Wine Australia

Export Report

12 months to 31 March 2024

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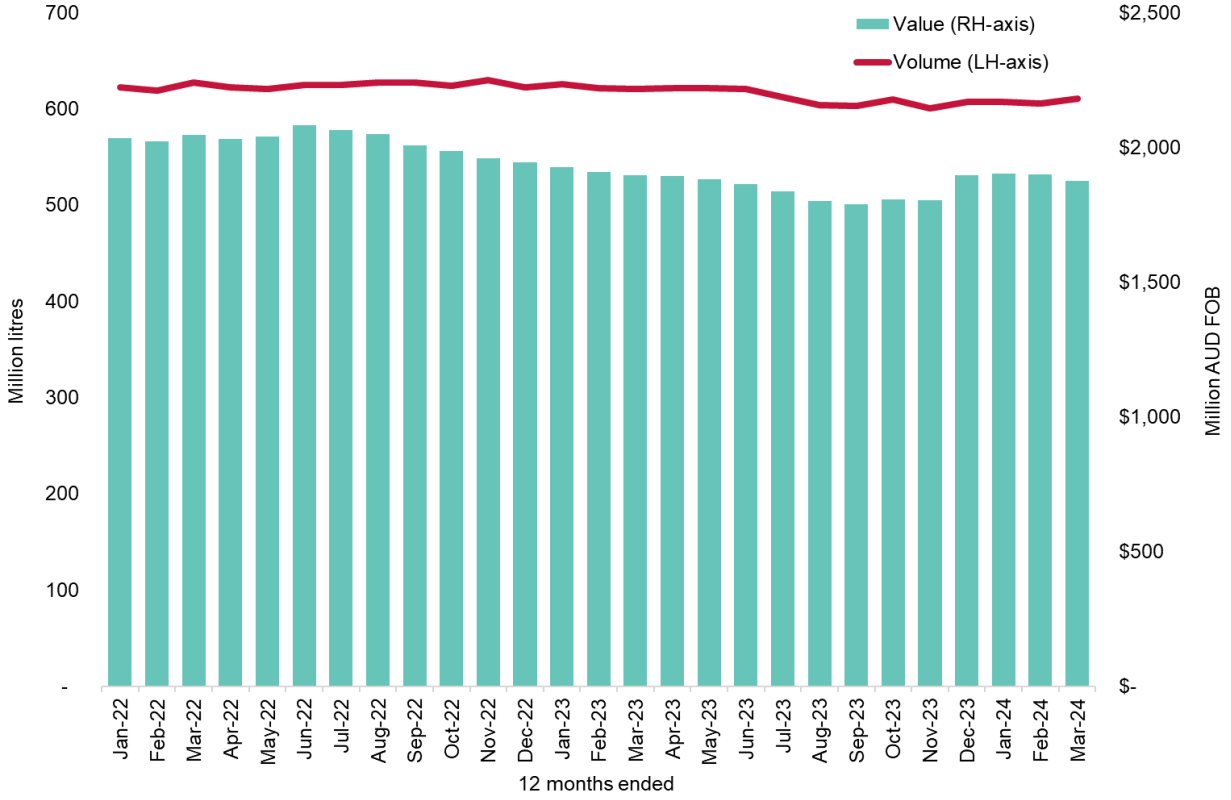
Executive Summary

- Total value of wine exports declined by 1 per cent to $1.88 billion.
- Total volume declined by 2 per cent to 611 million litres.
- Growth in certain markets in Asia and Europe was countered by a decline in exports to North America and some Asian markets.
- The largest drivers of value growth were Hong Kong, New Zealand, and the United Kingdom.
- Meanwhile exports to Canada, the United States of America, Singapore, South Korea, Indonesia, and Malaysia declined.
- As the import duties on Australian wine to mainland China were removed at the end of March, the impact on exports this reporting period is minimal.

Overview

In the 12 months to March 2024, Australian wine exports declined by 1 per cent in value to $1.88 billion[1] and 2 per cent in volume to 611 million litres. The average value of exports increased marginally by 0.4 per cent to $3.07 per litre free on board (FOB).[2]

Figure 1: Volume and value of Australian wine exports



The figures reflect a relatively stable export performance in recent times, as illustrated in Figure 1. Over the past 12 months, growth in some markets in Asia and Europe has been offset by a decline in exports to North America and, to a lesser extent, other destinations in Asia.

[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.

The largest drivers of value growth in the past 12 months were Hong Kong, New Zealand, and the United Kingdom (UK), while exports to Canada, the United States of America (US), Singapore, South Korea, Indonesia, and Malaysia declined.

Mature wine markets, such as the US and Canada, are declining in overall wine consumption due to a combination of factors such as consumer focus on health and wellbeing, competition from other beverages, and the rising cost of living. In emerging markets, such as South Korea, Indonesia, and Malaysia, export performance can be volatile as wine is a small, nascent category overall.

Although the UK is a mature market, Australian wine export performance has been positive in the past 12 months. This is likely being driven by consumers in the UK shifting from the on-premise to the off-premise, as they opt to drink at home to save money during the cost-of-living crisis. Australia has a 24 per cent share of all off-premise sales in the UK, and is the number one country of origin in the category, so benefits when consumers move towards this channel.

