

FACTS ABOUT AUSTRALIA

August 2019



- Area under vines - 146 000 hectares
- Wine Production - 1 290 000 000 litres



Population: 23 232 413

Median age: 38.7 years

GDP growth is 2.2%

WINE FACTS

- ❖ 1.9% of world vineyard area (14th)
- ❖ 4.4% world volume of wine production (6th)
- ❖ 67% exports as % of production

Exports

860 000 000
litres

Imports

101 000 000
litres

Cultivars

Shiraz 46% of reds

Chardonnay 44% of whites

BACKGROUND

Prehistoric settlers arrived on the continent from Southeast Asia at least 40,000 years before the first Europeans began exploration in the 17th century. No formal territorial claims were made until 1770, when Capt. James Cook took possession of the east coast in the name of Great Britain (all of Australia was claimed as British territory in 1829 with the creation of the colony of Western Australia). Six colonies were created in the late 18th and 19th centuries; they federated and became the Commonwealth of Australia in 1901. The new country took advantage of its natural resources to rapidly develop agricultural and manufacturing industries and to make a major contribution to the Allied effort in World Wars I and II.



In recent decades, Australia has become an internationally competitive, advanced market economy due in large part to economic reforms adopted in the 1980s and its location in one of the fastest growing regions of the world economy. Long-term concerns include an aging population, pressure on infrastructure, and environmental issues such as floods, droughts, and bushfires. Australia is the driest inhabited continent on earth, making it particularly vulnerable to the challenges of climate change. Australia is home to 10 per cent of the world's biodiversity, and a great number of its flora and fauna exist nowhere else in the world.

Geography: The world's smallest continent, but sixth-largest country; the largest country in Oceania, the largest country entirely in the Southern Hemisphere, and the largest country without land borders; the only continent without glaciers; population concentrated along the eastern and southeastern coasts; the invigorating sea breeze known as the "Fremantle Doctor" affects the city of Perth on the west coast and is one of the most consistent winds in the world. Land area is 7,741,220 sq km.

Economy and Infrastructure: Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic. Australia plays an active role in the WTO, APEC, the G20, and other trade forums. Australia's free trade agreement (FTA) with China entered into force in 2015, adding to existing FTAs with the Republic of Korea, Japan, Chile, Malaysia, New Zealand, Singapore, Thailand, and the US, and a regional FTA with ASEAN and New Zealand. Australia continues to negotiate bilateral agreements with Indonesia, as well as larger agreements with its Pacific neighbors and the Gulf Cooperation Council countries, and an Asia-wide Regional Comprehensive Economic Partnership that includes the 10 ASEAN countries and China, Japan, Korea, New Zealand and India.

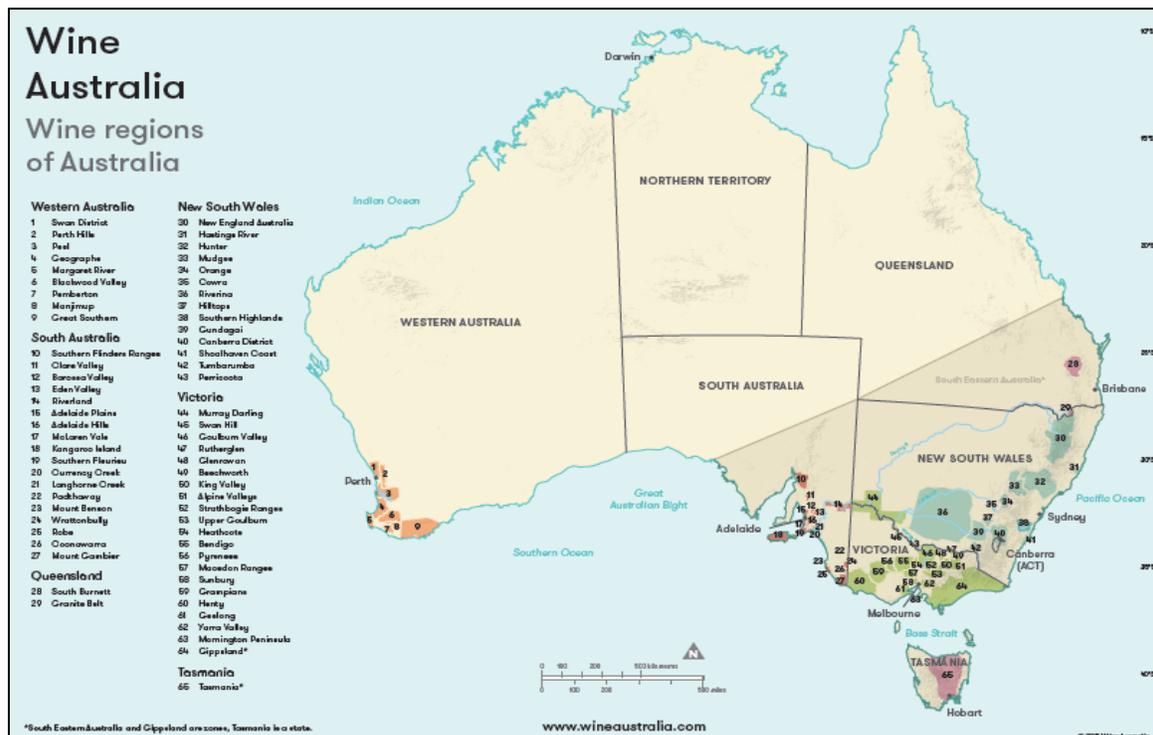
People: Total population is 23,232,413 and median age is 38.7 years.

