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Australia

Wine Annual

2012 Wine Annual

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Report Highlights:

A second consecutive year of heavy rains is expected to dampen prospects for Australian wine production, estimated at 1.09 billion liters for the 2011/12 (July/June) vintage year. Assuming drier weather conditions, wine production in 2012/13 is forecast at 1.13 billion liters. Australian wine exports in 2011/12 are estimated at 698 million liters, down about 4% from the previous year. Exports in 2012/13 are forecast at 712 million liters. Australian wine exports continue to be challenged by a number of factors, perhaps foremost being the strength of the Australian dollar relative to the currencies of its major wine export markets. Australia's wine export picture continues to be characterized by increased bulk sales and falling bottle sales. Following a period of double digit growth, wine imports grew by just 2% in 2010/11 to an estimated 67 million liters.

Commodities:

Wine

Production:

Australian Vineyard and Wine Sector			
	2010/11	2011/12	2012/13
Grape Area (ha)	154,000	156,000	158,000
Grape Production (million tons)	1.56	1.56	1.61
Avg Grape Price (Aus\$/tons)	\$413	\$410	na
Wine Production (million liters)	1.09	1.09	1.13
Wine Imports (million liters)	67	68	70
Consumption (million liters)	522	534	540
Wine Exports (million liters)	727	698	712

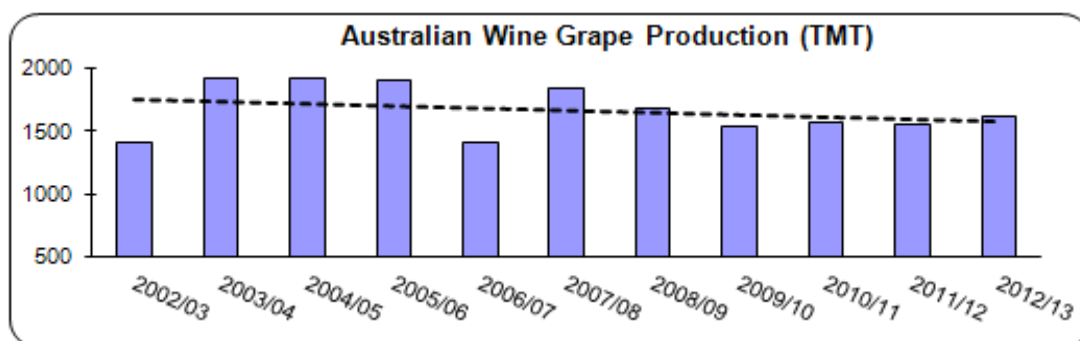
Source: ABS 1329.0 Australian Wine and Grape Industry Report Feb 2012

Australia's 2012/13 (July/June) vintage wine grape production is forecast at 1.61 million tons, and wine production at 1.13 billion liters. Despite the breaking of Australia's nearly 10-year drought in December 2009, two subsequent years of heavy rains and flooding have limited Australia's grape production to an estimated 1.56 million tons in 2012 and 2011, with wine production estimated at 1.09 million liters for both years. The 2010/11 and 2011/12 seasons were characterized by extremely wet conditions which promoted diseases such as downy mildew and powdery mildew. Additionally, there were reported incidents of "botrytis" in some regions. The overall area of bearing vines is forecast at 158,000 hectares in 2012/13, up slightly from an estimated 156,000 hectares in 2011/12.

