



SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED

23 March 2020

COVID 19 impacts on the South Australian wine industry

A survey of SAWIA members commenced on 17 March and closed 20 March 2020. This provides a snapshot of views given the rapid and continuing changes relating to COVID 19.

The survey represents most wine business models including small, medium and large businesses. There was a response from 38 businesses (a strong response given vintage) allowing for a high level of confidence in the sentiments expressed. There is a consistent theme in many of the responses. The majority are starting to see impacts within their business that will need to be addressed if they are to continue to operate with longer term concern regarding profitability.

In summary:

100% of respondents indicated that wine businesses expect corona virus to have a real impact on their business. Such a disruption is expected to adversely affect business operations.

Sales are slowing (both domestic and exports), there are less visitors to cellar doors and this is impacting on revenues.

Cash flow is being impacted but differently for some businesses, and is particularly problematic for high turnover cellar doors. This issue will show a more severe impact in the next months without forward orders.

Export Orders are showing significant decline to having dried up. Export opportunities are very slow in China.

Wine business **opportunities to service domestic and international markets** is mixed with some reporting that with no travel, it is impossible to service the market and those that can provide service, orders are not forthcoming.

The ability to **secure the staff needed for wine businesses** remains balanced for permanent staff but there is a mood that casual employment will contract and reduce. The sentiment for permanent staff will change negatively if children need care and support in the home that would occur if Governments directed schools to close.

Debt Servicing appears on balance to be manageable in the current climate although it is recognised that reductions in cash flow will alter this sentiment.

Profitability will be impacted given that revenue will reduce while fixed costs will not change unless there are specific actions and decisions taken to reduce these costs.

Federal and State Government stimulus packages are very much appreciated. However, one third of respondents did not have a good knowledge about the opportunities for their business.

There is a **huge uncertainty** about what the future holds. The outcomes and results occurring in other countries is no barometer for what could happen in the Australian context.

Vintage is current and continues until at least mid-May. It would be disastrous for a vineyard and or winery not to complete vintage work. A small number of cellar doors are closing or considering closure but this will have a direct cash flow impact on wine businesses.

South Australian Wine Industry Association Incorporated

ABN 43 807 200 928

1st Floor Industry Offices, National Wine Centre, Botanic Road, Adelaide SA 5000

Tel: 61 8 8222 9277 Fax: 61 8 8222 9276 Email: admin@winesa.asn.au Web: www.winesa.asn.au

If an enforced Government lockdown is directed, cellar doors could participate but wineries and vineyards would find it difficult given the on-going work required.

SAWIA's RESPONSE

SAWIA will continue to follow up those members who are looking for greater information about Government stimulus packages.

SAWIA will also seek to provide greater information about responsibilities under legislation covering Work, Health and Safety and Industrial Relations through our dedicated phone service as well as notices to members.

SAWIA will also provide the Survey Summary and Report to Government and other stakeholders to ensure the views, challenges and areas of importance to the wine industry are known and understood.

SURVEY REPORT

Not surprisingly, 100% of respondents indicated that wine businesses expect corona virus to have a real impact on their business.

What is the impact?

Sales

- Slowing down

- Cancelled a number of cellar door related events
- Seeing less cellar door traffic
- Reduced orders / on premise sales
- On and off premise decline in sales
- Direct to consumer – drop in sales

- Cellar door sales have been good for us
- Increase in off-premise and online sales

- Slower export sales – especially China
- Heavily focused on China, shipping stopped completely, importer advised things are starting to move
- Significantly affected, especially exports
- Considering closing cellar door
- Reduced / delayed sales revenue in particular export markets
- Exports have slowed
- Almost no sales to China

Profitability

- Will reduce, but too early to tell
- Significant impact as fixed costs remain with little revenue
- Will impact the longer this goes on

Cash Flow

- Major impact – 60% turnover cellar door
- Tight
- Will go down
- The pressure is on
- Ok for about 2 months, but no forward orders
- Very low export sales since January, cash flow a challenge from now
- Strained
- Severely impacted

- Still strong

Debt Servicing

- Will cope
- Manageable at present
- Bank is understanding
- Temporary facility with Bank

- Servicing difficult due to cashflow
- Communicating with creditors

Export Orders

- Dried up
- Lower
- Reduced especially China
- China completely stalled
- Will slow
- Significant decline – at this point no major trading partners looking to place orders
- Greatly reduced
- Last 2 months have been an issue in China
- Ok except China
- Hopeful with lower fx

Ability to service Domestic and International Markets

- Work to increase domestic and online orders
- Can still do
- Markets not allowing visits
- Will domestic restaurants and liquor stores be open by late next month?
- No travel – no servicing
- Opportunities closing down
- Domestic markets are declining appointments with representatives
- Domestic ok
- Travel restrictions have made this impossible
- Can still service, but they are not ordering
- Shipping may become difficult

Ability to secure the staff needed for your business

- OK with existing permanents but will reduce casuals
- Casuals will be dropped
- A juggling act
- Staff restrictions in place, return from overseas, unable to work
- Retention risk due to falling sales
- Only a problem if schools shutdown

Other

- Perfect Storm – drought, bushfires and coronavirus
- Expect domestic accounts will not be able to pay debt to us
- Uncertainty on business outlook including in staff retention
- Anxious cellar door staff despite protocols in place given visitation - overseas countries
- Need to reduce cost of labour, casual hours need to be reduced greatly.

