Australian Government

Australian Grape and Wine Authority

Insights into key Australian and emerging export wine markets

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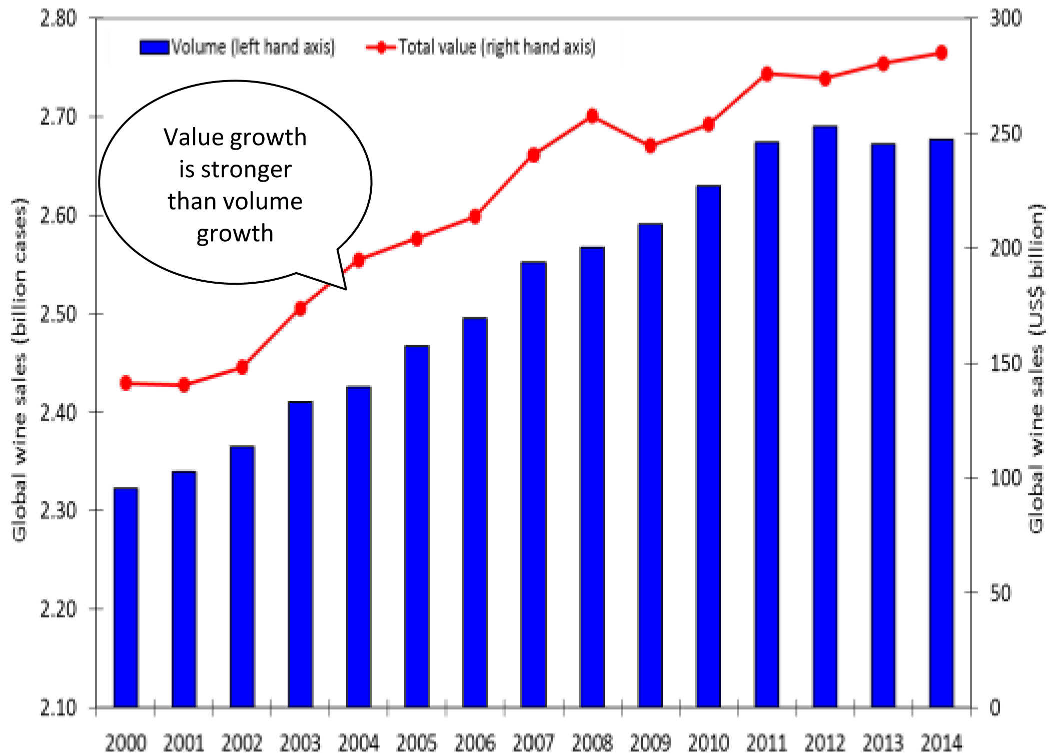
❑Global sales performance

