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Australia

Wine Annual

2014 Wine Annual

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Report Highlights:

Production for the 2014 Australian wine vintage is forecast to fall slightly from 2013 levels to 1.5 million tons of grapes which equates to just over one billion liters of wine. Yield is also expected to fall to 10.6 MT/ha due to difficult seasonal conditions over the past year.

Commodities:

Wine

Production:

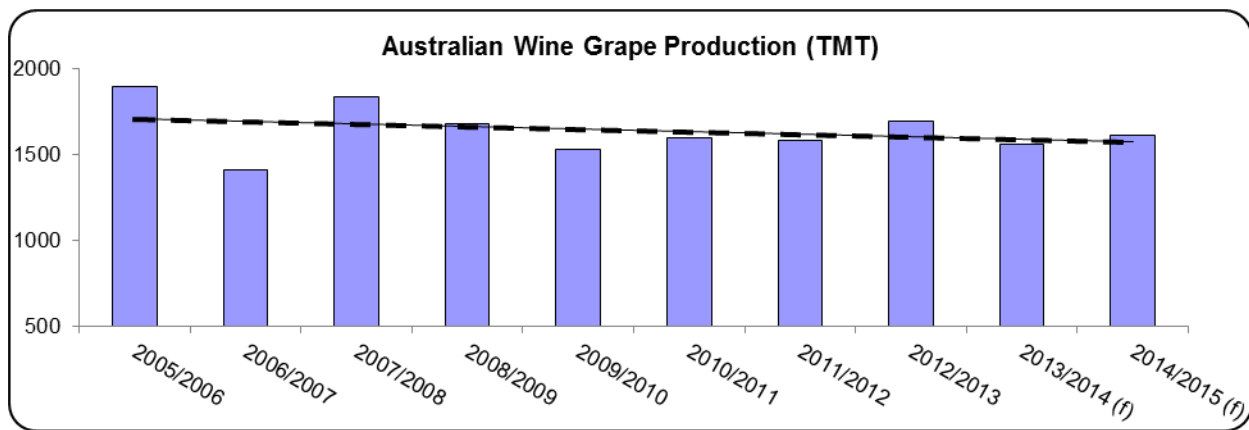
Production for the 2014 Australian wine vintage is forecast to fall slightly from 2013 levels to 1.5 million tons of grapes which equates to just over one billion liters of wine. Yield is also expected to fall to 10.6 MT/ha due to difficult seasonal conditions over the past year. In areas of New South Wales (NSW) which were not affected by frost and heat, growers are reporting a possible 'once in a decade' year for wine production. Harvest began two weeks earlier than usual and picking conditions were perfect. In other areas, however, bad frosts and hail have resulted in losses of up to 30%.

Summary of Australian Wine Sector					
	2010/11	2011/12	2012/13	2013/14 (f)	2014/15 (f)
Vine Area ('000ha)	154	145	146	147	148
Yield (t/ha)	10.40	10.90	11.60	10.60	10.90
Production ('000t grapes)	1,598	1,582	1,695	1,560	1,616
Wine Production (ML)	1,119	1,107	1,187	1,092	1,131
Value of Production (A\$m)	712	725	846	733	771
Export Value (A\$m)	2009	1910	1867	1859	1,923
Exports (ML)	748	737	717	715	725
Imports (ML)	68.50	84.1	86.2		
Dom. Sales (ML)	464	457	453		

