

Cider Australia AGM

17 May 2018

Batlow RSL, Mayday Rd, BATLOW, NSW

DRAFT Minutes of Meeting

Meeting opened at 2:20pm

Introduction and Welcome by Sam Reid, President of Cider Australia (CA).

Sam welcomed attendees to the AGM, noting that there are many positive outcomes to report on at this meeting.

Approval of AGM Minutes

Attendees approved the Minutes of the 2017 AGM held on 3 April 2017.

Sam Reid noted that labelling integrity was an agreed priority at the last AGM but that the development of a new cider standard is now on the backburner. The 100% Australian Apples Certification is seen as a more effective way to achieve gains for the industry.

Jane noted that work is continuing on the development of a standalone cider standard (that will tighten up the current FSANZ definition of cider) but that resource constraints mean it is not a priority at this time.

Committee Report

Priorities

Sam Reid reported on key activities over the past year:

- The rollout of the craft cider segmentation through Dan Murphy's is underway and this is a significant step for craft cider.
- The WET reforms being rolled out this year are a significant win for the craft cider sector with the a smaller than proposed WET rebate reduction (cut to \$350,000 per year rather than \$270,000), the inclusion of cider in kegs up to 51L, and new ownership rules which effectively eliminate cider made from imported concentrate.
- The \$500,000 Cider Program under the Export and Regional Wine Support Package (ERWSP) is well underway. Invited guests from Wine Australia and Guy Taylor/Ali Brennan will discuss progress in more detail later.
- After a series of discussions with research and development bodies including Horticulture Innovation Australia, the Rural Industries Research & Development Corporation (RIRDC) and Wine Australia, Cider Australia has found a 'home' with Horticulture Innovation. Cider is referenced in Horticulture Innovation's Strategic Investment Plan for Apples and Pears. Following discussions with John Harvey from RIRDC, Cider Australia put together a 1 page Category Strategy setting out the organisation's 10 year growth objectives and the activities that will support achievement of this strategy. Sam to discuss this in more detail later.
- Cider Australia has secured funding to develop a certification scheme for cider made from

100% Australian fruit. This will support the Australian Craft Cider Brand Proposition which is being developed under the ERWSP Cider Program.

Further discussion on the ERWSP and 100% Australian Apples Certification will be held off until general business.

Australian Cider Festival

The Festival was postponed in 2017 due to financial risk as we did not secure a festival sponsor.

Members agreed to move the Festival to Sydney in 2018 with the following format:

- Richard Feyn from Sydney Brewery to lead organisation. Jo and Glenn Fahey have volunteered to assist.
- Sydney Brewery/Mercure Sydney to be major sponsor (in-kind support – including room hire FOC)
- Festival to be held on Saturday 6 October 2018 from 12-6pm
- Venue is the Mercure Sydney on George Street next to Central Station, which is an all-weather venue
- Same format as 2017 festival with approx. 30 stallholders, \$35 earlybird/\$45 entry including free tastings, beer and cider matched food available, master classes and live entertainment.
- Conservative projections assuming \$23k ticket revenue (650 @\$35), \$12k stallholder fees, \$10k on marketing (which is substantial) and around \$12k to Mercure to cover staffing and entertainment etc, indicate a \$10k profit.

The 2018 Australian Awards Dinner will be held at the same venue, along with the Cider Producers Forum hosted by international guest judge Eric West, and the ERWSP Australian Craft Cider Brand Proposition launch and embedding sessions.

Australian Cider Awards

The 2017 Awards were very successful with a 25% jump in entries (to 250), a 44% jump in entries of traditional dry cider, a doubling of experimental entries and strong growth in spirits entries. There were more medals awarded than in 2016 with a large increase in the number of silver medals.