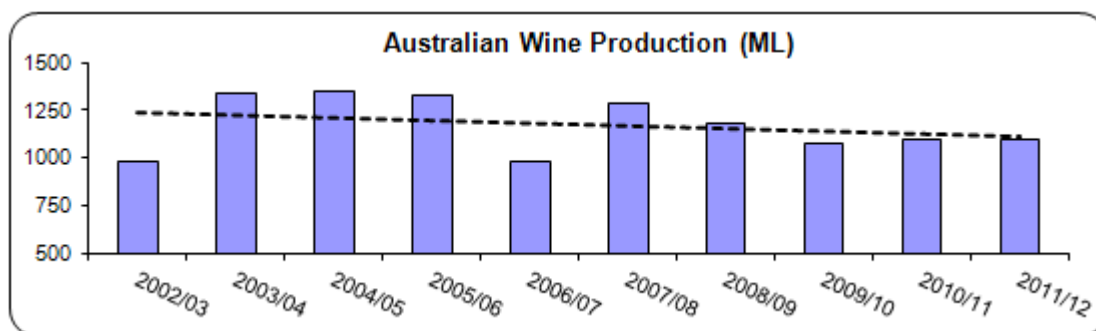
Over the past several years, growth in demand for Australian wines has begun to slow, placing downward pressure on wine and grape prices. In 2011/12, the average price of wine grapes was about \$410/ton, down slightly from the 2010/11 average price, and down nearly 20 percent from the 2008/09 average price.

Australian Wine Grape Production by Variety		
	2009/10 ('000 tons)	2010/11 ('000 tons)
White		
Chardonnay	298	308
Semillon	77	82
Sauvignon blanc	72	69
Other	152	157
Subtotal	599 (36% of Total)	616 (39% of Total)
Red (53% of total)		
Cabernet sauvignon	214	206
Merlot	105	98
Shiraz	403	368
Other	96	97
Subtotal	818 (53% of total)	769 (49% of Total)
Other Varieties not listed		66
Total	1533	1563

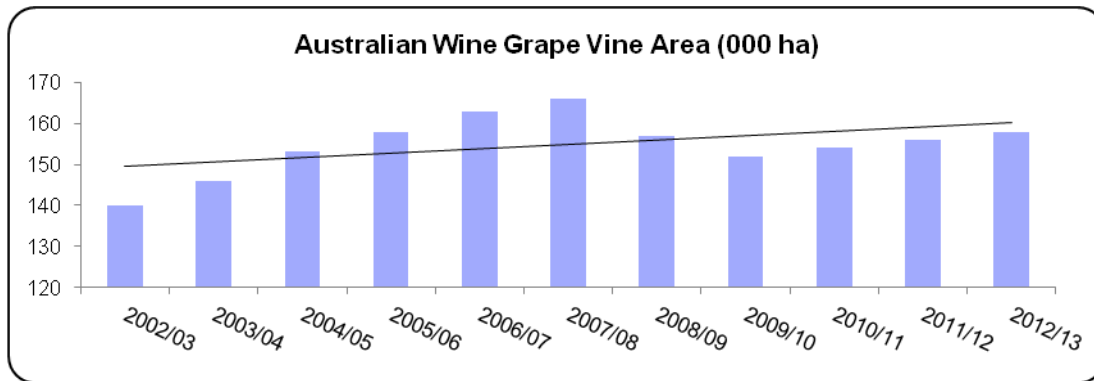
Source: ABARES data



Source: ABARE, Australian Commodities, March Qtr 2012



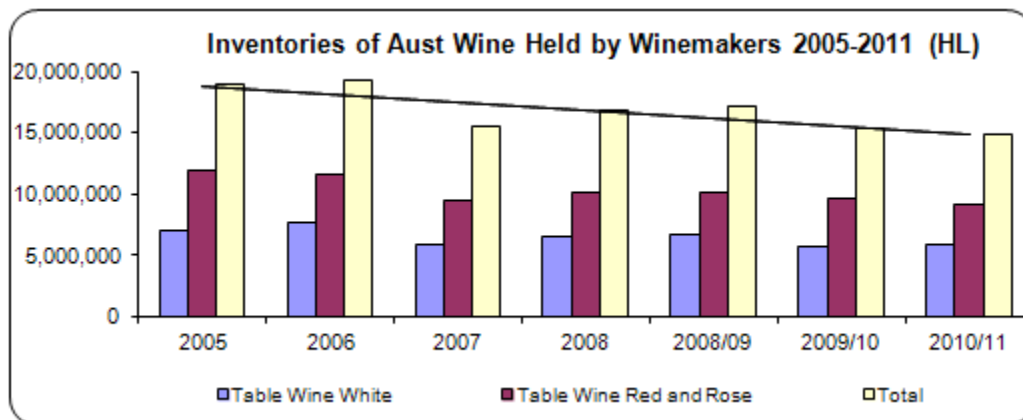
Source: ABARE, Australian Commodities, March Qtr 2012



