

**Wine
Australia
for
Australian
Wine**

Export Report

12 months to 31 March 2023

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Executive summary

- Total value of Australian wine exports declined by 7 per cent in value to \$1.90 billion.
- Total volume declined by 1 per cent to 620 million litres.
- This export performance is well below long-term averages and comes at a time when economic hardship, increased competition from other beverages, and wellness trends are impacting traditional markets for Australian wine.
- The overall decline in value was mainly driven by a decrease in exports to the United Kingdom, a market which is coming down from an elevated level of shipments over the past two years due to Brexit and the COVID-19 pandemic.
- Shipment volume was relatively stable – with the large decline to the United Kingdom being outweighed by volume growth to the United States and Canada, particularly in unpackaged wine.
- The strongest growth was in exports to Southeast Asia, up 9 per cent to \$301 million.

Overview

In the year ended March 2023, Australian wine exports declined by 7 per cent in value to \$1.90 billion¹ and 1 per cent in volume to 620 million litres (69 million 9-litre case equivalents). Average value dropped by 6 per cent to \$3.06 per litre free on board (FOB)². The total value of exports was 18 per cent below the previous 10-year average of \$2.30 billion, while volume was 15 per cent below the previous 10-year average of 726 million litres.

The decline in value was driven by a decrease in exports to the United Kingdom (UK), which continue to reduce following elevated shipments over the past two years due to pre-Brexit demand and COVID-19 induced changes in consumer preferences. In comparison, total shipment volume was relatively stable – with the large decline to the UK being outweighed by volume growth to the United States (US) and Canada, particularly in unpackaged wine, as global shipping conditions continue to improve.

These export results are representative of the incredibly tough conditions for Australian wine globally. Firstly, high inflation is squeezing consumer discretionary income, decreasing the amount consumers are willing to spend on luxury items such as wine. In the OECD, year-on-year inflation hit 9 per cent in January 2023, with the biggest contributors to the rise being food and energy prices – particularly in markets such as the UK³. This is accelerating the already established trend of wine losing share to other drinks categories and consumers lowering their alcohol intake in general. IWSR reports that the number of serves of wine in the top 20 markets globally fell by 5 per cent when comparing the first half of 2022 to the same period in 2021. Globally, the decline in the demand for wine is being felt the most in lower price segments, while premium wine is still finding growth as consumers purchase wine less frequently but are choosing to spend more on each wine product they purchase. This change disproportionately affects Australia, as a large share of exports are currently in lower priced products, and this is therefore impacting export performance.

The decreased demand for the entire wine category comes at a time when global wine supply has been relatively stable for the past four years – but also well above demand. Ciatti, a wine brokerage firm, has indicated that even though supply from the Southern Hemisphere is expected to be far below average this year, this has not generated extra interest from bulk wine buyers in the global market – particularly for red wine⁴ – as globally supply and demand are out of balance.

Taking a long-term view of Australian wine export performance (see Figure 1), these trends are most reflected in traditional markets such as the US and the UK, where Australia is heavily exposed to the

¹ Unless otherwise stated all values are given in Australian dollars.

² All export wine values are the 'Free on board' (FOB) value of the wine, where the point of valuation is where goods are placed on board the international carrier, at the border of the exporting country. The FOB value includes production and other costs up until placement on the international carrier but excludes international insurance and transport costs.