The 2018 Awards will open for entries on 1 June and close on 31 August. Judging will take place on at the William Angliss Institute in Melbourne for the fourth year running. The 2018 Style Guide has been finalised and will soon be published on Cider Australia's website. Key changes are:

- 1 new class – low alcohol cider (1.15-3.5% ABV)
- The Medium cider and perry classes will be split into Medium (~9-25g/L sugar) and Medium Sweet (~25-40g/L sugar) reflecting the large number of products in this sweetness range.
- The spirits class will be split into non-aged and aged classes.

The introduction of new entry software (AWRI's Show Runner) has been postponed as the AWRI was unable to carry out development work in time.

Split panels will be utilised for all classes for the first time this year to accommodate the large number of entries. Previously only the largest class – 2A New World Medium Cider – was judged by two panels with the Chair of Judges overseeing both panels.

Eric West from the US is this year's guest judge. He runs the CiderGuide.com website and is the organiser of GLINTCAP, the largest cider competition in the world. Eric will run two education sessions – a Master Class on US Cider Styles in Melbourne on the evening of Monday 24 September (TBC) and a Cider Producers Forum on GLINTCAP on the morning of Saturday 6 October (TBC). Eric will travel around several Australian cider regions and any offers to host him would be greatly appreciated (please contact office@cideraustralia.org.au).

The 2018 Awards Presentation Dinner will be held at the Mercure Sydney the night before the Festival. An accommodation special will be available to attendees of the Dinner and Festival stallholders. Details will be sent out soon.

Policy, Lobbying and Technical

There were no major Government reviews this year. Cider Australia commented on Container Deposit Schemes and the tax treatment of Little Fat Lamb, and a minor submission on energy labelling on alcohol. Cider Australia's focus was predominantly on developing and implementing its Category Strategy and the ERWSP Cider Program.

There was ongoing engagement with Federal and State Governments on taxation and other issues, Wine Australia and the Winemakers' Federation of Australia on the ERWSP, research and development bodies, the ATO Stakeholder Group and statistics organisations.

Cider Australia will join the new Alcohol Beverage Sector Consultation Group, a FSANZ initiative, which will meet for the first time in July. The establishment of this group is encouraging as it has been particularly challenging to engage with governments on food standards.

Sam reported back on concerns raised at the Cider Industry Forum in October 2017 about the ATO's deeming of water as a source product in cider production, as this could leave the door open for imported concentrate use. Minister Ruston's Office and the ATO have separately confirmed that in practice water will not be considered a 'deemed' source product. As there is no water limit specified in the legislation, the ATO as policy implementer (rather than policy maker) cannot institute its own limit. However the ATO believes 'deemed' source products are additives, not water, and will keep an eye on this issue.

Research Collaboration

Sam reported on Cider Australia's quest to find a home within a Research & Development Corporation. Cider and perry now feature in Horticulture Innovation's Strategic Investment Plan for Apples & Pears which is a significant development. The 100% Australian Apples Certification project, to be discussed later, is one strategy to help achieve positive outcomes for the apple and pear industry.

As noted earlier, discussions with John Harvey from RIRDC led Cider Australia to put together a 1 page Category Strategy (Attachment A) setting out the organisation's 10 year growth objectives and the activities that will support achievement of this strategy.

The vision in this Strategy is to grow the Australian Craft Cider Category to \$1 billion (from approx. 10% to 30% of the category) by 2025. Some of the activities needed to get us there are underway, however others are unfunded, such as value chain analysis which is needed to demonstrate that the cider industry 'investable'.

Sam noted that an overarching R&D strategy is needed to deliver the research elements of the Category Strategy, which has led to discussions between research organisations across Australia and collaboration on an “Australian Cider Research and Development Group (ACRAD)”. A meeting was held this morning in Wagga Wagga and key elements of this Group were discussed.

ACRAD would be an R&D program with disparate nodes or hubs, rather than a physical centre. It would link all of the disparate activities happening in cider R&D across Australia and touch everything along the Value Chain from Variety selection to Marketing / Export. It would be guided by a strategy and be led by and respond to Industry needs, focusing on the activities which are likely to make the largest impact to the Industry.

