

**Wine
Australia
for
Australian
Wine**

Export Report

12 months to 30 September 2021

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Executive Summary

- Total value and volume of Australian wine exports declined in the year ended September 2021.
- This was due mainly to a decline in exports to mainland China plus the cumulative effects of three consecutive lower vintages (2018, 2019 and 2020) on available volume.
- Destinations to record strong value growth included the United Kingdom, Hong Kong, Singapore, South Korea, Denmark, Thailand and Taiwan.
- Exports to the United States of America and Canada declined as the COVID-19 surge in off-trade sales dissipated.
- Although exports above \$10 per litre declined by 27 per cent overall owing to decreasing exports to mainland China, 54 out of 88 markets experienced growth in this price segment.

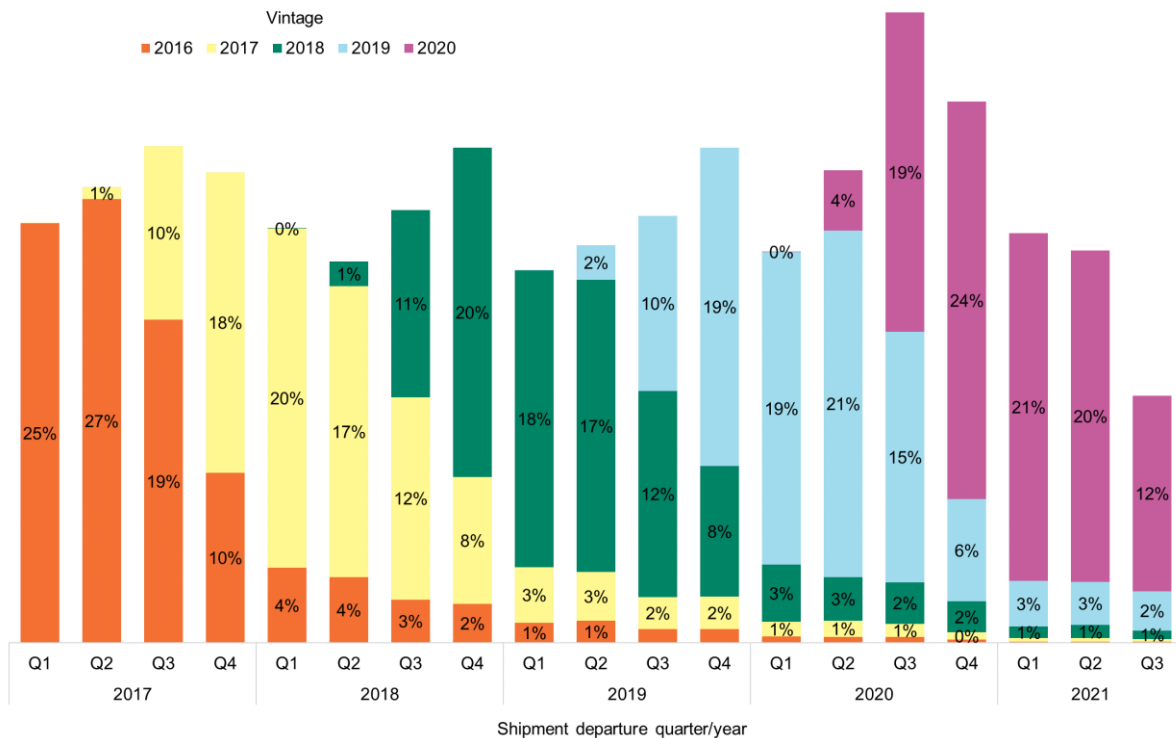
Overview

In the year ended September 2021, exports decreased by 24 per cent in value to \$2.27 billion and 17 per cent in volume to 638 million litres (71 million 9-litre case equivalents). Average value also declined by 9 per cent to \$3.56 per litre free on board (FOB).

The biggest driver of the decline was a significant decrease in exports to mainland China, following the imposition of import tariffs on Australian packaged wine in November 2020. Exports excluding mainland China increased by 9 per cent in value to \$1.99 billion and decreased by 5 per cent in volume to 618 million litres.

Another large driver was the low inventory levels resulting from three small vintages between 2018–2020 meaning that there was less wine available to export. While the 2021 Australian vintage was a record size, it is expected to take some time for the impact on export volumes to be realised. Based on historical data (see Figure 1), it is likely that the majority of the 2021 vintage wines will be shipped over the next two quarters.

