



12 December 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Dear Taskforce

Cider Australia appreciates the opportunity to comment on the Green Paper on Agricultural Competitiveness.

Our organisation

Cider Australia Incorporated is the national body that represents the cider and perry industry in Australia. We have more than 60 member organisations including Australian agricultural producers, local and international cider makers, manufacturers and distributors. Cider Australia's primary concern as an organisation is to build a sustainable category through maintaining and improving the quality of ciders produced and marketed in Australia.

Cider and agriculture

Cider currently makes up a relatively small part of the alcohol market in Australia at around 4 per cent, but its share grew by 20 per cent in 2013 and this trend is projected to continue. Cider sales in Australia are forecast to grow by more than 20 per cent over the next five years¹ and there is a clear move in consumer preferences towards premium craft and boutique varieties that use fresh apples in their production.

Cider production makes a significant contribution to Australian agricultural competitiveness. It boosts demand for juice quality apples and pears, further benefits growers by removing lower quality juicing fruit from the whole fruit market thereby increasing the average quality and price of Australian fruit, and offers an alternative market for produce and improves the ability of growers to negotiate fair returns.

Besides the significant benefit to growers, cider production brings diversity and stability to the economy. It allows businesses to expand and diversify their operations, for example, many cider producers also own orchards, farms, wineries or breweries. Cideries also offer new sources of employment in regional areas and are increasingly a drawcard for tourists.

¹ IBIS World research.

The cider industry has the potential to follow a similar growth path to the Australian wine industry (which now contributes 2% of Australia's GDP, 8% of the value of exported crops and is ranked 4th in value of wine trade globally²). This potential for expansion and value adding in both domestic and export markets is a significant opportunity and must be recognised and promoted by the Government.

As noted in our April 2014 submission to the Taskforce, continued expansion of the cider industry and its consequent contribution to a stronger agricultural sector in Australia is heavily dependent on reforms in the areas of Competition and regulation, Finance, Business structures and taxation and Accessing international markets.

Key actions advocated by Cider Australia include:

- aligning the definition of cider under food labelling laws with that in Wine Equalisation Tax (WET) legislation and introducing a minimum juice content requirement for cider (re policy idea 9)
- reforming country or origin labelling laws to ensure the origin of the key ingredients is clearly identified (re policy idea 9)
- maintaining a fair and equitable taxation regime for cider (re policy idea 11)
- Government recognition of the cider industry as a viable export industry through research, guidance and assistance on viable export opportunities and markets (re policy idea 24).

Competition and regulation

Definition of cider

Integrity in labelling is crucial for the long term development of the Australian cider industry. Without better information on labels, consumers are missing out on important information that may influence purchasing decisions, and producers are facing reduced incentives to innovate, improve quality and value add. Government intervention is required as important information about ingredients and production methods is not voluntarily provided on the labels of much of the cider sold in Australia.

Cider Australia proposes changes to cider labelling laws to enhance the information provided to consumers and ensure the claims on product labels are meaningful. A fundamental change needed is the adoption of a consistent definition of cider across tax and food standards legislation. Currently, the tax and food standards definitions are markedly different.

The definition of cider and perry (or pear cider) in Standard 2.7.3 of the Australia New Zealand Food Standards Code should be amended to align with the definition of cider under WET legislation, i.e. beverages produced through the full or partial fermentation of the juice or must of apples and/or pears with no added flavourings, colourings or alcohol. This would ensure that a product labelled as 'cider' or 'perry' is consistent with consumer expectations. It is fair to say that most consumers expect cider to be an alcoholic beverage made from fermented apple and/or pear juice, with no added flavourings, colourings or alcohol.

² Winemakers' Federation of Australia submission to the Agricultural Competitiveness Issues Paper, April 2014.

In addition, Cider Australia strongly supports a minimum juice content requirement for cider of 35% of the finished product³, consistent with the approach in the UK and US. A minimum juice requirement has established a minimum standard for quality, ensuring consumers in these markets are able to make informed choices about their cider purchases and facilitating industry development.