Source: ABARES, Australian Commodities, March Qtr 2012

Stocks

Stock levels are expected to decline somewhat over the next 12 months as the result of lower wine production in 2011 and 2012. Never-the-less, all analysts agree that Australia still maintains very high stock levels that are expected to be an important element of the Australian wine picture for the next 3 to 5 years. Australian wine inventories in 2010/11 are estimated at 1.50 billion liters, down from an estimated 1.54 billion liters in 2009/10 and 1.72 billion liters in 2008/09.



Source: ABS 1329.0 Australian Wine and Grape Industry Report Feb 2012

Consumption

On average, about two-thirds of Australia's wine production is exported, with the balance one-third consumed domestically. According to ABARES, total sales of wines (table, sparkling, carbonated and fortified) fell by 3% in 2010/11 to 522 million liters, largely due to a 3% decline in domestic sales of Australian wines to 455 million liters. While sales of Australian bottled wine were virtually unchanged in 2010/11, domestic sales of wine in soft packs and in bulk fell by 7% (to 179 million liters) and sales of sparkling wine declined by 12% (to 35 million liters). In 2011/12, total wine sales are expected to increase by 2% to 534 million liters. The increase is attributed to due to the abundance of low-priced wine available in the market and continued, large carry-over stocks held by wineries.

Trade

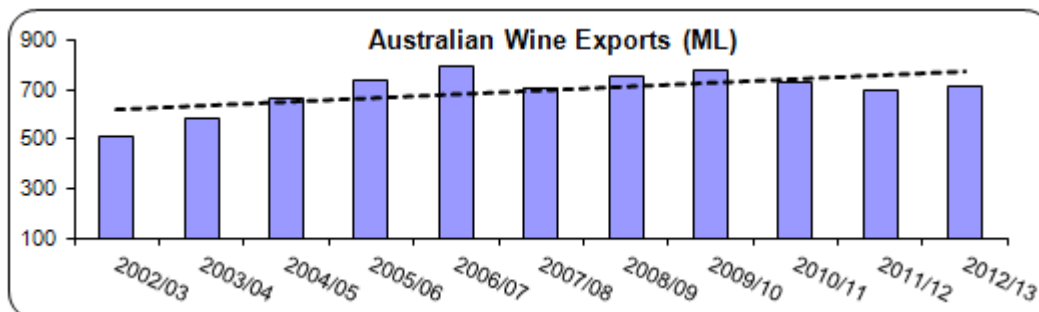
Exports

Wine exports in 2012/13 are forecast at 712 million liters, up slightly from the estimated 698 million liters exported in 2011/12, but still off the estimated 727 million liters exported in 2010/11. World demand for Australian wines is being tempered by large world wine supplies, the global financial crisis and the strong Australian dollar. On average, about two-thirds of Australia's wine production is exported. The continued strength of the Australian dollar, coupled with only an expected modest economic recovery in two of Australia's largest export markets (the U.S. and the UK), and the ample supply of wine on the world market will likely limit international demand for Australian wine into the near term.

The growing proportion of lower-value bulk wine exports is also contributing to the downward pressure on Australian wine and wine grape prices. In 2011/12, Australia shipped 49% of its total wine exports (by volume) in bulk, compared with 13% ten years earlier. The volume of wine exported in all container types declined in 2011/12 with the largest decline being in bottled shipments. As a result, the percentage share of bottled wine in the export mix fell by three percentage points to 50%, while the bulk wine share rose to 49%.

