



**Final performance evaluation of the
export and regional wine support
package (ERWSP)**

Report prepared for Wine Australia

May 2021

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Glossary

Acronym	Full text
\$'000	Thousands of Dollars
\$b	Billions of Dollars
\$m	Millions of Dollars
ATDW	Australian Tourism Data Warehouse
AWD	Australian Wine Discovered
BCR	Benefit Cost Ratio
CAGR	Compound Annual Growth Rate
CBA	Cost-Benefit Analysis
CNY	Chinese Yuan
DAWE	Department of Agriculture, Water and the Environment
ERWSP	Export and Regional Wine Support Package
EVM	Earned value of media
FTA	Free Trade Agreement
IWT	International Wine Tourism
KPI	Key Performance Indicator
MEB	Marginal Excess Burden
NPS	Net Promoter Score
NPV	Net Present Value
PED	Price Elasticity of Demand
SAWIA	South Australian Wine Industry Association
US	United States
US\$	United States Dollar
VFR	Visiting Friends and Relatives
WEG	Wine Export Grant
YTD	Year to Date

Executive summary

Export and Regional Wine Support Package

The Export and Regional Wine Support Package (ERWSP or 'the Package') is a one-off \$50 million package designed to facilitate the growth of the Australian grape and wine industry by increasing demand for Australian wine exports and international wine tourism, and strengthening wine export and international wine tourism capabilities.

Activities under the package were implemented through four programs targeting growth in export and tourism sales through different channels:

- Program 1 – Accelerating growth in international demand.
- Program 2a – Capability building.
- Program 2b and 3 – Grants.
- Program 4 – Transforming cider businesses.

The Package was originally designed to run from July 2017 until June 2020. However, it was extended to June 2021 due to the postponement of certain activities due to international travel restrictions introduced in 2020.¹

The evaluation of the ERWSP

As a condition of the Commonwealth Grant Agreement funding the Package, Wine Australia is required to commission an independent end-of-project evaluation of the Package, to be presented to the Department of Agriculture, Water and the Environment (DAWE or 'the Department') in June 2021. The purpose of this report is to assess the performance of the ERWSP over the reference period defined as June 2017 to June 2021.²

This report has been completed in May 2021, with the assessment and evaluation undertaken on the basis of the information and package reporting available to May 2021.

This evaluation provides Deloitte Access Economics' independent assessment of:

- The activities and outcomes of the Package as measured against the key performance indicators (KPIs) set out in the original and amended Measuring and Evaluation framework.
- The performance of the Package in achieving the objectives set out under each of the four programs, assessed against an evaluation framework defined for this evaluation.
- The degree to which external factors, as opposed to package inputs, influenced the outcomes of the package.
- Recommendations on any adaptive management actions which would benefit the Package or similar programs.

Key findings of the evaluation

Outcomes

Comprehensive tracking of the outcomes achieved by the Package has been undertaken by Wine Australia through the monthly progress reporting undertaken in accordance with the Grant Agreement under which the Package was funded.

This ongoing monitoring, reporting progress against KPIs defined for the Package, indicates the Package has achieved the majority of the outcomes set out for the Package, noting that some of

¹ A second round of the Wine Export Grant scheme has also been extended to finish in May 2022.

² It is acknowledged that acquittal reporting for certain activities was being completed at the time this report was written in May 2021, meaning that a marginal amount of activity (and potentially outcomes) occurring under the Package was not fully captured in the evaluation.

these KPIs were amended during the reference period due to various developments affecting the wine sector.

Of the 39 KPIs monitored throughout the reference period, 23 have been met according to the progress reporting produced for the Package, with seven not achieved, and a further nine KPIs not yet achieved to date (but due to be re-assessed at the end of the year after June 2021).

In contemplating the extent to which the outcomes achieved by the Package met the KPIs defined for the Package, it is important to consider the extent to which various events have impacted the activities of the Package, and the extent to which this has affected the outcomes achieved.

Effectiveness

Based on the evidence available and findings of consultations undertaken with participants and stakeholders, the Package is considered to have been broadly effective in growing wine exports in China, with some (more limited) success in the United States, where outcomes observed in the premium segment suggest the Package may have contributed to improved performance.

External factors (namely the reduction in tariff rates under the Chinese – Australia Free Trade Agreement until 2019, and movement in foreign exchange rates) also made important contributions to the increase in value of wine exports, with these factors accounted for in the quantitative analysis of the Package.

Findings – Program 1

The development of a general export promotion brand *Wine Made Our Way* and delivery through multiple marketing channels increased exposure of Australian wine and wine tourism opportunities, contributing to growth in export sales and wine tourism.

In-market promotion activities (at trade shows, consumer events, retail promotions and similar events) were effective in enabling Australian wine businesses to connect with distributors and influencers in market, enabling them to develop relationships and strike export agreements that have contributed to an increase in export sales.

Marketing activities delivered through social media and influencer campaigns also created value for export sales and international wine tourism through broader media exposure, measured through earned value of media (EVM) metrics.

Findings – Program 2a

Capability development programs were highly effective in building wine businesses' capacity to export products and develop (and attract) international tourism, supporting increases in sales and strengthening profitability among participants.

This capacity development has been particularly important in creating legacy benefits, as well as in enhancing participants' capacity to enter new markets and pivot towards domestic tourism in light of trade disputes in China and international travel restrictions during the COVID-19 pandemic.

Findings – Program 2b and 3

Grant programs delivered under the Package were somewhat effective in supporting the objectives of the Package, leveraging businesses' ability to develop relationships and grow export sales and international wine tourism. However, the timing of some grant agreements in relation to COVID-19 border restrictions meant that some of the competitive grants were not able to be implemented effectively. Grant recipients that were able to agree and implement funding agreements early had more success in this regard.

Findings – Program 4

Activities to support the cider sector have delivered a series of important brand assets that have provided collateral to be used by cider businesses in export markets going forwards, creating important legacy benefits. The level of maturity amongst cider businesses in export markets has

meant that the quantitative benefits of these activities are modest but are expected to grow over time once producers are able to enter markets effectively.

Findings – Cost-benefit analysis

In assessing the overarching effectiveness of the Package in aggregate, cost-benefit analysis (CBA) has been used to estimate the returns derived from the investment in the Package. As a result of limitations in obtaining sufficiently robust data to quantify the directly attributable benefits of the Package, Deloitte Access Economics has adopted two alternative approaches to provide a range of results. These approaches are a **reported benefits approach**, based on benefits reported by Package participants within the reference period, and an **observed benefits approach**, based on an examination of the evidence available to support the attribution of broader market outcomes to the Package.

Each of these approaches have been adopted to address limitations in available data, as is often the case in post-program evaluations, and involve limitations. These include assumptions regarding changes to wine exports for program participants, earned value of media supported, and the ability to account for unobserved factors under the observed outcomes approach. This means that the results presented in Table E.1 provide a representative range of the likely impacts of the program.³ The results of this analysis are detailed in Table E.1 below.

Table E.1: Summary of CBA results (present values, real \$2021 dollars)*

Cost or benefit	Units	Reported outcomes (1)	Observed outcomes (2)
Benefits			
Wine exports	\$m	154.1	1,157.4
International wine tourism revenues	\$m	6.4	66.2
Cider exports	\$m	NA	16.0
Total benefits	\$m	160.5	1,239.5
Costs			
Program costs	\$m	56.7	56.7
Co-contributions	\$m	9.9	9.9
Marginal excess burden	\$m	0.4	22.0
Domestic consumer surplus	\$m	-	271.4
Total costs	\$m	67.0	360.0
Net present value	\$m	93.5	879.5
Benefit-cost ratio		2.39	3.44

*Due to rounding, figures may not sum to total.

Findings – qualitative and legacy benefits

In addition to the costs and benefits monetised, the Package also generated a number of economic benefits and costs which cannot be quantified with the data available. Some of these benefits and costs include:

³ Key limitations and assumptions underlying these results (detailed in Chapter 4) include the reliance on evidence of benefits to participants under the reported outcomes approach, including changes to wine export sales by program participants and the earned value of the media reach supported. Similarly, there are unobserved effects included in the residual benefit estimated under the observed outcomes approach. Together, the two approaches provide a representative range for the likely impact of the Package.

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- The increase to future wine and cider export values attributable to export promotion activities and enduring marketing collateral (e.g. the development of the *Wine Made Our Way* export promotion brand, *100% Australian Grown* Craft Cider trust mark, education content published through *Australian Wine Discovered* and the *Australia Cider Guide*).
- Capacity building in the improvement of export skills and capabilities for wine and cider businesses – with uncertainty in future operating conditions preventing meaningful analysis of future sales.
- Capacity building in international wine tourism through the tourism assets and infrastructure created, which can be leveraged in strategic marketing activities by state and regional tourism authorities as well as individual businesses.
- Increase to future export values attributable to enduring export planning tools and supports (e.g. Market Explorer, Wine Label IP Directory).
- Ongoing benefits to international wine tourism businesses through increased visibility through the Australian Tourism Data Warehouse.
- Ongoing administration costs for exporters associated with the Wine Label IP Directory.
- Ongoing administration costs for Wine Australia in maintaining marketing collateral published online such as wineaustralia.com and *Australian Wine CONNECT*.

Management and delivery

The management, delivery and administration of the Package is found to have been broadly effective based on the evidence available and consultations undertaken. Governance arrangements and reporting frameworks were effective in supporting the administration of the Package, particularly in light of some of the events that impacted the environment in which the Package (and its activities) were delivered.

The framing of the Package around two key export markets attracted some criticism from stakeholders, specifically due to the concentration of exposure to changing market conditions for businesses. Given these target markets were established before the Grant Agreement, and were partly based on an industry consultation process regarding target objectives and markets agreed during the formulation of the Package Business Plan, this feedback is noted for consideration regarding future efforts to grow wine exports and international wine tourism (regarding market diversification), but remains outside the scope of this evaluation. However, the reasoning behind the choice of target markets needs to be communicated to program participants on an ongoing basis to ensure that businesses can evaluate what is best for their business during changing market conditions.

There was broad agreement among participants consulted for this evaluation that the Package was administered effectively, supporting business in entering markets and developing capacity through workshops. The majority of participants consulted observed that the ongoing reporting and acquittal processes were efficient and reasonable.

Collaboration with Austrade and other national and regional wine and tourism organisations has proven to be an important aspect in leveraging capabilities across regions to support businesses in export markets.

The delivery of workshops was considered highly effective by participants, with some expressing an interest in having access to similar export support in the future. Similarly, delivery of these workshops in regional areas was considered an important enabling factor.

The experience of some grant applicants (particularly state-based and some regional entities) suggests that engagement to facilitate effective planning and agreement early will be important for securing improved outcomes in the future, with later developments impacting the wine sector meaning that some of the potential benefits that could have been achieved were forgone.

Mirroring the finding of the previous CBA of marketing programs commissioned by Wine Australia, future evaluations would be supported through data collected from targeted and longitudinal surveys of consumers in understanding whether activities undertaken by Wine Australia have been effective in changing consumption decisions.

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1 Introduction

1.1 Overview of the Export and Regional Wine Support Package

The Export and Regional Wine Support Package (ERWSP or 'the Package') is a one-off \$50 million package designed to facilitate the growth of the Australian grape and wine industry by increasing demand for Australian wine exports and international wine tourism, and strengthening wine export and international wine tourism capabilities.

Activities under the package were implemented through four programs targeting growth in export and tourism sales through different channels:

- **Program 1 – Accelerating growth in international demand.**

Program 1 was directed at the development of an export promotion brand *Australian Wine Made Our Way*, and the delivery of marketing campaigns through a range of in-market, digital and social media channels. Activities supported included facilitating participation by Australian producers and representative bodies at trade and consumer events in China and the United States; the development of education content through *Australian Wine Discovered*; influencer and international visitor programs in Australia; and the development of consumer-facing and business matching platforms australianwine.com and Australian Wine CONNECT.

- **Program 2a – Capability building.**

This program supported the development of capability-building workshops for wine producers and wine businesses looking to build capacity to export or attract international wine tourism.

- **Program 2b and 3 – Grants.**

Programs 2b and 3 were directed at administering a series of grant schemes for wine businesses and wine tourism organisations. These are reported together in this evaluation to reflect financial reporting by Wine Australia.

Program 2b funded the Wine Export Grant scheme, supporting wine businesses to build relationships in export markets in China and the United States. Program 3 provided access to matched funding for state and regional wine and tourism bodies undertaking international wine tourism promotion activities.

- **Program 4 – Transforming cider businesses.**

Activities under Program 4 included funding the development of a cider brand proposition and trust mark, export strategies, export workshops, and export marketing collateral for cider businesses to use in building exports.

The Package was originally designed to run for four years between July 2017 and June 2020 but was extended to June 2021 due to certain activities being delivered under the Package being postponed due to international travel restrictions introduced in 2020.⁴

1.2 Purpose and scope of evaluation

As a condition of the Commonwealth Grant Agreement funding the Package, Wine Australia is required to commission an independent end-of-project evaluation of the Package, to be presented to the Department of Agriculture, Water and the Environment (DAWE or 'the Department') in June 2021.

