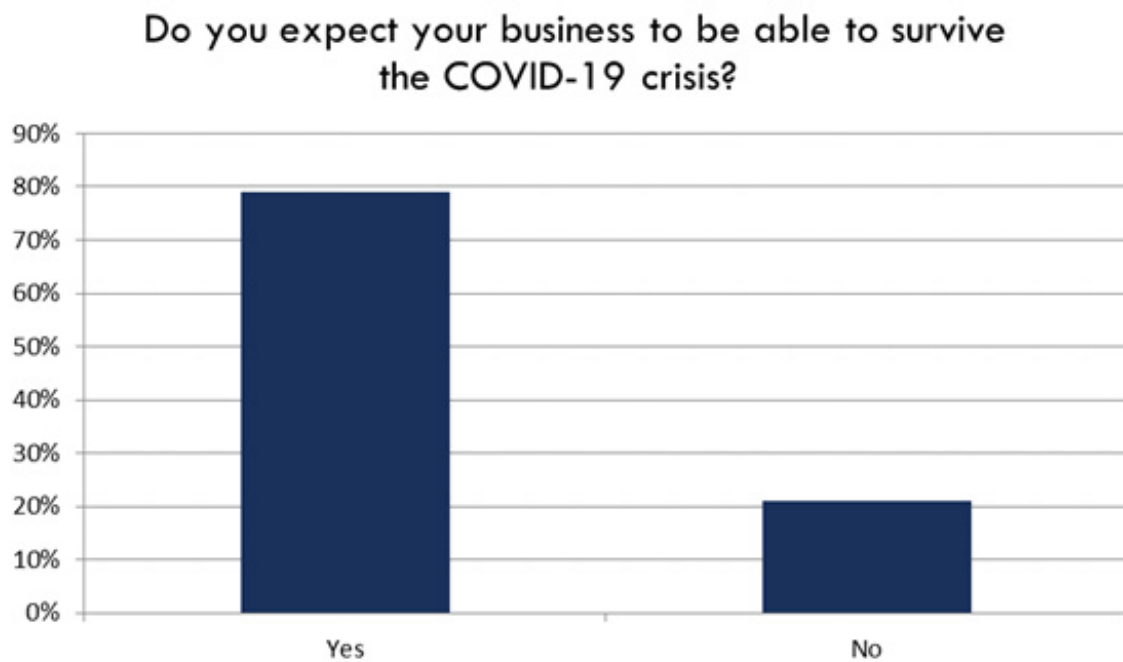


Figure 7 – Surviving COVID-19

21% believed their businesses would not survive beyond the COVID-19 crisis. 79% of survey participants expected that they will survive the COVID-19 crisis.

SURVEY RESULTS

8. LAYING OFF STAFF

This question asked participants whether they expect to have to lay off staff due to the effects of COVID-19. The results can be seen in Figure 8 below.