The bulk wine share is the highest on record and reflects the fundamental change in the way some exporters are shipping wine to key markets. An increasing number are choosing to send lower-priced wine in bulk to bottle in-market rather than in Australia. Reasons for this include economic, environmental and scale rationale together with meeting customer requirements. The ongoing strong Australian dollar and the growing presence of buyers-own brands are two key drivers.

Exports of all major wine style categories declined in volume although the rate of decline in white wine (down 15%) was more than double that of red wine (down 7%). As a result, the share of white wine in the export mix declined to 35% while red wine increased to 62%. The sparkling wine share was unchanged at 2%.



Source: ABARES, Australian Commodities, Mar Qtr 2012

Australian Exports (CY) - Top 20 Destinations
All Forms of Grape Wine
(Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.)
Tariff Code 2204

Partner Country	Million Liters					
	2006	2007	2008	2009	2010	2011
World	761,174	781,569	701,076	771,984	799,380	720,708
United Kingdom	260,330	284,590	259,966	259,428	265,467	250,031
United States	218,637	202,719	194,708	242,335	220,403	191,755
Canada	49,517	48,413	43,639	47,113	54,234	48,071
Netherlands	25,127	37,673	25,569	27,448	34,637	42,407
China	22,148	17,744	14,919	43,697	53,918	40,738
New Zealand	31,838	31,287	19,818	21,988	28,655	25,808
Belgium	19,595	21,264	15,546	17,488	19,721	16,837
Denmark	21,524	25,771	27,547	17,359	14,196	15,446
Germany	25,098	25,273	17,807	17,911	21,226	14,329
Japan	8,846	8,919	10,314	9,627	9,957	9,482
Sweden	10,412	8,383	8,203	9,025	9,246	8,297
Ireland	12,298	15,455	13,429	9,327	10,913	7,749
Hong Kong	3,761	4,871	5,375	8,007	7,886	7,642
Singapore	7,453	6,075	6,021	6,313	8,576	6,173
Norway	3,894	3,151	3,012	3,711	3,871	3,555
United Arab Emirates	2,431	2,677	3,261	2,498	3,291	3,423
Malaysia	2,583	2,943	2,672	2,947	6,931	3,193
Finland	3,586	4,668	4,137	4,667	4,181	3,125
Taiwan	1,783	1,898	1,538	1,004	2,011	3,119
Thailand	1,503	1,945	2,007	1,787	2,577	2,707
Other	28,809	25,848	21,588	18,303	17,483	16,819

Australia Export (CY) – Top 20 Destinations
Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must Nesoi
(Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.)
Tariff Code 2204