It is proposed ACRAD be governed by a Research Advisory Group including several institutions (led by the University of Tasmania) and an Industry Advisory Group (led by Cider Australia) with five programs:

- Program 1: Value Chain Analysis
- Program 2: Production /Growing Systems
- Program 3: Provenance /Regionality
- Program 4: Genetics /Perfect Cider apple (description needs refining)
- Program 5: Fermentation science

There are many potential funding sources – Government/RDCs, industry, Food Innovation Australia, venture capital – and this may be different across programs. The next step is for the research group responsible for each program to bring back a project outline and take this to the next meeting of the Apple and Pear Strategic Investment Advisory Panel (Horticulture Innovation) in Brisbane next month.

Peter Mitchell commented that long term contracts really changed things in the UK and that this could also help investment in the Australian cider industry. Sam noted that value chain analysis will be an important precursor to long term contracts.

In relation to program 4, it was noted that research on which apples grow best in which regions and suitable low chill varieties would be useful.

Financial Report – Shane McLaughlin

Shane McLaughlin, Treasurer of CA presented the Financial Reports for 2017 (Attachment B). The accounts show a \$3,464.87 profit in 2017 which is a good result for a not-for-profit. The cost of an increase in the EO’s salary was offset by savings from postponing the Festival and keeping other expenses in check.

An analysis of cashflow to year end shows a slight shortfall in May/June (as occurred in 2017) which is manageable.

We are projecting a profit of \$16k in 2018-19, assuming we expand membership, achieve the planned Festival budget and keep other expenditure constant.

There are currently 68 Full and 16 Associate members (including sponsors) paid up for 2017-18. Membership revenue is now around \$25k compared to around \$22k in 2016. Sponsorship revenue was \$29k in 2017, up slightly from \$27.5k in 2016.

Election of Office Bearers

All positions were declared vacant and Jane Anderson conducted the annual election.

President: Sam Reid was nominated (1 Shane McLaughlin, 2 Jo Fahey), and as the only nominee was declared elected.

Vice-President: Warwick Billings was nominated (1 Shane McLaughlin, 2 Sam Reid), and was elected.

Vice-President: Nyall Condon was nominated (1 Shane McLaughlin, 2 Sam Reid), and was elected.

Treasurer: Shane McLaughlin was nominated (1 Glenn Fahey, 2 Warwick Billings), and as the only nominee was declared elected.

Secretary: Gus Kelly was nominated (1 Warwick Billings, 2 Nyall Condon), and as the only nominee was declared elected.

Category Development: Ben Clifton was nominated (1 Warwick Billings, 2 Sam Reid), and as the only nominee was declared elected.

Digital & Website Manager: Mark Ellis was nominated (1 Sam Reid, 2 Warwick Billings), and as the only nominee was declared elected.

The Executive will review the current working groups and responsibilities given the changing work priorities. Current groups are:

- CATEGORY DEVELOPMENT
- CONSUMER LABELLING
- CIDER FESTIVAL
- AWARDS
- POLICY, LOBBYING & TECHNICAL

James Kendell offered to assist with the Category Development work.

Other business

Trade Practices Compliance

Jane reminded attendees that under trade practices laws, anti-competitive behaviour is illegal. As such, producers must not discuss pricing, terms of trading, sales strategy or production with their competitors, or agree to collude or boycott.

Members noted the importance of complying with trade practices laws and agreed to abide by the Trade Practices Compliance Notice (Attachment C). These will be circulated ahead of each meeting of Cider Australia and agreement to these principles minuted at the start of each meeting.

Cider Australia Tax Position

Jane noted that Cider Australia's current statement on cider taxation pre-dates reforms to the WET rebate and needs revising. Members endorsed the following updated position on cider taxation:

Cider Australia does not support any changes to the alcohol tax system while recent significant reforms to the WET producer rebate work their way through the system.

In line with these reforms, we believe that only cider and perry made from 100% Australian apple and pear juice should be eligible for the producer rebate given its production directly

benefits rural and regional Australia.