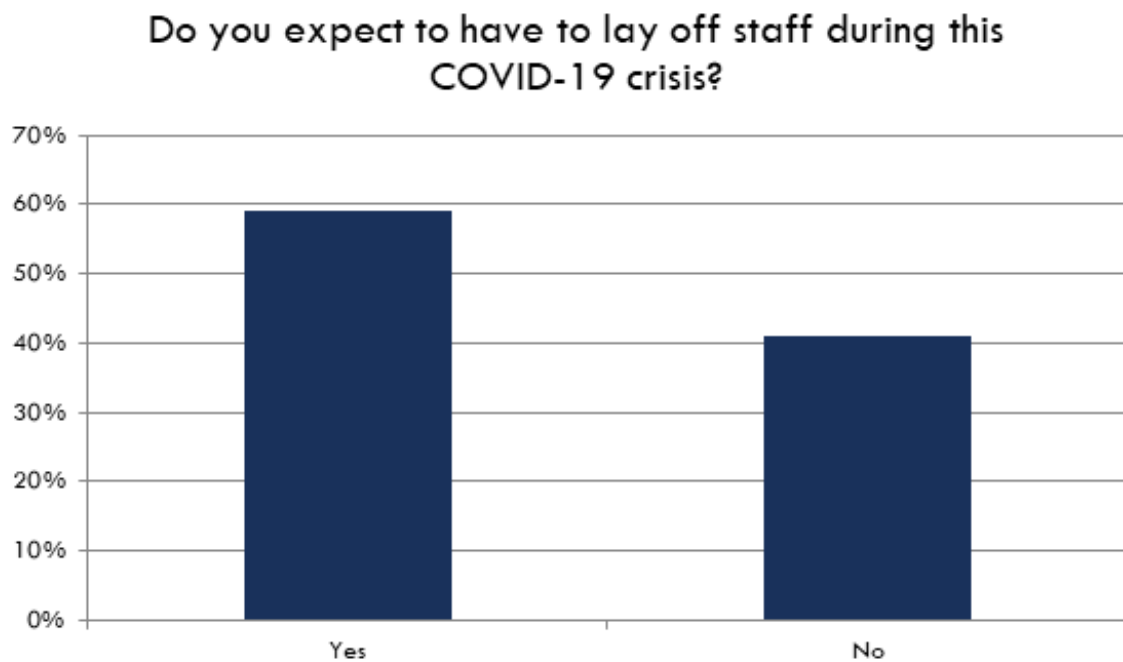


Figure 8 – Do you expect to have to lay off staff during COVID-19

59% of survey participants expected to have to lay off staff during the COVID-19 crisis. Only 41% did not.

SURVEY RESULTS

9. TIME UNTIL LAYING OFF STAFF

This question asked participants how long it would be until they expect to have to lay off staff due to the effects of COVID-19. The results can be seen in Figure 9 below.



Figure 9 – Time until businesses expect to start laying off staff

51% of participants expecting to start laying off staff within 1-4-weeks. 35% expected to lay off staff in 5-8-weeks. 7% expect to start laying off staff in 9-12 weeks and another 7% in 3-6 months.

SURVEY RESULTS

10. WORKFORCE EXPECTED TO LAY OFF

This question asked participants what percent of their workforce they expect to have to lay off due to the effects of COVID-19. The results can be seen in Figure 10 below.

What percentage of your workforce do you expect to have to lay off during the COVID-19 Crisis?