Global Wine Sales Grows in Value Terms

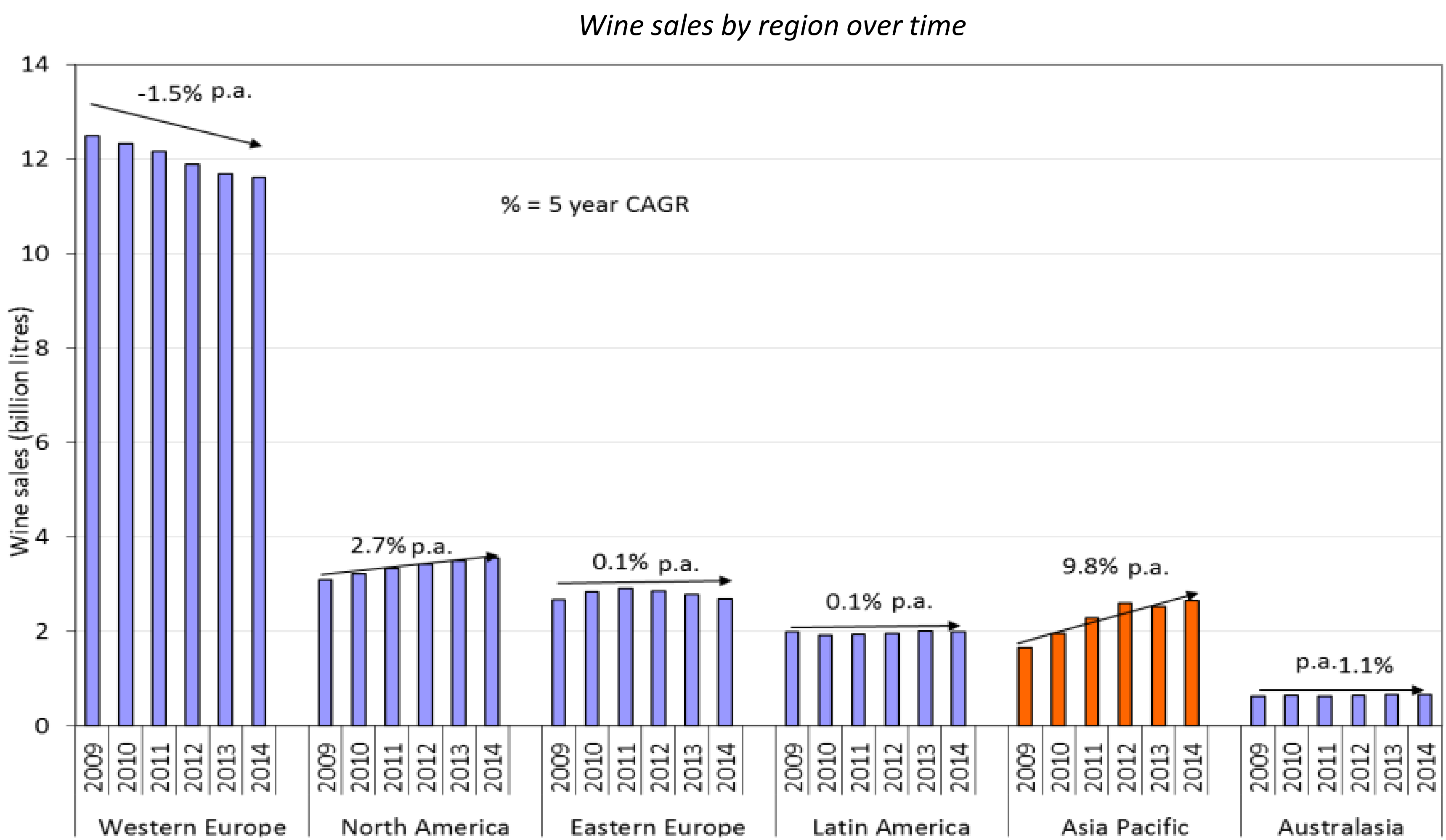
- Global Wine Sales reach 290 Billion USD
- Volume Growth has stalled
- Consumption of Alcohol in developed markets has decreased
- Key Economic factors have driven the market – GFC, Foreign Exchange – Agricultural subsidies.
- Growth of Stronger, cheaper competitors in market (Spain, Chile, Argentina, South Africa)
- Consumer has traded up Quantity vs Quality.

Global sales by volume and value over time



Source: Euromonitor International

Asia Pacific the fastest growing region



Source: Euromonitor International

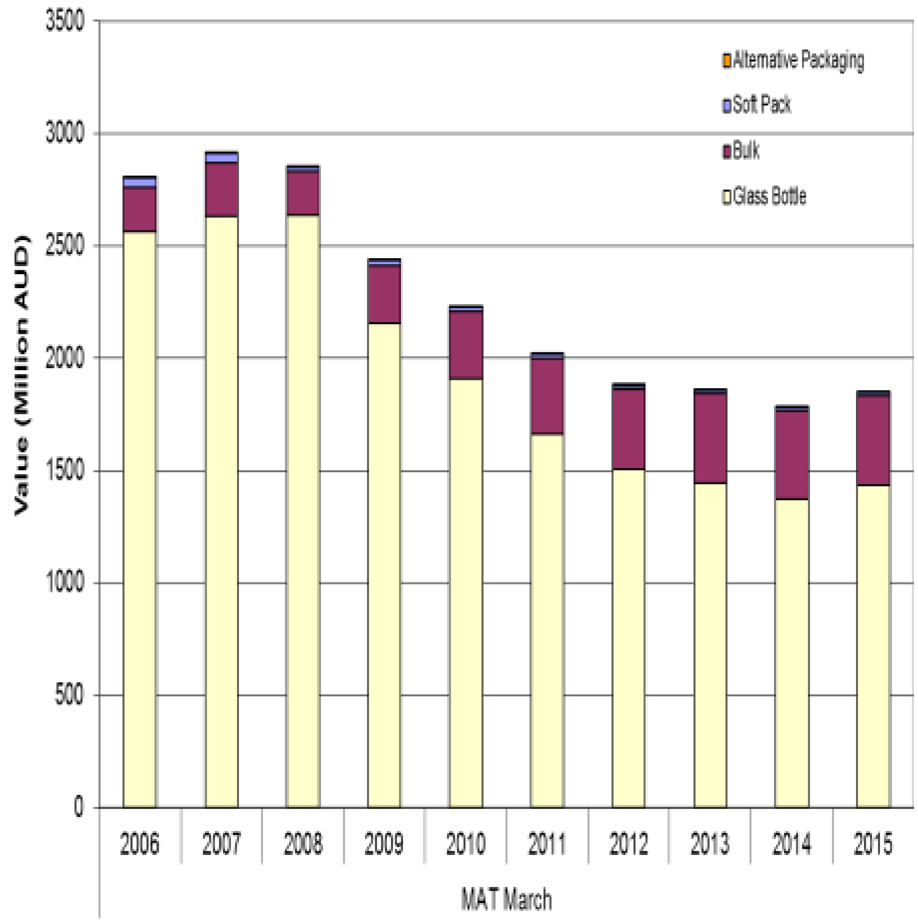
Global Australian Wine Sales

Total shipments, volume and value increasing

- 2007 Australian Wine Exports hit $2.8 Billion
- In the 12 months ended May 2015, the volume of Australian wine exports increased by 3.6 per cent to 711 million litres, the highest it's been since 2011.
- The value of Australian wine exports increased by 3.9 per cent to A$1.85 billion[1] while the average value of total exports increased by 0.3 per cent to A$2.60 per litre.