The purpose of this report is to assess the performance of the ERWSP over the reference period defined as June 2017 to June 2021. It is acknowledged that acquittal reporting for certain activities was being completed at the time this report was written in May 2021, meaning that a marginal

⁴ A second round of the Wine Export Grant scheme has also been extended to finish in May 2022.

amount of activity (and potentially outcomes) occurring under the Package was not fully captured in the evaluation.

This evaluation provides Deloitte Access Economics' independent assessment of:

- The activities and outcomes of Package as measured against the key performance indicators (KPIs) set out in the original and amended Measuring and Evaluation framework (Chapter 3).
- The performance of the Package in achieving the objectives set out under each of the four programs, assessed against an evaluation framework defined for this evaluation (Chapter 4).
- The degree to which external factors, as opposed to package inputs, influenced the outcomes of the package (Chapter 4).
- Recommendations on any adaptive management actions which would benefit the Package or similar programs (Chapter 4).

1.3 Preliminary evaluation findings

1.3.1 Mid-point evaluation

A preliminary evaluation of the Package was undertaken by an external consultant in November 2018. The main conclusion reached in this mid-point evaluation was that the Package was on track for delivery against the workplan, with specific findings including:

- slippage against planned milestones and budget was anticipated to be recovered in 2018-19
- issues with attribution of observed measures of KPIs to the activities of the Package could be avoided through a focus on lower-level KPIs tied to Package activities
- on the basis of strong export growth, the Package was on track to meet or exceed the targeted BCR of 5:1.

Adaptive management actions were not recommended as part of the mid-point evaluation. As activities under programs 2a, 3 and 4 had not yet been delivered at the time, KPIs under these programs were not assessable in the mid-point evaluation.

1.3.2 Marketing program cost-benefit analysis

Separately to the mid-point evaluation, Wine Australia commissioned cost-benefit analysis (CBA) of its marketing activities in a number of international markets between 2015-16 and 2018-19, which included part of the marketing spend in China, Hong Kong and the United States funded under the Package. Key findings of this analysis included:

- there was evidence of a positive relationship between Australian wine export volumes and Wine Australia's marketing spend
- for every dollar spent by Wine Australia on marketing, an additional 0.51 litres of Australian wine was exported from Australia
- based on the discounted value of the costs and benefits of the marketing spend over the period, the BCR of the marketing spend by Wine Australia was 1.59.

The marketing program CBA recommended ongoing evaluation of the benefits of Wine Australia's marketing spend combine statistical analysis with targeted survey-based approaches to program participants, to assess the reported outcomes of Wine Australia's marketing spend for individual participants. The methodology used in the marketing program CBA focused solely on statistical analysis.

1.4 Report structure

The remainder of this report is set out as follows:

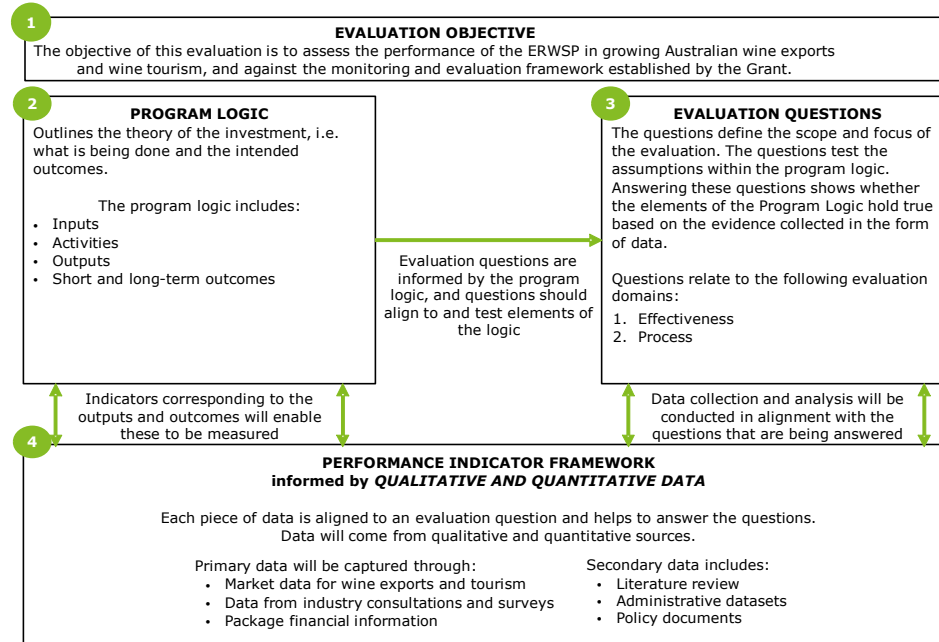
- Chapter 2 summarises the evaluation framework adopted in undertaking this analysis, setting out the evaluation objective and evaluation questions
- Chapter 3 summarises the activities and outputs delivered under the Package during the reference period, and provides an assessment against the KPI framework
- Chapter 4 assesses the performance of the package against the evaluation framework, including the costs and benefits which can be monetised during the evaluation period, and also discusses some of the events that impacted the activities and outcomes of the Package, and subsequently have impacted its performance.

2 Evaluation framework

2.1 Evaluation framework

An evaluation framework provides a guide to an evaluation, setting out the objectives, key evaluation questions and planned data collection techniques. Figure 2.1 provides an overview of the evaluation framework.

Figure 2.1: Evaluation framework



Source: Deloitte Access Economics

2.1.2 Evaluation objective

The purpose of this evaluation is to assess the performance of the Package in achieving its policy objectives during the reference period between June 2017 and June 2021.

This assessment has been undertaken by analysing:

- the performance of the Package in achieving the objectives of growing Australian wine exports and international wine tourism
- the performance of the Package against the performance indicators established in the Monitoring and Evaluation framework (including an assessment as to whether the Package has achieved its targeted benefit cost ratio (BCR) of 5:1)
- the degree to which external factors, as opposed to package inputs, influenced the outcomes of the package
- recommendations on any adaptive management actions which would benefit the project.

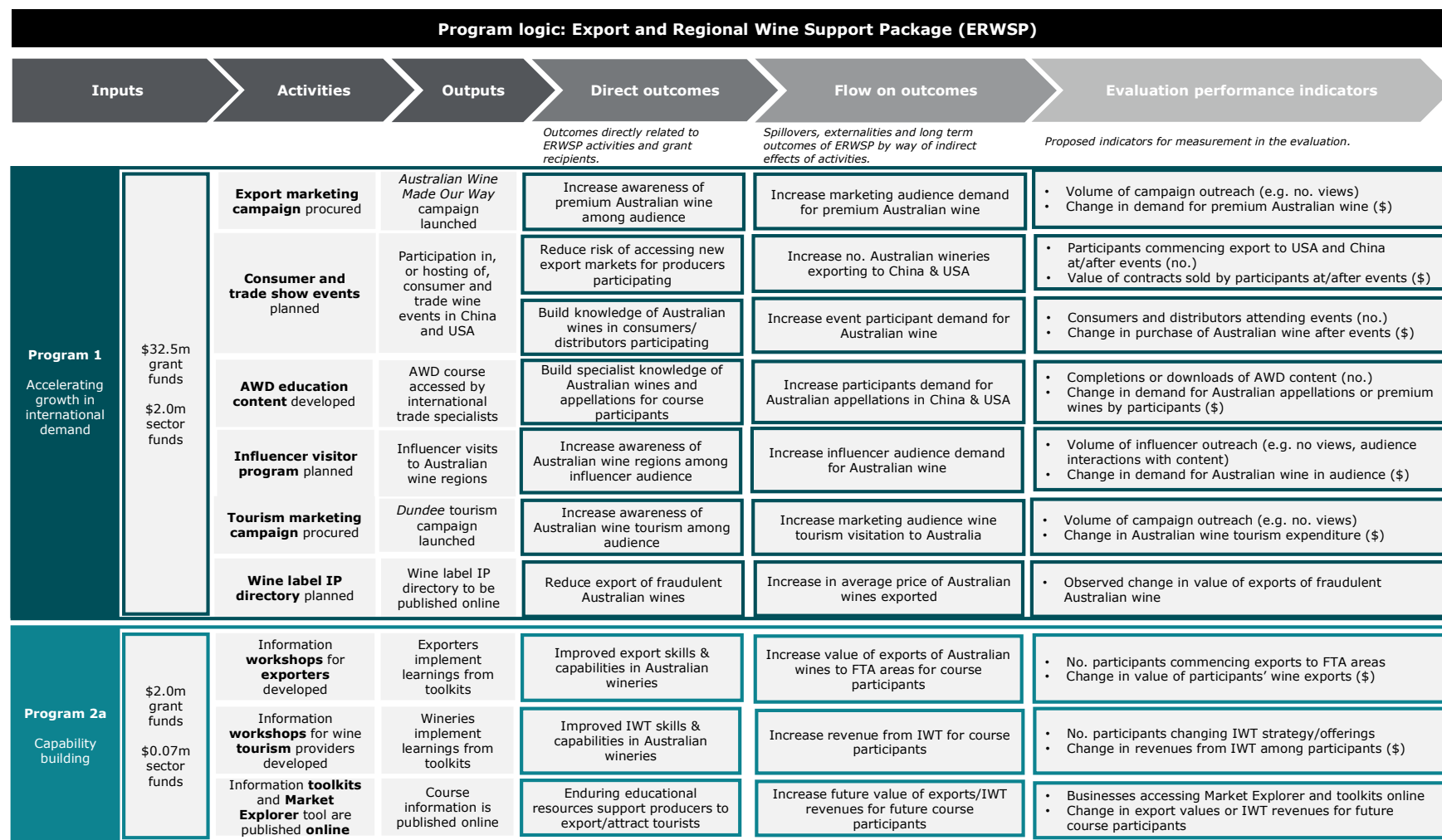
2.1.3 Program logic

The program logic for the Package is illustrated in Figure 2.2. The program logic outlines the theory of the investment, mapping the activities and outcomes funded under each of the four programs, and the direct and flow-on outcomes associated with these activities. These outcomes are used to inform the development of a series of performance indicators, which can be used to respond to the evaluation questions. Alignment between the performance indicators defined for the evaluation and KPIs adopted under the Grant Agreement is highlighted in Table 2.2.

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Figure 2.2: Package program logic and defined performance indicators



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Program logic: Export and Regional Wine Support Package (ERWSP)						
Inputs	Activities	Outputs	Direct outcomes	Flow on outcomes	Evaluation performance indicators	
			Outcomes directly related to ERWSP activities and grant recipients.	Spillovers, externalities and long term outcomes of ERWSP by way of indirect effects of activities.	Proposed indicators for measurement in the evaluation.	
Program 2b and 3 Grants	\$11.4m grant funds \$11.0m sector funds	Wine export grant scheme administered	Australian exporters undertake market development trips to USA and China	Reduced costs for Australian exporters in commencing or increasing exports to China and USA	Increase in no. grant recipients exporting to China and USA	<ul style="list-style-type: none"> Recipients commencing export to China and USA (no.) Value of new exports to China and USA (\$)
		IWT competitive grant scheme administered	IWT marketing content published	Increase demand for Australian wine tourism among marketing audience	Increase in value of Australian wine exports to China and USA from grant recipients	<ul style="list-style-type: none"> Change in grant recipients' value of exports to China and USA (\$)
			IWT products, VFR initiatives implemented	Increase expenditure on wine tourism in Australia by audience of marketing material	Increase IWT expenditure on products or initiatives implemented	<ul style="list-style-type: none"> Views or interactions with marketing material (no.) Change in propensity to spend on IWT in Australia (\$)
		IWT state grant scheme administered	IWT strategies developed	Expand capabilities and offerings of Australian wineries for IWT visitors	Increase IWT expenditure on products or initiatives implemented	<ul style="list-style-type: none"> New IWT products or initiatives implemented (no.) Increase in IWT expenditure on products or initiatives implemented (\$)
			IWT marketing and PR activities implemented	States develop targeted approach to attracting IWT expenditures	Increase total IWT expenditure in the state/region	<ul style="list-style-type: none"> New IWT products or initiatives implemented (no.) Increase in IWT expenditure on products or initiatives implemented (\$)
		Australian Tourism Data Warehouse collaboration	Increase demand for Australian wine tourism among marketing audience	Increase expenditure on wine tourism in Australia by audience of marketing material	Increase expenditure on wine tourism in Australia by audience of marketing material	<ul style="list-style-type: none"> Views or interactions with marketing material (no.) Change in propensity to spend on IWT in Australia (\$)
			Wineries upload IWT offerings to ATDW	Increase exposure of IWT offerings online	Increase bookings of/demand for IWT offerings at Australian wineries published on ATDW	<ul style="list-style-type: none"> IWT offerings uploaded to ATDW (no.) Change in IWT expenditure at IWT offerings published on the ATDW (\$)
Program 4 Transforming cider businesses	\$0.5m grant funds	Cider brand proposition researched, developed	Australian cider trust mark published, marketed	Cider producers adopt the official trust mark on exported goods	Increase in consumer demand for Australian cider exports with the trust mark	<ul style="list-style-type: none"> No. producers adopting the trust mark Change in value of exports following adoption of the trust mark (\$)
		Export G2M strategies researched, developed	Cider exporters implement G2M strategy	Cider producers use information toolkits from G2M strategy to export	Australian cider producers increase exports to FTA markets	<ul style="list-style-type: none"> No. participants using information from the toolkits to increase exports Value of change in exports among participants (\$)
		Australian Cider Guide researched, developed	Course information is published online	Improve specialist and consumer knowledge of Australian ciders	Increase in demand for Australian cider exports among distributors and consumers in FTA markets	<ul style="list-style-type: none"> No. downloads of the Australian Cider Guide Change in demand for Australian cider in readers of the Guide (\$)

Source: Deloitte Access Economics

2.1.4 Evaluation questions

The evaluation questions test the assumptions within the program logic and identify which of the identified outcomes can be proven or evidenced with data. These evaluation domains and questions are mapped to the performance indicators identified in the program logic, indicating how the evaluation questions will be answered.