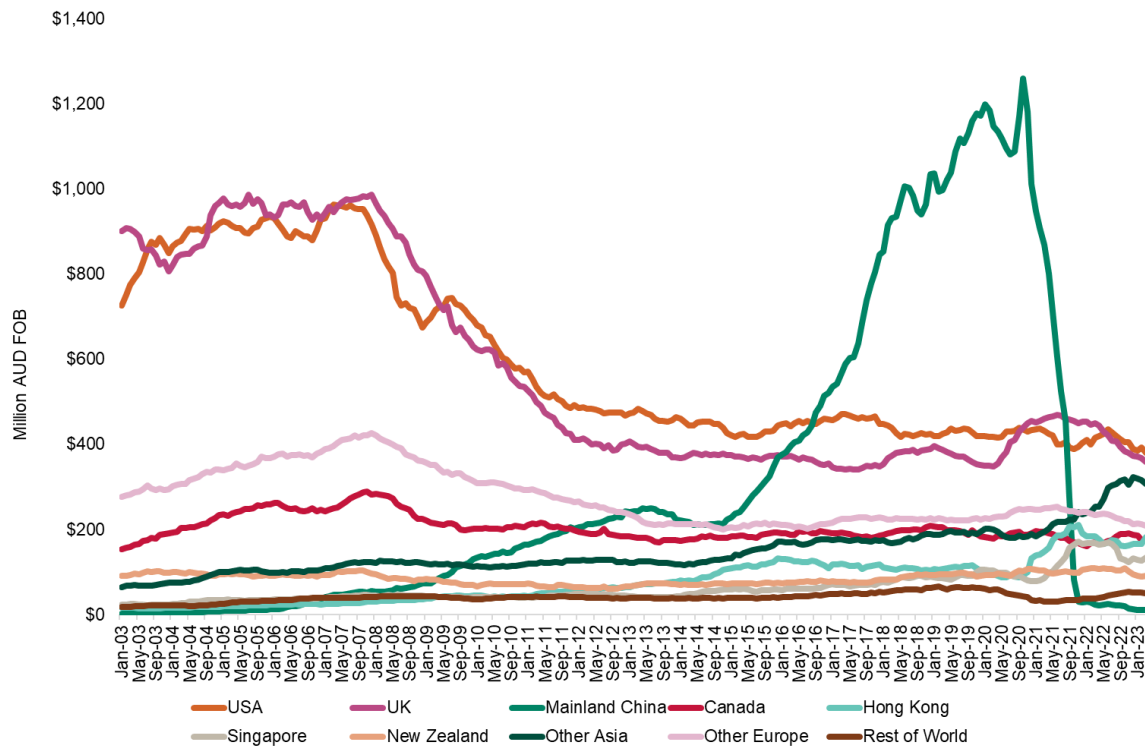
³ OECD – March 2023 update on consumer prices

⁴ Ciatti Global Market Report March 2023

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decreased demand in lower price tiers. Performance in Canada and New Zealand has been more stable, while Hong Kong and Singapore have grown in recent times due to their status as trade hubs in the Asian region. Diversification into emerging markets, where the wine category is still in its infancy, has been on the rise, with the combined value of “Other Asia” (in this example, all Asian markets aside from Hong Kong, Singapore, and mainland China) overtaking the value exported to Canada in recent years. The markets driving this growth were Thailand, Malaysia, South Korea, Taiwan, and Indonesia.

Figure 1: Rolling year ended wine export value to key markets over time



Wine Australia General Manager Marketing Paul Turale said, “Diversification is good for longer term sector stability and growth, although existing trading challenges continue to prove problematic in some markets. Pleasingly, at the same time that we’re seeing the number of individual destinations rise, the spread of export value remains even at a regional level, with around one-third of Australia’s export value going to each of Asia, North America and Europe.

“Whichever market or region is targeted by Australian producers, it’s imperative that wine styles reflect the evolving needs of the market, whether that be lighter styles (exports of white wines above \$10 per litre grew by 19 per cent in value this year, with Chardonnay, Riesling, Sauvignon Blanc, Semillon, and Pinot Gris all contributing to growth), moderating alcohol levels or delivering bold, flavoursome wines that Australia has built its reputation on over many decades.”

Packaging types

In the year ended March 2023, unpackaged wine exports increased in volume by 7 per cent to 416 million litres but decreased 6 per cent in value to \$486 million. This translated to a 12 per cent drop in the average value of unpackaged exports to \$1.17 per litre FOB. The recent surge in unpackaged exports was the result of Australian wine producers now being able to ship inventories after the global shipping challenges of 2021 and 2022 caused by the COVID-19 pandemic. Indications are that container rates are now returning to a pre-pandemic level⁵, while disruptions and congestion remain at some ports. Much of the increase in unpackaged exports was destined for the US and Canada markets.