Figure 1: Share of vintage exported by quarter/year

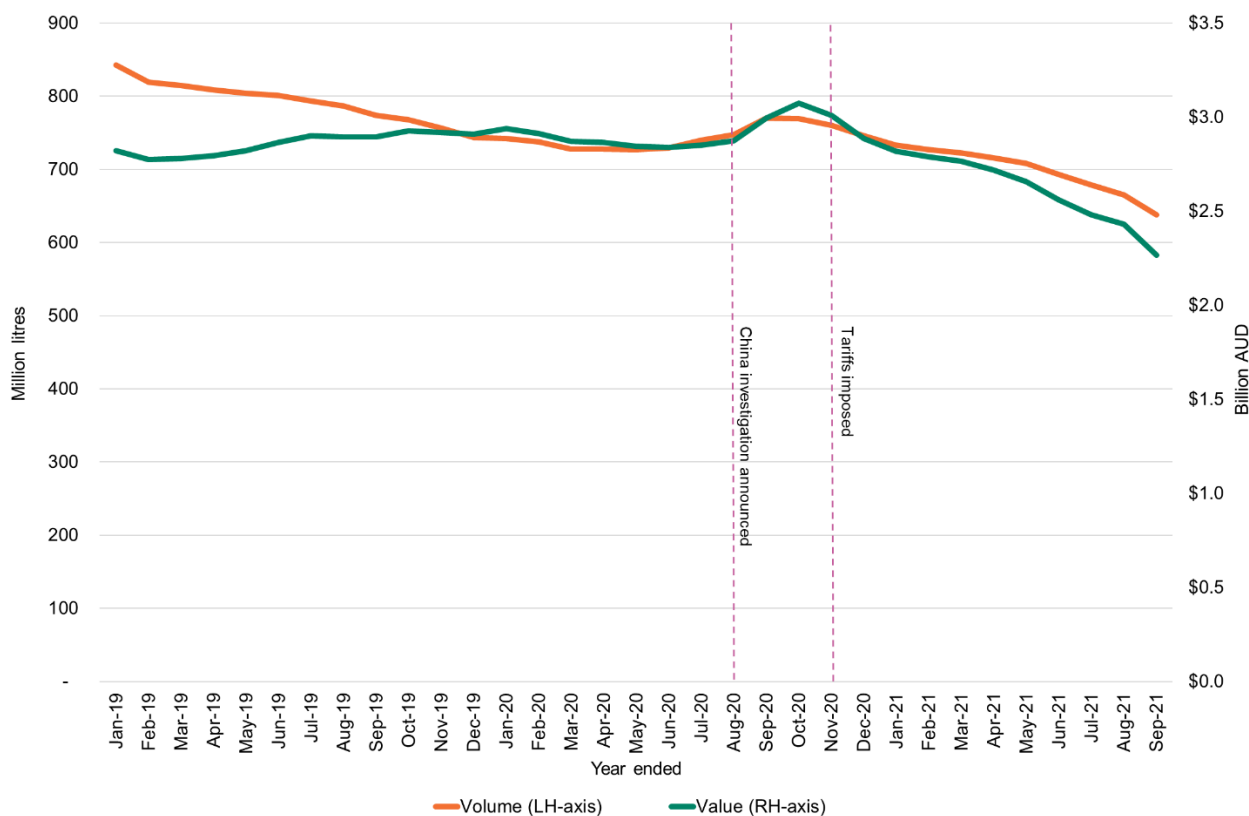


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Reports suggest that worldwide shipping delays, linked to COVID-19 restrictions, have also impacted exports within the 12 months ended September 2021. International logistics company Hillebrand recently reported shipping lines around the world are lacking capacity and there are major delays at ports, leading to worst ever schedule reliability when combined with current record levels of ocean freight. It remains to be seen if the reported worldwide shipping delays will impact export of 2021 vintage wines from Australia.

The decline in exports in the year ended 30 September 2021 is amplified by the fact that there was a large increase in exports in September and October 2020 (see Figure 2). The increase in exports during these months was attributed to exporters shipping wine to mainland China ahead of tariffs being imposed, to the United Kingdom (UK) ahead of the Brexit transition conclusion, and to the UK and the United States of America (US) in response to increased demand for Australian wine during COVID-19. This front loading of exports led to the majority of 2020 vintage wines being shipped earlier than usual resulting in the lowest inventory levels in 10 years coming into the 2021 calendar year.

Figure 2: Australian wine export volume and value



Packaging type

In the year ended September 2021, packaged exports declined by 28 per cent in value to \$1.73 billion and 28 per cent in volume to 247 million litres (27 million 9-litre case equivalents). The average value was steady at \$7.03 per litre compared with \$7.04 in the previous year.

Glass bottle exports declined by 29 per cent in value to \$1.71 billion, and soft pack exports declined by 8 per cent to \$14 million, while exports in alternative packaging, such as kegs, flagons and PET containers, increased by 54 per cent in value to \$7 million.