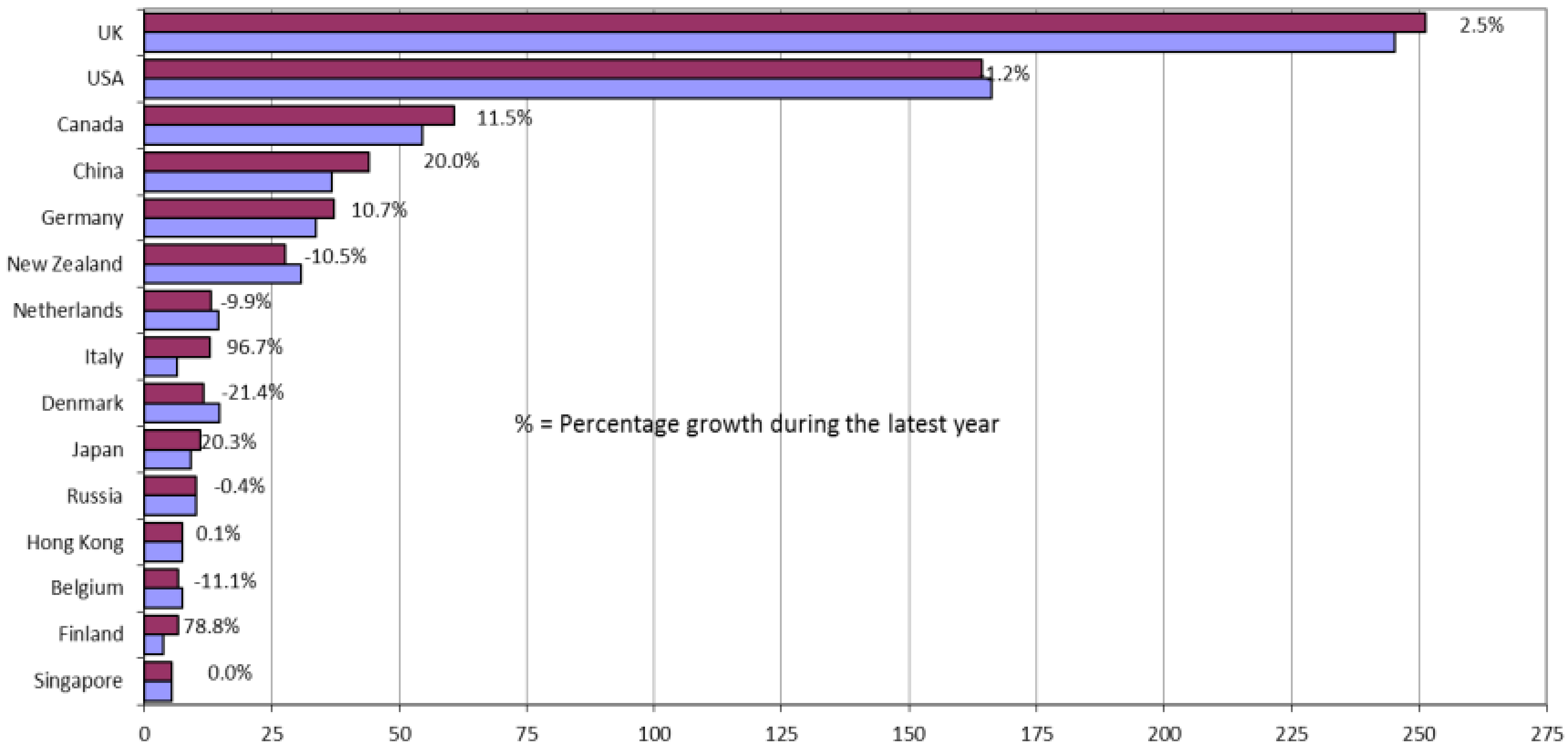
Volumes increased in most price points, with exports at:

- • below A$2.49 per litre up 4 per cent to 423 million litres;
- • A$2.50-4.99 up 4 per cent to 218 million litres;
- • A$7.50-9.99 up 5 per cent to 15 million litres; and
- • above A$10.00 up 12 per cent to 18 million litres.
- The exception was at A$5.00-7.49 per litre, where volumes fell by 4 per cent to 37 million litres.



