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Australia

Wine Annual

2013

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Report Highlights:
Production for the 2013 Australian wine vintage is forecast at 1.6 million tons of grapes which equates to 1.16 billion liters of wine. Exports in 2012, at 734 million liters , were nearly 3 percent higher than previously forecast, but the continuing strength of the Australian dollar is expected to restrict exports in 2013 to 720 million liters. Imports in 2012 rose by over 10 percent to 84 million liters, largely due to the high Australian dollar

Commodities:
Wine

Production

Production for the 2013 Australian wine vintage is forecast at 1.6 million tons of grapes which equates to 1.16 billion liters of wine. Fruit set for the 2013 harvest began during poor seasonal conditions at the end of 2011, thus final yield figures are expected to be slightly lower than average. However, the increase in grape-bearing area from 145,000 hectares to 155,000 hectares will compensate for the lower yield to increase production above the 2012 estimate of 1.11 billion liters.

Quality is expected to be quite good despite variable seasonal conditions which saw some regions experiencing heavy rain while others suffered through heat waves. Overall weather conditions have not caused significant problems for the white wine grape harvest which is essentially finished with the harvest of red wine grapes well underway. As shown in Figure 1 Chardonnay and Shiraz account for the largest proportion of production with production Pinot Gris/Grigio grapes increasing rapidly (40 percent growth in 2012).

There is mixed opinion in the industry as to whether or not wine grape supply and demand is in balance. In South Australia a surplus of 137,000 tons of grapes is predicted for 2013 and although stocks across the country have declined since 2010 there remains an oversupply. The increase in bearing area seen in the past two years may compound this problem.

	2011	2012	2013
Vine Area ('000ha)	154	145	155
Yield (t/ha)	10.38	10.90	10.41
Production (million t grapes)	1598	1581	1.613
Wine Production (million L)	1119	1107	1161

Production ('000tons grapes)							
Red wine grapes				White wine grapes			
	2010	2011[1]	2012		2010	2011	2012
Shiraz	403	326	362	Chardonnay	298	398	348
Cabernet Sauvignon	214	231	208	Sauvignon Blanc	72	87	81
Merlot	105	110	117	Semillon	77	82	78
Pinot Noir	41	35	35	Muscat Gordo Blanco	49	48	54
Petit Verdot	19	17	20	Colombard	46	57	53
Grenache	11	16	15	Pinot Gris	39	41	50
Ruby Cabernet	13	12	11	Riesling	34	31	32
Mataro (Mourvedre)	5	6	6	Muscat a Petit Grains Blanc	5	9	12
Sangiovese	5	4	5	Verdelho	14	14	12
Durif	4	4	4	Traminer	9	11	11

Figure 1 Top 10 Australian Red & Wine Grape Varietals by production volume

[1] Figures for 2010 and 2012 are based on official government data. The 2011 series is missing from official government data so industry estimates were used. These have been shown to be within 1-2 percent of official estimates.

Consumption

Domestic consumption of wine in Australia is somewhat variable. Sales of wine in Australia were slightly lower in 2012 than in 2011, but remained much higher than the 10 year average, at 466 million liters. Sales of bottled red wine increased while sales of bottled white wine have slowed slightly. Sales of boxed wine continue to decline and now represent only 31 percent of domestic wine sales.

Based on past consumption trends, subdued consumer confidence and increased production of boutique beers and ciders, wine sales for Australia are conservatively estimated at 450 million liters for 2013. Per capita wine consumption has been static since 2000 (between 26 and 30 liters) and future consumption trends a not expected to change significantly.

Exports

Exports in 2012, at 734 million liters , were nearly 3 percent higher than previously forecast, but the continuing strength of the Australian dollar is expected to restrict exports in 2013 to 720 million liters.

Bulk wine exports increased to 53 percent of total exports in 2012 while bottled wine exports decreased to 46 percent and sparkling wines remained steady at just 2 percent of the total. This trend is expected to continue as the high Australian dollar makes bottling in Australia less cost-effective.

Exports	**2010**	**2011**	**2012**	**2013**
Sparkling	14.85	15.77	14.48	
Bottled	428.99	361.64	334.11	
Bulk	355.51	343.09	385.67	
Grape must	0.03	0.01	0.59	
Total	799.38	720.52	734.85	720

The United Kingdom remains the largest importer of Australian wines, closely followed by the United States. However Australian wine exports to China increased by nearly 10 percent between 2011 and 2012 and are expected to continue to grow.