We support all boutique and craft alcohol producers in Australia and policies that reduce the burden of taxation on them.

We also support the responsible consumption and marketing of alcoholic beverages and initiatives that aim to reduce alcohol-related harm.

This statement will be posted on the Cider Australia website and used in response to any questions from the media or others.

Proposed Increase in Membership Fees

Sam reported that Cider Australia needs to raise more revenue to fund its current activities, such as the 100% Australian Apples trust mark which will be of value to members. We have not raised fees for 3 years. We have discussed implementing a levy on cider production to fund R&D activities, however this would create a lot of administrative burden and at this time it is simpler to fund activities directly from Member contributions.

The Treasurer noted that the need for a fee increase was discussed at the AGM last year.

Members voted unanimously to increase Cider Australia's annual membership fees as per the attached table, effective for the 2018-19 membership year, and to introduce a new 'State' subcategory of membership.

Category	Subcategory	Annual production (litres)	Current Fee (\$) ex GST	Proposed New Fee (\$) ex GST
Full	Nano	0-9,999	200	250
	Micro	10,000 - 49,999	300	350
	Local	50,000 - 249,999	600	800
	Regional	250,000 – 999,999	1,200	1,600 (250,000–499,999L)
	(State)			2,200 (500,000–999,999L)
	Large	1,000,000 - 4,999,999	2,500	3,500
	National	Above 5,000,000	6,000	10,000
	Contract	n/a	300	350
Associate	n/a	n/a	300	350
Individual	n/a	n/a	n/a	n/a

Export & Regional Wine Support Package

Brett Murphy from Wine Australia, the Program Manager for the ERWSP, presented on the package and progress to date. Brett noted that:

- The package is an Australian Government commitment of \$50 million over four years (2017-20) as part of WET rebate reforms that aims to grow wine and cider exports, and

attract more international visitors to our wine regions.

- There are four programs within the \$50m Package – China and USA marketing (\$32.5m), Capability development (\$2m), Grants (\$11m) and Transforming cider businesses (\$0.5m). While the cider program is relatively small, it is expected to have a very significant outcomes.
- Cider producers will be welcome to access the capability development resources (education programs and toolkits to improve the capability of wine and cider businesses to capture export opportunities and develop wine tourism products and services).
- ‘Transforming cider businesses’ is a \$500,000 plan to market Australian craft cider (made from 100% Australian grown fruit) overseas. The program will:
 - Build a thorough understanding of 3-5 potential export markets (including China and USA) for Australian cider
 - A compelling brand proposition and Go-to-Market strategy that can be leveraged by Australian cider producers
 - A ‘toolkit’ to help producers navigate prospective export markets and the rules and complexities associated with exporting to those markets
- Collaboration on this project is through a Joint Cider Committee, the Cider Australia Executive, a Cider Australia Advisory Group chaired by Richard Feyn (Sydney Cider) with 7 producer reps from Victoria, NSW, SA and Tasmania, and input from all members.
- Success will be measured through the following outcomes:
 - Take up of the brand and strategy by 75 per cent of the members of Cider Australia
 - Increase number of producers exporting from 7 to 20
 - Increase export revenue from \$16.5m to \$20m by 2019–20.
- We are a couple of months into developing the brand proposition, and Guy Taylor has been engaged by Wine Australia and Cider Australia to undertake this project.

Brett introduced Guy Taylor who discussed the Brand Proposition for Australian Craft Cider.

Brand Proposition

Guy noted that having a ‘brand’ will help create value for the cider industry. Branding (or a codified message/unity of purpose) are becoming more important as the world is ‘noisy’ and people are overloaded with information. Importantly, brands evolve over time and this will also apply to the Australian Craft Cider brand. We will need to continually reiterate.

To develop the Brand Proposition, Guy will be conducting interviews with as many producers as possible, then building a ‘narrative’ which will be tested with producers in a series of workshops. A tool will then be developed that can be used by producers and embedding workshops held to ensure producers know how to use the tool.