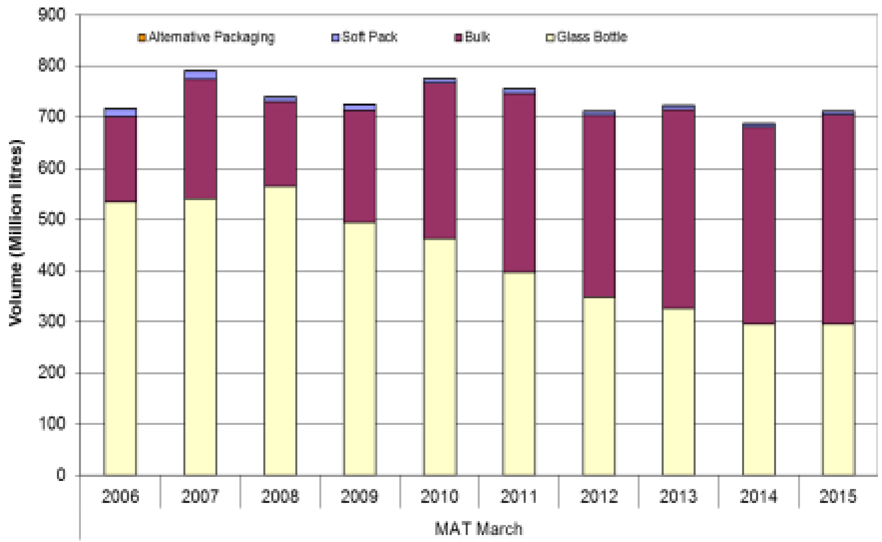
Global Australian Wine Exports

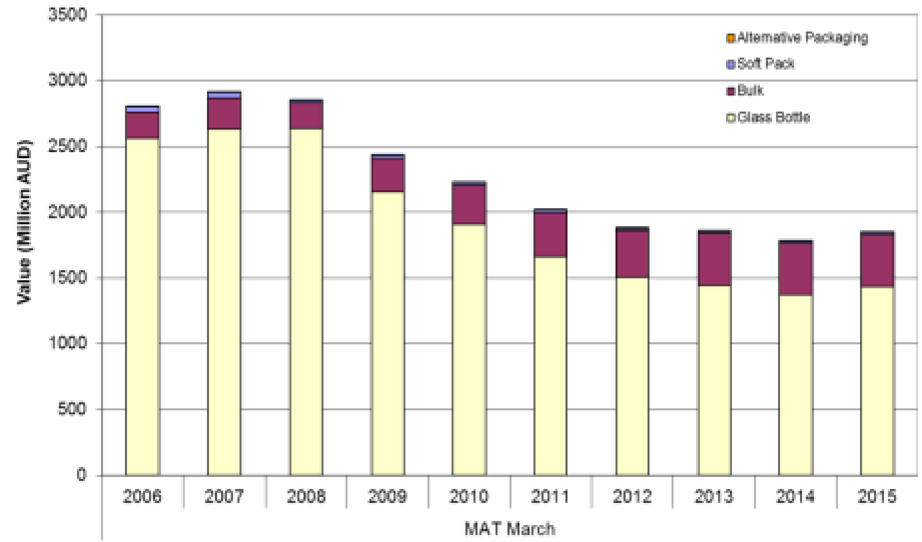
MAT March

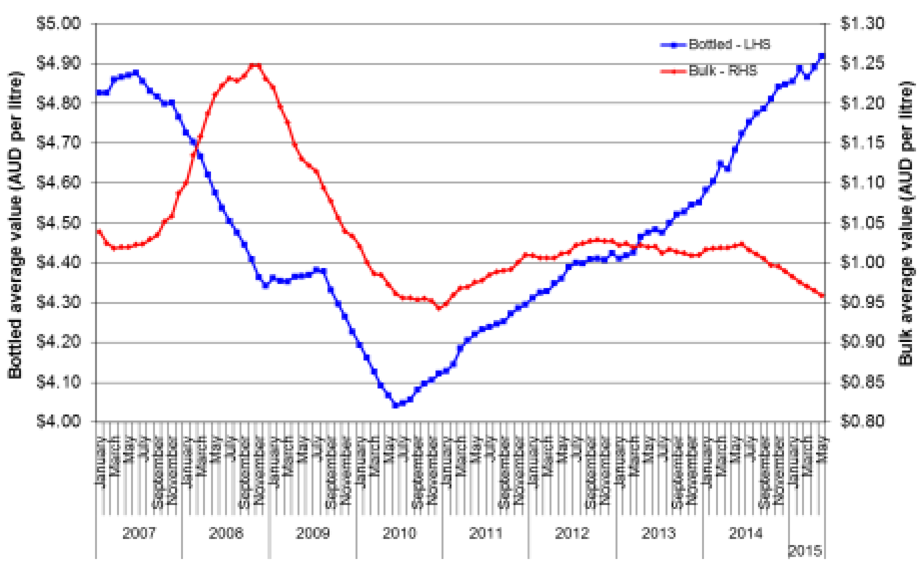


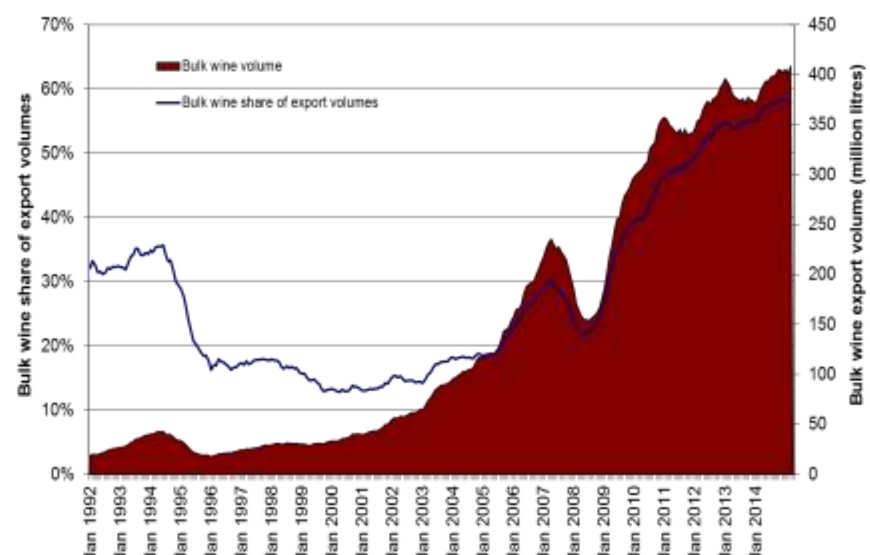
	Singapore	Finland	Belgium	Hong Kong	Russia	Japan	Denmark	Italy	Netherlands	New Zealand	Germany	China	Canada	USA	UK
2015	5.5	6.6	6.7	7.5	10.2	11.0	11.7	12.8	13.1	27.6	37.3	44.2	60.8	164.2	251.3
2014	5.5	3.7	7.5	7.5	10.2	9.1	14.8	6.5	14.5	30.8	33.7	36.8	54.6	166.2	245.2