⁵ Freightos

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Packaged wine exports decreased by 14 per cent in volume to 205 million litres and 8 per cent in value to \$1.41 billion. The decline in packaged exports was driven by a decline in glass bottle exports mainly to the US, but also the UK, New Zealand, and Canada. However, the average value of bottled exports increased 8 per cent to \$7.03 per litre FOB, as a result of an increase in the share of higher-priced packaged wine as lower price segments declined.

Price segments

Exports in all price segments below \$10 per litre FOB declined in value in the year ended March 2023 (see Figure 2). The biggest loss was in exports valued between \$2.50 to \$4.99 per litre, which were mostly glass bottle exports shipped to the US, UK, and New Zealand. The decline in value below \$2.50 was slightly tempered by the growth in unpackaged exports – resulting in an increase of 8 per cent in volume for the price segment while the overall value of the segment declined.

Figure 2: Value of exports by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT March 2023	Value change	Growth rate
\$2.49 and under	\$457	-\$25	-5%
\$2.50 to \$4.99	\$507	-\$98	-16%
\$5.00 to \$7.49	\$199	-\$22	-10%
\$7.50 to \$9.99	\$114	-\$3.9	-3%
\$10.00 to \$14.99	\$144	-\$1.4	-1%
\$15.00 to \$19.99	\$50	\$8.3	20%
\$20.00 to \$29.99	\$91	-\$13	-13%
\$30.00 to \$49.99	\$71	\$2.7	4%
\$50.00 to \$99.99	\$183	\$22	13%
\$100.00 to \$199.99	\$45	\$1.1	2%
\$200.00 and over	\$38	-\$19	-34%
Total value	\$1,898	-\$148	-7%

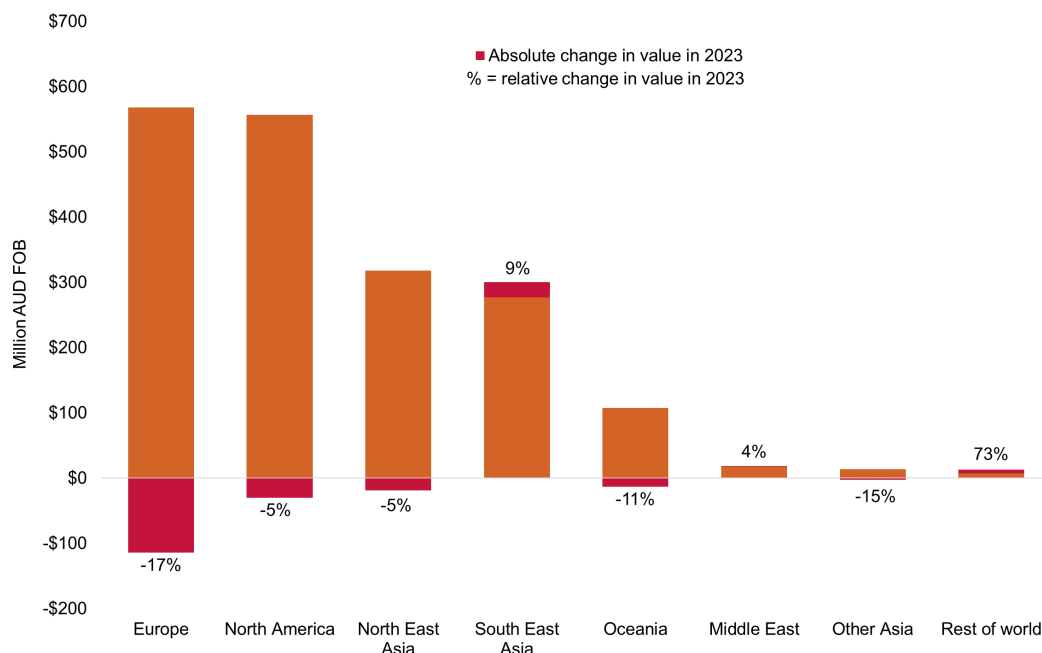
Exports above \$10 per litre were stable during the year, staying at \$621 million in value and 24 million litres in volume. Key growth segments at this end of the price spectrum were \$15 to \$19.99 (up by 20 per cent in value and driven by South Korea, Singapore, and Canada) and \$50 to \$99.99 (up by 13 per cent and driven by Hong Kong, Thailand, and Indonesia). These gains were outweighed by a decline in exports above \$10 per litre to Singapore, the US, and UK.