Interviews have been held with a number of Tasmanian and Victorian producers, with WA next week and further interviews with SA producers at the end of June and NSW at the end of July.

100% Australian Apples Certification

Sam reported that Horticulture Innovation funding of \$50k has been secured to develop a certification scheme for cider made from 100% Australian Apples. This is an integral part of the Australian Craft Cider Strategy and links strongly to the Brand Proposition and broader ERWSP work. Certification will help define segmentation of the cider category in store. Use of a logo or trust mark could help the Australian craft cider segment, currently 10% or less of the cider category, to reach the target of 30% in 5 years.

The certification scheme will have a logo, along the lines of the 100% Aussie Apples logo that has been shown previously. The logo design is yet to be finalised.

The intention is that the certification scheme would initially apply to cider made from 100% Australian juice – note that this DOES NOT mean the cider contains 100% juice (ie it may contain water and/or sugar), nor that the cider contains 100% fresh juice (ie it may contain concentrate).

There was extensive discussion about the pros and cons of starting with this simple and broad approach, rather than seeking to narrow down the range of eligible products by excluding ciders with added concentrate, sugar and water. Sam noted that greater use of the certification would drive consumer awareness and help to define the Australian craft cider segment, and therefore keeping eligibility open to larger players could be of great benefit at this early stage. Sam noted that in the future, Cider Australia will consider a second certification with more stringent criteria.

Peter Mitchell noted that there have been similar discussions in the UK for the past 30 years, and the issue may be use of the term 'craft'. It was agreed that the Certification should relate to "AUSTRALIAN CIDER" which contains "100% AUSTRALIAN APPLES".

In relation to the logo, Guy Taylor noted that this must align with the Brand Proposition as effective visual messaging is crucial, particularly when budgets are small. The current Aussie Apples artwork may not suit the brand and to ensure we get this right, the two projects must be developed in tandem.

Cider Australia does not have a marketing budget to educate consumers about the Certification so the key will be collaboration, and everyone doing their bit to push a consistent message. Sam noted that we may look to avenues such as The Checkout, which recently ran a story on the Independent Brewers Association trust mark.

Sam Reid closed the meeting at 5:57pm

Attendees

Sam Reid	Willie Smith's (President of Cider Australia)
Jane Anderson	Executive Officer, Cider Australia
Nyall Condon	Flying Brick Cider Co (Vice President of Cider Australia)
Warwick Billings	LOBO Cider (Vice President of Cider Australia)
Shane McLaughlin	Hillbilly Cider (Treasurer of Cider Australia)
Gus Kelly	Kelly Bros Cider (Secretary of Cider Australia)
Mark Ellis	Pobblebonk Ciderworks (Digital Manager, Cider Australia)
James Kendell	Small Acres Cyder
Douglas Inwood	3 Sons Cider
Michael Redman	Sidewood
Melissa Fettle	Winemaking Tasmania
Richard Feyn	Sydney Cider
Nathan Harvey	Sydney Cider
David Pickering	CiderOz
Kevin Dodds	Batlow CiderFest/NSW DPI
Lisa Morey	Cheeky Grog Co

Jack O'Sullivan	Cheeky Grog Co
Rich Coombes	Batlow Cider Co
Ron Miller	Jolly Miller Cider
Glenn Fahey	Darkes Cider
Jo Fahey	Darkes Cider
Graham Jones	Kangaroo Island Ciders
Mary Jones	Kangaroo Island Ciders
Nathan Silm	Cedar Creek Cider

Invited guests

Brett Murphy	Wine Australia
Amelia Harris	Wine Australia
Guy Taylor	ERWSP Brand Proposition Project
Ali Brennan	ERWSP Brand Proposition Project
Peter Mitchell	Cider & Perry Academy, UK
Elizabeth Pietrzykowski	Tasmanian Institute of Agriculture