Historic Australian Wine Exports



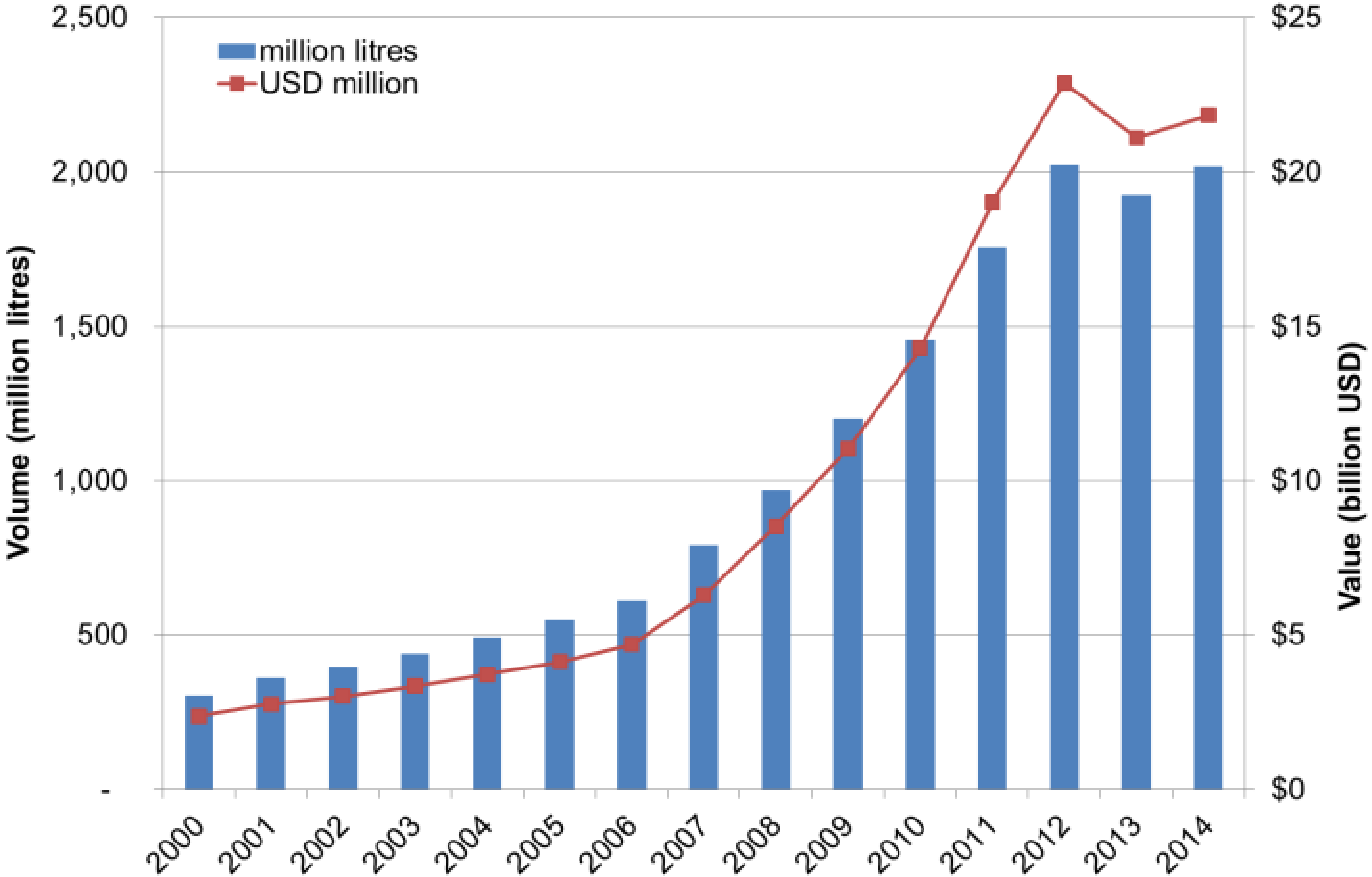






❑Primary Markets

China Wine Market



Source: Euromonitor International

China Wine Market

- China continues to rebound after the austerity measures impeded growth in the previous 18 months.
- Exports to China increased by 20 per cent to 44 million litres valued at A$242 million.
- Bulk exports increased 77 per cent to 5 million litres (but still well below the peak of 29 million litres shipped in 2011) while bottled exports grew by 15 per cent to a record 39 million litres.
- Growth came at both the low and high ends of the price spectrum.
- Bottled exports below A$5 per litre grew by 25 per cent to 24 million litres
- While above A$7.50 per litre increased by 12 per cent to 7 million litres.
- China remains the number one destination for Australian exports priced at more than A$7.50 per litre.

The Size of The Chinese Wine Market

China market sizing – 2014 Calibration study

There are 38 million urban upper class imported wine drinkers in China

wine intelligence

Total population of China: **1.34 billion.** Urban population aged 18-54: 378 million[1]

Tier 1 and Sub tier 1 cities	Leading tier 2 cities	Other tier 2 and lower tier cities
54 million urban population aged 18-54 in Beijing, Shanghai , Guangzhou, Shenzhen, Hangzhou, Tianjin and Suzhou[1]	66 million urban population aged 18-54 in Chengdu, Shenyang, Wuhan, Chongqing[1] and 19 leading tier 2 cities[8]	257 million urban population aged 18-54 in other urban areas[1]
54%[1]	43%[1]	15%[5]
29 million upper middle class[3] aged 18-54 in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou	28 million upper middle class[4] aged 18-54 in Chengdu, Shenyang, Wuhan, Chongqing and 19 other leading tier 2 cities	38 million upper middle class[4] aged 18-54 in other urban areas
69%[2]	42%[2]	15%[5]