Table 2.1: Evaluation domains and questions

Evaluation domain	Guiding questions
Effectiveness	<ul style="list-style-type: none"> How effective was the Package in achieving the program objectives? What are the outputs and outcomes that are attributable to the program? To what extent did external factors outside of the Grantee's control Package outcomes? What are the unintended benefits and disbenefits resulted from the Package? How have these affected outcomes?
Management	<ul style="list-style-type: none"> To what extent did the activities supported under the Package align with departmental objectives, priorities, and outcomes? Are there any adaptive management actions which would have benefitted the project?

Source: Deloitte Access Economics

2.1.5 Performance indicators

The performance of the Package is measured through an assessment of progress against the defined package outcomes and evaluation questions. This is measured against a series of performance indicators, designed to test the effectiveness of the package in achieving the program objectives.

These performance indicators broadly align with the KPIs adopted for the Package under the Grant Agreement between Wine Australia and the Department. However, as the performance indicators focus on measuring outcomes against Package objectives (rather than the activity and output based KPIs adopted under the Grant Agreement), there are some differences in the indicators identified.

The Package objectives and corresponding performance indicators are set out in Table 2.2. Alignment to package KPIs is indicated where relevant.

Table 2.2: Package objectives and performance indicators

Package objectives	Performance indicators (KPI alignment)
Overall Package	
Help transform the Australian grape and wine sector by showcasing the nation's wine tourism offering and driving demand for Australia's wine exports.	Estimated overall package BCR (KPI 1).
Improve demand for Australian wines and premium Australian wines in key markets.	Increase in value of Australian wine exports to China and USA (\$) (KPI 2). Increase in share of premium wine exports to China and USA (%) (KPI 2).

Package objectives	Performance indicators (KPI alignment)
Program 1 (China and USA marketing)	
Improve perception of Australian wines in key markets to drive demand and the premium paid	Change in demand for Australian wines among purchasers at international tradeshow and events funded under Program 1 (KPI 7).
	Change in demand for Australian wines among the audience to the export promotion marketing campaign and marketing collateral delivered under Program 1.
	Change in demand for Australian wine tourism among the audience to the international wine tourism marketing campaigns and influencer content co-funded under Program 1.
Program 2a (Capability Building)	
Improve capability of grape and wine businesses to capture export opportunities	Increase in the value of <i>Growing Wine Exports</i> workshop participants wine exports (\$).
	Increase in the value of <i>Growing Wine Tourism</i> workshop participants international wine tourism revenues (\$).
Increase uptake of wine export opportunities by producers	Increase in the number of <i>Growing Wine Exports</i> workshop participants exporting.
Program 2b (Creating China-Ready Businesses) and Program 3 (Capturing growth in wine regions)	
Wine export growth	Value of Wine Export Grant recipients' exports to China and USA (\$) (KPI 11).
Improved and expanded tourism services, products, and experiences for international wine tourism	Change in demand for international wine tourism in Australia among target market audience.
	Number of new international wine tourism products, services or experiences delivered.
	Increase in international visitor expenditure on new international wine tourism products, services, or experiences.
Program 4 (Transforming cider businesses)	
Australian cider producers have access to improved information and strategic approaches for accessing export markets, resulting in increased exports	Change in value of exports for producers adopting the <i>100% Australian Grown</i> trust mark (\$).
	Value of change in cider exports among <i>Growing Cider Exports</i> course participants (\$).
	Change in demand for Australian cider in audience of the <i>Australian Cider Guide</i> and other marketing collateral.

Source: Deloitte Access Economics

2.1.6 Data collection and analysis

The principal data collection methods used in undertaking this evaluation included:

- reviews of acquittal and performance reporting produced by (or for) Wine Australia
- market data research
- reviews of academic literature
- stakeholder consultations
- an (optional) survey of participants of Package programs, fielded in April 2021.

3 Package activities and outputs

This chapter summarises the activities and outputs delivered under the Package within the reference period between June 2017 and June 2021. The effectiveness of these activities and outputs in achieving the Package objectives is assessed under the evaluation framework in Chapter 4.








3.1 Aggregate KPI reporting

In addition to individual KPI reporting for each program under the Grant Agreement, a series of KPIs were also defined for the aggregate Package over the reference period. These aggregate Package KPIs, and KPIs defined for each program, are reported below.

The aggregate KPIs defined for the overall Package are outlined in Table 3.1. Baseline and target values were defined in the Annual Operating Plan 2017-18, and partly amended over the course of the program in response to events impacting the wine sector.

Where a KPI is due to be assessed as at June 2021, the last available value in the financial year to date (YTD) has been adopted. Data tracking KPI outcomes was provided by Wine Australia through several data collection sources, including the Wine Export Approvals Database, surveys of program participants, and a customised international wine tourism series published by Tourism Research Australia.

Table 3.1: Package KPIs, 2016-17 to 2020-21 (YTD in May 2021)

Target achieved			Target not achieved		To be assessed June 2021	
Outcome	KPI	Baseline	Target	Actual	Status	
Overall Package						
Help transform the Australian grape and wine sector by showcasing the nation's wine tourism offering and driving demand for Australia's wine exports.	KPI 1: Whole of package BCR	NA	5:1	Assessed in Chapter 4		
Improve demand for Australian wines in key markets.	KPI 2: Growth in value of Australian wine exports by 7-8% CAGR by 2020-21 (\$b)*	2.300	2.835	2.720		
	Growth in value of Australian wine exports to USA by 2020-21 (\$m)*	464	420	425		
	Growth in value of Australian wine exports to China by 2020-21 (\$b)*	721	1.200	962		

Outcome	KPI	Baseline	Target	Actual	Status
	Growth in Australia's volume share of the imported wine market in fine wine segment in USA by 2020-21 (% share over US\$10/bottle)*	4	6	5 ⁵	
	Growth in Australia's volume share of the imported wine market in fine wine segment in China by 2020-21 (% share over CNY90/bottle)*	18	21	28 ⁶	
	KPI 3: Increase in average FOB price of Australian bottled wine by 2020-21 (\$)*	5.46	7.14	7.26	
Higher returns to grape growers	KPI 4: Increase in national average wine grape price/tonne by 2020-21 (\$)*	565	664	694	

Note: *denotes KPIs that have been amended or removed from the original measuring and evaluation framework.

Sources: Export Approvals Database (Wine Australia, 2021); Global wine sales price band (ISWR, 2020); Wine Australia National Vintage Report (Wine Australia, 2020).

3.2 Program 1

The objective of Program 1 was to improve the perception of Australian wines in the two key markets of China and the USA. This was intended to be achieved through the funding of a wine export promotion brand, *Wine Made Our Way*, and the delivery of complementary in-market activities in China and the United States.

The activities delivered under Program 1 are outlined in section 3.2.2. Key activities included:

- development of the overarching *Australian Wine Made Our Way* export promotion brand
- facilitating attendance by Australian exhibitors at a series of trade and consumer events in China, Hong Kong, and the USA between 2017-18 and 2019-20
- development and delivery of *Australian Wine Discovered* trade and consumer-facing education content
- launching of the *Far From Ordinary* trade and consumer marketing campaign in the USA
- delivery of social media and influencer campaigns, and an international visitor program in Australia.

3.2.1 Inputs to the program

Inputs to Program 1 included grant funding provided under the package, as well as some direct sector contributions. The value of inputs to the program is set out in Table 3.2. Some direct sector funding was also sourced from partners such as Wine Victoria and PIRSA.

⁵ Available on an annual basis. Result in 2019-20 was 5%. Interim measure for April 2021 is share of exports to USA above \$5 per litre.

⁶ Available on an annual basis. Result in 2019-20 was 28%. Interim measure for April 2021 is share of exports to China above \$5 per litre.

Table 3.2: Package funding inputs to Program 1 (nominal, \$'000) 2017-18 to 2020-21 (YTD)

	2017-18	2018-19	2019-20	2020-21 (YTD)	Total (YTD)
Grant funds					
Actual	8,601	9,898	10,462	3,068	32,029
Planned	10,699	10,235	11,566	-	32,500
Variance	(2,098)	(337)	(1,104)	3,068	(471)
Sector contribution					
Actual	1,678	1,222	1,204	-	4,104
Planned	1,208	418	418	-	2,044
Variance	470	804	786	-	2,060
Total funds					
Actual	10,279	11,120	11,666	3,068	36,133
Planned	11,907	10,653	11,984	-	34,544
Variance	(1,628)	467	(318)	3,068	1,589

Sources: ERWSP Annual Operating Plan 2017-18, ERWSP Annual Progress Reports 2017-18 to 2019-20, and Monthly Progress Report April 2021 (Wine Australia).

3.2.2 Activities enabled by the program

Initiatives delivered under Program 1 included the development of the *Made Our Way* export promotion brand, and complementary in-market activities such as supporting the Australian presence and attendance at trade and consumer events, media and marketing activities, and trade and consumer education. These activities are also summarised in the program logic in Figure 2.2.

Some examples of key activities under the program include:

- developing the *Australian Wine Made Our Way* **export promotion brand**
- supporting over 600 Australian distributors and wineries to exhibit at **21 trade and consumer events** such as the China Roadshow, Vinexpo New York, Vinexpo Hong Kong, ProWine China, Hong Kong Wine & Dine Festival between 2017-18 and 2019-20
- organising complementary **trade promotion activities** for event participants with distributors and retailers in China and the USA
- the development of **trade and consumer-facing education** content through *Australian Wine Discovered* and delivery at events and online
- the development of **consumer education** content through *australianwine.com* and other social media channels
- organising a **visitor and engagement** program for 109 wine influencers from the USA and China
- developing the *Far From Ordinary* export marketing campaign in the USA
- co-investing with Tourism Australia to develop the *Dundee* **tourism campaign**
- development of the Australian Wine CONNECT **business matchmaking platform** for Australian wine businesses.

The Wine Label IP directory was also delivered under this program and commenced operations at the time this analysis was undertaken. As such, the potential benefits and costs of this deliverable are considered under legacy benefits in section 4.5.5.
















3.2.3 Performance against KPIs







The aggregate KPIs defined for Program 1 are outlined in Table 3.3. Baseline and target values were defined in the Annual Operating Plan 2017-18, and partly amended over the course of the

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program in response to events impacting the wine sector. A number of additional KPIs were also added to the Measuring and Evaluation plan for Program 1.

Table 3.3: Package KPIs, 2016-17 to 2020-21 (YTD in April 2021)

Target achieved		Target not achieved		To be assessed June 2021	
Outcome	KPI	Baseline	Target	Actual	Status
Program 1 (China and USA marketing)					
Improve perception of Australian wines in key markets to drive demand and the premium paid	KPI 5: Media mentions per year to 2019-20	5,400	6,000	10,609	
	KPI 5: Media reach (millions of people) to 2019-20	800	900	8,462	
	KPI 5: Social media engagement rates (Facebook and Instagram) in 2020-21*	20%	30%	29%	
	KPI 6: Media tone (% positive or neutral) by 2020-21*	85%	90%	88%	
	KPI 7: Tier A targets attending a Wine Australia event or visit (%) by 2020-21*	50%	85%	83%	
	KPI 7: Net promotor score for educators by 2020-21	NA	40	75	
	KPI 7: Buyers attending events who would consider including Australian wine in their portfolio (%)	25%	75%	94%	
	KPI 7: Buyers attending events who intend to include Australian wine in their portfolio after one year (%)	10%	50%	63%	
	KPI 7: Buyers who attended events who increased the number of Australian wines in their portfolio (%)	10%	50%	54%	
	KPI 7 – Australian Wine Discovered (AWD) - overall satisfaction with the AWD program by 2020-21	NA	75%	96%	
	KPI 7 – AWD - overall likelihood to recommend AWD resources (Net Promoter Score) by 2020-21*	NA	40	69	
	KPI 7 – AWD - annual growth in downloads of AWD materials from wine Australia website by 2020-21*	NA	110%	259%	

Outcome	KPI	Baseline	Target	Actual	Status
	KPI 7 – AWD - annual growth in pageviews of AWD materials on the website by 2020-21*	NA	140%	224%	
	KPI 7 – AWD Number of downloads of AWD* materials from mini program (China) by 2020-21*	NA	20,000	12,756	
	KPI 7 – AWD - annual growth of AWD contact list across all markets by 2020-21*	NA	5%	80%	
	KPI 8: Quality perception ratings of Australian wine in USA (Wine Intelligence brand health study) by 2019-20*	8.13	8.50 ⁷	7.96	
	KPI 8: Quality perception ratings of Australian wine in China (Wine Intelligence brand health study) by 2019-20*	8.26	8.50	8.41	
	KPI 8: Trade/consumer perception of Australian wine (pre vs post event)	8.00	9.00	9.00	

Note: *denotes KPIs that have been amended or removed from the original measuring and evaluation framework.