Exports: Iron ore, coal, gold, natural gas, beef, aluminum ores and conc, wheat, meat (excluding beef), wool, alumina and alcohol.

Environment: Soil erosion from overgrazing, deforestation, industrial development, urbanization, and poor farming practices; soil salinity rising due to the use of poor quality water; desertification; clearing for agricultural purposes threatens the natural habitat of many unique animal and plant species; the Great Barrier Reef off the northeast coast, the largest coral reef in the world, is threatened by increased shipping and its popularity as a tourist site; limited natural freshwater resources; drought, overfishing, pollution, and invasive species are also problems.

THE WINE INDUSTRY

1. WINE REGIONS



Source: Wines Australia

Adelaide Hills, South Australia, is Australia's largest geographical wine region - Chardonnay and Pinot noir, Riesling, Sauvignon Blanc and Pinot Gris.

Barossa region, South Australia, - Shiraz, Riesling, Chardonnay, Semillon, Grenache, Mourvedre, and Cabernet Sauvignon.

Clare Valley, South Australia - Chardonnay, Sémillon and Riesling.

Coonawarra region, South Australia, - Cabernet Sauvignon, Chardonnay, Malbec and Merlot.

Heathcote, Victoria, - Shiraz and Cabernet Sauvignon.

Hunter Valley, New South Wales, - Sémillon, Chardonnay and Cabernet Sauvignon.

Margaret River, Western Australia - Cabernet Sauvignon, Merlot and Shiraz, Chardonnay, Semillon, Chenin blanc, Sauvignon blanc and blends.

McLaren Vale, South Australia, - Shiraz, Cabernet Sauvignon, Merlot and Chardonnay.

Mornington Peninsula, Victoria, - Pinot noir, Chardonnay and Pinot Gris.

Rutherglen, Victoria, - Shiraz and Durif.

Tasmania, Australia's southern island, - Sparkling wine Chardonnays, other white varieties and Pinot noir.

The Yarra Valley, Victoria, - Chardonnay, Pinot noir, Shiraz and Cabernet Sauvignon.

2. AREA UNDER VINES

6 251 wine grape growers and 2 468 wineries.

YEAR	HECTARES
2013	157 000
2014	154 000
2015	147 000
2016	145 000
2017	145 000
2018*	146 000

**Provisional*
Source: OIV

3. CULTIVARS

Red cultivars include Barbera, Cabernet Franc, Cabernet Sauvignon (28%), Durif, Grenache, Malbec, Mataro/Mourvedre, Merlot (10%), Muscat à Petits Grains Rouge, Nero d'Avola, Petit Verdot, Pinot Noir (6%), Ruby Cabernet, Sangiovese, Shiraz (46%), and Tempranillo.

White cultivars include Chardonnay (44%), Chenin blanc, Colombard (4%), Marsanne, Muscat à Petits Grains Blanc, Pinot Gris (Grigio) (8%), Riesling (7%), Sauvignon blanc (13%), Semillon (9%), Traminer, Verdelho, Vermentino and Viognier.