20 million imported wine drinkers who drink at least twice a year in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou	12 million imported wine drinkers who drink at least twice a year in Chengdu, Shenyang, Wuhan, Chongqing and 19 other leading tier 2 cities	6 million imported wine drinkers who drink at least twice a year in other urban areas

38 million urban upper middle class imported wine drinkers in China

Sources:
1. National Bureau of Statistics of China, 2011 China census.
2. Wine Intelligence mobile calibration survey 2014, n=726 aged 18-54 urban upper middle class population in Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Chengdu, Shenyang, Wuhan, Chongqing
3. Personal monthly income before tax > 6,000RMB
4. Personal monthly income before tax >4,500RMB
5. Wine Intelligence estimation
6. 3 cities are classified as tier 1 cities: Beijing, Shanghai and Guangzhou. They have population > 10 million and GDP over 1,200 billion RMB. Wine Intelligence China cities model 2013.
7. 4 cities are classified as sub tier 1 cities: Shenzhen, Hangzhou, Tianjin and Suzhou. They are defined based on an aggregate of indicators: population size (Tianjin & Shenzhen: 10 million; Hangzhou & Suzhou: > 4 million), GDP (Tianjin, Shenzhen, Suzhou: > 1,000 billion RMB; Hangzhou: > 700 billion RMB), GDP growth > 10%, annual household expenditure > 18,000 RMB, CPI growth > 103.10, good place for business ranking. They are classified together with tier 1 cities because of the same income cut (>6,000RMB monthly personal income before tax) for definition of upper middle class. Wine Intelligence China cities model 2013.
8. 23 cities are classified as the leading tier 2 cities: Chengdu, Shenyang, Wuhan, Chongqing, Nanjing, Harbin, Dongguan, Jinan, Xi'an, Wuxi, Hefei, Changchun, Changzhou, Dalian, Taiyuan, Kunming, Zhengzhou, Changsha, Ningbo, Qingdao, Zibo, Fuzhou, Nanning. They are defined based on an aggregate of indicators: population size > 3 million, GDP > 170 billion RMB, GDP growth > 9%, annual household expenditure > 12,000 RMB, CPI growth > 102.40 and good place for business ranking. Wine Intelligence China cities model 2013.

