

Wine
Australia
for
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Wine

Export Report

12 months to 31 December 2021

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Executive summary

- Total value and volume of Australian wine exports declined significantly in the year ended December 2021 with results showing a 30 per cent decrease in value to \$2.03 billion and a 17 per cent decrease in volume to 619 million litres.
- The export figures are reflective of the unprecedentedly tough market conditions over the past 12 months as a result of the imposition of high deposit tariffs on bottled Australian wine imported to China, the continuing impact of the global freight crisis, and a counter-swing in some markets after COVID-19 related stockpiling in 2020.
- Exports excluding mainland China increased by 7 per cent in value to \$2 billion and decreased by 6 per cent in volume to 613 million litres. The largest drivers of the increase in value were Singapore, Hong Kong, South Korea, Taiwan and Thailand.
- Although exports above \$10 per litre declined by 44 per cent overall owing to decreasing exports to mainland China, value in this segment grew by 49 per cent when excluding China, to 59 destinations (out of 92 receiving exports in this price segment), including Singapore, Hong Kong, South Korea, Taiwan, and the United Kingdom.
- Although there was an overall decline of 7 per cent in value and 8 per cent in volume in exports to the United States of America as a result of significant decline in exports in the below \$5 per litre category, there was strong growth above \$10 per litre resulting in the highest value in this price segment in the market since November 2009.

Overview

In the year ended December 2021, Australian wine exports decreased by 30 per cent in value to \$2.03 billion and 17 per cent in volume to 619 million litres (69 million 9-litre case equivalents). This resulted in a 15 per cent drop in average value to \$3.27 per litre.

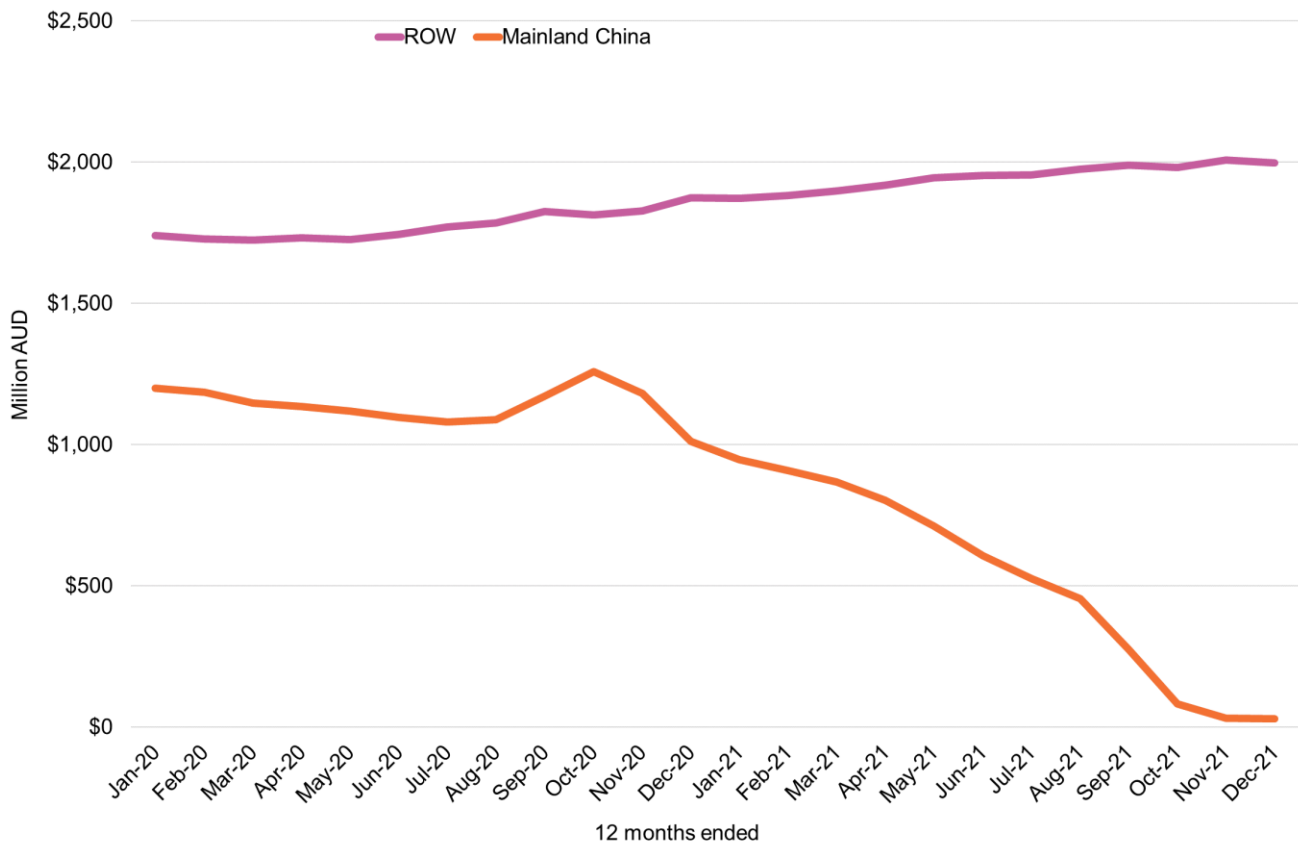
The biggest driver of the decline was the reduction in exports to mainland China, following the imposition of import tariffs on Australian packaged wine in November 2020. As such, the 2021 calendar year represents the first full 12-month period since the tariffs were imposed and the impact can now be observed in full. Exports to mainland China declined by 97 per cent in value to \$29 million and by 93 per cent in volume to 6.4 million litres, a loss of nearly \$1 billion in value and 90 million litres in volume, when comparing to the 2020 calendar year where shipments were free from tariffs for most of the year.