Visitation to Cellar Doors

- 73% of respondents are seeing a decrease in visitation to their cellar door.
- 13% saw an increase (predominantly well known wine brands).

Businesses directed to close

- 32% of businesses are prepared and ready to close if directed.
- 68% are not

Most of those not ready, are still 6-8weeks away from concluding vintage. Vintage work will need to carry on if a closure occurs within this period, wineries will need to be exempted, cellar doors could close if needed / directed.

Shutdown of winery and vineyards would be disastrous.

There is a real worry for businesses closing parts of their business how they will pay the wages bill.

Some cellar doors are already closed or are closing soon.

Concerns with possibility of closure

- Loss of cashflow, zero!
- Impact will flow through cellar door / restaurants and liquor stores
- Profitability will suffer
- Distributors may not pay their bills to us
- Paying wages to permanents, what about the casuals?
- Loss of productivity
- Payroll and bills still need to be paid if no-one is at work, staff can't pay their bills if not working
- Vintage – much work to do, need to protect grapes / wine what we have left
- Vineyard will be damaged there remains much work to be done for next crop
- Sales, direct sales through cellar door
- Casuals loss of employment
- Loss or down grade of fruit if we can't pick / process
- How do we get the confidence back?

Good knowledge of State and Federal Government stimulus packages and how it applies to my business

- 68% thought they had a good knowledge of the opportunities
- 32% did not

Three most important things Government can do to help business deal with the crisis

- Assistance and support to maintain valuable staff
 - Casuals who have shifts cancelled
 - Pay wages to those who have to take unpaid leave
 - Fund wages for those in isolation
 - Rebates for payment of salaries
- Cash flow and debt support
- Stimulus to increase consumer spending in the domestic market
- Ensure freight and delivery logistics continue to supply consumables to regions
- Tax measures
 - Cut provisional tax (in expectation of decreased earnings)
 - Payroll tax relief
 - WET increase \$350k-\$500k for 12 months
 - Tax incentives
 - GST relief
 - Defer tax liabilities
- Hold off major changes where there are added and substantial costs
 - Pregnancy labelling
- Refunds for flights not able to be used
- When it passes:
 - incentives to get back into the market
 - travel local campaign
 - financial support for recovery
 - export grants to reignite sales

- recognition of the travel costs to get back to market
 - be ready to assist industry
- Allow staff to access Centrelink immediately in case of stand downs
- Interest free loans to cover bills
- Income support for businesses whose sales have deteriorated
- Guarantee debt
- New tourism campaign to visit wine regions
- Sole trader small business incentives / assistance
- Banks
 - to provide short term loans / overdrafts
 - to defer interest payments
 - assistance for mortgage holders
- Local Government – to defer or reduce council rates
- Government
 - Make hard decisions early to allow maximum input and maximum lead in time
 - More consistent messaging
 - Be candid, allow us to make plans
 - Ensure availability of test kits
 - Address how this is impacting on regions, not just cities
 - Give us plenty of time to plan, don't say something Friday to start Monday

Best way for SAWIA support in the current environment

- Keep providing valuable and timely information
- Lobby governments and banks
- Updates on HR and WHS
- Updates on offers such as stimulus and how to access
- Good advice
- To ensure we are not shut down before vintage finishes

Responsibilities under Work, Health and Safety laws

- 73% of respondents were familiar with WHS laws and its impact on staff, contractors, visitors and working from home.
- 27% were not familiar.

Responsibilities under Industrial Relations laws

- 68% of respondents knew about the impact of leave, reduced working hours, redundancies and other scenarios
- 32% needed to know more information about how the crisis impacts on their business.

Vintage conclusion

Most respondents indicated vintage would be finished by mid to late April given that red grapes are the dominant variety in South Australia but some are working until mid-May.

Any other information?

- Next few weeks are critical for us, vintage and to gauge customer support
- Another survey will be needed as things are evolving rapidly
- Additional workload trying to get refunds from travel / accommodation bookings
- Closing cellar door is equally about managing staff health risks as lack of visitation
- Concerned for casuals who live from week to week
- The impact is already significant and expected to get worse.
- Please hit the 2020 reset button.