# Wine glut ends - time for tax reform

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The final barrier to the introduction of wine tax reform has been exposed as a fiction with an independent analysis of the country’s wine oversupply finding the wine glut is coming to an end.

The findings increase pressure on the Government to replace the highly criticized Wine Equalisation Tax (WET) with a volumetric tax rate, and come as the Commonwealth examines the merits of an alcohol floor price and alcohol tax reform.

Produced by the Foundation for Alcohol Research and Education (FARE), the analysis of the oversupply of wine in Australia uses six indicators including stock to forward sales ratios, and projected stock to forward sales ratios, to assess the extent of the wine glut.

The stock to forward ratio represents the actual stock available in one year against sales made in the year after. In 2010-11 the ratio was 1.4, very close to the ideal ratio of 1.36 and by 2013-14 the figure is expected to be below this ratio.

The report relies heavily on the Government’s own independent expert analysis from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) and the Australian Bureau of Statistics (ABS). FARE Chief Executive Michael Thorn says that by all objective measures the wine glut is over.

“The Henry Review and seven separate reviews before it have all recommended reforming the Wine Equalisation Tax. In ignoring those recommendations, the Government has long stated that it would ‘not change alcohol tax in the middle of a wine glut’. Well, the wine glut is now over and Treasurer Swan is all out of excuses,” Mr Thorn said.

Michael Thorn says the report also makes clear that three decades of Government intervention in the wine industry including wine pulls in the ‘80’s and vine plant schemes in the 90’s has been more of a hindrance than a help.

“The WET is a bad tax that simply encourages the production of cheap wine, which is by far the cheapest alcohol available in Australia. The end result is a market flooded with alcohol sold as cheaply as $2 a bottle. This is not good for the economy, it’s not good for our health and it’s not even good for the wine industry. Just this week we saw two of the world's leading wine critics, British wine writer Jamie Goode and US wine expert James Suckling urging Australian winemakers to let foreign drinkers know they can make more than cheap plonk1 ,” Mr Thorn said.

Mr Thorn says the report findings will be of particular interest to the Australian National Preventative Health Agency (ANPHA) which will shortly make a recommendation to the Commonwealth Government on the merits of a minimum floor price for alcohol and tax reform.

“With the wine glut at an end, ANPHA can make a recommendation to Government that would reduce the harms of alcohol misuse, by taxing wine based on its alcohol content. Replacing the WET with volumetric alcohol tax is a simple tax reform that would help change the drinking culture and reduce the burden of alcohol-related harms on the Australian community. At a time when the Government is again considering its budget options, such a move would raise up to $1.5 billion in revenue,” Mr Thorn said.

1Export Push for our top drops, The Australian, page 19, 15 October 2012

[view the report](https://www.fare.org.au/the-wine-glut-an-analysis-of-the-oversupply-of-wine-in-australia-and-progress-of-the-voluntary-industry-restructure/)

### Metadata