The 2021 calendar year represents the first full 12-month period since deposit tariffs on Australian wine imported to China were imposed and the global impact of the challenging operating environment can now be observed in full. Because the export figures are compared to the prior 12-months, the impacts of the deposit tariffs will continue to be evident in comparing year-on-year data until the end of 2022.

Exports excluding mainland China increased by 7 per cent in value to \$2 billion and decreased by 6 per cent in volume to 613 million litres. This is the first time that exports excluding mainland China have reached \$2 billion for a calendar year since 2009. The largest drivers of the increase in value were Singapore, Hong Kong, South Korea, Taiwan and Thailand. The decrease in volume, aside from mainland China, was felt mostly in shipments to the United Kingdom (UK), United States of America (US) and Canada, where export volumes surged in 2020 due to COVID-19 induced stockpiling in the off-trade and are now normalising. The pandemic is still disrupting global markets, and while there is export growth to many destinations, it will take some time to offset the loss in trade to mainland China.

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Figure 1: Export value, mainland China versus rest of world



The 619 million litres shipped in total for the 2021 calendar year represents the lowest volume shipped in a 12-month period since the year ended September 2004. Aside from the loss of shipments to mainland China, the significant drop in volume can also be attributed to low inventory at the start of the year after three small vintages and delays in getting the large 2021 vintage onto ships due to the ongoing global freight crisis.

The crisis in global transportation emerged in the second half of 2021, hampering exporters' ability to get wine into markets – particularly in the US and Europe. The combination of a fundamental shortage of container ships and a sudden and strong rebound in global demand driven by the US and China – compounded by COVID-19 related labour shortages, industrial action and other factors – have led to port congestion, worst ever schedule reliability and increased costs that escalated and snowballed between August and December 2021. For example, in October 2021 the global average for delayed ships was between 7 and 8 days late, compared to around 4 days in 2019. Costs of freight (when ships are available) have also substantially increased. The World Container Index assessed by Drewry indicates that container costs have nearly doubled during 2021, from just under \$5,000 per 40-foot container in December 2020, to nearly \$10,000 in December 2021¹. Making this even worse for Australian exporters is that Australia represents only 1 per cent of global container throughput, putting them at the mercy of much bigger players in the marketplace². Industry experts such as Hillebrand and Flinders Port Holdings do not expect these issues to be resolved before the end of 2022.

In the 2021 calendar year, 201 million litres of 2021 vintage wine was shipped. This is about 10 per cent less than the 2017, 2018, and 2020 vintages at the same time in their respective years, and 7 per cent ahead of where the 2019 vintage was at this stage. Figure 2 also illustrates the relatively