Wine Australia General Manager Marketing Paul Turale said, “It remains challenging to accurately predict export demand by market. Continued global volatility is impacting consumer demand and economic uncertainty undermines sentiment for discretionary spending. However, recent quarters suggest that both volume and value losses have stabilised, and a more positive sales trajectory is ahead. The decision by China’s Ministry of Commerce to end the import duties on Australian wine is likely to provide an immediate positive impact and we expect to see a rebalancing of exports across the region over the coming months. Notwithstanding, continued focus on market diversification to mitigate risk remains paramount for the sector.”

Packaging types

In the 12 months ended March 2024, exports of Australian unpackaged wine (shipped in bulk to be packaged in market) grew by 1 per cent in volume to 422 million litres (a 69 per cent volume share) and declined by 3 per cent in value to $471 million. The average value of unpackaged exports declined by 5 per cent to $1.12 per litre. Volume growth was driven by shipments to the UK, Canada, and Belgium, while some of this was offset by declines in unpackaged exports to the US, France, and Denmark.

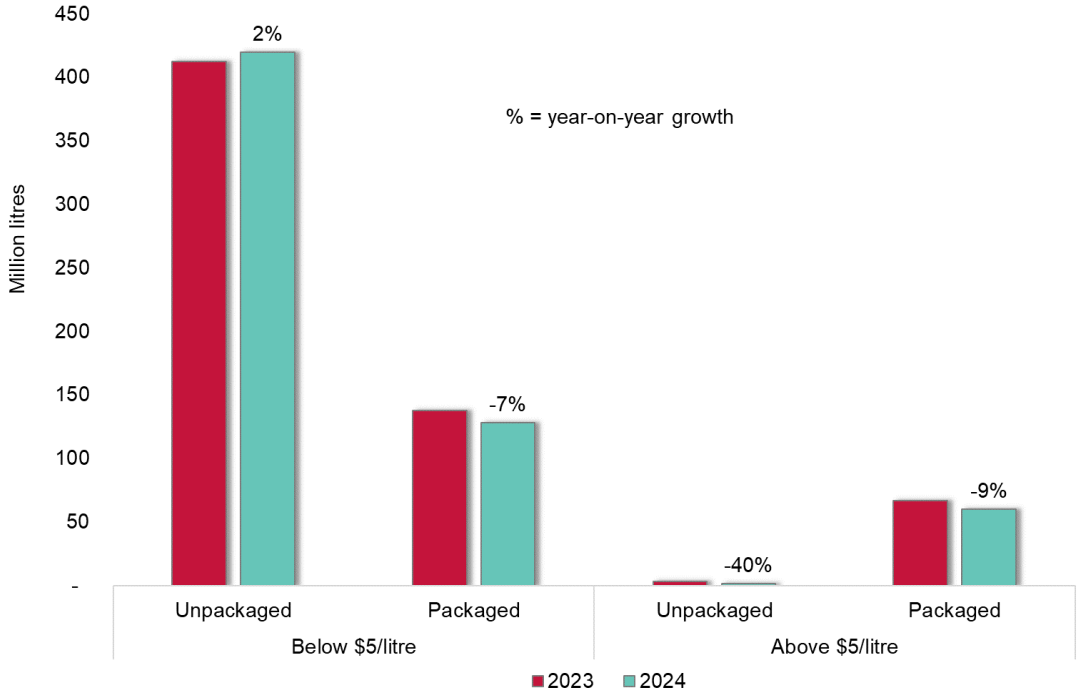
Meanwhile, packaged exports declined by 8 per cent in volume to 189 million litres (a 31 per cent volume share) but remained stable in value at $1.41 billion. This was due to growth in the average value of packaged exports – up 8 per cent to $7.43 per litre. Packaged exports with an average value of $10 per litre and above grew by 7 per cent, while those below $10 per litre declined by 6 per cent in value – resulting in a higher average value of packaged exports overall. This growth at the higher end of the price spectrum was largely driven by Hong Kong, although mainland China, New Zealand, United Arab Emirates, Vietnam, and Japan also grew in this segment. The growth at the higher end is consistent with the global trend.

Price segments

Exports valued below $5 per litre declined slightly in volume by 0.4 per cent to 549 million litres and 3 per cent in value to $938 million. This was mainly driven by packaged wine, which declined by 7 per cent in volume in this price range (see Figure 2), with the UK and Canada contributing the most to the decline.

While the volume of exports valued at $5 per litre and above declined by 11 per cent to 62 million litres, value was stable at $937 million. This was a result of a large increase in the value of exports to Hong Kong in this price segment, being counteracted by declines to a number of markets – such as Canada, South Korea, Singapore, the US, and Indonesia.