Unpackaged exports declined by 7 per cent in value to \$535 million and 8 per cent in volume to 391 million litres (43 million 9-litre case equivalents). Average value increased by 1 per cent to \$1.37 per litre.

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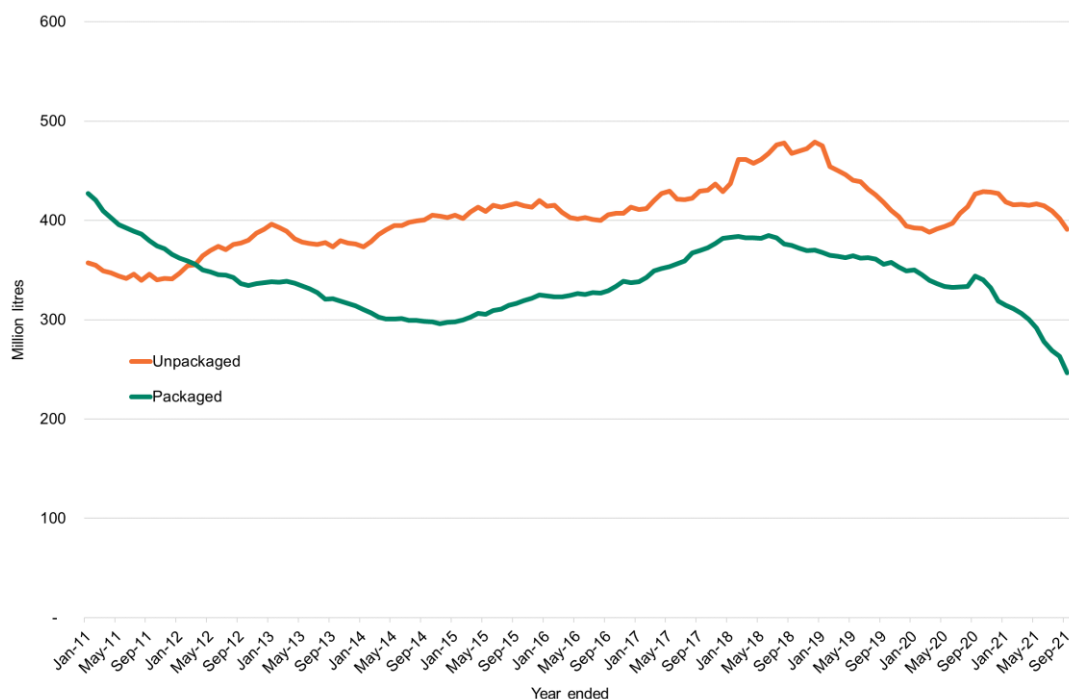
Figure 3: Exports by packaging type

Packaging type	September 2020	September 2021	change	% change	2021 share
Unpackaged					
MAT Value (Million AUD)	576	535	-41	-7%	24%
MAT Volume (Million litres)	427	391	-35	-8%	61%
MAT Average Value per Litre (AUD)	1.35	1.37	0.02	1%	
Packaged					
<i>Alternative Packaging</i>					
MAT Value (Million AUD)	5	7	2	54%	0.3%
MAT Volume (Million litres)	1	1	1	110%	0.2%
MAT Average Value per Litre (AUD)	6.78	4.95	-1.83	-27%	
<i>Glass Bottle</i>					
MAT Value (Million AUD)	2,401	1,712	-689	-29%	75%
MAT Volume (Million litres)	336	239	-97	-29%	37%
MAT Average Value per Litre (AUD)	7.14	7.17	0.03	0%	
<i>Soft Pack</i>					
MAT Value (Million AUD)	15	14	-1	-8%	0.6%
MAT Volume (Million litres)	7	6	-1	-8%	1.0%
MAT Average Value per Litre (AUD)	2.13	2.13	0.01	0%	

Figure 4 illustrates the long-term trend of packaged versus unpackaged wine shipments. The past decade has seen unpackaged wine consistently take a larger share than packaged in terms of volume due to changes in business strategy. However, in 2015, packaged shipments – generally glass bottle – started to take back share, mostly due to the growth in exports to mainland China after the China-Australia Free Trade Agreement came into force. The decline in packaged shipments over the past year has been much sharper than unpackaged because the tariffs on Australian wine to mainland China only affect bottled wine.

Unpackaged shipments grew strongly during 2018 and 2019 due to Brexit looming in the UK, Australia's largest destination of unpackaged exports, as well as Australia having a large 2017 vintage at a time when global wine supply was constrained. Figure 4 also demonstrates that once the large 2017 vintage had been shipped, the volume of exports in both categories has declined due to a lack of supply with three smaller vintages in the following years.

Figure 4: Volume of packaged versus unpackaged shipments over time



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Price segments

Exports decreased in all price segments except for the most premium – above \$200 per litre. The biggest decline in absolute value was between \$2.50 and \$7.49 per litre, which was largely driven by mainland China, but also the US and Canada to a lesser degree.