Partner Country	Million U.S. Dollars					
	2006	2007	2008	2009	2010	2011
World	\$2,082,387	\$2,492,994	\$2,128,063	\$1,823,998	\$1,955,948	\$1,988,195
United States	\$640,124	\$726,826	\$573,224	\$544,745	\$547,251	\$520,620
United Kingdom	\$704,696	\$829,251	\$697,127	\$504,462	\$482,615	\$424,786
China	\$28,144	\$46,710	\$61,990	\$106,629	\$148,803	\$202,760
Canada	\$181,933	\$234,903	\$193,179	\$160,294	\$187,168	\$190,553
Hong Kong	\$18,452	\$28,558	\$33,539	\$40,473	\$52,583	\$74,345
New Zealand	\$76,441	\$87,682	\$77,425	\$61,376	\$72,688	\$72,988
Netherlands	\$52,221	\$82,067	\$64,078	\$60,687	\$63,050	\$67,687
Singapore	\$33,498	\$42,601	\$41,238	\$36,162	\$42,455	\$53,413
Japan	\$34,264	\$40,954	\$43,347	\$36,530	\$42,607	\$43,684
Germany	\$39,661	\$42,948	\$31,833	\$26,324	\$34,606	\$32,631
Malaysia	\$12,676	\$16,238	\$17,620	\$17,750	\$24,736	\$32,312
Denmark	\$39,882	\$47,111	\$52,326	\$30,670	\$29,780	\$32,131
Sweden	\$33,783	\$34,912	\$30,934	\$31,366	\$32,509	\$31,908
Belgium	\$27,871	\$36,165	\$30,812	\$26,118	\$27,601	\$29,484
Ireland	\$42,604	\$61,446	\$49,386	\$30,439	\$34,278	\$29,142
Thailand	\$5,674	\$8,914	\$9,770	\$8,686	\$12,727	\$17,323
United Arab Emirates	\$7,295	\$10,259	\$12,699	\$8,521	\$12,775	\$15,533
Finland	\$10,352	\$14,003	\$13,058	\$13,810	\$13,972	\$13,075
Taiwan	\$9,072	\$9,495	\$8,113	\$5,230	\$9,935	\$11,163
Norway	\$11,507	\$9,975	\$9,133	\$9,712	\$10,705	\$10,911
Other	\$72,239	\$81,976	\$77,232	\$64,014	\$73,102	\$81,745

Imports

Australia imported an estimated 68 million liters of wine in 2011/12, valued at \$471 million. This is up on the estimated 67 million liters of wine imported in 2010/11. Assuming the strength of the Australian dollar is maintained, Post forecasts imports to grow slightly in 2012/13 to 70 million liters. New Zealand wine continues to account for the largest share of total wine imports, however, appreciation of the Australian dollar against the Euro contributed to increased demand for European wines such as France, Portugal and Spain. In 2011, imports from the U.S. totaled 415,000 liters, valued at \$2.2 million – roughly double the previous year’s level.

Australian Imports (CY) – Top 20 Suppliers All forms of Grape Wine (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Tariff Code 2204						
Partner Country	United States Dollars					
	2006	2007	2008	2009	2010	2011
World	\$223,554,371	\$332,284,198	\$436,241,829	\$376,749,403	\$454,774,831	\$529,736,700
New Zealand	\$98,420,498	\$158,167,199	\$213,450,496	\$211,872,804	\$246,837,585	\$287,512,117
France	\$88,955,195	\$116,230,681	\$148,955,676	\$106,388,367	\$147,818,929	\$173,672,180
Italy	\$21,471,501	\$31,871,796	\$36,271,445	\$32,509,599	\$30,870,566	\$32,938,676
Spain	\$3,482,829	\$4,888,943	\$6,963,641	\$6,123,583	\$7,897,075	\$8,333,302
South Africa	\$1,036,358	\$2,052,580	\$7,454,290	\$4,571,848	\$4,244,364	\$4,781,554
Chile	\$1,456,886	\$3,364,408	\$6,679,767	\$2,780,473	\$2,307,472	\$4,758,456
Germany	\$1,897,202	\$2,896,533	\$2,628,642	\$2,498,616	\$3,073,814	\$3,529,734
Portugal	\$1,801,984	\$2,375,509	\$2,299,964	\$2,086,983	\$2,253,257	\$2,719,724
United States	\$993,658	\$1,371,629	\$1,655,888	\$1,031,875	\$1,223,959	\$2,175,866
Argentina	\$175,882	\$695,105	\$1,941,049	\$933,145	\$1,084,642	\$1,907,197
United Kingdom	\$312,674	\$566,797	\$436,382	\$554,240	\$1,274,536	\$1,269,704
Greece	\$360,239	\$625,238	\$475,151	\$651,472	\$698,696	\$684,926
Austria	\$135,341	\$248,362	\$601,392	\$496,274	\$573,105	\$611,074
Netherlands	\$574,017	\$2,542,457	\$987,650	\$299,924	\$841,008	\$422,763
China	\$160,219	\$108,629	\$15,865	\$23,922	\$118,479	\$322,403
Hungary	\$217,071	\$165,314	\$284,616	\$200,337	\$249,088	\$272,599
Canada	\$42,759	\$15,782	\$215,576	\$356,974	\$13,128	\$233,908
Malaysia	\$49,405	\$50,004	\$37,606	\$151,278	\$117,567	\$179,468
UAE	\$29,952	\$71,581	\$109,123	\$140,314	\$329,486	\$176,925
Israel	\$176,211	\$250,188	\$246,893	\$160,694	\$189,517	\$171,967