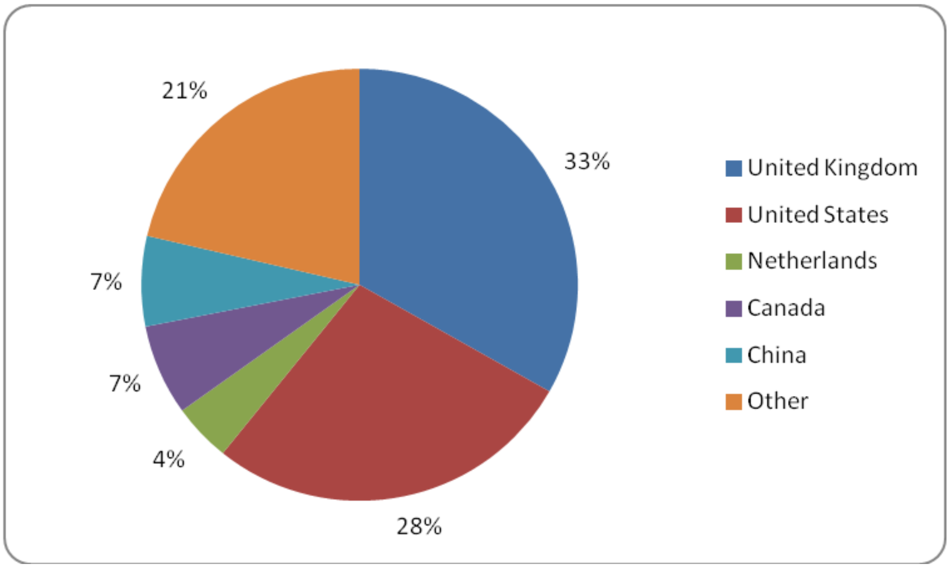

Figure 2 Export destinations for Australian wine by volume

Imports

Imports in 2012 rose by over 10 percent to 84 million liters, largely due to the high Australian dollar which reduces the relative price of imported wines. While imports should remain strong, this trend is expected to moderate somewhat in 2013 with imports estimated to decline slightly to 83 million liters.

The impact of relatively high bottling costs in Australia can also been seen in the import patterns. In 2012 the percentage of imports arriving in bulk declined to 17 percent while bottled wine imports increased by 10 million liters to account for 69 percent of total imports.

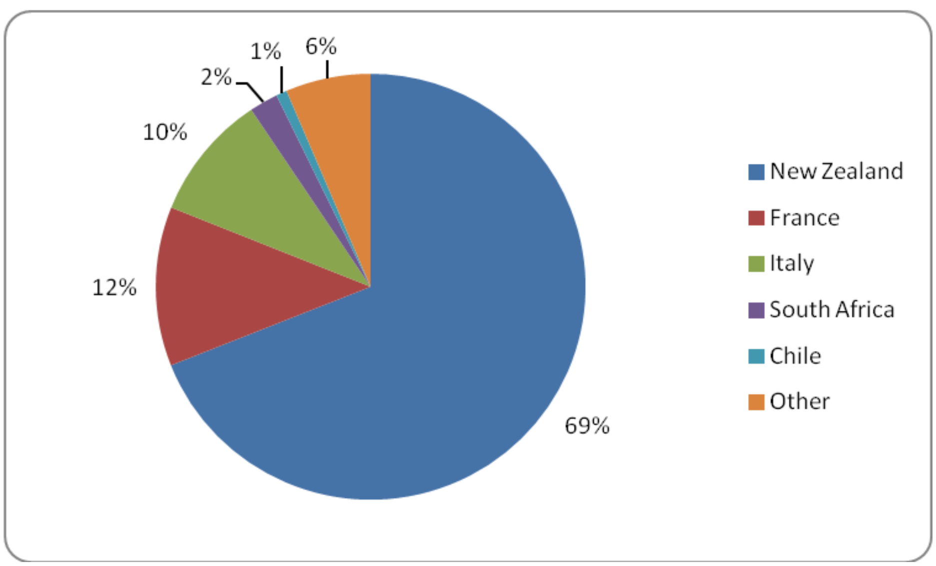

Figure 3 Import sources of wine into Australia by volume

Legislation changes

In March 2013 the Australian Parliament passed a Bill amending the *Wine Australia Corporation Act 1980*. The first amendment reduces the level of detail suppliers and retailers are required to provide to the Wine Australia Corporation for auditing purposes. Where a supplier or retailer does not change label claims, they are now only required to provide details of the manufacturer or supplier, not full details of the supplier, recipient, goods receiver, vintage and geographic location. The purpose of the change was to ensure the integrity of label claims regarding vintage, variety and geographical source of Australian wine in a manner which is practical throughout the supply chain.

The second amendment relates to the definition of 'vintage'. Previously the vintage year was considered to be the period July 1st to June 30th, labeled as the second of the calendar years. Although most grapes in Australia are harvested before June 30, some producers harvest grapes for sweet desert style wines in July and August. To account for these wines the definition of the vintage year has been changed to September 1st to August 31st. Under these changes any wine made from grapes harvested between September 1st, 2012 and August 31st, 2013 can be labeled as a 2013 wine.