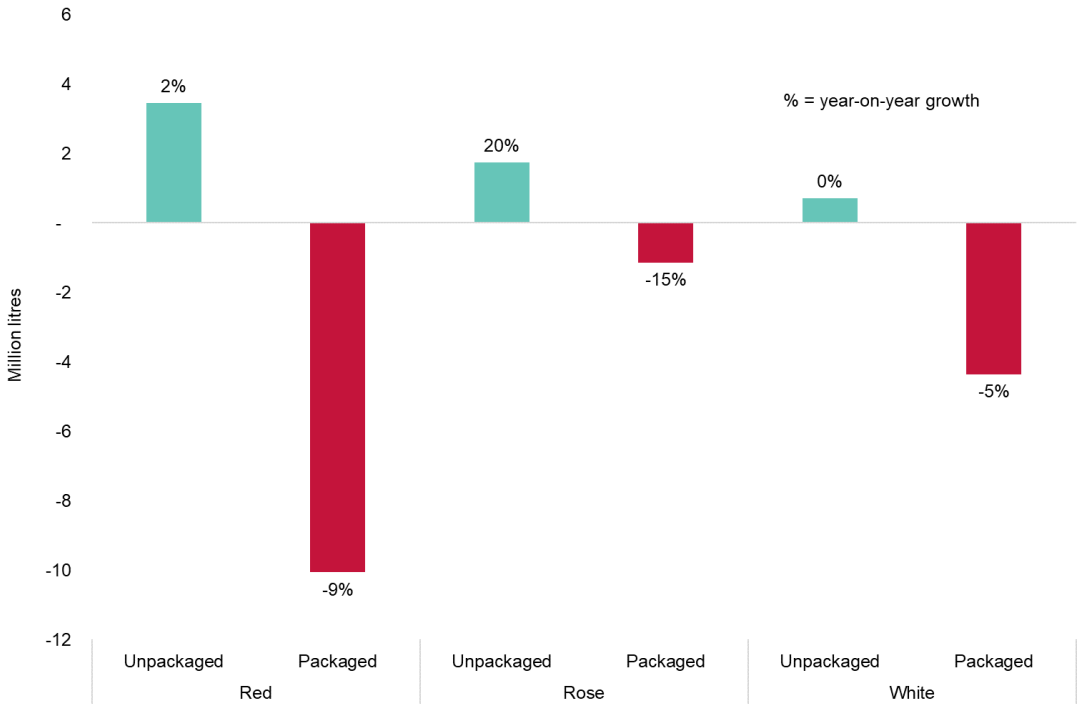
Figure 2: Price segments by packaging type



Wine style

In the 12 months to March 2024, Australian red wine exports declined by 2 per cent in volume to 315 million litres (a 52 per cent volume share) and by 1 per cent in value to $1.23 billion. The value of exports of red wine performed slightly better than volume because the average value of packaged red wine increased by 11 per cent – so even with a volume decline of 9 per cent (see Figure 3) – it increased in value. The volume decline in packaged red wine was primarily driven by exports to the UK and Canada, while the growth in unpackaged red wine (up by 2 per cent) was driven by the UK.

Figure 3: Change in the volume of exports by colour and packaging type

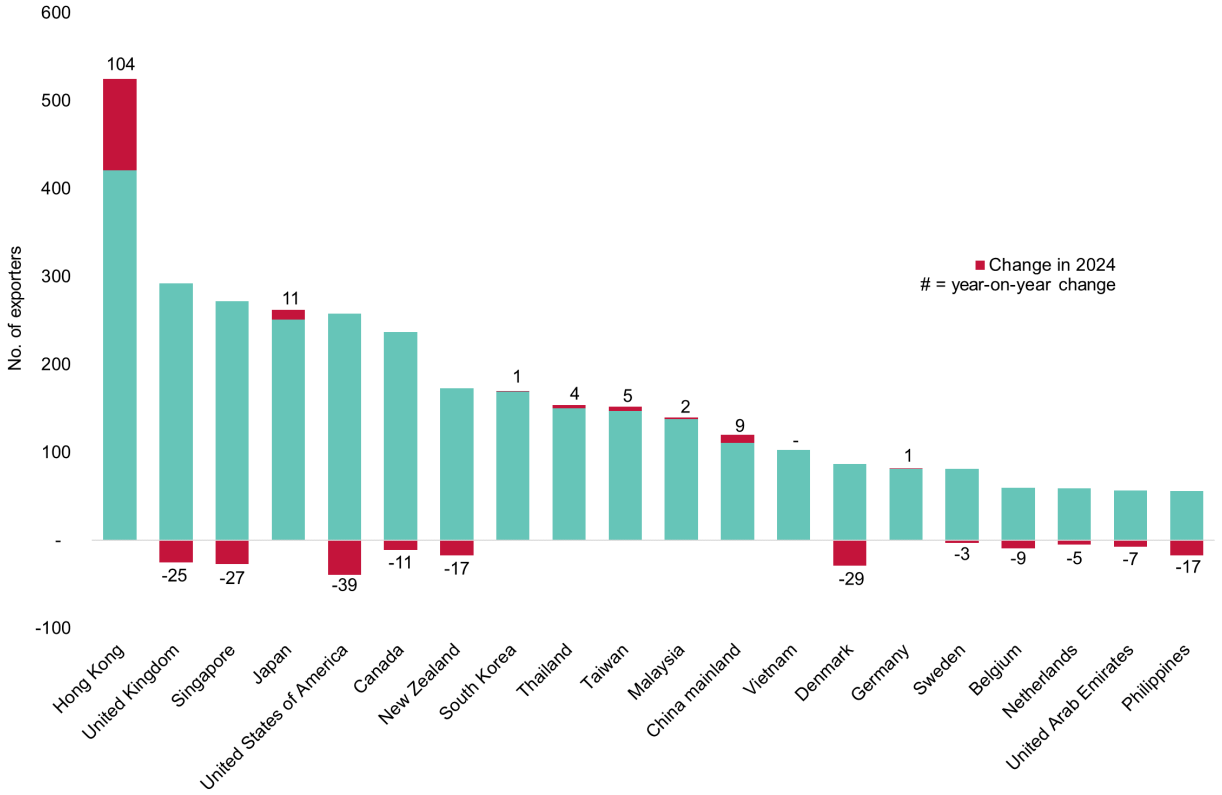


White wine exports declined by 1 per cent in volume to 279 million litres (a 46 per cent volume share) and by 1 per cent in value to $593 million. Seventy-two per cent of white wine exports are unpackaged and were stable during the year – mainly due to growth to the UK and Canada being outweighed by a decline to the US. Meanwhile, the decline in packaged white wine exports was also driven by the UK and Canada.