Sources: ERWSP Monthly Progress Reports (Wine Australia).

3.3 Program 2a

The objective of Program 2a was to build the capabilities and capacity of grape and wine businesses to capture opportunities in wine export and international wine tourism. Some key outputs of the program included:

- development of *Growing Wine Export* and *Growing Wine Tourism* workshops and toolkits for industry (delivered in person and later through webinars, and to be published online)
- publication of the online *Market Explorer* research tool.

The inputs and outcomes of the administration of Program 2b (the Wine Export Grant scheme) is covered under the following **section 3.4** alongside the other grant schemes administered under the Package. This has been done to reflect aggregated financial reporting by Wine Australia.

3.3.1 Inputs to the program

Inputs to Program 2a included grant funding provided under the package, as well as direct sector contributions workshop fees collected. The value of inputs to the program is set out in Table 3.4.

⁷ Source: Monthly Progress Report, January 2021. By comparison, the Annual Operating Plan 2020-21 lists the target rating for USA of 8.06/10, and 8.64/10 for China.

Table 3.4: Package funding inputs to Program 2a (nominal, \$'000), 2017-18 to 2020-21 (YTD)

	2017-18	2018-19	2019-20	2020-21 (YTD)	Total (YTD)
Grant funds					
Actual	342	1,573	521	96	2,532
Planned	730	695	575	0	2,000
Variance	-388	878	-54	96	532
Sector contribution					
Actual	0	31	34	0	65
Planned	0	0	0	0	0
Variance	0	31	34	0	65
Total funds					
Actual	342	1604	555	96	2,597
Planned	730	695	575	0	2,000
Variance	-388	909	-20	96	597

Sources: ERWSP Annual Operating Plan 2017-18, ERWSP Annual Progress Reports 2017-18 to 2019-20, and Monthly Progress Report April 2021 (Wine Australia).

3.3.2 Activities enabled by the program

Initiatives under Program 2a included the delivery of the *Growing Wine Exports* and *Growing Wine Tourism* workshops, including:





- The delivery of 80 workshops and six webinars to 1,255 participants during 2018-19, 2019-20 and 2020-21 (YTD in April 2021).
- The launch of the *Market Explorer* online export market analysis tool in March 2019.




The workshop participation fee was waived for participants through the webinar series. The development of a new online delivery of modules from the *Growing Wine Tourism and Exports* program was being scoped at the time of this analysis. These activities are also summarised in the program logic in Figure 2.2.

3.3.3 Performance against KPIs

The aggregate KPIs defined for Program 2a are outlined in Table 3.5. Baseline and target values were defined in the Annual Operating Plan 2017-18, and partly amended over the course of the program in response to events impacting the wine sector.

Table 3.5: Package KPIs, 2016-17 to 2020-21 (YTD in April 2021)

Target achieved			Target not achieved			To be assessed June 2021		
Outcome	KPI	Baseline	Target	Actual	Status			
Program 2a (Creating China-ready businesses)								
Improve capability of grape and wine businesses to	KPI 9: Grape and wine businesses attending workshops (no.) by 2020-21*		0	1,200	1,255			

Outcome	KPI	Baseline	Target	Actual	Status
capture export opportunities	KPI 9: Attendees confirming they have used new capabilities by 2020-21 (%)*	0	75	74	
	KPI 9: Attendees confirming they have accessed the toolkit by 2020-21 (%)*	0	60	51	
Increase uptake of wine export opportunities by producers	KPI 10: Producers commencing exports to China or other FTA markets after participating in the program (no.) by 2020-21*	0	35	48	

Note: *denotes KPIs that have been amended or removed from the original measuring and evaluation framework.

Sources: ERWSP Monthly Progress Reports (Wine Australia).

3.4 Program 2b and 3

The Grants program included schemes from both Program 2b and Program 3. The objective of Program 2b was to grow the value of wine exports to China and the United States (expanded to any export market in 2020-21). The objective of Program 3 was to improve and expand tourism services, products, and experiences for international wine tourism.

Some of the key activities delivered under the program included:

- the administration of the **Wine Export Grant scheme** for wine businesses
- the administration of the **International Wine Tourism State Grants** and **Competitive Grants** schemes for state and industry bodies
- a collaboration with the **Australian Tourism Data Warehouse** to increase the functionality of online listings for wineries.

3.4.1 Inputs to the program

Inputs to Program 2b and 3 included grant funding provided under the package, as well as co-investments contributed by grant recipients (as required under the program rules). **Wine Export Grant** recipients were able to receive a rebate of up to 50 per cent of eligible expenses on promotional activities in the China or USA markets, to a maximum of \$25,000, while **State** and **Competitive Grant** recipients were also required to provide a cash co-contribution equal to the amount of the grant approved.

The value of inputs to the programs is set out in Table 3.6.

Table 3.6: Package funding inputs to Program 2b and 3 (nominal, \$'000) , 2017-18 to 2020-21 (YTD)

	2017-18	2018-19	2019-20	2020-21 (YTD)	Total (YTD)
Grant funds					
Actual	550	5,210	3,029	1,020	9,809
Planned	2,020	5,873	3,491	0	11,384
Variance	-1,470	-663	-462	1,020	-1,575
Recipient co-contributions					

	2017-18	2018-19	2019-20	2020-21 (YTD)	Total (YTD)
Actual	NA	NA	NA	NA	9,311
Planned	1,750	5,800	3,450	0	11,000
Variance	NA	NA	NA	NA	-1,689

Sources: ERWSP Annual Operating Plan 2017-18, ERWSP Annual Progress Reports 2017-18 to 2019-20, and Monthly Progress Report April 2021 (Wine Australia).

3.4.2 Activities enabled by the program

Activities supported under programs 2b and 3 are also summarised in the program logic in Figure 2.2. Some examples of key activities delivered are illustrated in Table 3.7.

Table 3.7: Activities enabled under Program 2b and Program 3







Program activity	Sector activities enabled
Approval of 135 applications for Wine Export Grants in Round 1, exhausting the allocated funding of \$1.5 million.	<ul style="list-style-type: none"> Promotional travel to China and the USA in Round 1, and any FTA market in Round 2 (including funding for airfares, visas, and a daily allowance) Shipping of free samples (funding samples at notional wholesale selling price and shipping from Australia) Attendance at promotional events such as product launches, portfolio tastings, virtual events (funding entry fee, displays, rental catering) Development of export marketing collateral and online promotion on social media and virtual platforms Market research and insights, and market development activities (funding consultant fees).
Approval of 22 applications for Wine Export Grants in Round 2, to the value of \$211,500 (for applications received YTD in May 2021).	
Approval and execution of six applications for State Grants to state-based wine and tourism associations (South Australian Wine Industry Association; NSW Wine Industry Association; Wine Victoria; Wines of Western Australia; and the Queensland Wine Industry Association).	<ul style="list-style-type: none"> Completed grant to SAWIA in 2018 funded the development of a state wine tourism strategy and marketing campaigns in China, Hong Kong, the United Kingdom, and the USA. Five other grants sought an extension on time to implement their grant projects in 2020. Three submitted grant acquittals in March 2021, with two outstanding. Planned activities include development of international wine tourism strategies and marketing activities.
Approval of 21 applications for Competitive Grants to regional wine and tourism associations (e.g. Mudgee Region Tourism, Southern Highlands Food and Wine Incorporated, Hunter Valley Wine and Tourism Association).	<ul style="list-style-type: none"> Ten grants completed funded activities to April 2021, implementing initiatives such as marketing activities in China; developing consumer and corporate website infrastructure; developing visiting friends and relatives (VFR) campaign activities. 13 grantees were allowed variations to implement grant projects. One grant agreement was rescinded, with part of the grant payment retained by the association for work undertaken prior to rescission.

Program activity	Sector activities enabled
	<ul style="list-style-type: none"> Planned activities which are yet to be complete include development of multilingual consumer tools and websites; brand proposition development; launching of an annual wine tourism conference for the Australian wine sector.
Collaboration with the Australian Tourism Data Warehouse (ATDW) .	<ul style="list-style-type: none"> Collaboration with ATDW was intended to develop the wine industry functionality of the platform, to help wineries increase their online exposure through tourism distribution networks. This has resulted in additional wineries being listed on the platform. The collaboration also resulted in further enhancements to the ATDW platform to benefit all tourism businesses listed, including an integration with Google My Business and enhanced analytics functionality.




3.4.3 Performance against KPIs

The aggregate KPIs defined for programs 2b and 3 are outlined in Table 3.8. Baseline and target values were defined in the Annual Operating Plan 2017-18, and partly amended over the course of the program in response to events impacting the wine sector. Tourism-related KPIs were amended following the introduction of restrictions on international travel in 2020.

Table 3.8: Package KPIs, 2016-17 to 2020-21 (YTD in April 2021)

Target achieved		Target not achieved		To be assessed June 2021	
Outcome	KPI	Baseline	Target	Actual	Status
Program 2b (Creating China-ready businesses)					
Wine export growth	KPI 11: Increase in collective wine exports by wine export grant recipients p.a. by 2019-20 (CAGR) (%)	Recipients baseline FOB values	7-8	1	
	Increase in collective wine exports by wine export grant recipients by 3 per cent in 2020-21 (%)*	Recipients baseline FOB values	3	-8	
Program 3 (Capturing Growth in wine regions)					
Improved and expanded tourism services, products, and	KPI 12: Net promotor score of international tourist services, products, and experiences (NPS)*	53	80	NA ⁸	

⁸ KPI removed from the Measuring and Evaluation framework due to changes in external market conditions. Final value not available.

Outcome	KPI	Baseline	Target	Actual	Status
experiences for international wine tourism	Increase the number of Australian wineries with active listings on Australian Tourism Data Warehouse (ATDW) by 50%*	1,131	1,500	1,443	
Increased expenditure and visitation by international tourists for the purposes of international wine tourism	KPI 13: Annual expenditure by international visitors by 31 March 2020 (\$b)	5.46	5.63	4.85 ⁹	
	KPI 13: Annual international visitors for purposes of wine tourism by 31 March 2020 (million)	1.300	1.340	1.054 ¹⁰	

Note: *denotes KPIs that have been amended or removed from the original measuring and evaluation framework.

Sources: ERWSP Monthly Progress Reports (Wine Australia).

3.5 Program 4

The objective of Program 4 was to grow Australian cider exports by improving access for Australian cider producers to information and strategic approaches to export opportunities.

Some key activities delivered under the program included:

- engagement with industry to develop the Australian Craft Cider brand proposition and 100% *Australian Grown* trust mark
- delivery of *Growing Cider Exports* workshops
- development of export marketing collateral in the *Australian Cider Guide*.

3.5.1 Inputs to the program

Inputs to Program 4 included grant funding provided under the package. The value of inputs to the program is set out in Table 3.9.

Table 3.9: Package funding inputs to Program 4 (nominal \$'000), 2017-18 to 2020-21 (YTD)

	2017-18	2018-19	2019-20	2020-21 (YTD)	Total (YTD)
Grant funds					
Actual	65	164	206	63	498
Planned	158	242	100	0	500
Variance	(93)	(78)	106	63	(2)

Sources: ERWSP Annual Operating Plan 2017-18, ERWSP Annual Progress Reports 2017-18 to 2019-20, and Monthly Progress Report April 2021 (Wine Australia).

⁹ KPI removed from the Measuring and Evaluation framework due to changes in external market conditions.

¹⁰ KPI removed from the Measuring and Evaluation framework due to changes in external market conditions.

3.5.2 Activities enabled by the program







Some examples of key activities delivered under the program include:

- engagement with industry to develop the Australian Craft Cider **brand proposition** and **'100% Australian Grown'** trust mark. In a survey of craft cider producers in Australia, most respondents (95 per cent or 31 respondents) have already adopted the trust mark or intend to do so within the next 12 months.
- delivery of **Growing Cider Exports** workshops
- procurement of **market research** and development of **go-to-market guides** for Cider Australia's selected target markets (Canada, China, Japan, Singapore, United Kingdom and United States)
- promotion of export marketing collateral through **social media**
- plans to showcase the new brand proposition and trust mark at a Cider Showcase event in China were also adapted to instead fund the development of additional export marketing collateral in the **Australian Cider Guide** and a social media campaign in Japan.

3.5.3 Performance against KPIs

The aggregate KPIs defined for Program 4 are outlined in Table 3.10. Baseline and target values were defined in the Annual Operating Plan 2017-18, and partly amended over the course of the program in response to events impacting the wine sector.