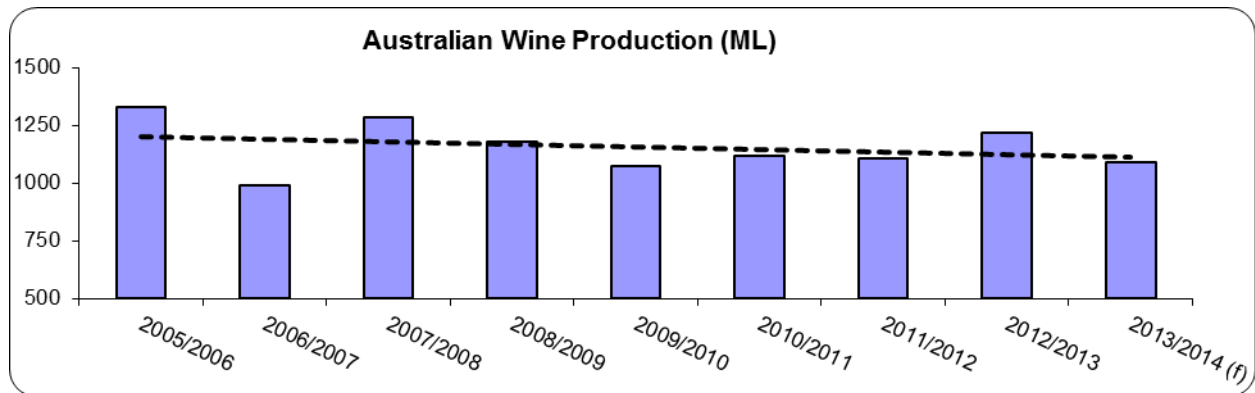
Source: ABARES Data

Australian Wine Grape Production by Variety (MT)		
	2012	2013
Red Varieties (52% of total)		
Shiraz	377,891	432,340
Cabernet Sauvignon	218,964	249,689
Merlot	124,676	131,575
Pinot Noir	33,647	41,726
Petit Verdot	19,418	22,318
Other Red Varieties	54,968	67,937
Total Red Grapes	829,564	945,585
White Varieties (48% of Total)		
Chardonnay	371,621	397,239
Sauvignon Blanc	88,085	98,212
Semillon	82,385	77,187
Muscat Gordo Blanco	61,345	70,564
Colombard	60,982	66,852
Other White Varieties	164,019	177,557
Total White Grapes	828,437	887,661
Total All Varieties	1,658,001	1,833,196

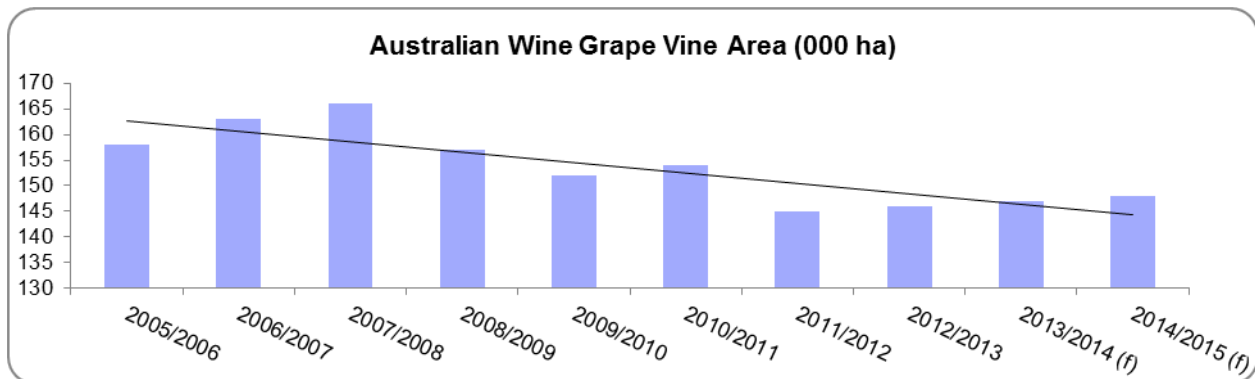
Source: Winemakers Federation of Australia