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

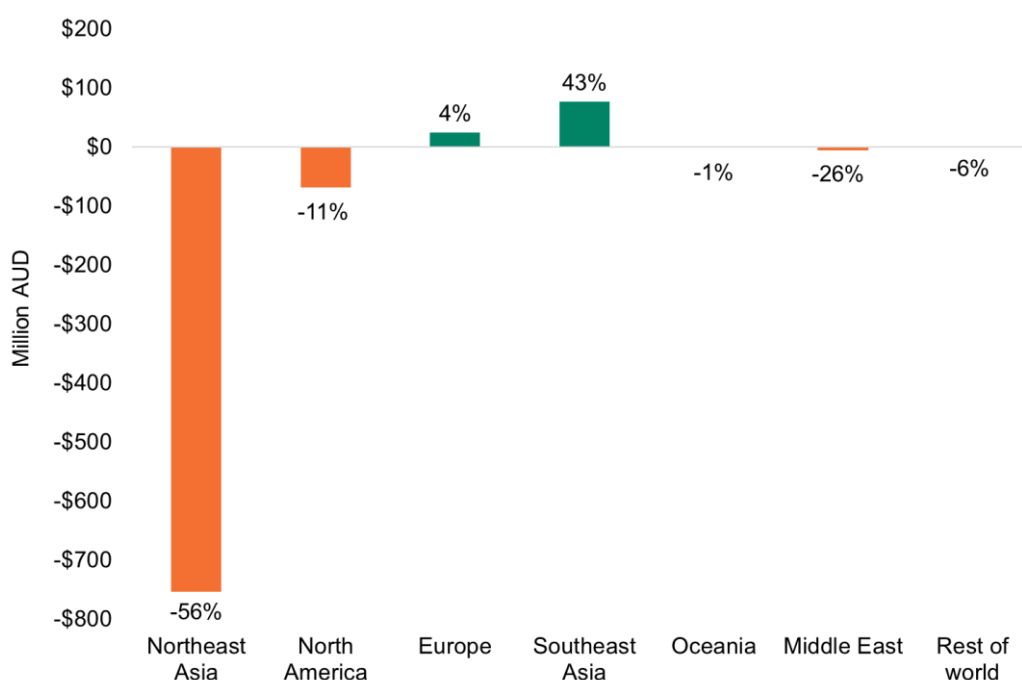
Price segment (A\$/litre)	MAT September 2021	Value change	Growth rate
\$2.49 and under	\$501	-\$27	-5%
\$2.50 to \$4.99	\$622	-\$207	-25%
\$5.00 to \$7.49	\$227	-\$158	-41%
\$7.50 to \$9.99	\$119	-\$43	-26%
\$10.00 to \$14.99	\$133	-\$96	-42%
\$15.00 to \$19.99	\$49	-\$39	-44%
\$20.00 to \$29.99	\$147	-\$57	-28%
\$30.00 to \$49.99	\$80	-\$55	-41%
\$50.00 to \$99.99	\$249	-\$64	-20%
\$100.00 to \$199.99	\$58	-\$1	-2%
\$200.00 and over	\$84	\$18	28%
Total value	\$2,268	-\$728	-24%

Although exports above \$10 per litre declined by 27 per cent to \$800 million owing to decreasing exports to mainland China, 54 out of 88 destination markets experienced growth in this price segment, including Hong Kong, Singapore, Thailand, the UK, South Korea, Taiwan, and the US.

Destinations

In the year ended September 2021, Australian exporters shipped wine to 113 markets, compared with 114 in the previous year. The most significant growth came from shipments to Southeast Asia, up 43 per cent to \$255 million, followed by Europe (including the UK) up 4 per cent to \$703 million. This growth was offset by declining exports to Northeast Asia, down 56 per cent to \$598 million, and North America, down 11 per cent to \$567 million.

Figure 6: Change in the value of exports by destination region, MAT September 2021



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The top five markets by value were:

- UK, up 7 per cent to \$460 million
- US, down 11 per cent to \$393 million
- mainland China, down 77 per cent to \$274 million
- Hong Kong, up 135 per cent to \$207 million, and
- Canada, down 12 per cent to \$173 million.

The top five markets by volume were:

- UK, down 2 per cent to 251 million litres
- US, down 12 per cent to 123 million litres
- Canada, down 13 per cent to 49 million litres
- Germany, down 4 per cent to 33 million litres, and
- New Zealand, down 13 per cent to 28 million litres.

