



Key facts:

- * Australia produced **1.83 million tonnes** of wine grapes for the year ending June 2013.
- * South Australia is the largest producer of wine in Australia with **48%** of national production, while **Tasmania** produced **0.6%** of national wine grape volume.
- * Tasmania has a unique terrior which produces a range of wines with balanced acidity and fruit characteristics typical of cool climate growing regions.
- * Australian wine exports were **717 million litres** for the year ending June 2013, or **54%** of the total national production.
- * Australia's five most significant export markets (by volume) are the United Kingdom, United States, Canada, Germany and China.

Australian wine industry

The Australian wine industry exploits a wide range of regional locations and climatic types, with around 2,500 companies involved in the industry. Australia has developed a strong export focus with **54%** of production in 2012/13 destined for international markets. Australian wine exports have fallen significantly since their peak in 2007, but exports over the last two years appear to have seen some recovery.

This growth and ongoing viability of the Australian wine industry has been enabled by a blend of across sector alignment and enterprise autonomy. The alignment helped the industry to manage the transition from the challenging days of cask sales and build credibility in new markets. At the same time, wine enterprises were able to build their products and brands into market advantages and the combination delivered export sales

that are the backbone of the industry's viability today. This model of growth, which remains unique across Australian agribusiness, established the platform to add value to Australian wine and further expand sales.

As the industry grew, it attracted levels of corporate ownership, which injected new influences, new capabilities and in some instances, challenges on the sector. The impact of the evolution of the wine industry has resulted in an orientation towards applauding region variations and origins. This aligns well with the range of production locations as well as accommodating the elevated consumer awareness of food provenance.

Australian production

In 2012/13, Australia produced 1.83 million tonnes of wine grapes, equivalent to 1.34 billion litres of wine. South Australia is the largest producer within the domestic market producing almost half of the total national volume, as seen in Figure 1.

Figure 1 Wine grape production by state—1.83 MT

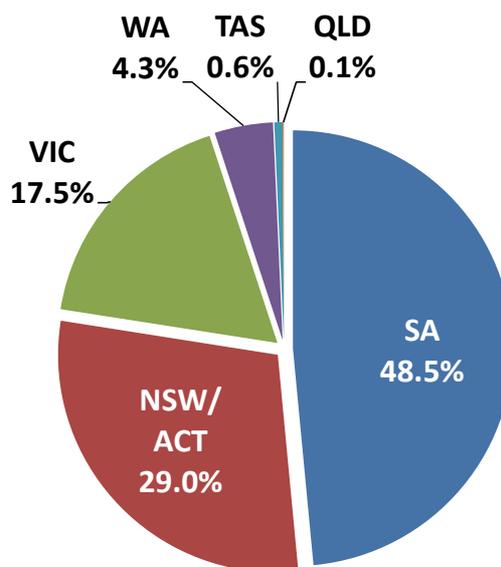


Figure 2 highlights the top 10 varieties of wine grape produced, as a percentage of total production volumes. The top 10 varieties account for 89% of the total production volume, while the remaining 26 varieties account for 11%. White varieties (in lighter shading) account for 48% of the total wine grape production, while red varieties (in darker shading) account for 52%.

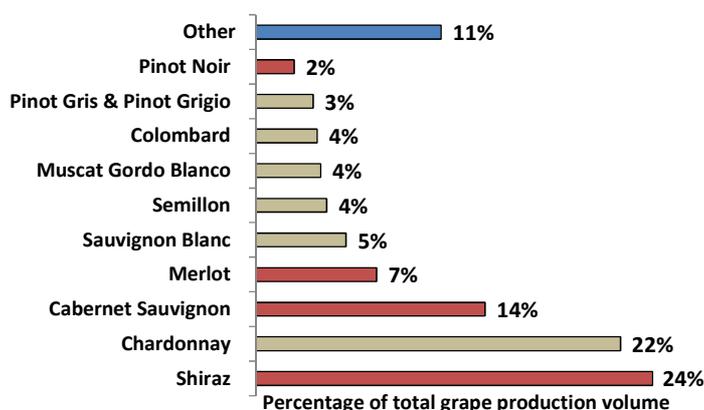
Pinot Noir

The Pinot Noir grape represents 2% of national wine grape production with 41,726 tonnes produced in 2012/13. This volume was 24% higher than production volumes in 2011/12. This is a cool climate wine that is well suited to the Tasmanian climate.