Country of origin labelling

Cider Australia supports the recent findings of the House of Representatives Standing Committee on Agriculture and Industry on country of origin labelling for food and calls for the Committee's recommendations to be implemented immediately. Separating claims about the origin of the key or active ingredients from claims about the place of manufacture in the way proposed by the Committee addresses concerns Cider Australia has about the effectiveness of the existing laws.

A stronger definition of cider and clear identification of the origin of 'key ingredients' would significantly narrow the information asymmetry faced by consumers of cider. The key ingredient in the case of cider would be apple or pear juice as it would be reasonable for the consumer to expect when it says 'made in Australia' that the key or 'active' ingredient would be captured in that definition. This is currently not the case as the majority of the cider sold in Australia with a made in Australia designation is derived from imported concentrate, much of which comes from China.

These reforms would level the playing field for local producers and growers by making it easier for producers to differentiate their products and for the Government to cost effectively enforce food and tax regulations. Cider Australia anticipates these changes would assist local growers, cider producers, supply industries and regional communities to diversify operations and generate economic growth.

Finance, business structures and taxation

The cider industry will only continue to assist development and diversification in agricultural communities if there is a fair and well-targeted taxation regime. As noted in our previous submission, cider is a fruit wine with production methods similar to grape wines. Most traditional ciders in Australia are taxed on a similar basis to wine under the WET.

Cider Australia reiterates its support for the WET and the WET rebate scheme, and emphasises that cider produced in Australia should continue to be taxed in a similar manner to Australian wine. Cider Australia's position on the taxation of cider mirrors that of the Winemakers' Federation of Australia with respect to wine.

Cider Australia supports ongoing reform to improve the operation of the WET rebate scheme to support regional communities and maintain the original intent of the scheme, including removing the rebate from bulk and unbranded sales and offering the rebate only to producers in Australia.

³ Includes fresh juice or concentrate reconstituted to the original brix of the juice prior to concentration.

In relation to 'bulk' sales, Cider Australia notes it is common practice within the cider industry to sell branded cider in 30L and 50L kegs. On this basis, it is important that the definition of a bulk sale in this context be a container greater than 51L. WFA has suggested a limit of 25L which reflects practices in the wine industry, but such a low threshold would exclude some cider from the WET rebate scheme even though its production is clearly contributing to regional development.

Cider Australia looks forward to participating in the development of the Government's White Paper on tax reform.

Accessing international markets

The Green Paper identifies that Australia produces 1 per cent of global production and makes mention of the need to focus on premium products. We believe that cider has a significant role to play in value adding to the apple and pear industry through both local and international markets.

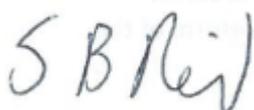
Cider, like wine, is made from fermented fruit and is perceived as a more 'natural' product. The fact that wine exports now make up over \$1.7 billion in sales each year⁴, much of it to the UK, demonstrates that there is a strong and growing market for premium alcoholic beverages.

Cider is growing strongly around the world with annual global growth at 7 per cent (CAGR) between 2005 and 2013⁵. The UK is the world's largest cider market where 13 per cent of all alcohol purchased is cider. The US is the third largest market globally. Cider Australia feels Asia represents an untapped opportunity for cider. Cider is lower in alcohol than wine and easier drinking than beer, and is therefore ideally suited for the region's palates.

We would like to ensure that the cider industry is given the same level of support as the wine industry from an export perspective. The cider should piggyback on the many existing wine industry export forums and trade shows and become an incremental sale for Australia, facilitating sustainable growth in the apple and pear industries.

Thank you for the opportunity to comment on the Green Paper. Please contact Cider Australia Executive Officer, Jane Anderson on 0434 559 759 or office@cideraustralia.org.au if we can assist further.

Yours sincerely



Sam Reid

⁴ Department of Foreign Affairs and Trade

⁵ Euromonitor.

President