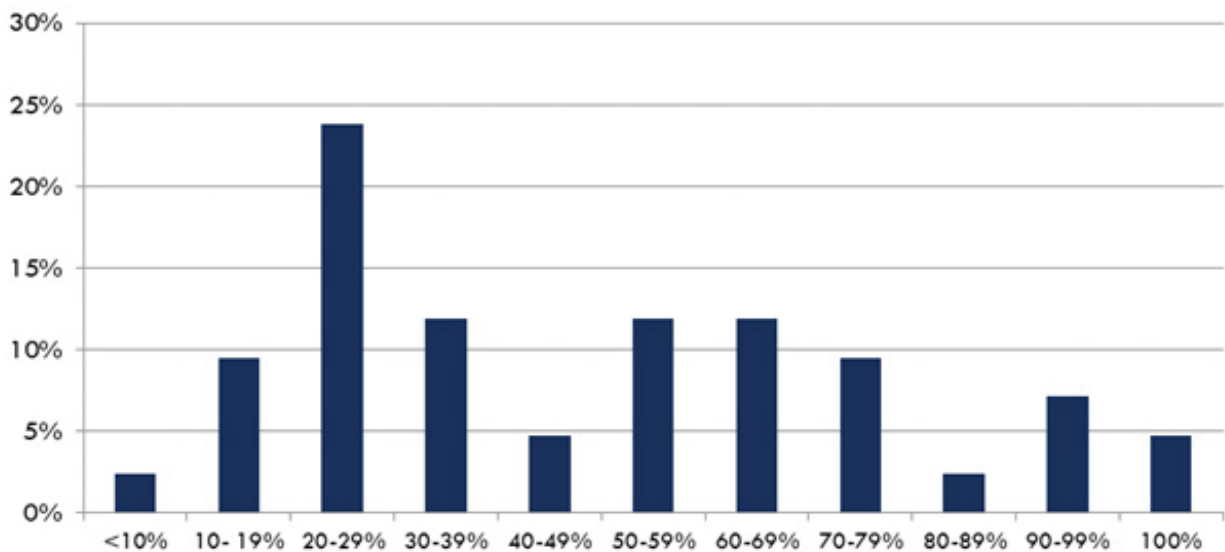


Figure 10 – Percentage of workforce expected to lay off

The most common response from participants was that they will be laying off 20-29% of their workforce due to the COVID-19 crisis. 24% of survey participants responded that they will be laying off 70% or more of their workforce. Other significant response volumes were in the 30-39% bracket (12%), the 50-59% bracket (12%) and the 60-69% bracket (12%).

SURVEY RESULTS

11. SHORT TERM GOVERNMENT ASSISTANCE

This question asked participants what measures they believe the government could implement to support the sustainability of business that would be effective in the short-term. The results were consolidated into common themes and then presented in Figure 11 below.

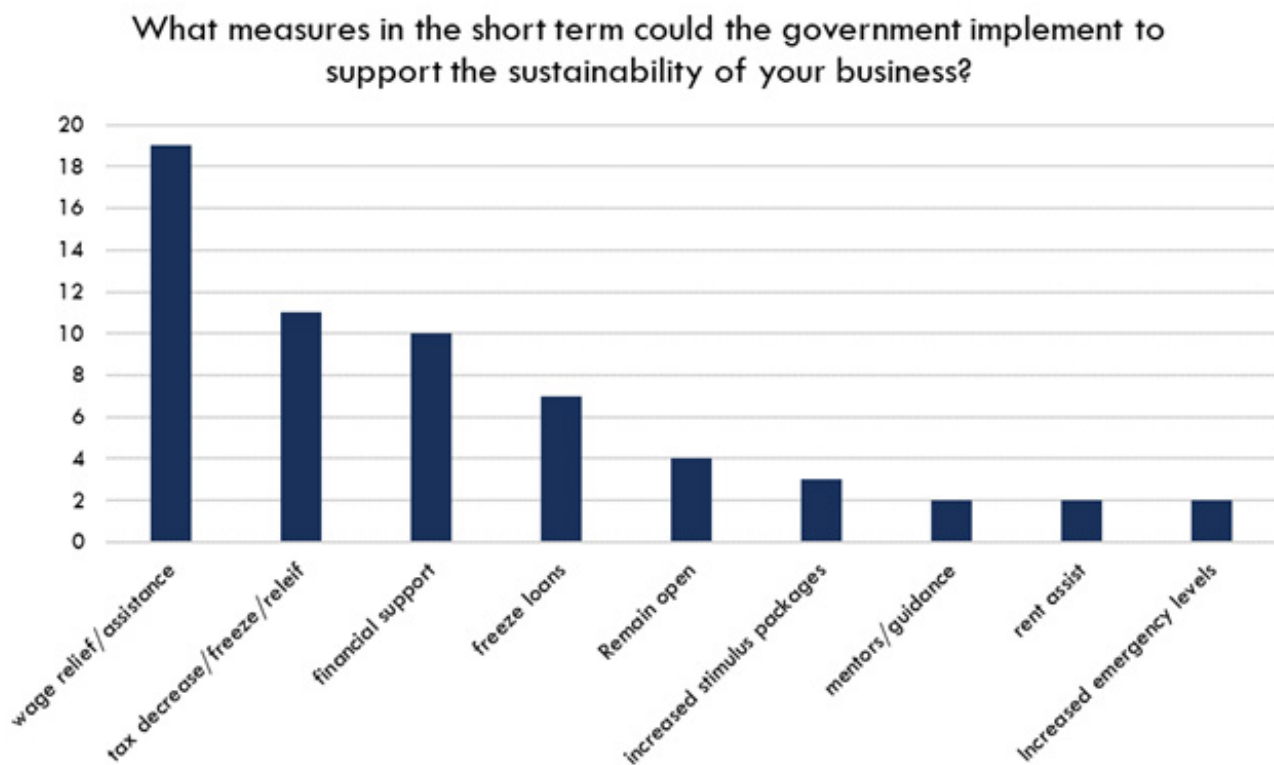


Figure 11 – short term government assistance

The most significant short-term measures that participants indicated the government could implement to support the sustainability of their business was wage relief/assistance, with 19 participants indicating this preference. The second most significant preference was a decrease in taxation (or freezing/relief) and financial support/cash injection to businesses.