Chardonnay

The Chardonnay grape has been overtaken by the Shiraz grape, and is now the second largest variety by production size, representing 22% of national wine grape production. In 2012/13 397,239 tonnes were produced, which is 7% higher than the production in 2011/12.

Figure 2 Top 10 varieties by volume



Tasmanian production

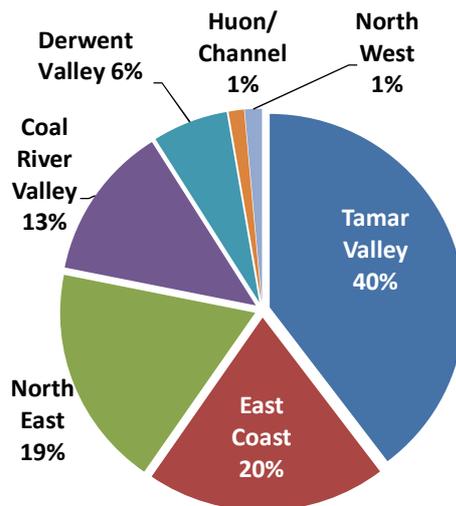
Tasmania is well suited to producing cool climate wines, such as Pinot Noir, Chardonnay and Sparkling. There are currently around 160 companies involved in the Tasmanian wine industry, with 70 of these companies operating cellar door businesses.

Tasmania produced **11,392 tonnes** of wine grapes in 2012/13, including **4,950 tonnes** of the Pinot Noir variety (accounting for 43% of Tasmania's total wine grape production), and **2,649 tonnes** of the Chardonnay variety (accounting for 23%). Combined, these two varieties account for **66%** of the Tasmanian wine market. Approximately 47% of Tasmanian wine is sold within the state, 45% is sold to mainland Australia and the remaining 8% is exported. A significant amount of Tasmanian wine grapes are exported to the mainland for pressing.

There are seven main wine production regions in Tasmania, as outlined in Figure 3. They are the; north-west, north-east, Tamar Valley, East Coast, Derwent Valley, Coal River Valley and Huon/

Channel in the south. Despite the spread of production, Tasmania is defined as a single geographic indication, which provides marketing and branding advantages to Tasmanian producers. This regional spread offers significant variations in climate and soil characteristics, improving the varietal appeal of Tasmania's wine outputs. The largest concentration of wine growers within Tasmania is found in the Tamar Valley, where there are approximately one third of the grower numbers producing an equivalent share of the total volume.

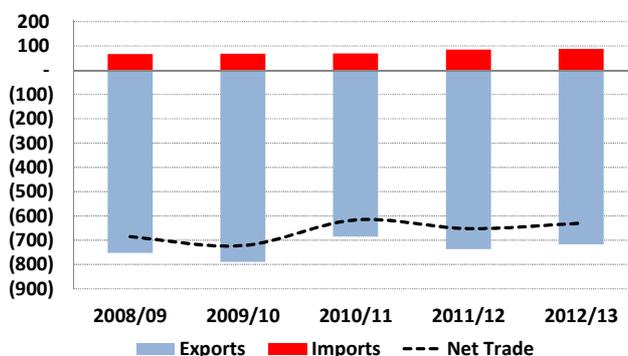
Figure 3 Tasmanian production by region: 11,392t



International trade

Australia is a significant player in the world trade of wine, being the fourth largest exporter of wine by volume on the world market. As outlined in Figure 4, Australia exported **717 million litres** of wine in 2011, **3%** lower than the 5 year average (2008/09 -2012/13) of **749 million litres**.

Figure 4 Annual international wine trade



Australia's top five export markets (by volume) in order were the United Kingdom, the United States, Canada, Germany and China.