Northeast Asia

The large decline in Northeast Asia was driven by the decline in exports to mainland China. There were four markets in Northeast Asia that experienced growth: Hong Kong, up 135 per cent to \$207 million, South Korea, up 81 per cent to \$46 million, Taiwan, up 50 per cent to \$26 million, and Macau, up 98 per cent to \$817,000. South Korea has jumped from the 13th largest market by value in 2020 to 9th in 2021, while Taiwan has moved up from 18th to 15th.

North America

United States

In the year ended September 2021, exports to the US declined by 11 per cent in value to \$393 million and 12 per cent in volume to 123 million litres (14 million 9-litre case equivalents). Average value increased by 2 per cent to \$3.18 per litre.

Figure 7 illustrates that there was a boost in exports in the second half of 2020 due to the COVID-19-related surge in off-trade sales, where most Australian wine is sold, when the on-trade sector was shut-down. This year, with the on-trade re-opening and the off-trade subsiding to more normal levels of activity, there was a counter-swing and exports declined. Amplifying this effect was the lack of supply available for export.

Despite this decline, a promising sign for the future of Australian wine exports to the US is the increase in the number of exporters. In the past 12 months, 269 exporters shipped wine to the US, the largest number of exporters since the Global Financial Crisis in 2009.

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Figure 7: Value of exports to the US by month

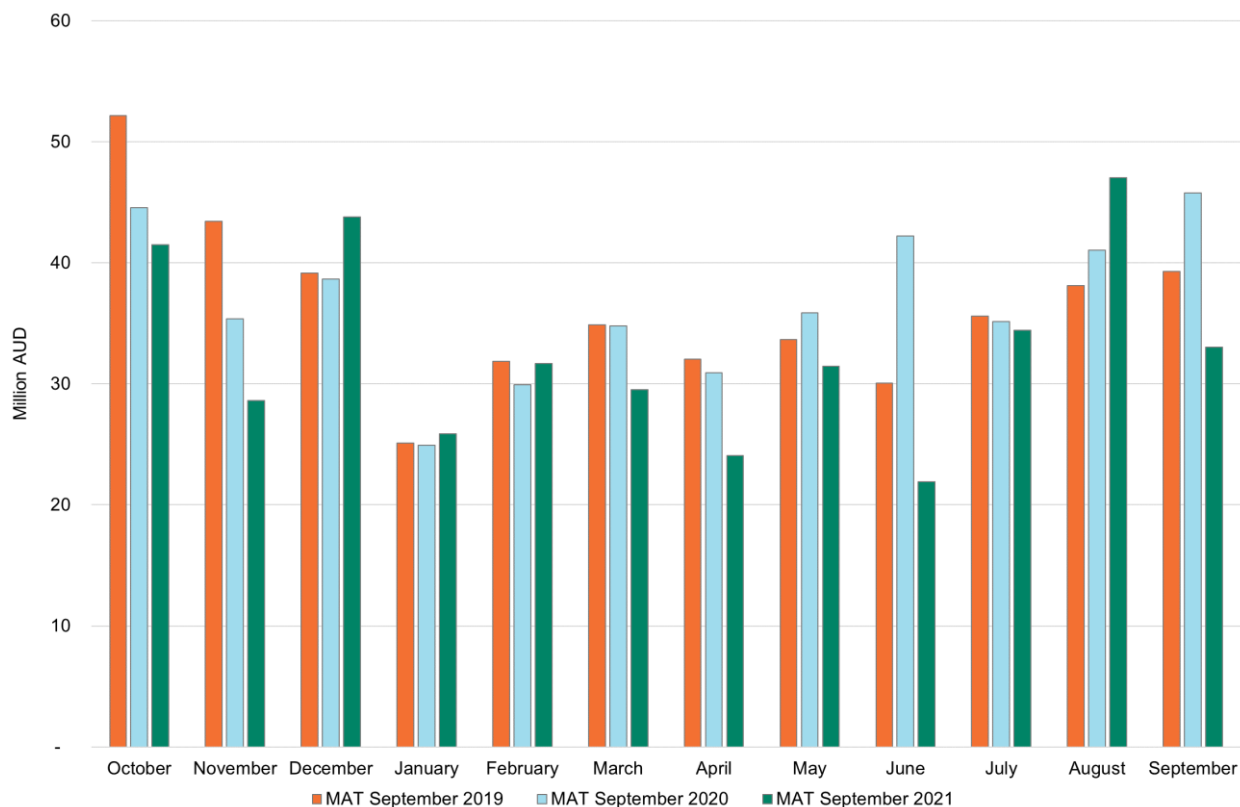


Figure 8 shows that the decline in exports to the US is in the below \$10 per litre price segments. Meanwhile, exports with an average value above \$10 per litre have increased by 16 per cent in value to \$43 million, most prominently in the \$20 to \$29.99 price segment. This is key to ensuring Australian wine's continued success in the US as the premium price segments are driving growth in the market. In the 12 months ended 27 June 2021, all wine sales below US\$8 per bottle in the off-trade declined by 11 per cent while sales at US\$11 or more per bottle increased by 4 per cent (IRI Worldwide). Australia holds an 11 per cent market share below US\$8 per bottle but only 0.4 per cent at US\$11 or more per bottle.