Source: ABARES, Australian Commodities, March Qtr 2014

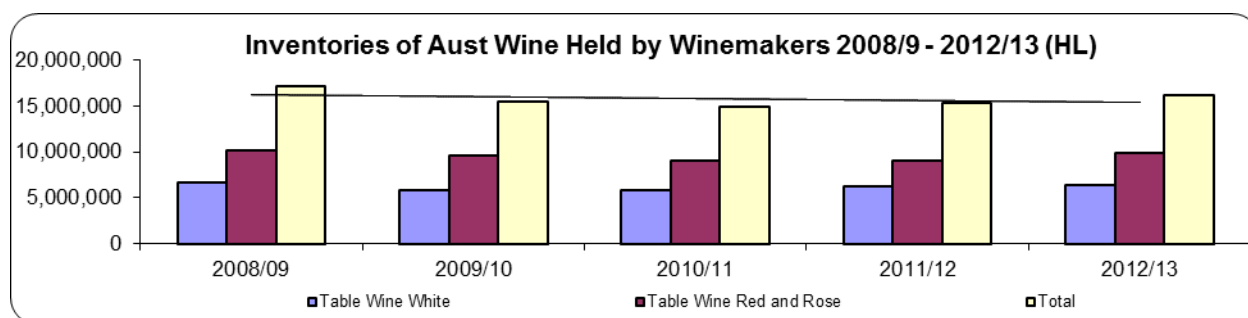


Source: ABARES, Australian Commodities March Qtr 2014



Source: ABARES, Australian Commodities, March Qtr 2014

Stocks

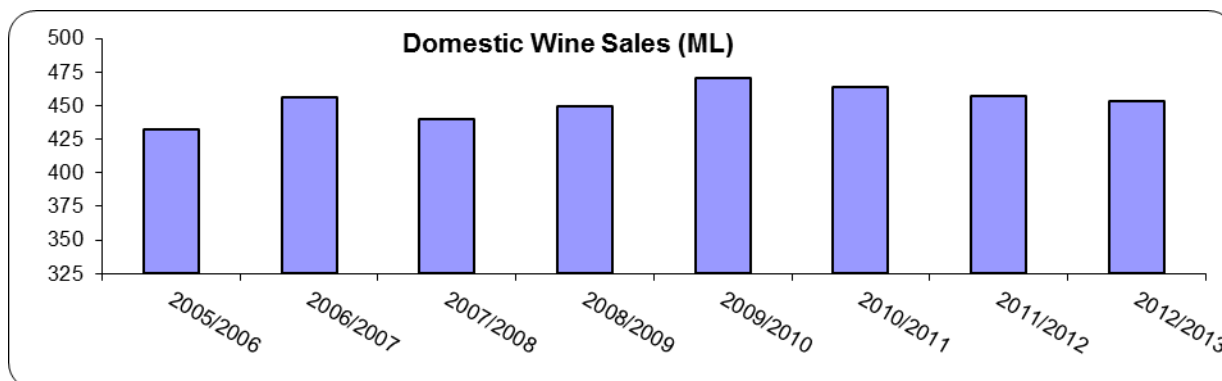


Source: ABS 1329.0 Australian Wine and Grape Industry Report Dec 2013

Consumption

On average, about two-thirds of Australia's wine production is exported, with the balance consumed domestically. According to the Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES), total sales of wines (table, sparkling, carbonated and fortified) fell slightly in 2012/13 to 453 million liters.

Sales of Australian bottled wine were up by 7.5% in 2012/13, domestic sales of wine in soft packs and in bulk fell by 3% and 23% respectively. Sales of sparkling wine rose 1% (to 35 million liters). Bottled wine is growing in dominance in Australia as glass bottles are viewed as the more 'premium' packaging. Australian's are consuming less wine in general, but are prepared to pay more for a higher-quality wine.



Trade

Exports

Exports in 2013, at 711 million liters, were 3% lower than the previous year. ABARES forecasts exports to rise to 711 million liters in 2013/14. Once the Korea Australia Free Trade Agreement is signed, additional exports to Korea can be expected as wine tariffs will immediately drop from 15% to zero.

Australian Exports of Wine Of Fresh Grapes, Including Fortified Wines; Grape Must, Neso (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Tariff Code 2204				
Partner Country	Unit	Quantity		
		2011	2012	2013
World	L	720,517,927	734,854,678	711,492,657
United Kingdom	L	250,015,119	254,904,139	237,990,016
United States	L	191,743,535	205,227,937	196,078,291
Canada	L	48,062,998	47,171,528	50,801,876
Netherlands	L	42,406,607	49,064,419	43,697,111
China	L	40,723,669	44,764,574	40,891,205
New Zealand	L	25,808,297	26,543,930	32,037,393
Denmark	L	15,421,880	16,088,113	15,368,237
Japan	L	9,481,911	9,617,309	10,462,771
Hong Kong	L	7,563,169	8,525,025	9,364,090
Russia	L	381,314	199,899	8,745,360
Germany	L	14,328,643	8,365,073	8,698,672
Belgium	L	16,837,273	12,053,020	7,129,220
Singapore	L	6,172,833	5,628,096	5,868,225
Sweden	L	8,296,516	7,911,580	5,821,897
Italy	L	245,094	304,225	5,101,779
Ireland	L	7,749,372	5,817,640	3,458,747
United Arab Emirates	L	3,423,344	3,122,203	2,947,691
Malaysia	L	3,193,190	2,966,389	2,873,814
Thailand	L	2,684,865	2,994,867	2,788,484
Norway	L	3,555,316	3,251,350	2,434,926
Other	L	22,422,991	20,333,378	18,932,867

Source: Global Trade Atlas

Australian Exports of Wine Of Fresh Grapes, Including Fortified Wines; Grape Must, Neso
(Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.)

Tariff Code 2204

Partner Country	Million U.S. Dollars		
	2011	2012	2013
World	\$1,987,645	\$1,957,663	\$1,778,522
United States	\$520,586	\$489,418	\$474,492
United Kingdom	\$424,729	\$419,917	\$359,448
China	\$202,739	\$240,052	\$208,999
Canada	\$190,414	\$186,296	\$165,007
Hong Kong	\$74,181	\$80,510	\$86,256
New Zealand	\$72,988	\$73,150	\$75,796
Netherlands	\$67,687	\$80,027	\$65,486
Singapore	\$53,409	\$48,975	\$43,991
Japan	\$43,684	\$46,177	\$40,957
Malaysia	\$32,312	\$28,998	\$28,081
Denmark	\$32,108	\$30,888	\$27,096
Germany	\$32,631	\$25,373	\$24,335
Sweden	\$31,908	\$29,162	\$21,671
Thailand	\$17,292	\$16,208	\$13,802
United Arab Emirates	\$15,533	\$12,497	\$13,415
Ireland	\$29,138	\$21,569	\$12,600
Belgium	\$29,485	\$21,232	\$12,156
Finland	\$13,075	\$11,086	\$9,384
Taiwan	\$11,112	\$8,954	\$8,371
Korea South	\$8,359	\$10,171	\$8,082
Other	\$84,273	\$77,003	\$79,097