Exporters

The number of Australian wine exporters increased to 1,282 in the 12 months to March 2024 – an increase of 94 exporters from the previous year. The destinations with the largest increase in exporters were Hong Kong, Japan, and mainland China (see Figure 4), while the destinations that lost the most exporters included the US, Denmark, Singapore, and the UK. Hong Kong, the UK and Singapore were the top three destinations by number of exporters but as they are major trading hubs some of this wine is on-shipped to other markets.

Figure 4: Top 20 destinations by number of exporters, change in 2024

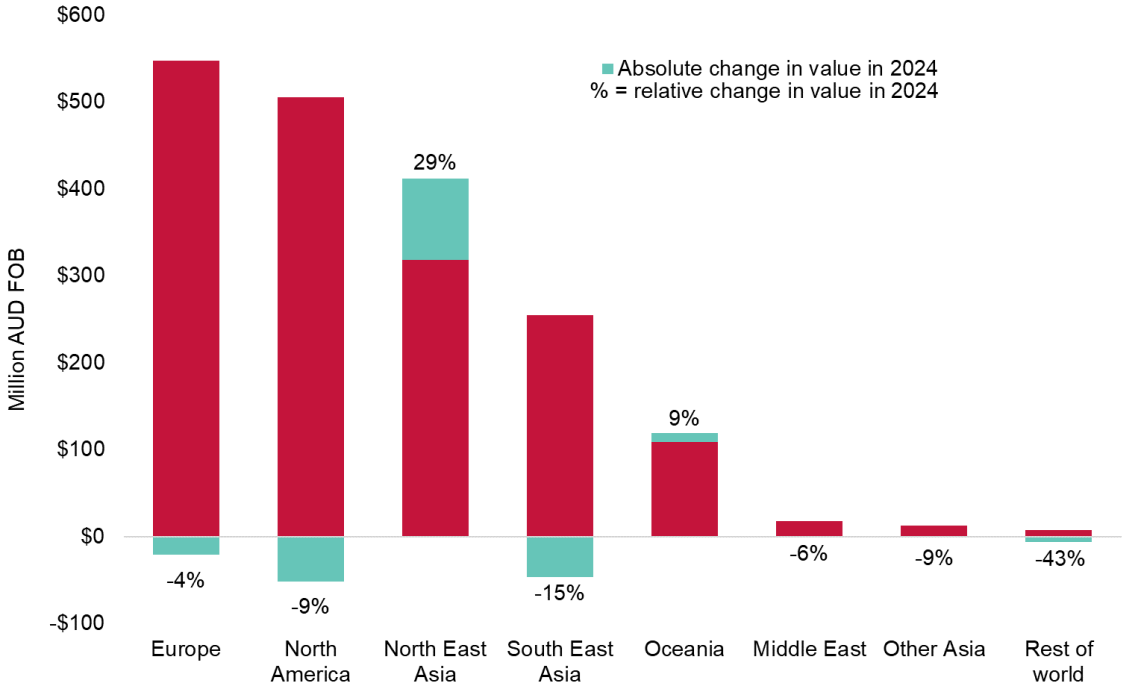


Destinations

In the 12 months to March 2024, Australian exporters shipped wine to 114 destinations, down from 118 in the previous year. Fifty of these grew in export value. Of the top 15 destinations by value, the UK, Hong Kong, New Zealand, and Japan recorded value growth.

Asia is the largest region by value for Australian wine exports, with a 36 per cent value share. Strong growth in Northeast Asia (up by 29 per cent and driven by Hong Kong) was tempered by a decline in the value of exports to Southeast Asia (down 15 per cent and driven by Singapore, Indonesia, and Malaysia) during the period. In North America (27 per cent value share), both the US and Canada declined. Pleasingly, performance in Europe (29 per cent value share) is looking better than previous periods – with recovery in exports to the UK being counteracted by ongoing declines to other destinations in the region.

Figure 5: Export value by destination region in 2024



The top five markets by value were:

- UK (up 2 per cent to $367 million. 20 per cent share of total export value)
- US (down 7 per cent to $356 million. 19 per cent share of total export value)
- Hong Kong (up 60 per cent to $290 million. 15 per cent share of total export value)
- Canada (down 15 per cent to $147 million. 8 per cent share of total export value), and
- Singapore (down 11 per cent to $119 million. 6 per cent share of total export value).

The top five markets by volume were:

- UK (up 10 per cent to 228 million litres. 37 per cent share of total export volume)
- US (down 13 per cent to 127 million litres. 21 per cent share of total export volume)
- Canada (up 2 per cent to 74 million litres. 12 per cent share of total export volume)
- New Zealand (up 6 per cent to 30 million litres. 5 per cent share of total export volume), and
- Germany (down 5 per cent to 26 million litres. 4 per cent share of total export volume).