Destinations

In the year ended March 2023, Australian wine exporters shipped to 118 destinations, up from 112 in the previous year. In the past 12 months, the strongest growth was in exports to Southeast Asia, up 9 per cent to \$301 million. Offsetting this growth was a decline in exports to North America, down 5 per cent to \$557 million, and to Europe, down 17 per cent to \$568 million. European markets are experiencing tough operating conditions resulting from economic challenges and conflict in the region. Northeast Asia also declined, down 5 per cent to \$318 million.

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Figure 3: Export value growth/decline by region



The top five markets by value were:

- US (down 8 per cent to \$381 million. 20 per cent share of total export value)
- UK (down 20 per cent to \$359 million. 19 per cent share of total export value)
- Hong Kong (down 1 per cent to \$182 million. 10 per cent share of total export value)
- Canada (up 2 per cent to \$174 million. 9 per cent share of total export value), and
- Singapore (down 20 per cent to \$134 million. 7 per cent share of total export value).

The top five markets by volume were:

- UK (down 16 per cent to 208 million litres. 33 per cent share of total export volume)
- US (up 15 per cent to 146 million litres. 24 per cent share of total export volume)
- Canada (up 44 per cent to 73 million litres. 12 per cent share of total export volume)
- New Zealand (down 16 per cent to 28 million litres. 4 per cent share of total export volume), and
- Germany (down 17 per cent to 28 million litres. 4 per cent share of total export volume).

North America

United States

In the year ended March 2023, Australian wine exports to the United States (US) declined by 8 per cent in value to \$381 million and increased by 15 per cent in volume to 146 million litres. The decline in value with the increase in volume resulted in a drop of 20 per cent in average value to \$2.60 per litre FOB.

The growth in volume was entirely driven by unpackaged wine shipments, which increased by 80 per cent in volume to 85 million litres. Meanwhile, the decline in value was driven by packaged products – down 18 per cent to \$278 million. This decline took place in shipments valued between \$2.50 and \$7.49 per litre (see Figure 4). Also contributing to the overall value decline was the shift towards unpackaged products (which are inherently lower in value as they do not include packaging costs); they grew from a 37 per cent volume share in 2022 to 58 per cent in 2023.

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While exports valued above \$10 per litre declined by 10 per cent to \$47 million, there were some pockets of growth – such as between \$30 and \$100 per litre.

Figure 4: Value of exports to the US by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT March 2023	Value change	Growth rate
\$2.49 and under	\$96	\$33	51%
\$2.50 to \$4.99	\$213	-\$47	-18%
\$5.00 to \$7.49	\$14	-\$13	-49%
\$7.50 to \$9.99	\$11	-\$1.8	-15%
\$10.00 to \$14.99	\$16	-\$7.3	-32%
\$15.00 to \$19.99	\$8.0	\$0.5	6%
\$20.00 to \$29.99	\$8.6	-\$2.4	-22%
\$30.00 to \$49.99	\$6.6	\$0.7	13%
\$50.00 to \$99.99	\$5.3	\$2.4	84%
\$100.00 to \$199.99	\$1.2	-\$0.5	-27%
\$200.00 and over	\$1.4	\$1.0	263%
Total value	\$381	-\$35	-8%

In the year ended 2 April 2023, the total US off-trade market declined by 4 per cent in volume and 0.1 per cent in value. The commercial end of the market (below US\$11 per bottle) declined by 8 per cent, while growth at the premium end (above US\$11 per bottle) has levelled off, resulting in no volume growth in the past 12 months. These figures show a slight softening of the premium segment compared to the previous quarter, which could be a result of consumers restricting wine consumption as tough economic conditions impact disposable income. However, Australian wines priced between US\$15 and US\$25 per bottle outpaced the market in growth – up 12 per cent during the year, mostly driven by Cabernet Sauvignon⁶.