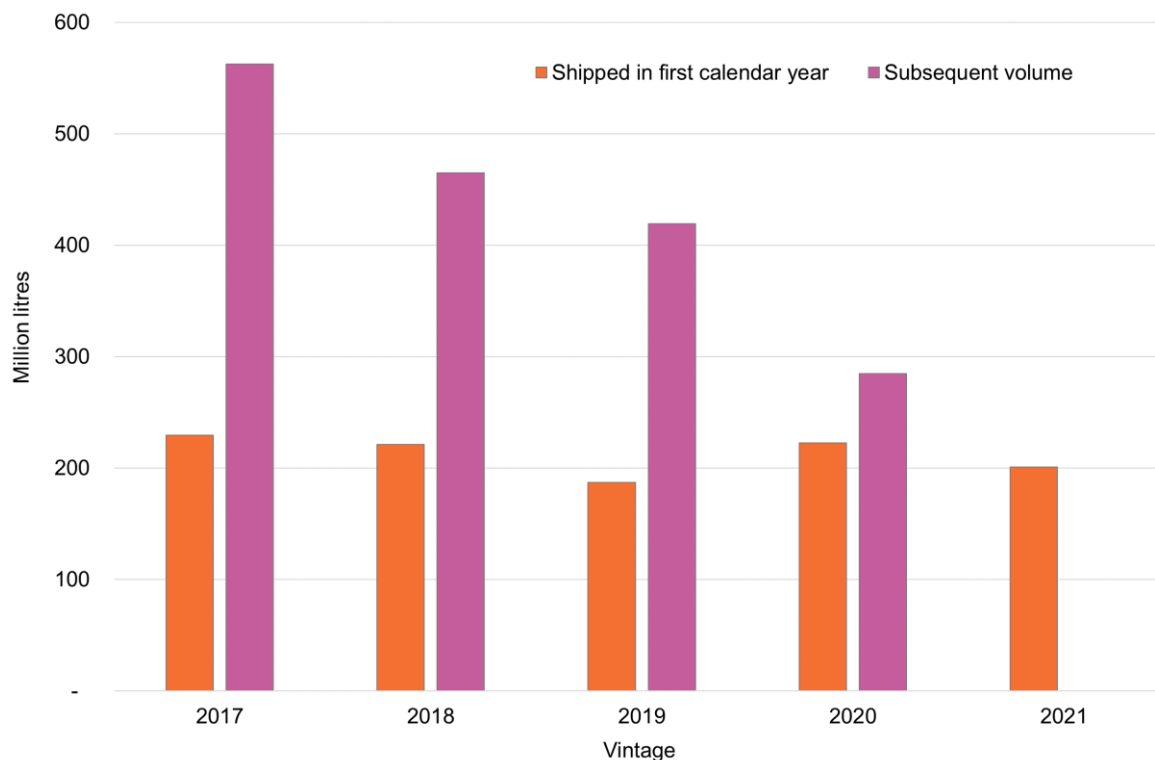
¹ Hillebrand

² Flinders Port Holdings Group

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high share of the small 2020 vintage that was brought forward to ship in 2020, leaving a smaller amount left to ship in 2021. The 2020 vintage was the smallest vintage since 2007 and 13 per cent below the 10-year average, and much of it was shipped in 2020 to the UK ahead of the Brexit transition conclusion, and to the UK and the US in response to increased demand for Australian wine during COVID-19.

Figure 2: Export volume by vintage and departure year



Packaging type

In the year ended December 2021, packaged exports decreased by 35 per cent in value to \$1.51 billion and 26 per cent in volume to 237 million litres (26 million 9-litre case equivalents). Average value decreased by 12 per cent to \$6.35 per litre.

Glass bottle exports declined by 35 per cent in value to \$1.48 billion, and soft pack exports declined by 4 per cent to \$14 million, while exports in alternative packaging, such as kegs, flagons, cans, and PET containers, increased by 83 per cent in value to \$8.2 million.

Unpackaged exports declined by 11 per cent in value to \$520 million and 11 per cent in volume to 382 million litres (42 million 9-litre case equivalents). Average value was steady at \$1.36 per litre, compared to \$1.37 in the previous year.

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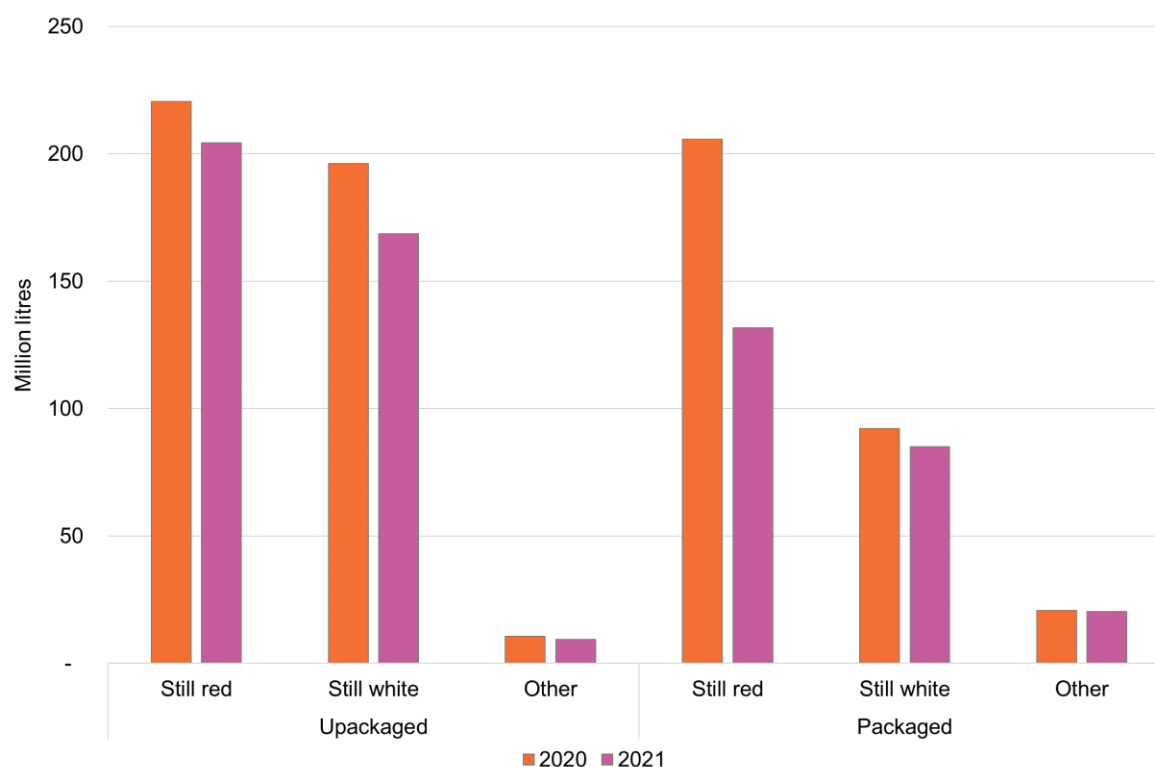
Figure 3: Exports by packaging type