Europe

Australian wine exports to Europe declined by 4 per cent in value to $547 million and increased by 4 per cent in volume to 317 million litres.

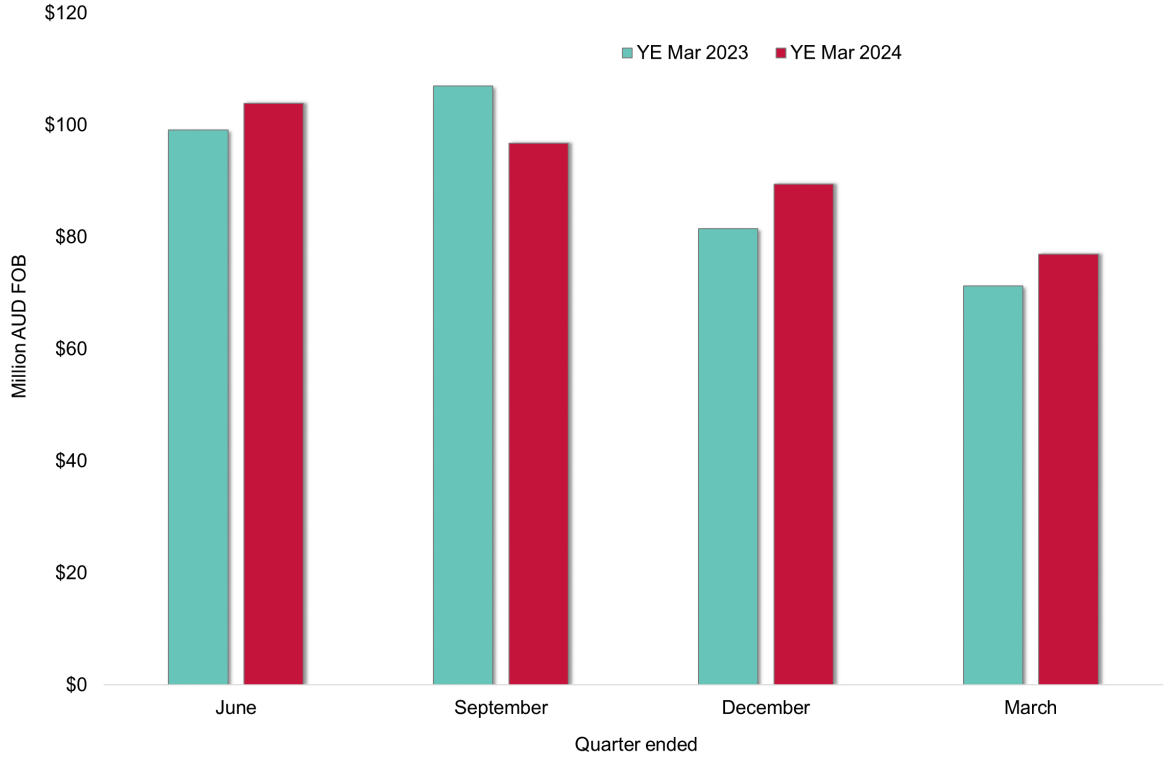
United Kingdom

Driving the volume growth in this region were exports to the UK, which grew by 10 per cent in volume to 228 million litres. The value of exports to the UK also grew – by 2 per cent to $367 million. This growth was a result of two straight quarters of better performance compared to the previous year (see Figure 6) and is likely driven by consumers gravitating towards drinking brands that offer value for money at home during the cost-of-living crisis.

According to IWSR, 58 per cent of consumers in the UK say they are going out less than before and 38 per cent of beverage alcohol drinkers say their finances are under pressure. As a result, consumers are saying that they are choosing to drink at home, trading down, and buying products when there

are deals or specials available. According to data from Nielsen IQ, for the year ended 3 February 2024, five of the top ten wine brands in the UK off-trade were Australian, and 4 of these experienced growth in the last 12 months.

Figure 6: Value of exports the United Kingdom by quarter



Unpackaged wine exports have a 91 per cent volume share of exports to the UK. These exports are wine that is subsequently packaged in the UK or on-shipped to other European markets. Unpackaged wine grew by 14 per cent in both volume and value to 207 million litres and $248 million, respectively. The average value of unpackaged wine exports remained stable at $1.20 per litre. Both red and white unpackaged wine exports grew in the past 12 months, red growing by 15 per cent in volume to 110 million litres and white growing by 12 per cent to 90 million litres. Meanwhile, packaged wine declined by 19 per cent in volume to 21 million litres and 16 per cent in value to $119 million. The declined in packaged wine was driven by exports valued between $2.50 and $4.99 per litre, which declined by 29 per cent to 12 million litres.

Wine Australia's Regional General Manager UK/EMEA Laura Jewell MW said, "Inflation continued to fall in the UK in the first quarter and is forecast to drop further with the energy price cap taking effect in April, which is positive news. However, food and drink, particularly wine, inflation rates remain high, the latter driven by the new duty rates on wines since August 2023. While consumer confidence is increasing, particularly around personal finances, families continue to focus less on eating out and more on buying wine for home consumption. This in turn is driving volume of the large brands in the retailers, including several Australian in the top ten. However, consumers are buying less volume but paying more per bottle due to the duty increases, giving a false sense of value increases in the overall retail environment. The on-trade continues to face challenging times. Restaurant and pub insolvency and closures are being aggravated by rising interest rates, high inflation, cash-strapped consumers, the end in government support for energy bills, the repaying of COVID-19 support loans and transport strike action."