Overall, the wine category in the US has reported a long-term trend of decline at lower price segments and growth at the premium end of the market. Early indications from IWSR's price sensitivity tracker in the US are that premium segments were still the source of growth for the wine category in 2022, but growth has moderated slightly compared to previous years due to inflationary pressures. Additionally, the increase in consumer pessimism is hampering recovery in the on-trade as consumers cut back on going out in order to decrease their discretionary spend.

Wine Australia's Regional General Manager Americas Aaron Ridgway said, "The declines for Australia at the commercial end mirror the broader difficulties in the market for wine at lower prices. Consumers are tightening their spending in the face of economic uncertainty, while at the same time demanding wine that justifies a higher shelf price. This somewhat paradoxical trend creates opportunity for Australia: our wines in the \$US15–25 retail price range are as good as similarly priced wines from anywhere. In fact, Australian wines in that price range are outpacing the total market, driven by Cabernet Sauvignon. But the value proposition must be clear to the consumer. The sustained increase in the number of Australian wineries finding representation in the US, coupled with growth in premium that offsets some of the losses in commercial wine, suggest a strong foundation on which to continue to build."

Canada

Australian wine exports to Canada grew by 2 per cent in value to \$174 million and 44 per cent in volume to 73 million litres. This resulted in a 29 per cent drop in average value to \$2.39 per litre.

While packaged exports declined by 7 per cent in both volume and value to 21 million litres worth \$130 million, it was the increase in unpackaged wine that shifted total volume and value most significantly. Unpackaged wine shipments increased by 86 per cent in volume to 52 million litres and

⁶ IRI Worldwide

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44 per cent in value to \$44 million. Volume growth outpacing value growth resulted in a decrease in average value by 23 per cent to \$0.86 per litre FOB. The decline in average value of unpackaged shipments, plus their increase in overall volume share from 55 per cent to 71 per cent of shipments to Canada, has impacted on overall value in the market.

The decline in packaged shipments occurred mostly in the \$5 to \$7.49 price segment (see Figure 5), which declined by 18 per cent to \$53 million. While shipments with an average value above \$10 per litre declined by 4 per cent to \$25 million, this was mostly in shipments valued between \$10 and \$15 per litre. Exports above \$15 per litre grew by 39 per cent to \$8.0 million.

Figure 5: Value of exports to Canada by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT March 2023	Value change	Growth rate
\$2.49 and under	\$44	\$14	47%
\$2.50 to \$4.99	\$31	-\$0.5	-1%
\$5.00 to \$7.49	\$53	-\$12	-18%
\$7.50 to \$9.99	\$20	\$3.6	21%
\$10.00 to \$14.99	\$17	-\$3.4	-17%
\$15.00 to \$19.99	\$3.3	\$1.2	55%
\$20.00 to \$29.99	\$2.0	\$0.7	52%
\$30.00 to \$49.99	\$1.6	\$0.4	32%
\$50.00 to \$99.99	\$0.7	\$0.0	3%
\$100.00 to \$199.99	\$0.3	\$0.0	-6%
\$200.00 and over	\$0.1	\$0.0	-3%
Total value	\$174	\$4.1	2%

In the 12 months to January 2023, the total Canadian wine market declined by 6 per cent in volume to 51 million cases. The domestic category fell by 4 per cent while Australian wine sales declined by 5 per cent⁷. The market is in the process of adjusting after a period of heightened consumption during the COVID-19 pandemic. Previous to the pandemic, wine was on a downward trend – losing share to other beverages such as RTDs and craft beer and spirits.

Europe

United Kingdom

In the year ended March 2023, exports to the United Kingdom fell by 20 per cent in value to \$359 million and 16 per cent in volume to 208 million litres. Average value declined by 5 per cent to \$1.73 per litre FOB.