Packaging type	December 2020	December 2021	change	% change	2021 share
Unpackaged					
MAT Value (Million AUD)	584	520 -	64	-11%	26%
MAT Volume (Million litres)	427	382 -	45	-11%	62%
MAT Average Value per Litre (AUD)	1.37	1.36 -	0.00	-0.3%	
Packaged					
<i>Alternative Packaging</i>					
MAT Value (Million AUD)	4	8	4	83%	0.4%
MAT Volume (Million litres)	1	2	1	126%	0.3%
MAT Average Value per Litre (AUD)	6.35	5.16 -	1.19	-19%	
<i>Glass Bottle</i>					
MAT Value (Million AUD)	2,282	1,484 -	798	-35%	73%
MAT Volume (Million litres)	311	229 -	82	-26%	37%
MAT Average Value per Litre (AUD)	7.34	6.48 -	0.86	-12%	
<i>Soft Pack</i>					
MAT Value (Million AUD)	15	14 -	1	-4%	0.7%
MAT Volume (Million litres)	7	7 -	0	-5%	1.1%
MAT Average Value per Litre (AUD)	2.11	2.13	0.02	1%	

Wine style

In the 2021 calendar year, still red wine exports decreased by 37 per cent in value to \$1.36 billion and 21 per cent in volume to 336 million litres (37 million 9-litre case equivalents). Average value declined by \$1 per litre (20 per cent), to \$4.06, compared to \$5.07 in the previous year. The driver of this decline was mostly packaged red wine (see Figure 4), the majority of which went to China in the previous year.

Figure 4: Export volume by packaging type and wine style



Still white wine declined by 10 per cent in value to \$538 million and 12 per cent in volume to 253 million litres (28 million 9-litre case equivalents). Average value increased by 2 per cent to \$2.12 per litre.

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The steeper decline in red wine has translated to a reduction in red's share of exports from 57 per cent in 2020 to 54 per cent in 2021. White wine's share has increased from 39 per cent to 41 per cent.

Still rosé wine exports also declined, by 26 per cent in value to \$33 million and 22 per cent in volume to 13 million litres. However, sparkling wine exports increased by 28 per cent in value to \$40 million and 17 per cent in volume to 6.2 million litres. The markets driving this increase are New Zealand, the UK, Singapore, and Canada.

Price segments

Exports declined in all price segments. The loss was largest between \$2.50 and \$7.49 per litre, largely driven by the US and Canada. Exports with an average value of \$10 per litre and above declined by 44 per cent to \$607 million. This was driven by mainland China, which reduced by \$671 million in this price segment compared with the previous year. However, value grew by 49 per cent when excluding China, to 59 destinations (out of 92 receiving exports in this price segment) during the year, including Singapore, Hong Kong, the US, South Korea, Taiwan, and the UK.

Figure 5: Exports by price segment (million AUD FOB)