Other	\$1,804,490	\$3,725,463	\$4,530,717	\$2,916,681	\$2,758,558	\$3,062,157
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Source: *Global Trade Atlas*

Taxation Policies

Wine and all alcoholic beverages are highly taxed in Australia. Under current law, government taxation has a higher tax for ready-to-drink spirits popular with younger consumers. The wine industry successfully fought against increases in taxes on wine in 2010. Industry sources reported that the proposed new taxes would have negatively affect wine with consumers potentially paying A\$1.5 billion more in annual taxes. Wine is presently taxed on value rather than the alcohol content. Under this flat (referred to as a volumetric tax), the price of cheaper wines, particularly boxed wines would sharply rise. The wine industry opposed the proposed tax saying it would cost the industry 12,000 jobs and that wine consumption is far different than beer and spirits and should be taxed differently.

Wine Equalization Tax (WET) – The WET is a value based tax which generally applies on the last wholesale sale of wine, usually between the wholesaler and the retailer. Wine producers, importers and wholesalers normally have to pay WET, rather than retailers (because WET is usually included in the price retailers pay for the product).

WET only applies to certain types of products that have an alcohol content of over 1.15%, specifically grape wine, grape wine products, fruit or vegetable wine, cider, perry, mead and sake. WET applies to both bulk and packaged wine.

Full details of the WET can be found on the Australian Taxation Office website at:

<http://www.ato.gov.au/businesses/pathway.aspx?pc=001/003/097>

Good & Services Tax (GST) - is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia. Generally, businesses and other organizations registered for GST will:

- include GST in the price of sales to their customers
- claim credits for the GST included in the price of their business purchases.

So although GST is paid at each step in the supply chain, businesses do not actually bear the economic cost of the tax. The cost of GST is borne by the final consumer.

A guide to the GST can be found on the Australian Taxation Office website at:

http://www.ato.gov.au/businesses/pathway.aspx?sid=42&pc=001/003/103&mfp=001/003&mnu=45028#001_003_103

Marketing

International: Wine Australia has developed a marketing strategy and brand to “recapture the excitement of the Australian wine category,” to evolve their global position towards a stronger perception of quality, diversity and value. ‘A+ Australian Wine’ is the brand underpinning this strategy and it focuses on education, engagement and energizing the Australian wine category across all price points and in all markets. It will be based around communication and telling the world that there is more to discover about Australian wine. The new brand and strategy aims to “engage and excite audiences to choose Australian wine” and will be underpinned by consumer and retail activity, social media and marketing and communications events in all markets. Wine Australia runs specific marketing programs in Canada, China, Ireland, Japan, the UK and the U.S. These programs focus on four key strategies:

- Targeted trade education programs

- Increased investment in international visitor programs
- Exclusive consumer events
- Use of new technologies (social media) to engage a larger and more targeted audience.

Domestic: The strong Australian dollar has meant the price of many imported wines – which were once viewed as purely “aspirational” to many wine consumers – has dropped, providing the opportunity for domestic consumers to explore the imported wines on offer. On the domestic front, Wine Australia will be working with the wine sector to try to ‘recapture’ the Australian category among domestic consumers by positioning towards a stronger perception of quality, diversity and value.