Source: Global Trade Atlas

Imports

Australia imported an estimated 87 million liters of wine in 2013, an increase of 3% over the previous year. Over the same period, imports from the U.S. increased by 33%, with the vast majority of this increase made up of shipments of bottled wine. The U.S. is the tenth largest supplier of wine to the Australian market.

Post forecasts imports to grow slightly in 2014 to 90 million liters.

Australian Imports of 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	Unit	Quantity		
		2011	2012	2013
World	L	76,161,525	84,387,556	87,295,475
New Zealand	L	51,023,134	51,334,594	53,979,659
France	L	10,470,647	14,152,699	15,231,439
Italy	L	6,344,023	7,587,492	8,728,401
Spain	L	1,389,773	2,122,496	2,802,717
South Africa	L	1,663,671	2,926,023	1,348,263
Chile	L	2,163,987	2,522,756	1,063,573
Germany	L	639,439	1,150,849	1,009,438
Portugal	L	558,579	614,290	765,621
Argentina	L	446,052	549,555	694,647
United States	L	322,014	338,791	451,115
Greece	L	189,602	200,628	210,534
Austria	L	82,334	79,013	85,138
Hungary	L	49,467	54,935	64,833
United Kingdom	L	61,444	79,820	63,453
Israel	L	33,444	11,703	40,428
Netherlands	L	24,482	19,904	23,711
Romania	L	9,647	15,957	20,587
Cyprus	L	24,201	6,237	18,606
Croatia	L	1,350	10,419	14,016
Uruguay	L	14,882	13,799	13,821
Other	L	0	0	0

Source: Global Trade Atlas

Australian Imports of 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		
	2011	2012	2013
World	\$529,695	\$596,273	\$628,642
New Zealand	\$287,460	\$311,725	\$322,240
France	\$173,669	\$207,608	\$215,035
Italy	\$32,951	\$37,465	\$45,613
Spain	\$8,344	\$10,933	\$14,191
Germany	\$3,530	\$3,951	\$5,625
Chile	\$4,758	\$3,604	\$4,111
Portugal	\$2,720	\$2,541	\$3,838
United States	\$2,176	\$2,730	\$3,289
South Africa	\$4,781	\$4,908	\$3,221
Argentina	\$1,907	\$2,780	\$3,028
United Kingdom	\$1,270	\$1,893	\$1,290
Greece	\$685	\$848	\$918
Austria	\$611	\$782	\$831
Netherlands	\$423	\$176	\$475
Hong Kong	\$70	\$66	\$282
Israel	\$172	\$74	\$256
Hungary	\$273	\$214	\$254
Malaysia	\$179	\$114	\$243
Cyprus	\$140	\$55	\$171
Lebanon	\$76	\$35	\$128
Other	\$3,500	\$3,772	\$3,603

Source: Global Trade Atlas

Taxation Policies

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/Business/Wine-equalisation-tax/>.

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/Business/GST/>.

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, Europe (including Germany, Denmark and Sweden), and the U.S. and is working on strategies to develop emerging markets including Singapore, South Korea, India, Brazil and Russia.

Through these programs, Wine Australia seeks to educate and engage consumers, wine educators, sommeliers, distributors, retailers, commentators, journalists and other key influencers through a range of initiatives in each market. Major initiatives include:

- Media relations and public relations
- Digital communications including websites and social media
- Events in collaboration with industry partners, as part of user pays Market Programs, including: master classes; wine tastings; trade shows; and promotions.
- Educational programs such as the A+ Australian Wine School, Sommelier Immersion Program, One Day Wine School and Visitor Program
- Advocacy
- Consumer promotions
- Partnership
- Australian Wine Overseas program

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 (choose the ‘narrative’ report).

Mandatory Labeling Requirements For Wine in Australia	
The following requirements apply to all wine for sale in Australia	
<u>Standard 1.2.2</u>	<p>Unless exempt, alcoholic beverages must include on the label:</p> <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>	<p>Labels on wine (other than from New Zealand) must include:</p> <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. <p>There are also requirements about country and place of origin representations in other legislation.</p>
<u>Standard 2.7.1</u>	<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.
Weights & Measures	<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"> 1. 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 2. 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 [Chapter 22](#) 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\$78.44/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 (see [Schedule 5](#) of the Australian Customs Tariff).