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

Price segment (A\$/litre)	MAT September 2021	Value change	Growth rate
\$2.49 and under	\$59	-\$16	-22%
\$2.50 to \$4.99	\$257	-\$34	-12%
\$5.00 to \$7.49	\$22	-\$1	-5%
\$7.50 to \$9.99	\$11	-\$1	-5%
\$10.00 to \$14.99	\$18	\$1.0	6%
\$15.00 to \$19.99	\$5	\$0.1	2%
\$20.00 to \$29.99	\$12	\$4.5	58%
\$30.00 to \$49.99	\$4	\$0.6	16%
\$50.00 to \$99.99	\$2	-\$0.6	-28%
\$100.00 to \$199.99	\$1	\$0.2	17%
\$200.00 and over	\$0.3	\$0.0	4%
Total value	\$393	-\$46	-11%

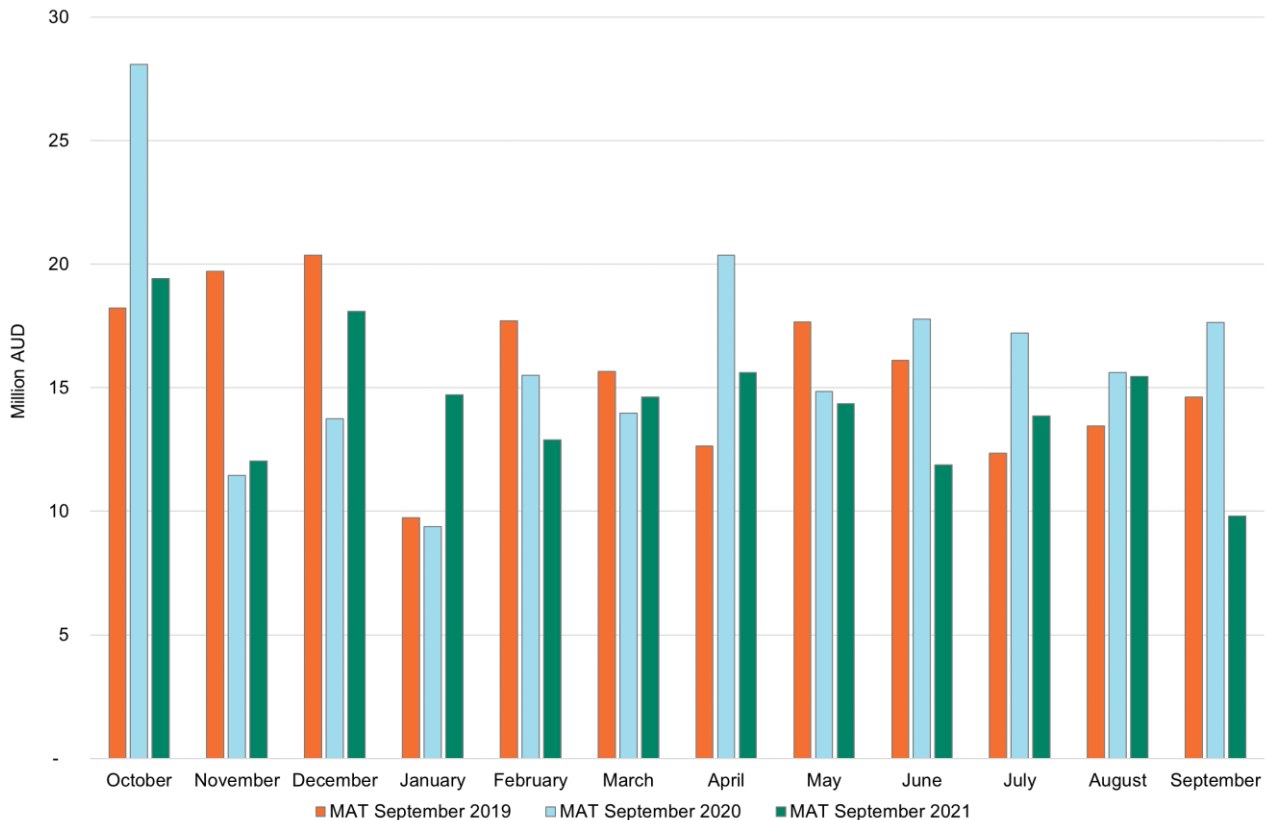
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Wine Australia Regional General Manager Americas Aaron Ridgway said “Shipping delays, uneven recovery in the on-trade and continued COVID-19 uncertainty all played a significant role in this report. But look closer and there are some incredibly promising signs. The increased number of exporters and strong growth among those focused above \$10 per litre demonstrate the strength of Australia’s position to benefit from reopening and premiumisation. Wine Australia’s expanded Market Entry Program is poised to drive the number of exporters above 300, a critical milestone in building a robust and sustainable premium footprint.”