4. PRODUCTION

Domestic Wine Production

YEAR	'000 litres
2011	1 112 000
2012	1 230 000
2013	1 230 000
2014	1 190 000
2015	1 119 000
2016	1 300 000
2017	1 370 000
2018*	1 290 000

**Provisional*
Source: OIV

5. CONSUMPTION

Consumption is currently at 24.00 litres per capita.

YEAR	'000 litres
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2013	540 000
2014	540 000
2015	550 000
2016	550 000
2017	580 000
2018*	630 000

**Provisional
Source: OIV*

Per capita consumption

YEAR	LITRES PER CAPITA
2011	23.80
2012	23.90
2013	24.10
2014	24.00
2015	23.70
2016	23.80
2017	24.00

Source: 2018 Euromonitor International

6. INTERNATIONAL TRADE

Total exports

Exports represent 58% of total wine production. Main exports countries are the UK (27%), the USA (21%), China (17%), Canada (7%), The Netherlands, NZ, Germany and Belgium.

YEAR	'000 LITRES
2011	720 000
2012	735 000
2013	711 000
2014	713 000
2015	745 000
2016	764 000
2017	800 000
2018	860 000

Source: OIV Comtrade

Total imports

Imports mainly from NZ (58%), France (18%), Italy (11%), Spain, Germany, Portugal and Chile.

YEAR	'000 LITRES
2011	76 000
2012	84 000
2013	87 000
2014	85 000
2015	91 000
2016	92 000
2017	98 000
2018	101 313 000

Source: Comtrade

14 in global vineyards area.

6th in global wine production.

7. TRENDS & FORECASTS

- Wine records 2% total volume growth in 2017
- Manufacturers and consumers of wine focusing on refreshment
- Champagne sees highest total volume growth of 13%
- Average unit prices increases by 3% in current terms
- Accolade Wines Australia Ltd leads with a 16% total volume share in 2017
- Wine is expected to record a 2% total volume CAGR to reach 657 million litres in 2022

Lighter styles of wine providing consumers with refreshment

Lighter styles of wine grew in popularity in 2017 as the demographic of wine consumers continued to diversify. This was supported by Australia's warmer climate, according to industry sources. One example of this was the growth of rosé. The trend towards lighter wine styles is expected to endure over the forecast period, with rosé expected to register the strongest total volume CAGR in wine.

Premiumisation within wine set to endure

While the effects of premiumisation were felt across alcoholic drinks in 2017, within wine this translated to strong growth in champagne, a trend that was consistent over most of the review period. The growth of champagne is expected to be less robust over the forecast period, especially due to the popularity of prosecco, which provides consumers with a quality and price-competitive alternative to champagne. The shift towards drinking less but better-quality alcohol was also a reason for the continued decline of cask wine in 2017. Industry sources noted consumers shifting to two-litre casks, which use high quality fruit and more creative design elements. Rosé casks continued to experience growth but this is likely to taper off when rosé growth stabilises.

Wine in a can makes a push into Australia

Following the success of wine in a can in the US and UK markets, local manufacturers and other industry players sought to support the growth of wine in a can in Australia as a way to widen the appeal of wine to new consumers and cater for new occasions. Wine in a can offers consumers the convenience of portable wine. The refreshment trend is expected to affect wine in a can, with industry sources expecting lighter offerings such as prosecco and rosé to perform well. The craft beer trend is also predicted to support the growth of wine in a can as consumers became acquainted with drinking out of aluminium cans. One drawback for wine in a can is that transporting the wine and keeping it cold could prove challenging and, additionally, wine is not usually the drink of choice when out and about, according to industry sources.

Accolade Wines Australia leads wine with their best-selling brands Stanley Wines and Berri Estates in 2017. Over the review period, both felt the impact of Australian's changing wine palate. Consumers continued to turn away from cask wine due to the desire for greater moderation, as well as the premiumisation trend. Treasury Wine Estates aims to target younger wine drinkers by launching several new products in 2017. This strategy is part of a broader move within the wine industry to target younger consumers, with the growing availability of wine in a can an example of this. Australian Vintage Ltd's share in wine increases year on year. The company's leading brand, McGuigan, also recorded volume sales increases year on year over the review period.

Source: Euromonitor International