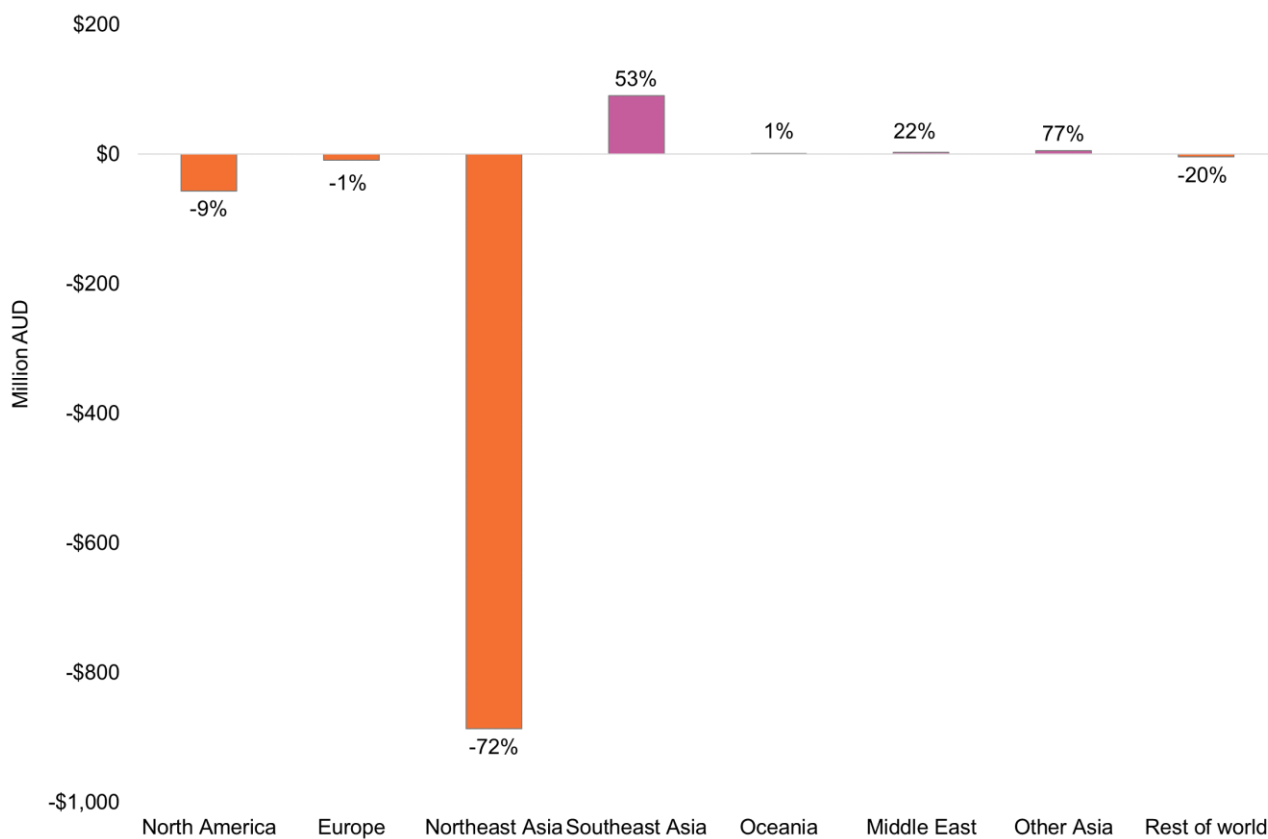
Price segment (A\$/litre)	MAT December 2021	Value change	Growth rate
\$2.49 and under	\$486	-\$54	-10%
\$2.50 to \$4.99	\$602	-\$178	-23%
\$5.00 to \$7.49	\$218	-\$112	-34%
\$7.50 to \$9.99	\$113	-\$39	-25%
\$10.00 to \$14.99	\$137	-\$62	-31%
\$15.00 to \$19.99	\$38	-\$41	-52%
\$20.00 to \$29.99	\$104	-\$95	-48%
\$30.00 to \$49.99	\$67	-\$47	-42%
\$50.00 to \$99.99	\$157	-\$191	-55%
\$100.00 to \$199.99	\$45	-\$18	-28%
\$200.00 and over	\$59	-\$21	-26%
Total value	\$2,026	-\$858	-30%

Destinations

In the year ended December 2021, Australian exporters shipped wine to 112 destination markets, compared with 114 the year before. The most significant growth came from exports to Southeast Asia, up 53 per cent to \$262 million, but also from other Asian markets such as India (up 81 per cent), and the Middle East (up 22 per cent). This growth was offset by a decline in exports to Northeast Asia, down 72 per cent to \$348 million, and North America, down 9 per cent to \$569 million.

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Figure 6: Change in the value of exports by destination region



The top five markets by value were:

- UK, down 1 per cent to \$453 million
- US, down 7 per cent to \$403 million
- Hong Kong, up 45 per cent to \$192 million
- Singapore, up 108 per cent to \$166 million, and
- Canada, down 14 per cent to \$164 million.

The top five markets by volume were:

- UK, down 9 per cent to 243 million litres
- US, down 8 per cent to 125 million litres
- Canada, down 16 per cent to 47 million litres
- Germany, down 1 per cent to 34 million litres, and
- New Zealand, down 7 per cent to 31 million litres.

North America

United States of America

In the year ended December 2021, exports to the US decreased by 7 per cent in value to \$403 million and 8 per cent in volume to 125 million litres (14 million 9-litre case equivalents). Average value increased by 1 per cent to \$3.23 per litre.

2021 was a tough period for Australian wine exporters to the US, with the first three quarters showing declines compared to the year before. This was most evident in quarter 2, where export value fell by 29 per cent compared to the same quarter in 2020. However, quarter 4 started to show signs of renewed growth; export value increased by 9 per cent compared to the same quarter in 2020. In both quarters of the second half of 2021, value exceeded that of 2019 (pre-COVID). In

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total, there were 20 additional exporters to the US in 2021 compared to 2020, bringing the total number of exporters to 289.

Figure 7: Export value to the US by quarter (Million AUD FOB)



Although total export value to the US declined during 2021, most of this decline was for shipments at an average value below \$5 per litre (see Figure 8). Exports with an average value above \$5 per litre increased in value by 13 per cent to \$84 million.