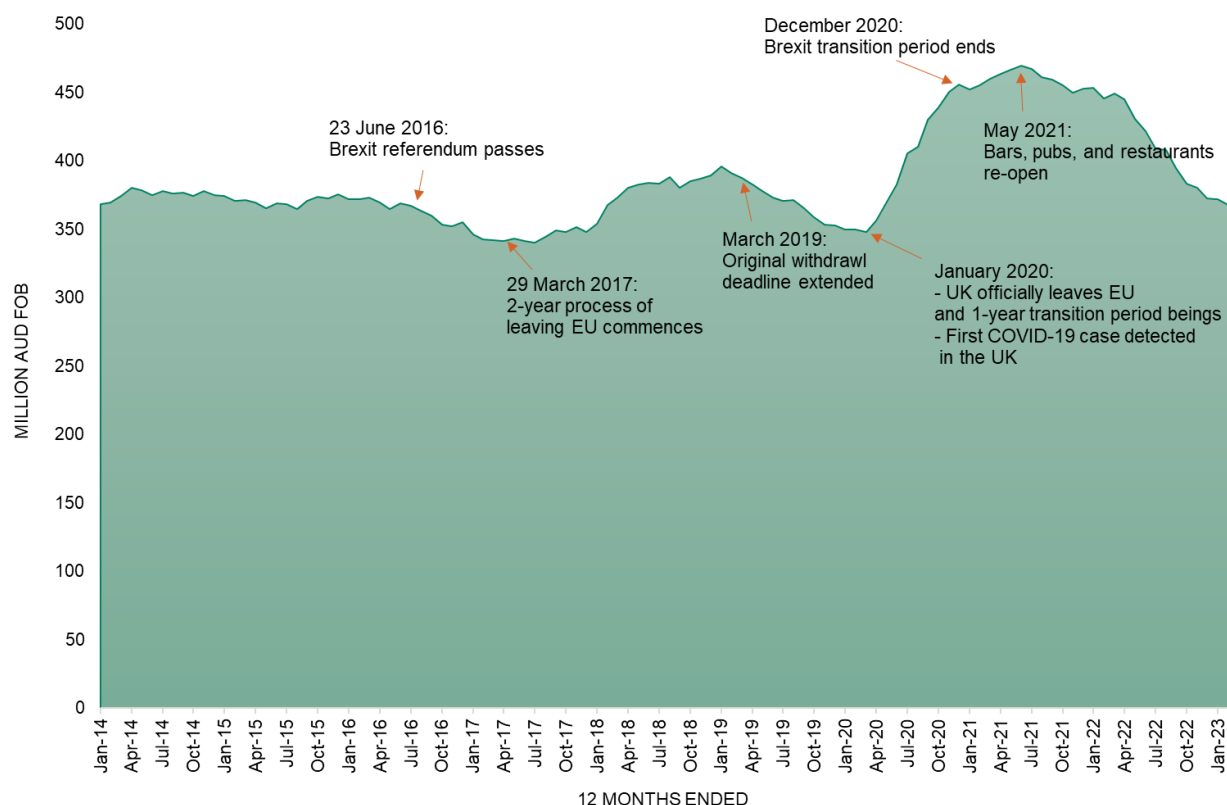
There has been considerable fluctuation in export levels to the UK over the past few years, which was largely attributable to the process of leaving the European Union (which commenced in 2016) and the COVID-19 pandemic. In 2020, there was a steep rise in exports caused by these two factors working together (see Figure 6). Brexit led to an increase in exports due to the demand of getting products into market before the transition came to a close, and the off-trade category (where Australia holds the number one position) benefitting from the closure of the on-trade during the COVID-19 pandemic, which led to a further increase in exports to the UK.

As the on-trade re-opened in 2021 and 2022, there was a counter-swing in the demand for Australian wine as Australia's share in the on-trade is substantially lower than that of the off-trade. Export value has now returned to a similar level as it was pre-Brexit. However, the UK is experiencing deep economic hardship, and the upcoming onset of additional duties on wine will squeeze margins for companies in the market, so it is likely that Australian exports to the UK will continue to decline in the short to medium term.