Table 3.10: Package KPIs, 2016-17 to 2020-21 (YTD in April 2021)

Target achieved			Target not achieved			To be assessed June 2021		
Outcome	KPI	Baseline	Target	Actual	Status			
Program 4 (Transforming cider businesses)								
Australian cider producers have access to improved information and strategic approaches for accessing export markets, resulting in increased exports	KPI 14: Cider Australia producers participate in developing, and support, the strategy (%)*	0	90	90				
	KPI 15: Cider producers exporting by 2020-21 (no.)*	7	22	22				
	KPI 16: Growth in export revenue by 2020-21 (\$m)*	16.5	27.0	29.0				

Note: *denotes KPIs that have been amended or removed from the original measuring and evaluation framework.

Sources: ERWSP Monthly Progress Reports (Wine Australia).

4 Assessment of the package

This chapter uses the performance indicators identified in Table 2.2 in Chapter 2 to measure the performance of the Package – including an assessment as to whether the program achieved its targeted BCR of 5:1.

4.1 Context of recent developments impacting the wine sector

A number of significant events adversely impacted the wine sector during the reference period, with implications for the performance of the Package and its ability to meet some of its objectives and KPIs (and subsequently, the assessment of the Package through this evaluation).

These events included:

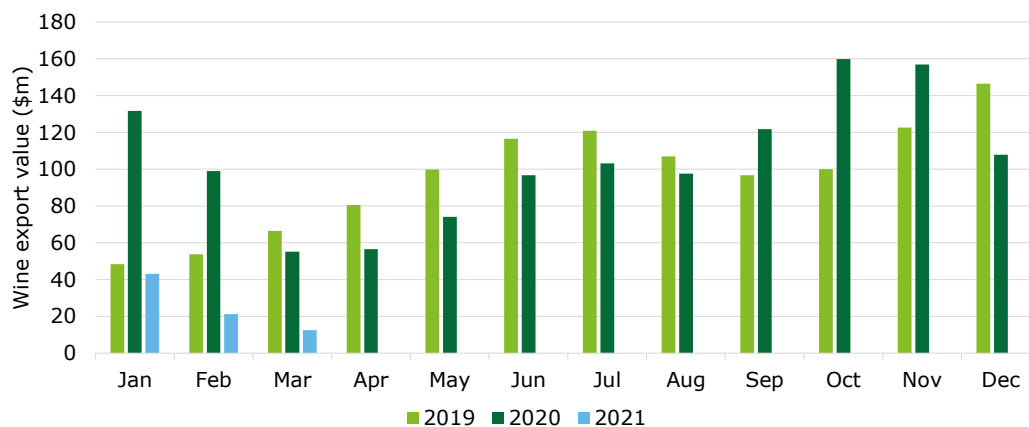
- the imposition of tariffs on key segments of Australian wine exports in China
- the COVID-19 pandemic leading to the imposition of border restrictions from March 2020, effectively halting international tourism and causing considerable volatility in domestic tourism markets
- a particularly severe bushfire season in early 2020 impacting some wine regions and craft cider producers
- reductions in the national crush of vintages from 2018, leading to a reduction in wine production.

These events are considered in the following section to provide some context ahead of the analysis detailed in remainder of the chapter regarding the assessment of the Package.

4.1.1 Trade dispute with China

Australia's total wine export values fell sharply in the March quarter of 2021, with a 39 per cent decline in value between January 2020 and 2021. This drop was largely the result of a sharp decrease in export values to China over recent months, illustrated in Chart 4.1. The value of Australian wine exports to China decreased by 82 per cent between January 2020 and 2021.

Chart 4.1: Australian wine exports to China, monthly (\$m), 2019 to 2021



Source: Wine Australia, Export Approvals Database (March 2021).

In November 2020, China announced tariffs of between 116.2 and 218.4 per cent on Australian bottled wine exports.ⁱ This policy was extended for a further five years from 28 March 2021.ⁱⁱ

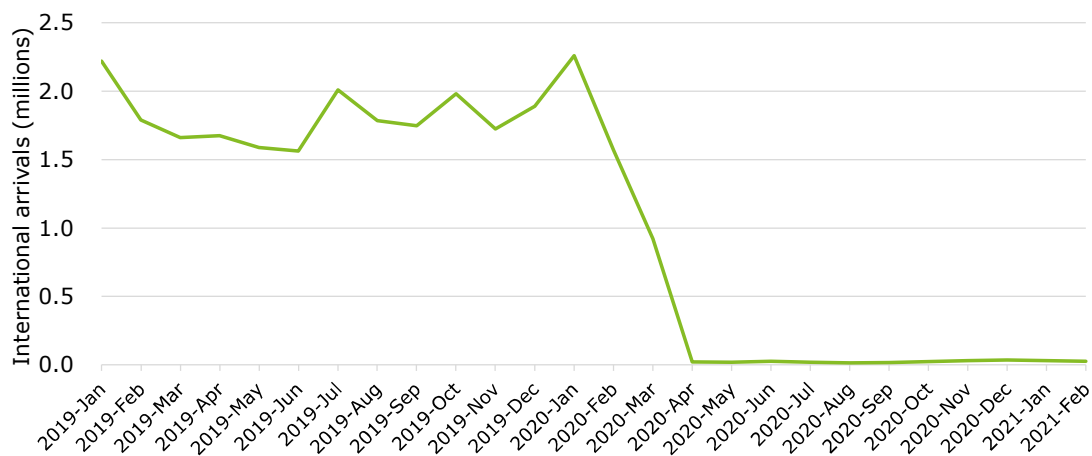
As other wine producing nations become more competitive and tastes adapt to new imports that replace the now more expensive Australian wines, it may be reasonable to expect this trend in declining export value to China to continue over time.

It is acknowledged that this trade dispute has had a significant impact on the outlook for the wine sector. However, the immediate impact of this dispute in terms of the outcomes achieved by the Package is considered to be limited, given the timing of the imposition of the tariff towards the end of the reference period, and restrictions on international travel which would have prevented the delivery of export promotion activities after March 2020 in the absence of the tariffs.

4.1.2 COVID-19

The onset of the COVID-19 pandemic resulted in a significant decline in international arrivals to Australia, illustrated in Chart 4.2. Between the peak in arrivals in January 2020, to the lowest point in August 2020, international arrivals to Australia fell 99.34 per cent.

Chart 4.2: International arrivals to Australia through the COVID-19 pandemic (millions of visitors)



Source: Australia Bureau of Statistics, Overseas Arrivals and Departures, Australia (February 2021).

Chart 4.3 shows the recent trend in international wine tourism visitation and expenditure in Australia. The decline in 2019-20 is not as severe as may be suggested by the drop in arrivals in Chart 4.2, pointing to strength in visitation and expenditure in the first two quarters of 2019-20 before the onset of the pandemic, and thus failing to demonstrate the full impact on the industry.

Chart 4.3: International wine tourism visitation ('000 visitors) and expenditure (\$'000), 2007-08 to 2019-20



Source: Tourism Research Australia (2020).

The pandemic has also impacted industry capacity in terms of staffing and production. Lockdowns and restrictions impeded the ability of producers to work, sometimes at critical points in the vintage. The imposition of lockdowns and restrictions meant that wineries went unstaffed or understaffed at times, impacting production.ⁱⁱⁱ With volatility in work hours and border closures, it is likely that labour market volatility for the sector and its impact on production may persist through the near-term.

4.1.3 Bushfires

The impact of the bushfires in January 2020 was significant for those that were affected. However, the impact for the industry more broadly was relatively small. It is estimated that one per cent of Australia's vineyard area fell within fire affected regions, but not all vineyards within those areas were affected by the fires.^{iv} While the effects were not felt widely across the industry, some regions were more adversely affected than others, with 14 per cent of vineyard acreage in the Adelaide Hills falling within fire zones. Three of the country's 65 wine regions had burned vineyards; Adelaide Hills and Kangaroo Island, South Australia and Tumbarumba, New South Wales.^v

Burned vineyards are perhaps not indicative of the full extent of the damage caused by fires to vineyards, as smoke taint is also a factor that is difficult to measure. However, the damage caused by burns may be considered representative of the localisation and containment of the damage done to the industry overall. Research into the extent of the damage smoke can have on vineyards suggests that it can affect grapes during any stage of the ripening process.^{vi} Despite extensive research into the effect of smoke on vineyards, the damage overall is difficult to quantify.

Cider producers were also affected by the bushfires with fires in the apple-producing regions of Batlow and Bilpin, New South Wales, severely affecting some orchards and breweries.^{vii} The damage to orchards in the Batlow area was extensive. Some growers may have to wait eight years for their next crop after their orchards were destroyed or damaged.^{viii}

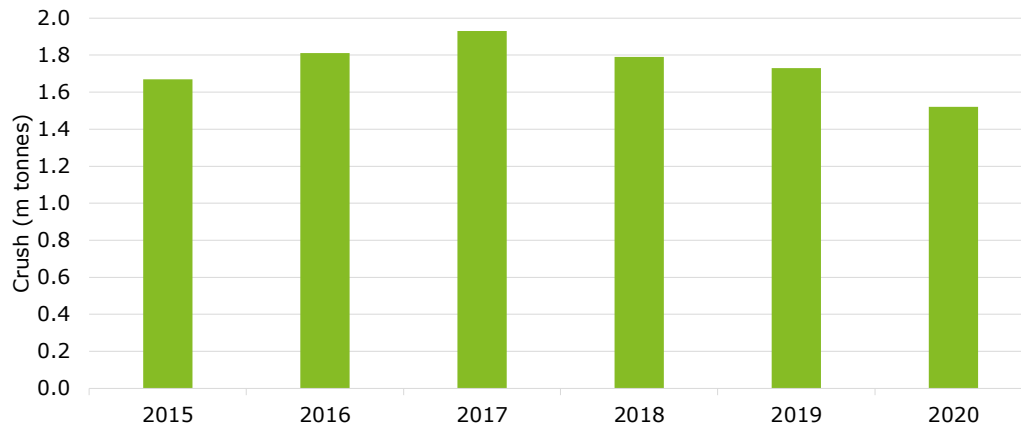
4.1.4 National crush

Crush and yield levels have been gradually declining since 2017. The crush in 2020 was 12 per cent below the 2019 harvest, and 13 per cent below the 10-year average of 1.75 million tonnes. The average wine grape purchase price increased by 5 per cent, which partially offset the decrease in crush volume. However, total estimated value of the crush still decreased by 9 per cent from

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2019. This trend of reduction in volume and value over recent years is likely a contributing factor to difficulties in achieving KPIs of the Package.^{ix} Chart 4.4 shows this trend in declining national crush volume.

Chart 4.4: Trend in national crush in millions of tonnes per year, 2015 to 2020



Source: Wine Australia (2020).

4.1 Program 1

4.1.1 Performance indicators

The objective of Program 1 was to improve the perception of Australian wines in key markets to drive demand and the premium paid. The performance indicators defined in measuring the program's performance in achieving this objective are set out in Table 4.1.

Table 4.1: Performance indicators, Program 1

Program objectives	Performance indicators
Improve perception of Australian wines in key markets to drive demand and the premium paid	Change in demand for Australian wines among purchasers at international tradeshows and events funded under Program 1.
	Change in demand for Australian wines among the audience to the export promotion marketing campaign and marketing collateral delivered under Program 1.
	Change in demand for Australian wine tourism among the audience to the international wine tourism marketing campaigns and influencer content co-funded under Program 1.

Source: Deloitte Access Economics

4.1.2 Data available

The performance indicators identified are aligned with the data collected throughout the reference period to measure progress against the package outcomes. Relevant data available to assess the performance of the package include:

- Pre- and post-event survey results showing change in perception of Australian wine among tradeshow and event participants.
- Pre- and post-event survey results of change in intention to purchase and purchases of Australian wine by tradeshow and event participants.
- Event survey results of revenues generated by Victorian exhibitors at ProWine China 2017 and the China Roadshow 2018, and anticipated revenues over the subsequent 24 months.
- Traditional and social media reach and impressions generated by export marketing campaigns and marketing collateral (*Far From Ordinary* campaign and *Australian Wine Discovered*).

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- Traditional and social media reach and impressions generated by tourism marketing campaign (*Dundee* campaign).

4.1.3 Outcomes

Results from available data show that the following outcomes were achieved:

- Under Program 1, over 600 Australian distributors and wineries exhibited at 21 events in China and the United States between 2017-18 and 2020-21.
- Post-event surveys fielded to purchasers attending an event indicate nearly all respondents (94 per cent) were considering including Australian wines in their portfolio, and just over half (54 per cent) had increased the share of Australian wines in their portfolio twelve months after the event.
 - Subsequent sales are reflected in aggregate export values but could not be specifically be disaggregated between sales attributable to the Package and other unrelated buying decisions.
- On average, Victorian exhibitors at ProWine China 2017 generated an average of \$77,900 in additional sales over the 24 months following the event.
- Between 2017-18 and 2019-20, the reach of Australian wine media increased by an average 30 million additional viewers per annum.
- The *Dundee* tourism marketing campaign reached an estimated audience of 412 million in the United States in January 2018.

Case study: Artisans of the Barossa

Artisans of the Barossa attended Vinexpo Hong Kong 2018 under Program 1, also supported by a Wine Export Grant under Program 2b. Having recently decided to commence exporting to the Asian wine market, the tradeshow was seen as an opportunity to meet a large number of distributors in market across Hong Kong, China and the broader Asia Pacific region, and begin conversations with potential buyers.