Figure 8: Export value to the US by price segment (Million AUD FOB)

Price segment (A\$/litre)	MAT December 2021	Value change	Growth rate
\$2.49 and under	\$62	-\$10	-14%
\$2.50 to \$4.99	\$257	-\$31	-11%
\$5.00 to \$7.49	\$23	\$0.2	1%
\$7.50 to \$9.99	\$12	\$1.3	12%
\$10.00 to \$14.99	\$21	\$3.6	20%
\$15.00 to \$19.99	\$6.5	\$1.6	33%
\$20.00 to \$29.99	\$11	\$1.0	10%
\$30.00 to \$49.99	\$5.1	\$1.6	47%
\$50.00 to \$99.99	\$2.2	-\$0.2	-9%
\$100.00 to \$199.99	\$1.6	\$0.4	30%
\$200.00 and over	\$0.5	\$0.2	105%
Total value	\$403	-\$31	-7%

Exports with an average value of \$10 per litre or more increased by 20 per cent to \$48 million, the highest value since November 2009. Of the 75 exporters who shipped wine to the US in 2021 and not the previous year, 49 of them shipped wine in this price segment.

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According to the IWSR, about 28 per cent of the volume of all wine sold in the US is classified as 'premium' (US\$10 per bottle and above) and volume has grown in this segment at an average of 7 per cent per annum in the past 5 years. Growth in premium is expected to continue – at a rate of 4 per cent per annum over the next 5 years. Conversely, in the past 5 years, the overall wine market below \$10/bottle has declined by 1 per cent in volume per year, shrinking from a 79 per cent volume share to 72 per cent. In 2020, Australia had a 20 per cent share of the imported market below \$10/bottle, but only an 8 per cent share of the imported premium wine market.

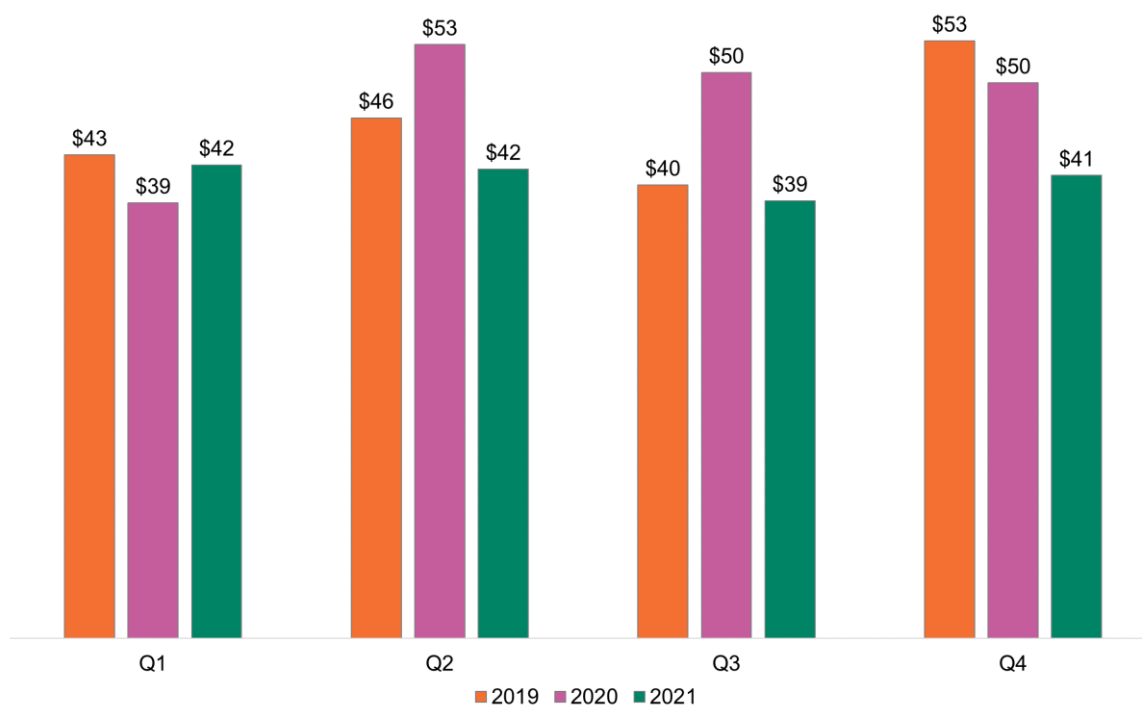
When it comes to the US wine market recovering from the effects of COVID-19, the on-trade grew by 24 per cent in value in the year ended November 2021, according to Nielsen/CGA. Value growth significantly outpaced volume growth in the September to November quarter of 2021, which indicates that consumers are spending more per bottle in the on-trade now than they were earlier in the pandemic. Pleasingly, Australia is keeping up with the year-on-year growth rate in most major markets, and even slightly outpacing it in cities such as Boston and New York. The total off-trade wine market declined by 4 per cent in value in the year ended 26 December 2021, compared to the raised sales of 2020. The volume decline has been steeper, down by 10 per cent, resulting in an increase in average value by 6 per cent to US\$9.23 per bottle, showing that consumers are spending more per bottle in the off-trade as well.