Other Europe

Excluding the UK, exports to the rest of Europe declined by 14 per cent in value to $180 million and 9 per cent in volume to 89 million litres (see Figure 7). The largest contributors to the decline were Denmark (down 24 per cent in value) and Germany (down 16 per cent). However, Belgium did show growth over the past 12 months – up 9 per cent in value to $17 million, while Sweden also grew in volume by 11 per cent to 6 million litres, the growth to both markets was driven by unpackaged wine.

Figure 7: Exports to Europe (exc. UK) by destination

	Volume		Value	
Market	**Million litres**	**% change**	**$ Million**	**% change**
Germany	26.4	-5%	$29.4	-16%
Denmark	16.7	-13%	$28.5	-24%
Netherlands	7.6	-13%	$26.5	-4%
Sweden	6.3	11%	$21.7	-1%
Belgium	10.8	13%	$16.6	9%
France	8.0	-22%	$13.6	-13%
Finland	5.3	-2%	$10.1	-6%
Ireland	2.3	-3%	$9.3	1%
Norway	1.5	-30%	$6.4	-14%
Switzerland	0.9	-4%	$5.0	12%
Others	3.0	-44%	$13.5	-45%
Total	**88.7**	**-9%**	**$180.4**	**-14%**

North America

Australian wine exports to North America reflected challenging market conditions for wine in these markets. In the 12 months to March 2024, exports declined by 9 per cent in value to $505 million and 8 per cent in volume to 202 million litres. The decline in value was almost equally driven by both the US and Canada, while the volume decline was centred in the US.

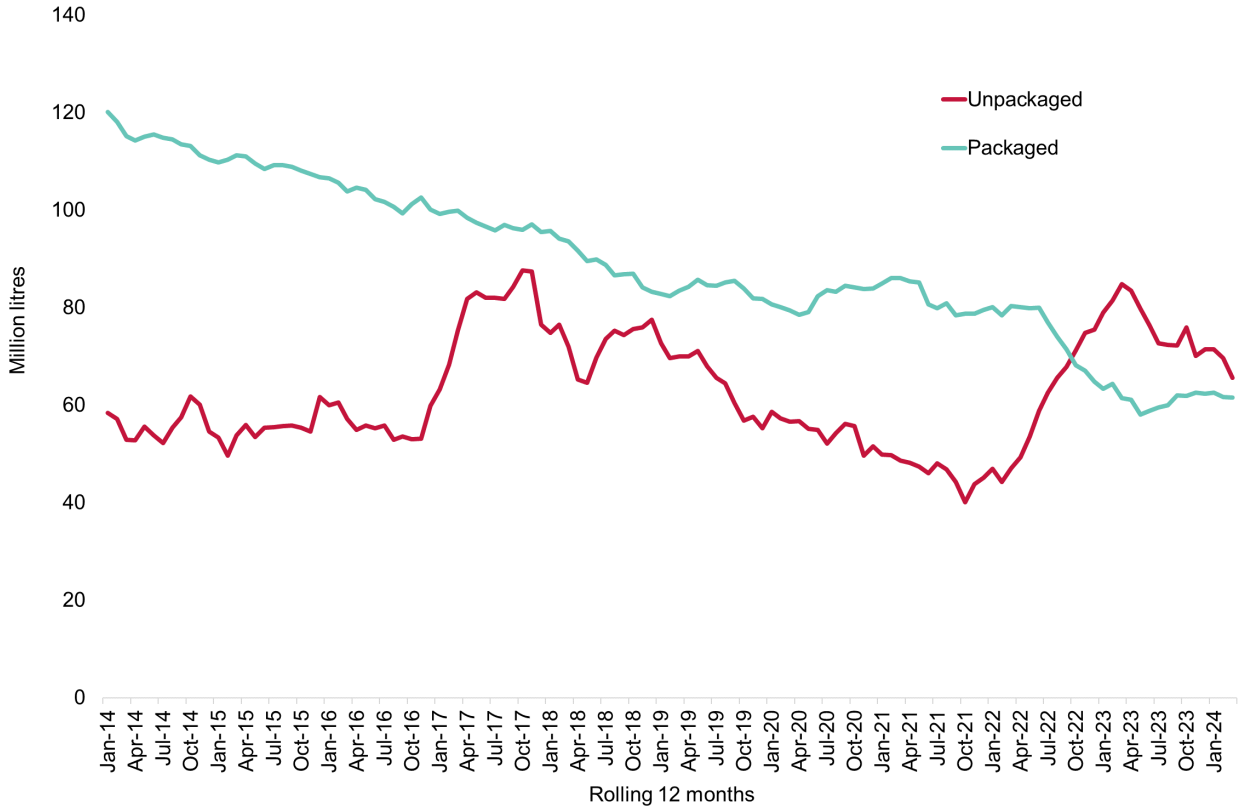
United States

Exports to the US declined by 7 per cent in value to $356 million and 13 per cent in volume to 127 million litres. As the volume decline outpaced value, the average value of exports to the US grew by 7 per cent to $2.80 per litre.

