

A photograph of a wine cellar filled with wooden barrels. The barrels are stacked on metal racks. Several barrels have white chalk markings, including "FILED LAST", "17MAKHYDE1", and "17MAKHYDE2". There are also small square logos with a checkmark and the letters "MT" and "LB" on some barrels. The lighting is warm, highlighting the texture of the wood.

**Australian Grape & Wine Submission
to:**

**The Department of Foreign Affairs and
Trade - Feasibility study on
strengthening trade and investment
with Israel**

April 2021



Contents

Who are we	3
Terms of Reference	3
Israel and Wine	4
Australian Wine Priorities for an FTA with Israel.....	4
Tariffs.....	4
Non-tariff barriers	4
Collaboration.....	4
Contact.....	6

Who are we

Australian Grape and Wine Incorporated (Australian Grape & Wine) is Australia's national association of winegrape and wine producers. Our activities focus upon the objective of providing leadership, strategy, advocacy and support that serves Australian wine businesses now and into the future.

We represent the interests of the more than 2,500 winemakers and 6,000 winegrape growers working in Australia. Our role is to help forge a political, social and regulatory environment - in Australia and overseas - that enables profitable and sustainable Australian wine and winegrape growing businesses. These businesses make a significant contribution to underpinning regional economies by driving growth in jobs, regional exports and food and wine tourism.

Australian Grape & Wine's voluntary membership represents over 75% of the national winegrape crush. We represent small, medium and large winemakers and winegrape growers from across the country. Policy decisions by the Australian Grape & Wine Board require 80% support, ensuring no single category can dominate the decision-making process and guaranteeing policy is only determined if it provides significant industry benefit. In practice, most decisions are determined by consensus.

Australian Grape & Wine is recognised as a representative organisation for winegrape and wine producers under the Wine Australia Act 2013, and is incorporated under the SA Associations Incorporation Act 1985. We work in partnership with the Australian Government to develop and implement policy that is in the best interests of winegrape growers and winemakers across Australia.

Terms of Reference

Submissions will assist the Government in identifying Australia's priorities for strengthening trade and investment with Israel. DFAT invites submissions from interested businesses, groups and individuals. We are particularly interested in submissions that provide perspectives on:

- tariff and non-tariff barriers to goods and services trade
- barriers to investment
- specific trade and investment challenges
- trade and investment opportunities between Australia and Israel, including sector-specific opportunities
- potential benefits and costs of pursuing an FTA with Israel
- more general issues associated with a possible FTA
- other mechanisms to strengthen the bilateral trade and investment relationship beyond the negotiation of an FTA

Israel and Wine

Israel's economy has been growing continuously for the past 15 years, averaging 3.6 per cent GDP growth annually. During this time, Israel's GDP per capita has risen steadily. Israel is made up of a large variety of ethnic groups and religions include a large Jewish majority with significant Muslim and Christian minorities, and as such, is a multi-cultural society with a wide range of behaviours.

Israel's Mediterranean climate with long, hot and dry summers is conducive to wine grape growing. Approximately 5,500 hectares are planted to grapes which produce around 55,000 metric tonnes. There are about 350 wineries in Israel. Around 55% of the wineries are Kosher, however, up to 95% of Israeli wines are certified Kosher. Wine is grown predominately in the Galilee, Samson, Shomron, Judean hills and Negev wine regions. It is estimated Israelis consume round 6 – 6.5 litres of wine per annum. The imported wine market is made up of wines from France, Italy, Australia, United States, Chile and Argentina. Imported wine competes with the growing Israeli wine category. Red wine is the preferred drink in Israel although white and rosé wines have experienced strong recent growth. Israel has free trade agreements with the United States, the EU, Canada and MERCOSUR meaning wines from those countries enter Israel with lower or no tariffs compared with Australian wines.

While Australian wine exports to Israel have slowly grown over the past five years, they remain in very small volumes, under \$300,000 per year. The market presents an opportunity for export growth as part of the sector's market diversification work. Opportunities in kosher wine production, in particular, could be greatly supported by tariff removal and harmonization of technical barriers to trade under an FTA. The EU and USA already hold FTAs with Israel and therefore currently hold competitive advantage in the market with zero tariffs applied.

Australian Wine Priorities for an FTA with Israel

Tariffs

As a priority for an FTA with Israel the Australian wine sector supports a zero tariff on entry into force. Unlike the USA and EU who received the benefit of zero tariff for wine under their FTAs, Australian wine exports have the general tariff applied of 12.00% + ISL 1.35 – 4.87 per litre. Whilst not a major tariff, it creates a disadvantage for Australian wine in the market.

Non-tariff barriers

Australian Grape & Wine also strongly supports the inclusion of a sector specific annex to address technical barriers to trade. For example, the Wine and Distilled Spirits Annex (Annex 8-A) inclusion in the CPTPP was a significant achievement and one Australian Grape & Wine will continue to support in future FTA negotiations, such as a future negotiation with Israel.

The annex helps to address technical barriers to trade for Australian wine exporters with regard to:

- Streamlining certification requirements
- Mutual acceptance of Oenological (winemaking) Practices
- Labelling Requirements
- Traceability and fraud

Collaboration

As global leaders in research and development (R&D) an FTA between Australia and Israel presents a number of opportunities for technical cooperation and collaboration in R&D. The Australian wine sector would strongly support further consideration of opportunities for R&D collaboration under any future FTA between the two countries.

Conclusion

Free trade agreements, which address tariff removal and sector specific technical barriers to trade, are an important tool for liberalizing trade and ensuring the sector will continue to support Australia's regional economic jobs and growth.

Australian Grape & Wine supports the expansion of Australia's suite of FTAs into new and emerging wine markets such as Israel. We seek to continue to evolve and discuss the sector's priorities with the Australian Government to ensure the best outcome for trade and the sector.

Contact

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