*Tier 1 and sub tier 1 cities are grouped together due to the same income criteria to cut upper middle class for these cities is used.

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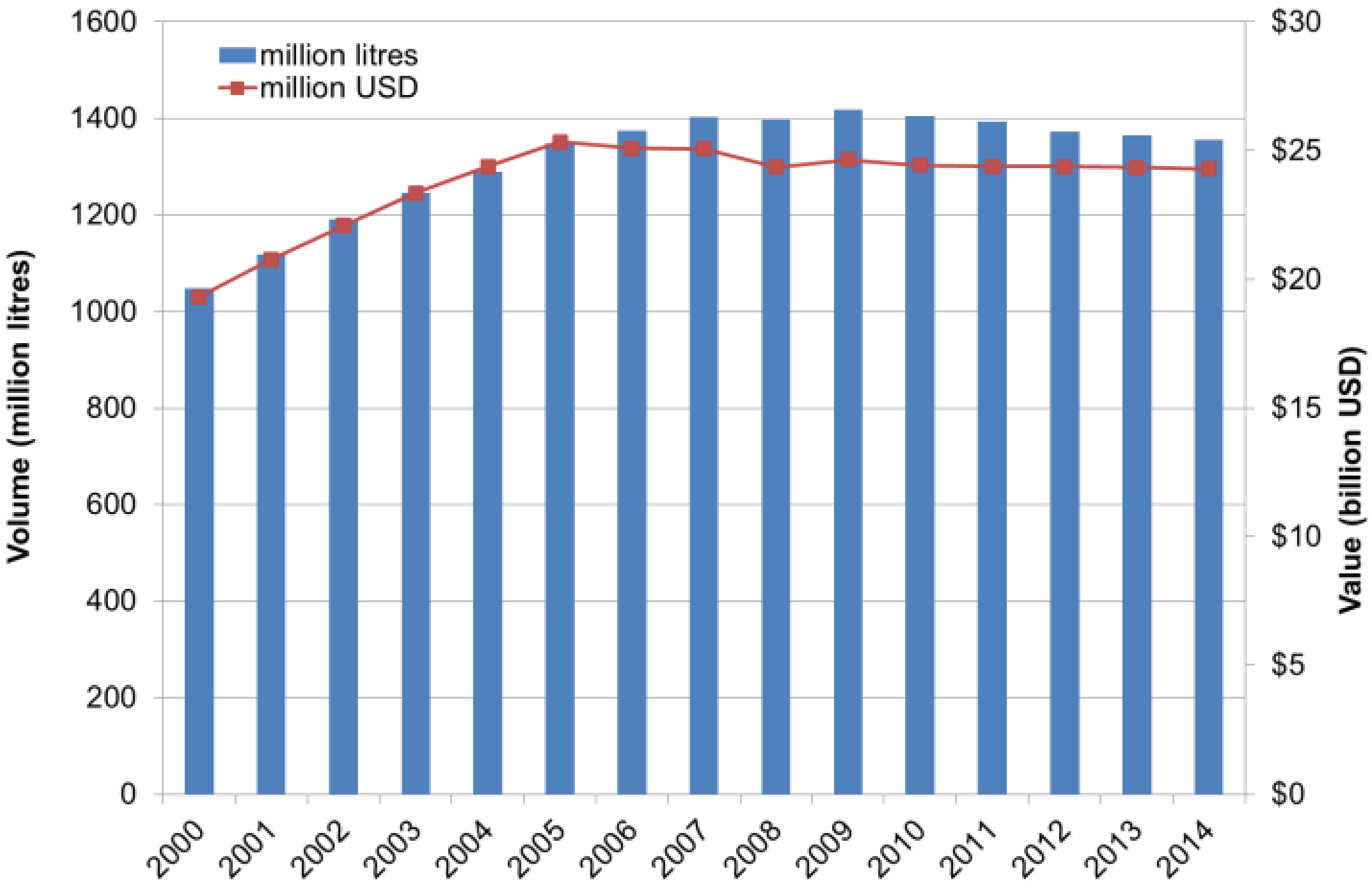
United Kingdom Wine Market