Chief Operating Officer Howard Duncan explains that the main benefit of attendance was regarded as the potential for lead generation. "Face to face is critical in the wine industry, especially at the smaller end where distributors are interested in the personal side of the relationship." This means that entering a new market can require a significant upfront investment in brand and relationships building. Howard describes that "getting into market is the first part of a process that could take 12 to 18 months to realise a commercial outcome."

As a result, the support delivered through the Package was key to reducing the risk for Artisans of the Barossa in investing in entering the new market. This enabled Artisans of the Barossa to build activity and contacts in China and Hong Kong, as well as other markets in South East Asia such as Singapore and Malaysia.

As a premium brand from the Barossa Valley, Howard further noted the benefit to Artisans of the Barossa of a regional presence and branding at Vinexpo.

4.1.4 Effectiveness

There is evidence that Program 1 was effective at not only improving perceptions of Australian wines among event participants, but also changing participants' purchasing decisions after events. This is accepted to have contributed to an increase in the value and volume of Australian wine sold in the target markets within the reference period. Attending international tradeshow and events may have also helped exhibiting wineries to improve margin by reducing the cost of accessing international markets and negotiating with distributors (although some participants noted that margins tended to be smaller in export markets compared to the domestic).

Interviews with participants revealed broad agreement that the activities delivered through Program 1 and the *Wine Made Our Way* export promotion brand enabled Australia producers to maintain a unified national presence at international tradeshow and events which would not have been otherwise possible. Stakeholders generally agreed that this national brand promotion activity

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was more effective at increasing demand for wine exports for smaller producers and wine businesses.

Stakeholders noted that larger producers had greater capacity to fund brand-specific in-market activities (often delivered in conjunction with, but separate from, the Package) that contributed to increased export sales during the reference period, potentially creating a spill-over effect for smaller Australian producers in the same markets.

There is less evidence available to support an assessment of the efficacy of international marketing activities delivered under Program 1. Ideally, consumer surveys would be undertaken to test the impact of tourism marketing on consumers' decisions to purchase Australian wine or visit Australia for international wine tourism purposes. Without this evidence (of changes in tourism buying decisions), the reach of marketing campaigns and collateral delivered through Program 1 can be considered through the reach of the content delivered, which show that Program 1 was effective at increasing the reach and number of impressions generated by Australian wine promotion and wine tourism marketing. For example, the *Australia Wine Discovered* We-Chat mini-program for wine trade specialists has been downloaded over 12,756 times to date in April 2021, and a consumer event in New York delivered through the *Far From Ordinary* campaign reached over three million consumers, and achieved 8 million impressions. The *Dundee* tourism marketing campaign delivered with Tourism Australia reached over 480 million viewers in the United States in its first month after being launched at the Super Bowl in 2018.

4.1.5 Management and delivery

Participants and stakeholders were supportive of the management and delivery of tradeshow and events delivered under Program 1. This emerged as a strength of Wine Australia's administration of the Package.

The availability of post-event support via Austrade emerged as an important enabler following events. Discussions with Wine Australia indicate that this type of partnering and collaboration in target markets (particularly through complementary activities in missions) is already being applied.

The sequencing of Wine Export Grants under Program 2b between and after the tradeshow was also beneficial in supporting participants to return to market to sustain and build on relationships. This regular engagement between producers and their in-market partners is critical to maintaining buying relationships. Many participants noted their intention (or perhaps desire) to retain their relationships with partners for this purpose, while others expressed less confidence in the utility of these relationships given the disruption in the market in 2020.

Some stakeholders reflected that the selection of just two target markets (the US and China) led to a lack of diversification in market exposure among participants. Deloitte Access Economics notes the validity of these observations while also noting that these markets were selected prior to the Grant Agreement being struck, and were partly based on an industry consultation process regarding target objectives and markets agreed during the formulation of the Package Business Plan. Accordingly, this feedback is not reflected in an assessment of the effectiveness of the program in achieving the objectives of the Package (which related to growth in these target markets). However, this feedback is noted for consideration regarding future efforts to grow wine exports and international wine tourism (regarding market diversification). In particular, the reasoning behind the choice of the target markets needs to be communicated to program participants on an ongoing basis to ensure that businesses can evaluate what is best for their business during changing market conditions.

Mirroring the finding of the previous CBA of marketing programs commissioned by Wine Australia, targeted surveys of consumers would be beneficial in understanding which factors have influenced their buying decisions, and whether marketing activities undertaken by Wine Australia have been effective in securing these buying decisions.

4.2 Program 2a

4.2.1 Performance indicators

The objective of Program 2a was to improve the capability of grape and wine businesses to capture export opportunities and increase the uptake of wine export opportunities by producers. The performance indicators defined in measuring the program's performance in achieving this objective are set out in Table 4.2.

Table 4.2: Performance indicators, Program 2a

Program objectives	Performance indicators
Improve capability of grape and wine businesses to capture export opportunities	Increase in the value of <i>Growing Wine Exports</i> workshop participants wine exports (\$).
	Increase in the value of <i>Growing Wine Tourism</i> workshop participants international wine tourism revenues (\$).
Increase uptake of wine export opportunities by producers	Increase in the number of <i>Growing Wine Exports</i> workshop participants exporting.

Source: Deloitte Access Economics

4.2.2 Data available

Aligning the performance indicators with the data collected throughout the reference period, relevant data available to assess the performance of the package include:

- qualitative participant feedback on commercial outcomes from workshop participation (collected through the Wine Australia Stakeholder Research survey, March 2021)
- the number of workshop participants to commence exporting to China or other FTA markets
- the number of workshop participants confirming use of new capabilities in international wine tourism following workshop participation.

4.2.3 Outcomes

Results identified through available data show that the following outcomes were achieved under Program 2a:

- Between 2018-19 and April 2021, 45 wine businesses commenced exports to China or other FTA markets after participating in the *Growing Wine Exports* workshop.
- Survey results from the Wine Australia Annual Stakeholder survey show that most participants (75 per cent) reported that the workshops delivered information they could use in their business. Nearly one fifth (18 per cent) reported that they gained a commercial outcome from their participation.
- Nearly three quarters (72 per cent) of participants of *Growing Wine Exports* and *Growing Wine Tourism* workshops confirmed that they were able to apply new capabilities following the workshop. The majority of participants (70 per cent) reported that they gained information they could use in their business from the workshops.

Case study: Ballandean Estate Wines

Ballandean Estate Wines participated in the Growing Wine Tourism course in November 2019. Client Relations Manager Leeanne Puglisi-Gangemi describes the experience as "one of the best days ever spent working on my business". A key learning for Ballandean was how to price wine tourism products and events at the winery. Using spreadsheets provided in the seminar, Leeanne is now estimating the cost of spending time with customers and of hosting cellar door events. This has enabled the business to better estimate the cost of events and set ticket prices without

guesswork, and on at least a cost-recovery basis. This has also provided the business with the confidence to offer online bookings for all cellar door events.

An additional strategic learning from the workshop was the suggestion to focus on targeted segments of the international wine tourism market. Located off the coast on the Granite Belt in southern Queensland, the region has historically attracted few international visitors. Instead, a suggestion was to target the visiting friends and relatives (VFR) segment of the international visitor market in Brisbane. Ballandean describes this suggestion as an “easy and achievable change to lead to big results” for the winery.

Having completed the workshop in November 2019, Ballandean’s ability to apply these lessons to generate additional international wine tourism revenues has been inhibited due to border and travel restrictions imposed in response to COVID-19 since March 2020.

However, applying the same approaches to the domestic wine tourism market has enabled Ballandean Estate Wines to increase prices paid for cellar door events, maintaining demand and capacity in the business during the suspension of international travel. This may enable the business to maintain its new capabilities in attracting international wine tourism revenues once international visitation returns.

4.2.4 Effectiveness

There is evidence that Program 2a was effective at building wine export and international wine tourism capabilities in participating wine businesses; regarding the later, there is also evidence that these learnings have been applied in domestic tourism markets.

The majority of participants to both workshops reported that they either gained information they could apply in their business, or information which lead to a commercial outcome for their business, from the workshops. The *Growing Wine Export* workshops has contributed to building export capacity in the 45 wine businesses which commenced exporting following participation. In addition to China and the United States, participants have been able to leverage these skills to enter other FTA markets; key markets cited by participants included Singapore, Japan, India, and South East Asia.

There is also evidence that wine businesses gained new wine tourism capabilities by participating in the workshops. While the suspension of international travel means that businesses are unable to apply these capabilities to growing international wine tourism revenues toward the end of the reference period, there is evidence that businesses have been able to pivot these learnings and apply to the domestic wine tourism market instead.

While growing domestic wine tourism is not an objective of Program 2a, participants and noted the capabilities formed through these workshops have enabled wineries to target and grow domestic wine tourism activity, helping to maintain cash flow (and even grow in some instances) during 2020 and 2021, and enhancing a capability that will be used to target international tourism markets once international travel returns after the COVID-19 pandemic subsides.

4.2.5 Management and delivery

Stakeholder consultations revealed that participants were generally very satisfied with the delivery of the workshops under Program 2a. Delivery in regional areas was considered an important factor in the success of this program from the perspective of participants.

In future, targeted and longitudinal data collection methods would enable the measurement of direct benefits attributable to participation in the workshops. This could also be used to enable comparisons of Program 2a to the marketing activities funded under Program 1 for businesses with similar export status.

Some participants noted that the advice and support made available through the *Growing Wine Exports* workshops would be valued as a commissionable service (i.e. one they would be willing to pay for independent of the program). Wine Australia may wish to consider whether it might play a role in connecting stakeholders with such export consulting services in the future.

4.3 Program 2b and 3

4.3.1 Performance indicators

The objective of Program 2b was to increase the uptake of wine export opportunities by producers. The objective of Program 3 was to improve and expand international wine tourism services, products, and experiences. The performance indicators defined in measuring the program's performance in achieving this objective are set out in Table 4.3.

Table 4.3: Performance indicators, Program 2b and 3

Program objectives	Performance indicators
Wine export growth	Value of grant recipients' exports to China and USA (\$).
Improved and expanded tourism services, products, and experiences for international wine tourism	Change in demand for international wine tourism in Australia among marketing audience.
	Number of new international wine tourism products, services or experiences delivered.
	Increase in international visitor expenditure on new international wine tourism products, services, or experiences.

Source: Deloitte Access Economics

4.3.2 Data available

Aligning the performance indicators with the data collected throughout the reference period, relevant data available to assess the performance of the package include:

- Growth in total value of Wine Export Grant (WEG) recipients' exports.
- Marketing campaign reach and impression statistics for some International Wine Tourism (IWT) State and Competitive grant recipients' activities.
- The number of wineries listed on the Australian Tourism Data Warehouse.

4.3.3 Outcomes

Results identified through available data show that the following outcomes were achieved under Program 2b and Program 3:

- Of 157 Wine Export Grants awarded to date in May 2021, the total value of grant recipients' exports grew from \$74.8 million in April 2017 to \$81.8 million in April 2021.
- Earned media value can be estimated from number of media article views and social media engagements associated with funded marketing content.
- The number of wineries listed on the ATDW increased from 1,131 to 1,436 over the course of the program.

Case study – Mudgee Region Tourism

Mudgee Region Tourism received an International Wine Tourism grant under the competitive stream of Program 3. CEO Cara George explains that to build international wine tourism visitation in the region, Mudgee Region Tourism looked to identify new opportunities to expand the existing VFR market which made up the majority of international visitation to the region.

Funding under the grant was used to support strategic research activities, which found that expats in New South Wales hosted an average of four VFR visitors annually. This led to the development of a marketing campaign 'Water to Wine', targeting expats from the United Kingdom residing in the Northern Beaches in Sydney. The campaign was delivered primarily through traditional marketing approaches, including ads on buses, ferries, in local newspapers and a letterbox drop. Mudgee Region Tourism also partnered with local wine businesses to offer short break packages aligned with the campaign.

The campaign was found to have a positive impact on international wine tourism visitation to the Mudgee region, with 233 visitors induced to visit the Mudgee Visitor Centre through surrendering the advertising flyer. The campaign's short break packages also contributed 155 additional visitor nights, and overall visitation increased by 10.5 per cent compared to baseline visitation to the region for the same period.

Mudgee Region Tourism noted that as a regional tourism body, the marketing activities would not have gone ahead without the funding available under the competitive grant. "The grant allowed us to look into an opportunity we hadn't previously considered, and which would have usually been spent on promotion in the domestic market."

Since the campaign, the share of international visitation to Mudgee region has increased from 4 per cent to 6 per cent. Mudgee Region Tourism has identified this as a legacy benefit of the campaign in helping to build "momentum" in a new market.

4.3.4 Effectiveness

Regarding Program 2b, there is some evidence on the effectiveness of the Wine Export Grants in supporting wine producers to grow the value of exports to China and other FTA regions. While the value of grant recipients' exports was tracked over the reference period, annualised growth in the value of recipients' exports was slower than that of total Australian wine exports. This may point to the fact that businesses using the grant were commencing exporting and still in the process of growing export volumes. Alternatively, it could highlight that grant recipients in Round 1 were largely targeting a less diversified group of markets compared to non-grant recipients (prior to the extension of the grant to all international markets in Round 2 in 2020-21). However, stakeholders were generally supportive of the effectiveness of the Wine Export Grants in enabling businesses to access markets and commence exporting earlier than would have otherwise been possible.