The decline in exports to the US was entirely driven by unpackaged wine. During 2022 and the early part of 2023, unpackaged wine exports to the US surged as shipping conditions improved and Australian producers were able to ship large inventories into market. This trend has now eased, and total exports have declined as a result.

Packaged exports were unchanged during the year – remaining steady at 62 million litres worth $278 million in value. Within packaged exports, two trends are offsetting each other: the growth in exports below $5 per litre (up 6 per cent in value to $221 million) is being countered by a decline in exports valued at $5 per litre and above (down 18 per cent to $57 million).

Figure 8: Volume of exports to the United States by packaging type



The US beverage alcohol market has experienced a turbulent time in the past few years. Large shifts in alcohol consumption behaviour during the COVID-19 pandemic have resulted in continuing impacts on inventory levels, on-premise closures, and consumer behaviour in 2023.

Inventories were drawn down rapidly during the pandemic and producers overestimated future demand – leading to an oversupply in the market in 2023. Analysts predict that this will normalise in the coming year.

According to the National Restaurant Association, the number of restaurants has fallen from about 1.2 million in 2019 to around 1 million in 2023. The loss in establishments is mostly in independent operators offering table service and holding liquor licenses. Additionally, those still operating have shorter wine lists than previously – to reduce inventory cost.

The health and wellness trend is still a factor – with Americans choosing to drink less or even abstain from alcohol in greater numbers. And lastly there is the competition from other beverages; 2023 was the first time in 45 years that the sale of spirits overtook wine sales in total volume, according to Shanken's Impact Databank.

Although all price segments of wine sales in the US off-trade market declined in the 12 months to 31 March 2024, the premiumisation trend is still a factor as price segments above US$11 per bottle declined at slower rates than the rest of the market.

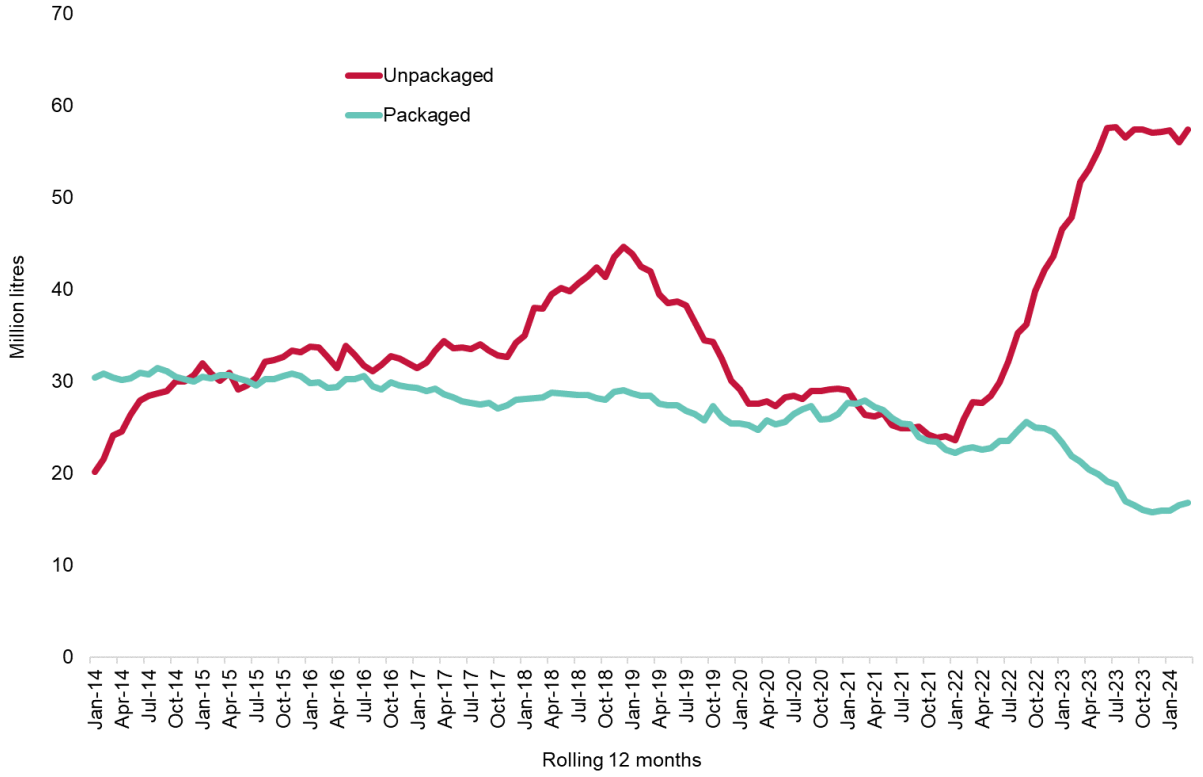
Wine Australia's Regional General Manager Americas Aaron Ridgway said, "A range of factors including stubbornly high inflation, reduced consumption of alcohol (which appears to be affecting wine more than spirits and beer) and distributor oversupply are making this a very challenging time for the overall wine category. Over the next 12–18 months we will be investing in trade and consumer activations that aim to put Australian wine in high-traffic on- and off-premise accounts. Wineries must also be on the front foot with products that deliver a clear value proposition to today's budget-conscious, risk averse consumers."

Canada

In the 12 months ended March 2024, wine exports to Canada declined by 15 per cent in value to $147 million and increased by 2 per cent in volume to 74 million litres. The average value of exports declined by 17 per cent to $1.99 per litre.