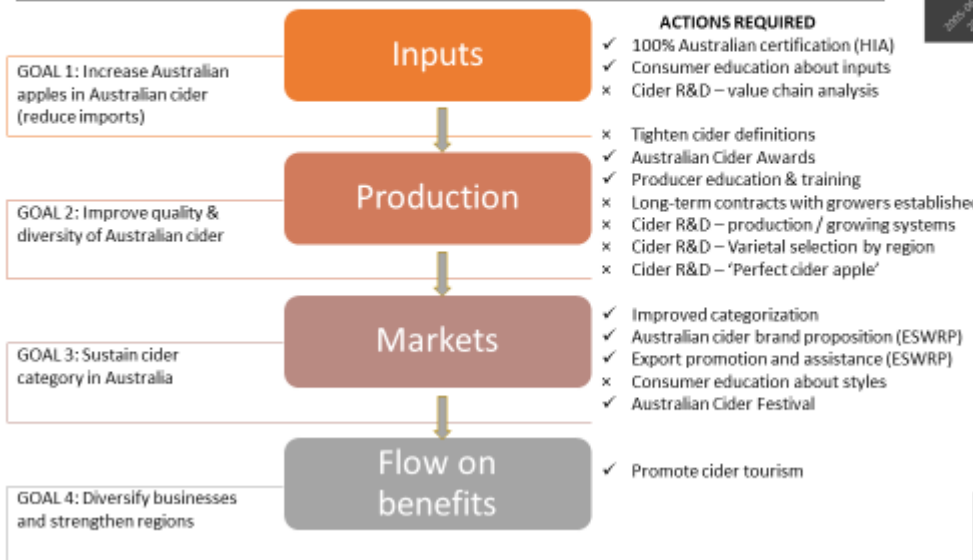
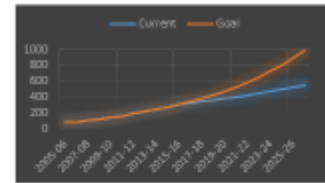
Apologies

Grahame Nelson	Black Pig Cyder Co
Caroline Brown	Brady's Lookout Cider
Ben Clifton	Beechworth Cider
Bernadette Russo	Summer Snow Juice
Jon Baxter	Napoleone Cider
Corey Baker	Red Brick Road Cider
Karina Dambergs	Red Brick Road Cider
Jenny Morey	Cheeky Grog Co
Mark Morey	Cheeky Grog Co
Rhondda Nicholas	Pomologist Cider
Ray Billings	Batlow CiderFest

Attachment A: Cider Australia’s Category Strategy

Cider Australia – Category Strategy

VISION: Australian cider industry revenue \$1B in 10 years
 (Vs \$600m current trajectory)



Attachment B: Financial Statements

Profit & Loss Cider Australia 1 January 2017 to 31 December 2017

31 Dec 17

Income	
Entry Fee - Awards Dinner	\$8,713.59
Entry Fee - Cider Awards	\$16,001.44
Entry Fee - Masterclass	\$90.91
Entry Fee - Producer Forum	\$399.99
Interest Income	\$12.51
Memberships	\$25,068.18
Sponsorship	\$28,954.55
Total Income	\$79,241.17
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Gross Profit	\$79,241.17
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Less Operating Expenses	
Advertising/Marketing	\$779.79
Awards Collateral	\$5,312.93
Bank Fees	\$652.73
Catering	\$11,674.19
Entertainment for festivals/Award	\$500.00
Equipment hire/purchase	\$3,259.83
Festival Collateral	\$107.25
Filling Fees	\$44.18
Freight & Courier	\$398.67
Insurance	\$1,571.52
Office Expenses	\$1,097.30
PayPal Fees	\$503.70
Photography	\$559.09
Subscriptions	\$1,116.06
Superannuation	\$3,173.62
Telephone & Internet	\$70.82
Travel/Accommodation - National	\$9,707.46
Venue Hire	\$1,320.48
Wages and Salaries	\$33,406.68
Website	\$520.00
Total Operating Expenses	\$75,776.30
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Net Profit	\$3,464.87