Other responses from participants included freezing loans, allowing the wine industry to stay open and increasing the current stimulus package.

SURVEY RESULTS

12. MEDIUM-LONG TERM GOVERNMENT ASSISTANCE

This question asked participants what measures they believe would be effective medium-long term solutions that the government could implement to support the sustainability of your business. The results were consolidated into common themes and then produced in graph. The graph is presented in Figure 12 below.

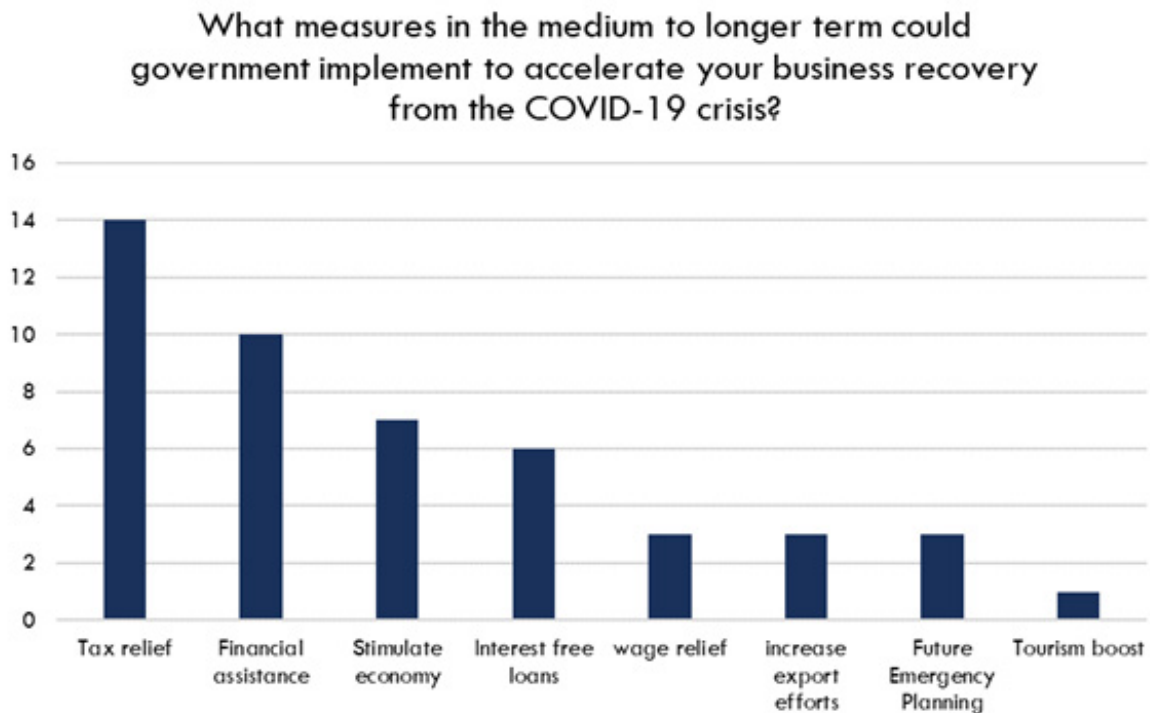


Figure 12 – medium-long term government assistance

The most significant medium-long term measures that the government could undertake to support the sustainability of the business was tax relief followed by financial assistance.

Stimulating the economy – allowing people to spend more money at wineries and on wine and interest free loans were the next most significant responses followed by having a more effective emergency plan for the future, wage relief and increasing export efforts.