Regarding Program 3, there is limited evidence on the effectiveness of the International Wine Tourism State and Competitive grants in improving or expanding the range of tourism services, products, or experiences for international wine tourism. A lack of consistent reporting between grant recipients means that it is difficult to establish the outcomes achieved to date under each grant. This is likely attributable to delays in the implementation of grant activities caused by COVID-19 from March 2020, which delayed the implementation of five of the six state grants and a number of competitive grants.

4.3.5 Management and delivery

In reviewing the Wine Export Grant, stakeholders noted that similar support is available to wine businesses through the Export Market Development Grant offered by Austrade. This suggests the program created opportunities to leverage other activities, but also reveals the potential duplication of an existing support across industry. Similar activities may be more effectively targeted on other export support services in the future.

Much of the disruption to international wine tourism activities and investments planned under the State and Competitive grant schemes was likely unavoidable following the abrupt change in market conditions since March 2020 due to COVID-19.

Some stakeholders reflected that greater flexibility was required in the management of outstanding grants after this date. While this is acknowledged, it is also noted that grant recipients who had executed funding agreements and commenced in-market earlier exhibited greater success.

It is also noted that limiting support for activities targeted at international wine tourism, rather than domestic wine tourism, is consistent with the appropriate governance of the Package, given the stated Package objectives of growing "international" wine tourism. This also reflects the scope of the enabling legislation establishing Wine Australia, which is limited to activities supporting "the growth of international wine tourism, and services, products and experiences that complement international wine tourism".^x

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Consultations also revealed that some grant recipients had desired greater flexibility regarding the activities delivered under grant agreements struck – particularly in response to changing market conditions over time. Broader consultation indicates that the extent to which recipients were able to respond to circumstances typically depended on the timing of grant agreements. Going forwards, clearer and more timely communication with respect to grant guidelines and criteria would be beneficial for recipients.

4.4 Program 4

4.4.1 Performance indicators

The objective of Program 4 was to improve the capability of Australian craft cider producers to access export opportunities and increase the value of cider exports. The performance indicators defined in measuring the program's performance in achieving this objective are set out in Table 4.4.

Table 4.4: Performance indicators, Program 4

Program objectives	Performance indicators
Australian cider producers have access to improved information and strategic approaches for accessing export markets, resulting in increased exports	Change in value of exports for producers adopting the trust mark (\$).
	Value of change in cider exports among <i>Growing Cider Exports</i> course participants (\$).
	Change in demand for Australian cider in audience of the <i>Australian Cider Guide</i> and other marketing collateral.

Source: Deloitte Access Economics

4.4.2 Data available

Aligning the data collected throughout the reference period against the Package outcomes, relevant data available to assess the performance of the package include:

- The number of craft cider producers adopting the trust mark.
- Cider producers' export revenues between 2018-19 and 2020-21 (Cider Australia survey of craft cider producers).
Cider producers' qualitative expectations of benefits of the *Cider Guide* in attracting future exports (Cider Australia survey of craft cider producers).

4.4.3 Outcomes

Results identified through available data show that the following outcomes were achieved under Program 4:

- The new *100% Australian Grown* trust mark has been adopted by the majority (95 per cent) of Australian craft cider producers responding to the survey fielded by Cider Australia.
- Just over 15 per cent of respondents reported that adopting the trust mark contributed to an improvement in profitability. A further 46 per cent reported that it contributed to maintaining profitability. However, responses to the survey were too limited to estimate the value of this impact on cider export revenues.
- 18 per cent of cider producers reported that they made use of the Go-To-Market guides published by Cider Australia for markets such as the United States, United Kingdom, China, and Japan. The same producers reported that the Go-To-Market guides contributed to their decision or ability to commence exports to new export markets after March 2020, including China and Hong Kong, Singapore, and Japan.
- 64 per cent (or 20 producers) expect that the marketing collateral produced (such as the *Australian Cider Guide* and education videos) will be useful for increasing future export sales of Australian craft cider.

Case Study – *Australia Cider Guide* and marketing collateral

Program 4 funded the development of a range of marketing content for Australian craft cider producers to use in exporting. To replace funding which had been allocated for a launch event in China, Cider Australia commissioned the development of the *Australian Cider Guide*.

The Guide is the first educational trade and consumer document to be published on Australian Craft Cider. Content includes the history and production of cider, the ingredients in “authentic” Australian cider, and recommendations for food and cider pairings. The Guide was published in English, Japanese and Simplified Chinese, and content from the Guide has also been re-purposed as social media collateral.

In addition to launching the Guide through social media platforms in Japan and Singapore, Cider Australia worked with Austrade Japan to distribute and promote the Guide on the Austrade Japan website and news distribution channels.

Since publication, the Guide has demonstrated benefits in educating importers about the styles and specifications of Australian craft cider. For example, following promotion of the Guide at an online tradeshow in March 2021, a Japanese importer requested assistance from Austrade Japan in identifying an Australian supplier for an craft cider with certain characteristics, which the importer lacked the terminology to describe. Austrade Japan provided the importer with a copy of the Guide, which enabled them to identify the desired style of cider using common style descriptors used in the Guide. Austrade Japan was then able to successfully connect the importer with Australian cider exporters to commence exports in July 2021.

This illustrates the potential benefits of the Guide alongside the trust mark and distribution of export promotion material in educating importers about Australian cider styles, enabling exporters to confidently set specifications in new or emerging markets.

4.4.4 Effectiveness

There is evidence that Program 4 was effective at improving cider producers’ access to information and strategic approaches for accessing export markets. Participants explained that the process of developing an industry-based trust mark helped to bring producers within the cider industry together to build a unified brand proposition for export. In addition to growing producers’ confidence at searching for export opportunities, this has also been effective at shaping the product being sold.

The program was also regarded as effective at providing cider producers with access to export information which was not previously available. Developing the Go-To-Market guides required developing a definition of craft cider and procuring research and analysis on the global craft cider trade – information which Cider Australia and cider producers were previously unable to access or independently develop. The *Growing Cider Exports* workshops were also important to building export capacity in cider businesses, as emerging export businesses.

There is more limited evidence on the effectiveness of Program 4 at enabling cider producers to enter new export markets within the reference period. This is likely to be attributable, at least in part, to the small size and developing maturity of Australian cider exporters at the time.

Stakeholders also commented that restrictions on international travel prevented producers from leveraging the activities under program during the reference period. Ongoing travel restrictions mean that meeting distributors and building export relationships is currently difficult for commencing exporters.

One stakeholder made reference to bushfires impacting some producers in Victoria, with the consequence being that their business development efforts had been redirected towards their response to these events during the reference period. While this observation is understood to apply to a small number of producers, the relatively small size of the sectors means these events

are likely to have had a material effect on the level of engagement with export promotion events during the reference period.

Program 4 is expected to generate greater legacy benefits for cider producers outside of the reference period. The brand proposition, trust mark and other marketing collateral are regarded as enduring content that will deliver benefits once producers commence exporting. Similarly, the Australian Cider Guide is regarded as an important piece of collateral that will be valuable to exporters engaging with distributors and partners, enabling exporters to leverage the material in building their own export brand and relationships.

4.4.5 Management and delivery

Program 4 was well received by many cider producers looking to commence exporting. Diversity in the number of markets targeted under the Program may have also enabled Cider Australia to pivot planned activities to different regions as market conditions changed. However, it was also highlighted that many producers in the domestic industry are not interested in exporting.

4.5 Cost-benefit analysis

Cost-benefit analysis examines all monetary and non-monetary or intangible costs and benefits of an investment to a society (defined as Australia in this instance). It is a tool for determining whether the societal benefits of an investment are outweighed by the societal costs – and if so, to what extent.

The following sections summarise the steps for the cost-benefit analysis of the Package in assessing whether the Package has achieved the targeted BCR of 5:1.

4.5.1 Benefits framework

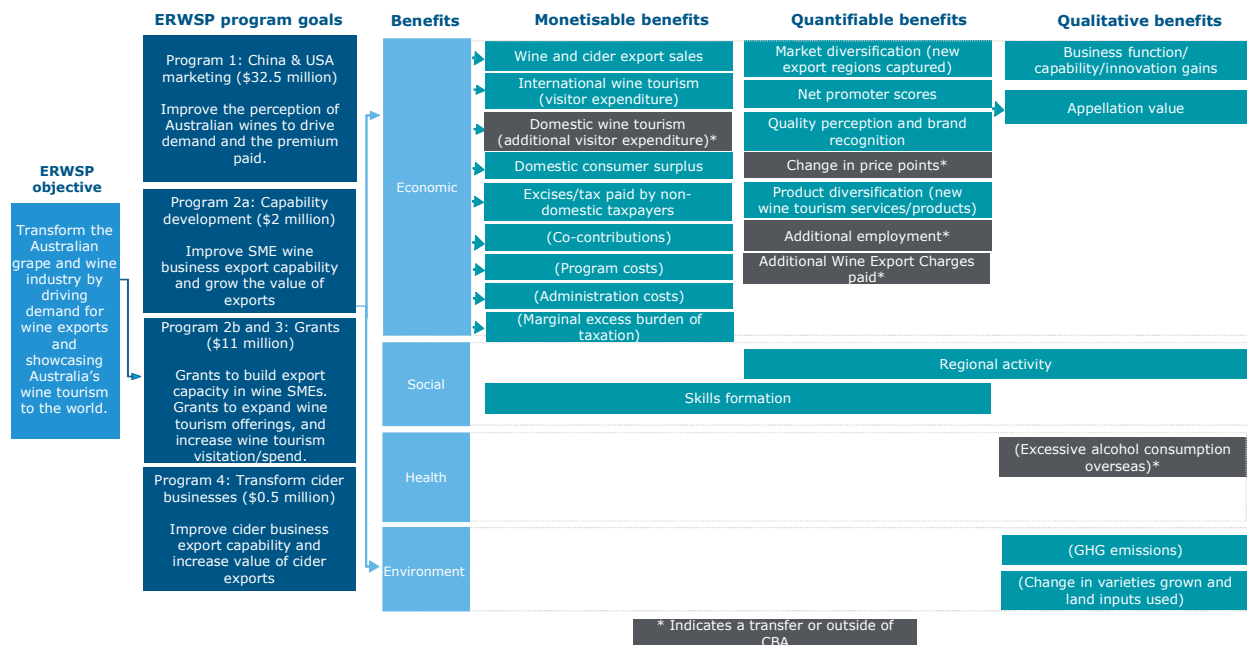
All reasonable costs and benefits should be included within the cost-benefit analysis, including tangible and intangible impacts of the Package. However, the extent to which these costs and benefits are monetised and attributed to the Package within the CBA depends on the approach to quantification of the benefits.

The costs and benefits of the Package are identified in the benefits framework, and include a range of economic, social and environmental impacts (Figure 4.1). Some of the major costs and benefits to be considered within the analysis include:

- wine and cider export sales
- international wine tourism expenditure
- the financial costs of funding the Package
- co-contributions by program participants under the Package
- marginal excess burden of additional wine export charges paid
- reduction in consumer surplus for domestic consumers.

Some costs and benefits identified in Figure 4.1 represent transfers between stakeholders in the economy and are not counted within the cost-benefit framework. For example, as domestic wine tourism expenditure represents a transfer from domestic consumers to producers, this is not included as a benefit in the CBA (on the basis that this does not present a net benefit to Australia as a whole). Detail on transfers not captured within the CBA is outlined at section 4.5.5.2.

Figure 4.1: Benefits framework



Source: Deloitte Access Economics

4.5.2 Methodology

As a result of limitations in obtaining sufficiently robust data to quantify the benefits (and costs) of the Package, Deloitte Access Economics has adopted two approaches to provide a range of results. These approaches include a **reported benefits approach**, based on benefits reported by Package participants within the reference period, and an **observed benefits approach**, based on an examination of the evidence available to support the attribution of broader market outcomes to the Package. Key assumptions and limitations of these alternative approaches are outlined below.

4.5.2.1 Reported benefits approach

This approach attempts to monetise the benefits which can be linked to activities supported by each of the four programs, enabling an estimate of the attribution of benefits to the Package as opposed to other unobserved activities or changes.

Quantifying benefits reported by participants under each program, the following can be captured:

- wine export sales negotiated by participants at tradeshows and events attended under Program 1
- wine export sales by recipients of Wine Export Grants under Program 2b
- earned media value of export promotion marketing campaigns under Program 1 and Program 3
- earned media value of international wine tourism marketing campaigns under Program 1 and Program 3.

These benefits were attributed to the Package where evidence supported a conclusion that these benefits would not have come about in the absence of the Package. For example, the earned media value of export promotion marketing is based on the change in reach by Wine Australia before and after the Package was implemented, rather than the total reach each year.