Canada

In the past 12 months, exports to Canada decreased by 12 per cent in value to \$173 million and 13 per cent in volume to 49 million litres (5 million 9-litre case equivalents). This translated to a slight increase in the average value by 1 per cent to \$3.52 per litre. Figure 9 illustrates the COVID-19 related increase in shipments that took place during 2020 thanks to an increase in off-trade purchasing, and the counter-swing that has taken place since about April this year.

Figure 9: Value of exports to Canada by month



Just like in the US, the decline is mostly in the lower price segments, with the \$5 to \$7.49 price segment declining the furthest. However, exports above \$15 per litre increased by 11 per cent in value to \$5 million.

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

Price segment (A\$/litre)	MAT September 2021	Value change	Growth rate
\$2.49 and under	\$31	-\$4	-11%
\$2.50 to \$4.99	\$38	-\$1	-3%
\$5.00 to \$7.49	\$64	-\$13	-17%
\$7.50 to \$9.99	\$16	-\$4	-18%
\$10.00 to \$14.99	\$18	-\$2	-9%
\$15.00 to \$19.99	\$2	\$0.1	6%
\$20.00 to \$29.99	\$1	\$0.0	1%
\$30.00 to \$49.99	\$1	\$0.2	23%
\$50.00 to \$99.99	\$1	\$0.1	24%
\$100.00 to \$199.99	\$0	\$0.1	103%
\$200.00 and over	\$0.1	\$0.0	-26%
Total value	\$173	-\$23	-12%

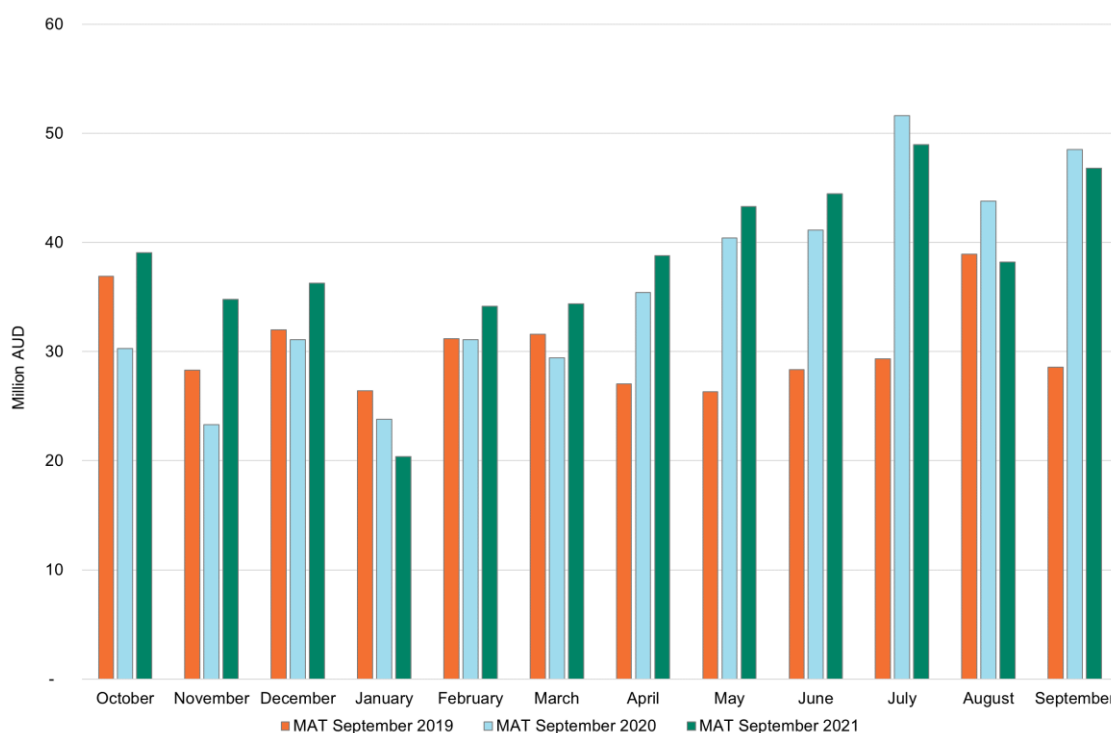
Europe

United Kingdom

In the year ended September 2021, Australian wine exports to the UK increased by 7 per cent in value to \$460 million and decreased by 2 per cent in volume to 251 million litres (28 million 9-litre case equivalents). Average value increased by 9 per cent to \$1.83 per litre, the highest average value since mid-2011.