Figure 5 Wine exports by type—716 million litres

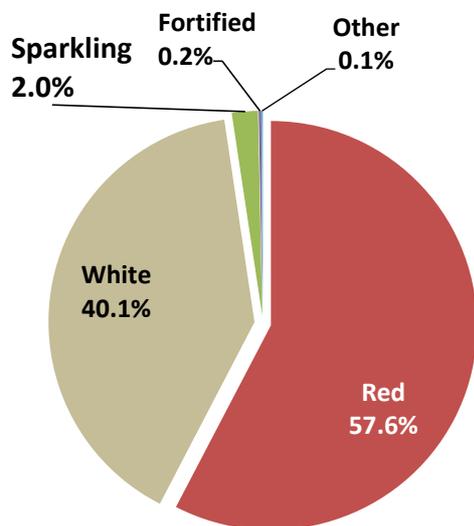


Figure 5 profiles wine exports in 2012/13 by type, and highlights that red wine accounts for around **57.6%** of the total volume of Australia wine exports. White wine accounts for around **40.1%**, while sparkling (**2%**), fortified (**0.2%**) and other wine accounts for the remainder.

Consumption of cool climate wine styles at super-premium (wine retailing at A\$15 - \$25 per bottle) and ultra-premium prices (wine retailing at above A\$25 per bottle) is growing in the established markets of United Kingdom, United States of America, Canada, Scandinavia, Hong Kong and Singapore.

Sales of Pinot Noir are achieving rapid growth in markets such as the US. Sales of other cool climate wines such as Sparkling and Pinot Gris are also trending upwards at super-premium and ultra-premium price points.

Pricing

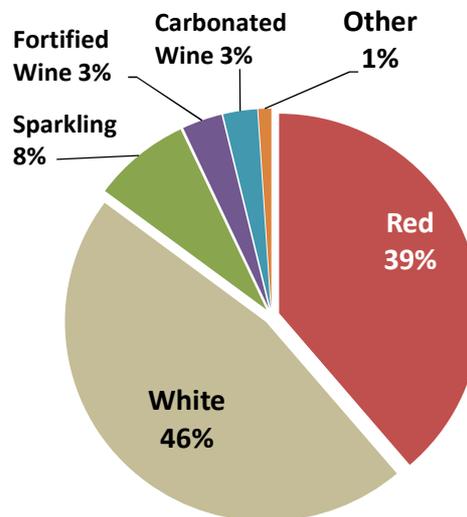
Tasmanian grapes attract a premium price in the market.

While Australian producers have faced oversupply issues and a continuing decline in return per litre in export markets since 2007, Tasmanian wine has held a return approximately 2.5 times the Australian average over this period. In 2013 the average purchase price per tonne for Tasmanian wine grapes

was \$2393 per tonne, compared with the national average of \$499 per tonne.

Consumption

Figure 6 Domestic sales by type—453 million litres



In 2012/13 Australia consumed **453 million litres** of wine, the equivalent of **19.7 litres** per person. This level of consumption is slightly lower than the 5 year average of 20.4 litres per person.

Figure 6 profiles the contribution of domestic sales by wine type. In volume terms, white wine is the most popular wine consumed accounting for **46%** of total domestic sales, while red wine accounts for **39%**. This is in contrast to the export contribution, where red wine exceeds white wine. The remainder of the wine consumed domestically consists of sparkling wine (**8%**), fortified wine (**3%**), carbonated wine (**3%**) and other wine (**1%**).

Outlook for sector

- The Australian wine industry enjoys a solid set of capabilities that includes a variety of brands, a range of product types and wine varieties, a spread of grower locations and enterprise sizes and credibility in a range of markets. This platform provides a basis to defend and expand market share.
- There is a significant volume and value derived through sales of niche and specialty wines that complement the sales of bulk wine.
- Wine traders and consumers form a discerning market. Wine often has a link to provenance attributes, supported by increasing consumer interest in the origins of the product. Tasmania, as an origin for wine, is regarded as a positive attribute.
- Australia is a significant wine exporter, and much of the industry relies on this trade. In turn, it faces a level of exposure to export market trends and exchange rate pressure due to the higher Australian dollar.
- Tasmania is in a unique position where demand for its high quality wines exceeds the current capacity to supply.
- The recent drop in the value of the Australian dollar will have a positive impact on exporters.
- The industry is expected to see some level of consolidation in the next few years.

Data sources

- DFAT import and export data
- ABARES
- ABS
- Wine Australia
- Freshlogic ThruChain™ models

Further information

1. Wine Australia

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2. Tasmanian Institute of Agriculture (TIA)

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3. Freshlogic

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4. Australian Bureau of Agriculture and Resource Economics and Science (ABARES)

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5. Australian Bureau of Statistics (ABS)

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7. Department of Economic Development, Tourism and the Arts – Invest Tasmania

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