Balance Sheet
Cider Australia
As at 31 December 2017

31 Dec 2017

Assets

Bank	
Cider Aust Paypal	\$1,964.39
Cider Australia	\$8,402.21
Total Bank	\$10,366.60
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Current Assets	
Accounts Receivable	\$11,410.61
Total Current Assets	\$11,410.61
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Total Assets	\$21,777.21

Liabilities

Current Liabilities	
GST	\$209.12
Historical Adjustment	\$29,504.39
PAYG Withholdings Payable	\$1,429.73
Rounding	\$0.01
Superannuation Payable	\$1,023.05
Total Current Liabilities	\$32,166.30
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Total Liabilities	\$32,166.30

Net Assets	-\$10,389.09
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Equity	
Current Year Earnings	-\$3,250.49
Retained Earnings	-\$7,138.60
Total Equity	-\$10,389.09

Attachment C: Trade Practices Compliance Notice

Participants in Cider Australia's Executive Committee, Sub Committees and Working Groups, forums or Meetings must always remember that the purpose of these groups is to enhance the ability of all industry members to compete more efficiently and effectively to provide better value for the customer or end user.

The activity of Cider Australia almost always involves the cooperation of competitors, therefore great care must be taken to assure compliance with trade practice laws in Australia and in other jurisdictions (including the Australian Consumer Law and the *Competition and Consumer Act 2010*).

These guidelines should be circulated with the papers for each meeting. Agreement to these principles should be minuted at the start of each meeting.

AGREEMENT TO COMPLY:

Each attendee and companies represented are under obligations not to reduce competition and agree to abide by this in all activities involving Cider Australia.

SPECIFICALLY, THE FOLLOWING PRACTICES ARE PROHIBITED:

- restrictive trade practices such as colluding with competitors;
- cartel conduct:
 - **price fixing:** agreeing to fix, signal, maintain or control prices;
 - **market sharing:** agreeing to allocate customers, suppliers or territories;
 - **restricting output:** agreeing to restrict, prevent or limit output in a production or supply chain; or
 - **bid rigging:** agreeing which parties will respond to a tender and/or the price they will bid.

GROUND RULES:

1. Matters which must not be discussed:

- Pricing – actual prices (past, present and proposed, whether or not published); pricing policy; margins; price levels; price differentials; price changes; and all other aspects of pricing.
- Terms and conditions of trading – discounts and rebates; discount policy; delivery terms; credit terms; any other aspect of individual trading policy.
- Sales/strategy – sales by volume or value of individual companies; market shares; marketing plans; advertising budgets or strategy; new product launches or withdrawal.
- Production – actual and future capacity; stocks of individual companies; plans for increasing or reducing capacity; costs of production.

2. Practices which are prohibited:

- Collusion – any agreements (express or implied, formal or informal) understandings or cooperation on pricing or other terms.
- Boycotts, embargoes or refusals to deal with customers or suppliers; allocations of markets or customers; limitation of production.

3. Matters which can be discussed

- Issues affecting the industry – general tax issues; health safety or environmental issues; government policy.
- Publicly available data or aggregated data in order to assess the state of the industry –Nielsen data; anonymised or aggregated data which does not reveal the position of individual companies.

4. Essential safeguards:

- Agenda circulated in advance for each meeting.
- Take legal advice on any proposed initiatives.
- Minutes of each meeting recorded.
- Leave the meeting if any of the above matters are discussed or practices contemplated and ask for the minutes to reflect that you have left.

BREACH OF THE COMPETITION LAWS IS ILLEGAL:

- Restrictive trade practices and cartel conduct behaviour is illegal.
- No exceptions (these prohibitions apply regardless of market share).
- Breach exposes the company to significant fines. In addition it may expose individuals to criminal penalties and expose us and our companies to damages claims by third parties.