The significant increase in exports to the UK over the past 18 months has led to the market solidifying its place as Australia's number one destination by volume, and overtaking mainland China as the number one destination by value. Australian wine accounts for a large share of the UK off-trade wine market and has benefitted from a surge in off-trade purchasing during the COVID-19 pandemic. As shown in Figure 11, this trend started affecting export levels in April 2020 and is only just starting to slow down in the last three months.

Figure 11: Value of exports to the UK by month



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In the past 12 months, almost all price segments have continued to grow (Figure 12) with exports at an average value over \$5 per litre enjoying double digit value growth. This growth in premium wine has meant that the UK has moved from the seventh largest destination of exports above \$10 per litre to fifth in the past year.

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

Price segment (A\$/litre)	MAT September 2021	Value change	Growth rate
\$2.49 and under	\$270	\$18	7%
\$2.50 to \$4.99	\$105	-\$10	-9%
\$5.00 to \$7.49	\$31	\$7	30%
\$7.50 to \$9.99	\$20	\$6	39%
\$10.00 to \$14.99	\$14	\$3	22%
\$15.00 to \$19.99	\$4	\$0.8	26%
\$20.00 to \$29.99	\$5	\$2.4	82%
\$30.00 to \$49.99	\$5	\$1.1	29%
\$50.00 to \$99.99	\$3	\$1.4	108%
\$100.00 to \$199.99	\$1	\$0.6	102%
\$200.00 and over	\$1.2	\$0.3	38%
Total value	\$460	\$30	7%

This can also be seen in the retail figures. IRI reports that in the 12 months ended 11 September 2021, the strongest growth for Australian wine in the UK off-trade market was between £7.01 and £20 per bottle with double-digit growth rates. For example, sales at £7.01 to £8.00 grew by 24 per cent, at £8.01 to £9.00 by 76 per cent, and at £10.01 to £20.00 by 31 per cent.

There is also upside for Australian wine in this segment of the off-trade market. Currently, Australia holds a 16 per cent volume share of the market between £7 and £20 per bottle compared with 24 per cent below £7.

Wine Australian Regional General Manager UK/EMEA Laura Jewell MW said “Exports to the UK have held up well over the past few months, particularly given additional logistics challenges, on-trade staff shortages due to COVID-19 self-isolation rules, post-Brexit delays at borders and the slow reopening of the hospitality sector. Overall beers, wines and spirits sales in the grocers are down 4 per cent against the 2020 figures, but still 13 per cent up against the 2019 figures. Australian wines have consolidated their leading market share in the off-trade, and it is encouraging to see the continued growth at higher price points as consumers extend their ‘buy less, but better’ behaviour and online purchases. Despite increased inflation rates, and the likelihood of escalating fuel prices and a potential hike in excise duty, the market remains optimistic.”

Other European markets

Aside from the UK, there were mixed results elsewhere in Europe. Two noteworthy markets showing good growth in the past 12 months are Denmark, up 5 per cent to \$40 million, and Norway, up 23 per cent to \$9 million. As for less traditional wine markets, Russia has grown by 47 per cent in the past year, overtaking Norway in value, and Poland has grown by 36 per cent (see Figure 13).

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

Market	Value (million AUD)	% change
Germany	\$48.9	-11%
Denmark	\$40.1	5%
Netherlands	\$36.2	-9%
Sweden	\$23.0	-7%
Belgium	\$17.9	-1%
France	\$17.2	6%
Finland	\$12.7	1%
Ireland	\$10.8	-12%
Russia	\$9.5	47%
Norway	\$9.3	23%
Switzerland	\$5.4	2%
Poland	\$5.3	36%
Others	\$6.8	-13%

Southeast Asia

Singapore is by far the largest market for Australian exports in Southeast Asia, accounting for approximately two-thirds of Australia's wine exports to the region. In the past 12 months it has grown by 76 per cent to \$160 million. However, it is a large trading hub in the region, so not all this wine is consumed in Singapore. Two smaller markets showing strong growth in this region are Thailand, up 40 per cent to \$27 million, and Vietnam, up 59 per cent to \$5 million (see Figure 14).

Figure 14: Exports to Southeast Asia by market

Market	Value (million AUD)	% change
Singapore	\$160.0	76%
Malaysia	\$38.0	9%
Thailand	\$27.2	40%
Indonesia	\$12.3	-25%
Philippines	\$10.1	-9%
Vietnam	\$5.3	59%
Cambodia	\$1.7	24%
Others	\$0.3	-54%

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