Although volume grew at a slower rate compared to previous periods, unpackaged wine remains the driver of this growth – increasing by 11 per cent in volume in the past 12 months to 57 million litres. Meanwhile, the value of unpackaged wine declined by 6 per cent to $42 million – resulting in a 15 per cent drop in average value to $0.73 per litre. Unpackaged wine now holds a 77 per cent volume share of exports to Canada, up from 71 per cent in 2023, which in turn impacts the total value of exports due to unpackaged exports inherently being lower in value as it excludes packaging costs. Much of the unpackaged volume is likely bound for supermarket brands, mainly in Québec, which are labelled as Australian, but some volume is also blended into non-Australian labelled products.

Figure 9: Volume of exports to the Canada by packaging type



Packaged exports to Canada declined by 21 per cent in volume to 17 million litres and 19 per cent in value to $106 million. The loss in packaged wine exports is concentrated in shipments valued between $2.50 and $7.50 per litre.

Northeast Asia

In the 12 months to March 2024, Australian wine exports to Northeast Asia increased by 29 per cent in value to $412 million and were stable in volume, remaining at 30 million litres.

The vast majority of the growth in value was driven by exports to Hong Kong, which increased by 60 per cent to $290 million, mainly in red wine above $10 per litre. Hong Kong is a major trading hub and therefore some of the wine may be on-shipped to other Asian markets. Exports to Japan also grew during the period – up 4 per cent in value to $48 million – mainly driven by exports valued between $2.50 and $4.99 per litre, but also above $10 per litre.

The South Korean wine market has struggled to recover post-pandemic as most wine is consumed off-premise, and therefore had an advantage during lock-downs. Now, with the opening of the on-premise, at home consumption has weakened. Australian wine exports to South Korea declined by 34 per cent in value to $28 million in the 12 months to March 2024. However, the wine market is expected to recover in the coming years, with IWSR forecasting an average growth rate of 5 per cent each year out to 2027.

Figure 10: Exports to Northeast Asia by destination

	Volume		Value	
Market	**Million litres**	**% change**	**$ Million**	**% change**
Hong Kong	9.7	28%	$289.9	60%
Japan	12.2	-2%	$47.9	4%
South Korea	3.4	-23%	$27.6	-34%
Taiwan	2.6	-13%	$23.7	-11%
China mainland	2.0	-12%	$13.1	21%
Macau	0.2	-20%	$9.6	-14%
Total	**30.1**	**0%**	**$411.8**	**29%**

On 28 March 2024, China's Ministry of Commerce (MOFCOM) announced the removal of the import duties imposed on Australian wine to mainland China, in keeping with its interim decision of 12 March 2024. As the announcement was made late in March, it has very little impact on the export data for the 12 months to March 2024. However, mainland China did experience an uplift during the period – growing by 21 per cent to $13 million off a low base.

Wine Australia Regional Manager Asia Pacific Sarah Roberts said, "We're in for an interesting period for exports to this region; with the removal of duties on wine to mainland China, I expect that there will be significant fluctuations in export results over the coming 6–12 months while we re-establish an equilibrium. It's very encouraging to see value growth in Japan once more as it recovers from COVID-19 related fluctuations in demand, and with a lot of work being done around positioning and awareness in this market we hope this continues. We can see mixed fortunes across the wider Asia Pacific region for this reporting period but it's important that exporters stay focused on opportunities in both North and Southeast Asia, as with a longer-term view of export trends the outlook remains positive."

Southeast Asia

Due to the emerging nature of wine in the region, export performance to Southeast Asia continued to be volatile. Exports to the region declined by 15 per cent in value to $255 million and 13 per cent in volume to 22 million. The largest drivers of the decline were Singapore (down 11 per cent in value to $119 million), Indonesia (down 59 per cent to $7.5 million), and Malaysia (down 18 per cent to $47 million).

Figure 11: Exports to Southeast Asia by destination

	Volume		Value	
Market	**Million litres**	**% change**	**$ Million**	**% change**
Singapore	6.9	-17%	$119.3	-11%
Thailand	6.9	-1%	$55.3	-9%
Malaysia	2.7	-34%	$46.9	-18%
Philippines	2.4	-16%	$13.3	-23%
Vietnam	2.3	1%	$9.5	-5%
Indonesia	0.8	-17%	$7.5	-59%
Cambodia	0.3	-1%	$1.4	-22%
Myanmar	0.1	-18%	$1.0	-37%
Others	0.1	46%	$0.5	31%
Total	**22.4**	**-13%**	**$254.6**	**-15%**

Other markets

In the 12 months to March 2024, export performance was varied across other significant markets:

- New Zealand increased in export value by 13 per cent to $105 million
- United Arab Emirates increased by 2 per cent to $16 million
- India decreased by 14 per cent to $10 million
- Fiji decreased by 14 per cent to $6.0 million
- Papua New Guinea increased by 3 per cent to $3.9 million
- Vanuatu decreased by 7 per cent to $1.7 million
- Brazil decreased by 73 per cent to $1.6 million
- Sri Lanka increased by 87 per cent to $1.2 million, and
- Qatar decreased by 45 per cent to $1.2 million.

For more detailed data, please visit the Export Dashboard.

About Wine Australia

Wine Australia supports a competitive wine sector by investing in research and innovation (R&I), 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 R&I investments.

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