Wine Australia Regional General Manager Americas Aaron Ridgway said, “Shipments to the US above \$10 per litre are now at a 12-year high, and with more Australian wineries exporting than at any point since 2009, there is tremendous opportunity to build on that momentum and capture market share at all price points.”

Canada

In the year ended December 2021, Australian wine exports to Canada decreased by 14 per cent in value to \$164 million and 16 per cent in volume to 47 million litres (5.2 million 9-litre case equivalents). Average value increased by 2 per cent to \$3.53 per litre.

Figure 9: Export value to Canada by quarter (Million AUD FOB)



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Exports in 2021 have been lower than 2020 since quarter 2 (see Figure 9) and the difference was amplified by the fact that exports surged in quarter 2 through quarter 4 of 2020 due to COVID-19 induced stockpiling in the off-trade, where most Australian wine is sold. According to wine sales data from the Association of Canadian Distillers, Australia's decline in sales is largely consistent with other source countries, including domestically produced wines. This indicates that total sales are starting to return to pre-pandemic levels.

Figure 10: Export value to Canada by price segment (Million AUD FOB)

Price segment (A\$/litre)	MAT December 2021	Value change	Growth rate
\$2.49 and under	\$29	-\$7	-20%
\$2.50 to \$4.99	\$34	-\$3	-8%
\$5.00 to \$7.49	\$61	-\$12	-16%
\$7.50 to \$9.99	\$15	-\$5.0	-24%
\$10.00 to \$14.99	\$19	-\$0.8	-4%
\$15.00 to \$19.99	\$1.9	-\$0.3	-12%
\$20.00 to \$29.99	\$1.3	\$0.4	36%
\$30.00 to \$49.99	\$1.2	\$0.3	29%
\$50.00 to \$99.99	\$0.7	\$0.2	48%
\$100.00 to \$199.99	\$0.3	\$0.2	126%
\$200.00 and over	\$0.1	\$0.0	13%
Total value	\$164	-\$27	-14%

Figure 10 shows that most of the decline is in exports with an average value below \$10 per litre. Exports with an average value of \$20 per litre and above increased by 39 per cent to \$3.6 million.

Mr Ridgway said, "The Canadian market is one of the worst affected when measured by shipping delays, and unfortunately many customers across Canada are finding that their core favourites have been out of stock. The monopolies remain optimistic that there is upside for Australia through the near-term challenges."

Europe

United Kingdom

In the 12 months to December 2021, exports to the UK decreased by 1 per cent in value to \$453 million and 9 per cent in volume to 243 million litres (27 million 9-litre case equivalents). Average value increased by 9 per cent to \$1.87 per litre, the highest level in more than ten years.

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Figure 11: Export value to the UK by quarter (Million AUD FOB)



Figure 11 illustrates the extraordinary level of shipments to the UK that took place during quarter 2 through quarter 4 of 2020, when compared to 2019. This level of shipments was largely upheld in 2021. This is consistent with data from the UK off-trade which shows that wine sales in 2021 are still much more comparable to 2020 sales than pre-pandemic 2019 levels³. As Australia is the number one source of wine in the off-trade, it is benefitting.

Figure 12: Export value to the UK by price segment (Million AUD FOB)

Price segment (A\$/litre)	MAT December 2021	Value change	Growth rate
\$2.49 and under	\$254	-\$18	-7%
\$2.50 to \$4.99	\$107	-\$10	-9%
\$5.00 to \$7.49	\$35	\$10	37%
\$7.50 to \$9.99	\$23	\$7.1	46%
\$10.00 to \$14.99	\$15	\$3.9	35%
\$15.00 to \$19.99	\$4.2	\$1.2	40%
\$20.00 to \$29.99	\$5.8	\$2.7	88%
\$30.00 to \$49.99	\$4.6	\$0.7	17%
\$50.00 to \$99.99	\$2.5	\$0.7	36%
\$100.00 to \$199.99	\$1.2	\$0.4	45%
\$200.00 and over	\$1.0	-\$0.1	-7%
Total value	\$453	-\$2	-1%

A decline in export value below \$5 per litre has slightly outweighed growth above \$5 per litre for the period (see Figure 12). The strongest growth was recorded between \$5 and \$14.99 per litre, growing by a combined 39 per cent to \$73 million.

³ IRI Worldwide

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This growth in higher value wines can also be seen in the retail figures. IRI reports that in the 12 months ended 11 January 2022, the strongest growth for Australian wine in the UK off-trade market was above £7 per bottle. For example, sales between £7.01 to £8.00 grew by 26 per cent, at £8.01 to £9.00 by 14 per cent, and at £10.01 to £20.00 by 17 per cent. Australian wines also managed to outpace the market in value growth, growing by 2 per cent in value, while the total off-trade wine market declined by 3 per cent.