⁷ The Association of Canadian Distillers

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Figure 6: Export value to the United Kingdom with Brexit and COVID-19 timeline



As 87 per cent of the volume shipped to the UK is unpackaged, most of the decline in exports came from this category – down by 20 per cent in value to \$217 million and 14 per cent in volume to 181 million. However, bottled exports also declined by similar rates – down 20 per cent in value to \$141 million and 26 per cent in volume to 26 million litres.

These declines are reflected mostly in the decrease in exports under \$5 per litre in Figure 7. Only exports above \$50 per litre grew – up 45 per cent to \$6.4 million.

Figure 7: Value of exports to the United Kingdom by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT March 2023	Value change	Growth rate
\$2.49 and under	\$204	-\$50	-20%
\$2.50 to \$4.99	\$73	-\$30	-29%
\$5.00 to \$7.49	\$32	-\$2.0	-6%
\$7.50 to \$9.99	\$18	-\$4.9	-21%
\$10.00 to \$14.99	\$13	-\$3.4	-21%
\$15.00 to \$19.99	\$4.2	-\$0.2	-4%
\$20.00 to \$29.99	\$4.1	-\$1.8	-31%
\$30.00 to \$49.99	\$4.6	\$0.0	-1%
\$50.00 to \$99.99	\$3.0	\$0.2	7%
\$100.00 to \$199.99	\$1.5	\$0.6	75%
\$200.00 and over	\$1.9	\$1.1	158%
Total value	\$359	-\$90.1	-20%

The return to expected levels of off-trade sales is evident in IRI data for the year ended 25 March 2023. The total off-trade wine market declined by 6 per cent in volume and 4 per cent in value during the period, but Australia's decline was slower than this – down by 3 per cent in volume and 1 per cent in value. While the decline for the total market was across the whole price spectrum, Australian wines

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priced between £6 and £7 grew by 3 per cent and wines priced above £10 per bottle grew by 39 per cent, albeit off a small base.

Wine Australia's Regional General Manager UK/EMEA Laura Jewell MW said "The picture in the UK is quite contradictory. Consumer confidence is being hit by the ongoing high inflation rates, huge increases in fuel costs and soon added to this is the additional tax burden for wine duty in the March Chancellor's budget that will come into effect in August. However, on the positive side, we have seen three months of growth in the on-trade, and hospitality operators will be desperate for this mood swing to translate into an uplift in spending across the UK's pubs and restaurants over the coming months as they continue to grapple with rampant food inflation and rocketing energy bills.

"In the off-trade, despite consumers cutting back on alcohol expenditure in the face of increasing prices for food and essentials, the major retailers are seeing consumers continue to purchase for in-home consumption and are increasing their promotional and every day low price offerings. Many Australian brands are well positioned to take advantage and are in growth. However, we are aware that more than 150 pubs have closed in the first three months of the year, which is a huge increase on the previous year and is likely to continue at this rate to the detriment of the sector. While it is forecast that the UK will avoid a technical recession and that inflation will drop significantly by the end of the year, the next few months will remain challenging."

Other Europe

Exports to Europe (excluding the UK) declined by 10 per cent in value to \$209 million and 7 per cent in volume to 97 million litres. Many destinations declined, as harsh economic conditions and logistical challenges are reported across the region. The largest contributor to the decline was Germany (down 28 per cent in value to \$35 million), followed by Denmark (down 8 per cent to \$37 million), and the Netherlands (down 10 per cent to \$27 million). Partially offsetting these declines was growth in exports to Sweden (up 7 per cent to \$22 million), as well as a significant increase in exports to Spain to \$11 million, driven by unpackaged wine.