Similarly, while the *Dundee* tourism marketing campaign reached hundreds of millions of viewers in the United States, it is assumed that Tourism Australia would have gone ahead with a similar campaign in the absence of the Package. Therefore, only the portion of benefits attributable to the funding provided under the Package are captured in the CBA.

A limitation of the approach is the lack of consistent data collection from participants across programs regarding the change in wine export or international wine tourism revenues which participants attribute to the program. For example, data was not available to assess the total change in wine export sales which Australian producers negotiated at tradeshow and events hosted under Program 1. Instead, an average estimate was sourced from a Victorian Government survey of Victorian participants at the same events in China,¹¹ which was extrapolated across all other participants at events in China. This meant that no revenues from wine export sales was estimated for Australian exhibitors attending sponsored events in the United States.

Due to the under-reporting of benefits by program participants, this approach represents a lower-bound estimate of the package BCR.

4.5.2.2 Observed benefits approach

This approach is based on the observed change in Australian wine export sales to China and the United States and international wine tourism revenues within the evaluation period, estimated by comparison to a counterfactual scenario where the Package was not implemented.

Assuming that the Package was successful at creating a higher price premium for Australian wine in the China and US markets during the reference period, the expected change in the value of Australian wine exports can be estimated; the extent to which this change is attributable to the Package depends on both observable factors (i.e. program activities and outcomes) and unobservable factors i.e. other factors which account for the residual change in export values).

Changes to demand following free trade agreements (FTA) changes and foreign exchange movements were controlled for, using a central estimate of price elasticity of demand (PED) for wine in target markets, based on existing literature. The remaining residual between the expected and observed value of wine exports to China and the United States is then identified as potentially attributable to the Package. Similarly, the expected change in the value of wine tourism expenditure from visitors from China and the United States is estimated based on an assumption that the Package was successful at increasing visitor spend per night over the reference period.

This approach enables benefits which are otherwise underreported under the reported approach to be captured. However, a key limitation of this approach is that the residual will capture the impact of unobserved changes in the target markets within the reference period, such as changing market dynamics for competing wine exporting regions, and independent changes in consumer preferences. This may limit the extent to which the full extent of the benefit captured can be attributed to the Package, suggesting that this approach represents an upper-bound estimate of the benefits of the Package over the evaluation period.

4.5.2.3 Costs attributable to the Package

Package funding costs have been calculated each year based on financial information reported in Annual and Monthly Progress reports provided by Wine Australia. **Co-contributions** provided by participants under Program 1 and 2a were also captured through reporting in Annual Progress reports. Co-contributions provided by participants under Program 2b and 3 were captured by grant acquittal reporting provided by Wine Australia.

Where public spending is financed through taxation revenues, there is an associated cost to society in the transfer cost of raising the tax revenue, which is estimated through the **marginal excess burden** (MEB). The MEB captures the cost to society (or change in 'deadweight loss') associated with each additional dollar of tax revenue raised. This refers to the fact that any tax distorts price signals which affect can change the decisions of by producers and consumers, with consequential impacts on welfare. As the Package was funded through historic Wine Export Charges paid in the absence of the Package, the MEB of Package costs is not captured within the cost-benefit analysis. However, where a change in export sales is attributed to the Package, the

¹¹ Based on a survey sample size of 11 wine producers and excluding one producer as an outlier.

change in MEB of additional Wine Export Charges paid should also be captured. This has been calculated using a benchmark coefficient estimate of 0.19, based on existing academic literature.¹²

Finally, a loss to **domestic consumer surplus** is also captured under the observed approach. This represents the value of a change in domestic wine consumption which may be attributed to the Package increasing the premium on Australian wine exports. Assuming that the increase in wine export prices leads to an increase in domestic wine prices, and adopting a central estimate of PED for Australian consumers, this increase in price leads to a decline in domestic wine consumption, which is captured as a cost to the Package.

4.5.3 Results

Table 4.5 summarises the key benefits and costs identified with the Package under the two approaches. Identified benefits and costs have been quantified only where robust data or evidence is available, and otherwise left to qualitative analysis.

This is considered an appropriately conservative approach, providing a representative range of results which reflect the data limitations that exist and the probable impact of the Package. Key limitations and assumptions underlying these results (as outlined in section 4.5.2) include the reliance on evidence of benefits to participants under the reported outcomes approach, including changes to wine export sales by program participants and the earned value of the media reach supported. Similarly, there are unobserved effects included in the residual benefit estimated under the observed outcomes approach. Together, the two approaches provide a representative range for the likely impact of the Package.

Table 4.5: Summary of CBA results (present values, real \$2021 dollars)*

Cost or benefit	Units	Reported outcomes (1)	Observed outcomes (2)
Benefits			
Wine exports	\$m	154.1	1,157.4
International wine tourism revenues	\$m	6.4	66.2
Cider exports	\$m	NA	16.0
Total benefits	\$m	160.5	1,239.5
Costs			
Program costs	\$m	56.7	56.7
Co-contributions	\$m	9.9	9.9
Marginal excess burden	\$m	0.4	22.0
Domestic consumer surplus	\$m	-	271.4
Total costs	\$m	67.0	360.0
Net present value	\$m	93.5	879.5
Benefit-cost ratio		2.39	3.44

*Due to rounding, figures may not sum to total.

Source: Deloitte Access Economics

As outlined in Table 4.5, the estimated package BCR is **2.39** under the reported benefits approach and **3.44** under the observed benefits approach. The NPV of each package represents the value of the historic stream of benefits and costs, expressed in current (2021) dollars.

¹² Anthony E Boardman et al, 'Efficiency without Apology: Consideration of the Marginal Excess Tax Burden and Distributional Impacts in Benefit-Cost Analysis' (2020) 11(3) *Journal of Benefit-Cost Analysis* 457.

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A number of other qualitative benefits identified in the discussion at section 4.5.4 could, with additional data, be monetised, which may change the BCR for the reported case further.

4.5.4 Sensitivity analysis

Central assumptions underpinning the results in this report include:

- an assumed price elasticity of demand for Chinese consumers for Australian still wine of -0.67
- an assumed marginal excess burden of 0.19.

To test the effects of the selection of these assumptions on the results of the modelling, the following sensitivities have been tested:

- varying price elasticity of demand for Australian wine among Chinese consumers
- varying marginal excess burden associated with the Wine Export Charge.

Table 4.6 shows that the BCR is minimally sensitive to the price elasticity of demand selected under the observed outcomes approach, with the additional sales attributed to the change in tariff rates increasing under the more elastic assumption. The impact on the results of the MEB selected is also minimal.

Table 4.6: Summary of sensitivity results (BCRs)

	Reported outcomes (1)	Observed outcomes (2)
Price elasticity of demand (Chinese consumers)		
Low (-0.59)	-	3.46
High (-0.67)	-	3.43
Marginal excess burden of Wine Export Charge		
Central (0.19) ^{xi}	2.39	3.44
High (0.34)	2.38	3.28
Low (0.12)	2.40	3.52

Source: Deloitte Access Economics

Benchmarked benefits approach

To understand the impacts of export and tourism marketing expenditure that might be expected from a similar set of activities in the absence of the external developments observed in the reference period, an alternative scenario was analysed using a CBA which considered benchmarked estimates of the typical impacts of export promotion expenditure and tourism marketing expenditure in the United States and Asia.

Based on the same program costs and modelling of expected returns from export promotion and tourism marketing expenditure from previous econometric studies, this scenario yielded an estimated BCR of 7.62.

This should not be interpreted as what might have been achieved by the Package in the absence of these events; rather, it represents an estimate of the potential returns to be achieved through these types of activities under other (historic) circumstances.

4.5.5 Other benefits and transfers

4.5.5.1 Qualitative and legacy benefits

In addition to the costs and benefits monetised, the Package also generated a number of economic benefits which cannot be quantified with the data available. These include:

- The increase to future wine and cider export values attributable to export promotion activities and enduring marketing collateral (e.g. the development of the *Wine Made Our Way* general export promotion brand, *100% Australian Grown* Craft Cider trust mark, trade and consumer-facing education content published through *Australian Wine Discovered* and the *Australia Cider Guide*).
- Capacity building in the improvement of export skills and capabilities for wine and cider businesses – with uncertainty in future operating conditions preventing meaningful analysis of future sales.
- Capacity building in wine tourism through the tourism assets and infrastructure created, which can be leveraged in strategic marketing activities by state and regional tourism authorities as well as individual businesses.
- Increase to future export values attributable to enduring export planning tools and support (e.g. Market Explorer, Wine Label IP Directory).
- Ongoing benefits to wine tourism businesses through increased visibility through the Australian Tourism Data Warehouse.

Some legacy costs will also be incurred by industry as a result of activities implemented through the Package, including ongoing administration costs for exporters associated with the Wine Label IP Directory, and the cost to Wine Australia in maintaining marketing collateral published online such as the wineaustralia.com website and *Australian Wine CONNECT* platform.

4.5.5.2 Distributional benefits

As the geographic and spatial unit for the cost-benefit analysis is defined as the Australian economy, some costs and benefits identified in Figure 4.1 represent transfers between individuals within the economy and are not included within the CBA framework.

For example, as domestic wine tourism expenditure represents a transfer from domestic consumers to producers, this is not included as a benefit in the cost-benefit analysis. However, the spillover benefits of domestic wine tourism in maintaining revenues and capacity in the wine tourism industry before the return of international travel may represent an additional benefit if this capacity can be shown to lead to increased international wine tourism revenues in the future.

Another transfer not captured within the cost-benefit analysis is the additional Wine Export Charges paid by wine businesses as a result of the additional export sales attributed to the Package. This represents a transfer from producers to government revenue. Instead, the cost of this transfer is captured through the approach to estimating the MEB (see section 4.5).

Similarly, the additional producer surplus generated through an increase in domestic grape or wine prices represents a transfer from consumers to producers and is not captured in the CBA.

Notwithstanding these methodological constraints, it is acknowledged that the Package has contributed to improved outcomes for individuals who have benefited from such transfers. This is particularly important for wineries in regional areas that have benefited from greater domestic tourism visitation within the reference period.

Endnotes

- ⁱ ABC News, *China puts tariffs of up to 200 per cent on Australian wine* (27 November 2020) <<https://www.abc.net.au/news/2020-11-27/china-puts-tariffs-on-australian-wine-trade-tensions/12886700>>.
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- ⁱⁱⁱ ABC News, *South Australian COVID-19 lockdown hits Australian wine sector hard* (19 November 2020) <<https://www.abc.net.au/news/rural/2020-11-19/sa-lockdown-leaves-wine-sector-struggling/12897170>>.
- ^{iv} Wine Australia, *Bushfires draw Australian wine sector closer* (7 January 2020) <<https://www.wineaustralia.com/news/media-releases/bushfires-draw-australian-wine-sector-closer>>.
- ^v Wine Spectator, *After the Fires, Australian Wineries Assess the Damage* (3 March 2020) <<https://www.winespectator.com/articles/after-the-fires-australian-wineries-assess-the-damage#:~:text=Just%20three%20of%20the%20country's,replanted%2C%20while%20others%20may%20recover>>.
- ^{vi} Wine Australia, *A fast and furious smoke taint project brings interesting results* (February 2021) <<https://www.wineaustralia.com/news/articles/smoke-taint-project-brings-interesting-results>>.
- ^{vii} NSW Government Department of Primary Industries, *Bushfires in apple orchards: observations from the 2019-20 season* (December 2020) <https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0003/1285392/Bushfires-in-apple-orchards.pdf>.
- ^{viii} ABC News, *Batlow apple growers may have to wait eight years for their next crop after bushfire destroys orchards* (9 February 2020) <<https://www.abc.net.au/news/2020-02-09/batlow-apple-growers-have-to-wait-eight-years-before-next-crop/11936174>>.
- ^{ix} Wine Australia, *National Vintage Report 2020* (July 2020) <https://www.wineaustralia.com/getmedia/7dcd66a7-86b5-4606-9ab7-416086077099/MI_VintageReport2020.pdf>.
- ^x *Wine Australia Act 2003* (Cth) s 3(ab).
- ^{xi} Based on range reported in Anthony E Boardman et al, 'Efficiency without Apology: Consideration of the Marginal Excess Tax Burden and Distributional Impacts in Benefit-Cost Analysis' (2020) 11(3) *Journal of Benefit-Cost Analysis* 457.

Appendix A – Stakeholder consultation

The evaluation draws upon feedback provided through a consultation process with key stakeholders to the package, including industry peak bodies, industry participants, and government representatives. A list of potential stakeholders was provided by Wine Australia, with interviews conducted by Deloitte Access Economics over telephone or online meeting platforms.

The stakeholders consulted during the evaluation are provided in Table A.1 below.

Table A.1: Stakeholder engagement

Stakeholder group	Consultations
Industry peak bodies	<ul style="list-style-type: none"> Australian Grape & Wine Wine Victoria
Industry participants	<ul style="list-style-type: none"> Hither & Yon Mudgee Region Tourism Yalumba Family Winemakers McLaren Vale Grape, Wine and Tourism Gangemi Ballandean Estate Wines SubRosa Wine Artisans of the Barossa Cider Australia LOBO Cider Sydney Brewery Willie Smith's Cider
Government agencies	<ul style="list-style-type: none"> Department of Agriculture, Water and the Environment

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