Wine Australia Regional General Manager UK/EMEA Laura Jewell MW said “It is incredibly encouraging to see the growth above \$5 per litre across the UK, despite the multiple issues we are seeing in the market due to shipping delays, customs challenges at borders due to Brexit and staff shortages particularly in the hospitality sector. Notwithstanding, maintaining market share across all price points is of paramount importance.

“Several importers have recently highlighted the continued and growing interest in Australian wine, particularly in the on-trade, due to the quality of the wine coming out of Australia, the diversity of styles and the dynamic winemakers making it an exciting wine-producing country.

“In the off-trade, beers, wines and spirits sales were particularly strong in the 4-week period up to Christmas, up 11.7 per cent on 2019 levels, although down slightly on the same period in 2020. The brand owners with multiple retailer listings have seen growth in the past 12 months as pandemic-weary customers have bought the brands they trust. While the shipping issues will take some time to be resolved, there is optimism in the market and a resurgence of interest in the breadth of styles and price points that Australia can offer.”

Other Europe

Excluding the UK, exports to Europe declined by 3 per cent to \$241 million. The markets contributing most to this decline were Germany, down 10 per cent to \$49 million, and Sweden, down 11 per cent to \$22 million (see Figure 13). The \$2.50 to \$4.99 price segment represented most of the decline in both markets. Partially offsetting the overall decline in Europe were exports to Denmark, up 14 per cent to \$42 million, Belgium, up 5 per cent to \$19 million, and Poland, up 73 per cent to \$6.5 million.

Figure 13: Exports to Europe (excluding UK) by market

Market	Value (million AUD)	% change
Germany	\$49.3	-10%
Denmark	\$42.3	14%
Netherlands	\$35.4	-4%
Sweden	\$22.3	-11%
Belgium	\$18.8	5%
France	\$15.6	-5%
Finland	\$11.8	-10%
Ireland	\$10.7	-18%
Norway	\$8.9	2%
Russia	\$7.8	-10%
Poland	\$6.5	73%
Switzerland	\$5.1	-4%
Others	\$6.5	-9%
Total	\$241.1	-3%

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Northeast Asia

Aside from mainland China, all other markets in Northeast Asia saw increased exports in the year ended December 2021. Growth in the region was driven by Hong Kong, up 45 per cent to \$192 million, Japan, up 6 per cent to \$47 million, South Korea, up 74 per cent to \$47 million, and Taiwan, up 65 per cent to \$31 million. There is still a small number of shipments departing for mainland China, with more than 80 per cent of this volume in bulk containers.

Figure 14: Exports to Northeast Asia by market

Market	Value (million AUD)	% change
Hong Kong	\$191.6	45%
Japan	\$47.2	6%
South Korea	\$46.9	74%
Taiwan	\$30.9	65%
China mainland	\$29.5	-97%
Macao	\$1.7	285%
Total	\$347.7	-72%

Southeast Asia

There were mostly positive results in Southeast Asia as well. The growth driver was Singapore, more than doubling to \$166 million in value. However, it must be noted that Singapore is a trading hub in the region and not all this wine would be consumed in the market. Other strong performances were Thailand, up 31 per cent to \$28 million, Philippines, up 34 per cent to \$12 million, and Vietnam, up 60 per cent to \$5.5 million.

Figure 15: Exports to Southeast Asia by market

Market	Value (million AUD)	% change
Singapore	\$165.9	108%
Malaysia	\$34.3	-21%
Thailand	\$28.3	31%
Indonesia	\$14.4	11%
Philippines	\$11.5	34%
Vietnam	\$5.5	60%
Cambodia	\$1.8	23%
Others	\$0.2	-60%
Total	\$261.9	53%

Other markets

The strongest growth in other markets came from United Arab Emirates, up 26 per cent to \$16 million, India, up 81 per cent to \$12 million and Fiji, up 131 per cent to \$3.7 million. This is the largest value ever shipped to India, with 10 exporters shipping there in the past 12 months who did not ship there in the previous 12 months.

New Zealand declined slightly but is still Australia's sixth largest export market overall by value and fifth by volume, only just behind Germany. It is the third largest market for sparkling/carbonated wine, which grew by 18 per cent in the year ended December 2021.

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Figure 16: Exports to other markets

Market	Value (million AUD)	% change
New Zealand	\$104.9	-2%
UAE	\$15.7	26%
India	\$11.8	81%
Fiji	\$3.7	131%
Papua New Guinea	\$3.4	32%
Brazil	\$1.5	-18%
Vanuatu	\$1.2	18%
Qatar	\$0.9	-3%
Others	\$10.6	-21%
Total	\$153.9	4%

Additional export data can be accessed through the [Export Dashboard](#).