Figure 8: Exports to Europe (excluding the UK) by destination market

Market	Volume		Value	
	Million litres	% change	\$ Million	% change
Denmark	19.3	-7%	\$37.3	-8%
Germany	27.7	-17%	\$35.0	-28%
Netherlands	8.7	-11%	\$27.5	-10%
Sweden	5.6	16%	\$22.4	7%
France	10.2	5%	\$15.6	-1%
Belgium	9.6	8%	\$15.2	-14%
Spain	2.2	207%	\$11.5	254%
Finland	5.3	20%	\$10.8	-1%
Ireland	2.4	-14%	\$9.2	-15%
Norway	2.2	-14%	\$7.4	-13%
Others	4.1	-33%	\$17.4	-33%
Total	97.4	-7%	\$209.2	-10%

Northeast Asia

In the year ended March 2023, Australian wine exports to Northeast Asia declined by 5 per cent in value to \$318 million and 17 per cent in volume to 30 million litres. The main contributor to the decrease was mainland China, which continued its decline – down 55 per cent to \$11 million.

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Overall exports to Japan and South Korea also declined, down 9 and 7 per cent respectively, driven by exports with an average value between \$2.50 and \$7.49 per litre. However, exports above \$10 per litre to both markets showed good growth.

Figure 9: Exports to Northeast Asia by destination market

Market	Volume		Value	
	Million litres	% change	\$ Million	% change
Hong Kong	7.6	-6%	\$181.9	-1%
Japan	12.5	-9%	\$46.1	-9%
South Korea	4.5	-18%	\$41.7	-7%
Taiwan	2.9	-1%	\$26.7	-5%
Macau	0.2	78%	\$11.2	106%
China mainland	2.3	-59%	\$10.8	-55%
Total	30.0	-17%	\$318.4	-5%

Southeast Asia

Exports to Southeast Asia increased by 9 per cent in value to \$301 million and 36 per cent in volume to 26 million litres. All destinations grew in volume, while Singapore was the only market to decline in value – down 20 per cent to \$134 million. Singapore remains the number one destination in Southeast Asia for Australian wine exports, but as a trading hub some of the wine is on-shipped to other Asian markets. As with all trading hubs globally, export levels can vary to these types of markets depending on changes in business practices of shipping directly to the selling destination or vice versa.

The main contributors to growth in the region were Thailand (up 59 per cent to \$60 million) and Malaysia (up 57 per cent to \$57 million). Across the region, there was growth at both ends of the price spectrum. Exports with an average value below \$5 per litre grew by 45 per cent in value to \$40 million, while exports above \$5 per litre grew by 5 per cent to \$261 million. Wine consumption in much of Southeast Asia is currently driven by inbound tourists, and these wine markets are now starting to recover after the COVID-19 pandemic. The OECD has predicted that tourism in Thailand will return to pre-pandemic levels by 2024 and IWSR has forecasted a similar timeline for the recovery of wine consumption.

Wine Australia Regional Manager Asia Pacific Sarah Roberts said, "While economic pressures are having visible impacts for some markets in Northeast Asia, the strength of Southeast Asia has meant that it is moving closer to the export value to the US and the UK, which is a great story for Australian exporters with a focus on diversification. With some global travel and logistics challenges still remaining, Australia is well placed to continue this growth in these key markets and service our trade partners in our neighbouring region."

Figure 10: Exports to Southeast Asia by destination market

Market	Volume		Value	
	Million litres	% change	\$ Million	% change
Singapore	8.4	3%	\$133.7	-20%
Thailand	6.9	80%	\$60.6	59%
Malaysia	4.1	32%	\$57.0	57%
Indonesia	0.9	31%	\$18.3	35%
Philippines	2.8	31%	\$17.3	41%
Vietnam	2.3	212%	\$10.0	43%
Cambodia	0.3	37%	\$1.7	4%
Others	0.1	152%	\$1.9	846%
Total	25.8	36%	\$300.7	9%

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For more detailed data, please go to the [Export Dashboard](#).

About Wine Australia

Wine Australia supports a competitive wine sector by investing in research, development and adoption (RDA), growing domestic and international markets, and protecting the reputation of Australian wine.

Wine Australia is an Australian Commonwealth Government statutory authority, established under the Wine Australia Act 2013, and funded by grape growers and winemakers through levies and user-pays charges and the Australian Government, which provides matching funding for RDA investments.

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