Labeling Requirements

The table below contains **guidance** on labeling requirements for wine in Australia. Full details of each of the relevant standards are available on the [Food Standards Australia New Zealand](#) (FSANZ) website (or through the links in the table). Detailed guidance for food regulations is also contained in the Food & Agriculture Import Regulations & Standards (FAIRS) report for Australia which is available at for download on the [FAS website](#). The FAIRS report can be found in the ‘Exporter Assistance’ category.

Mandatory Labeling Requirements For Wine in Australia	
The following requirements apply to all wine for sale in Australia	
<u>Standard 1.2.2</u>	Unless exempt, alcoholic beverages must include on the label: <ul style="list-style-type: none"> • A name or description sufficient to indicate the true nature of the beverage • The lot identification • The name & business address in Australia of the supplier
<u>Standard 1.2.3</u>	<ul style="list-style-type: none"> • All wine must bear a sulfite declaration if it contains a concentration of 10 mg/kg or more of sulfur dioxide. The form of the statement is: “contains preservative 220” (or 221, 222, 223, 224, 225, 228), “contains sulfites”, or “contains sulfur dioxide”. • A wine label must include an allergen declaration if egg, fish or milk products are present. Isinglass is now exempt from allergen labeling, although other fish collagen products still need to be declared.
<u>Standard 1.2.5</u>	Date labeling is not required for bottled wine, but may be for wines with a shorter shelf life, such as bag-in-box.
<u>Standard 1.2.6</u>	Directions for use & storage of an alcoholic beverage must be provided where the beverage is of a nature as to warrant such directions for health & safety reasons.
<u>Standard 1.2.9</u>	Any mandatory information on a label must be set out legibly and prominently such as to afford a distinct contrast to the background. All prescribed labeling & information must be in English.
<u>Standard 1.2.11</u>	Labels on wine (other than from New Zealand) must include: <ul style="list-style-type: none"> • A statement on the package that identifies where it was made or produced; or • A statement on the package that identifies the country it was made, manufactured or packaged along with a statement to the effect that the beverage is constituted from ingredients imported into that country or from local or imported ingredients as the case may be. There are also requirements about country and place of origin representations in other legislation.

<p><u>Standard 2.7.1</u></p>	<ul style="list-style-type: none"> Alcohol by Volume - All wine must include a statement of the alcohol content – expressed in 'ml/100g' or 'ml/100 ml' or 'x% alcohol by volume' or words or expressions of the same or similar meaning – i.e. "% vol" will suffice. All wine must bear a statement of the approximate number of standard drinks in the package. The form of the standard drink statement is: "contains approx. x.x standard drinks". For example: a 750mL bottle of 12.5% wine "Contains approximately 7.4 standard drinks". Wines are prohibited from bearing health claims, or making representations as to being low in alcohol or non-intoxicating etc.
<p>Weights & Measures</p>	<p>Australia has a national system of trade measurement, which is under the administration and regulatory oversight of the National Measurement Institute. Details on weights and measurements requirements are available on this website.</p> <p>The two core requirements with respect to packaging of prepackaged products are that the package must be marked with:</p> <ol style="list-style-type: none"> the name and address of the person who packed the product (or on whose behalf it was packed) in a clear, conspicuous and legible manner on the main display panel a statement of the net measurement in a clear, conspicuous and legible manner. The measurement must be declared in metric terms.

Source: Food Standards Australia New Zealand & National Measurement Institute

Tariffs

In general, the tariff on wine entering Australia is 5% and 4% for developing countries (see [Part 4 of Schedule 1](#) of the Australian Customs Tariff). Under the U.S./Australia Free Trade Agreement, U.S. wine is not subject to a tariff except for the following tariff lines which are subject to a rate of A\$74.72/liter of alcohol: 2204.10.23; 2204.10.29; 2204.10.83; 2204.10.89; 2204.21.30; 2204.21.90; 2204.29.30; 2204.29.90.