Source: Euromonitor International

UK market trends

- Market is dominated by the Supermarkets – 41% market share
- UK still wine market not in growth. -2% volume MAT March
- Growth driven by sparkling - Prosecco and Champagne
- Average RSP in off trade = £5.37 per bottle = $10.32 comparative
- 59% of off premise £5+ but only 11% £7+
- Online still dominated by France (28%) with Australia at 11%. Total growth estimates +12% in 2015
- Online market worth over 800 Million Pounds
- Australia total share of wine = 21.8% volume but average price = £5.24 v total £5.37
- UK inflation – CPI running below 0% in March and April

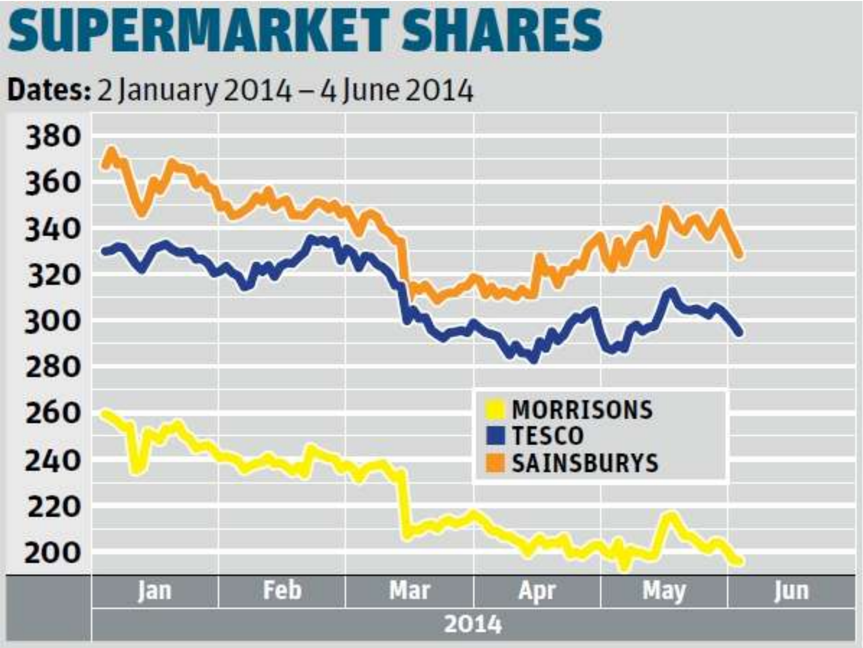
UK market trends – multiple grocers

- Market Share by retailer – total till roll. (Kantar data)
- Waitrose now overtaken by Aldi, and discounters now have 9% share of market.

Ranking	% share	12 weeks end Mar 15
1. Tesco	28.4%	+0.3%
2. Asda	17.1%	-1.1%
3. JS	16.4%	+0.2%
4. Morrisons	10.9%	-0.7%
5. Coop	6.0%	-1.7%
6. Aldi	5.3%	+16.8%
7. Waitrose	5.1%	+2.9%
8. Lidl	3.7%	+12.1%
9. Iceland	2.1%	-0.3%
Symbols and Indies	2.1%	-2.0%

UK Retail Pressures

1. UK supermarkets are under fire and reacting by reducing ranges and consolidating suppliers
2. Tesco reduction from 950 to 500 sku's in store, and from 100+ suppliers to 25 (stated ambition)
3. Tesco Australia range reducing from 119 to 51 sku's. We will see the re-emergence of old brands as suppliers reinvent brand ranges to supply exclusively to individual retailers.
4. Morrisons decreasing range by 10%
5. Asda announced revamped range, down by 8% with over 200 changes including new range of 17 mid level own label wines.
6. Sainsbury's announced cut in head office staff along with Tesco
7. Aldi – taking on the quality retailers with a range of 70 wines including new Exquisite range – includes 5 Australian wines
8. UK Independents now growing again – now back up to 750



INNOVATION!

Global Retailers are wanting Innovation!

Packaging:

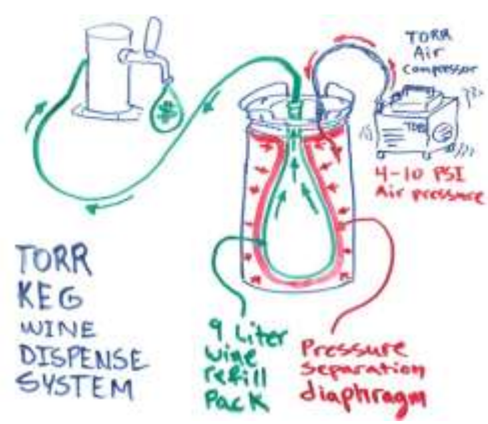
TETRA PACK

SOFT POUCH

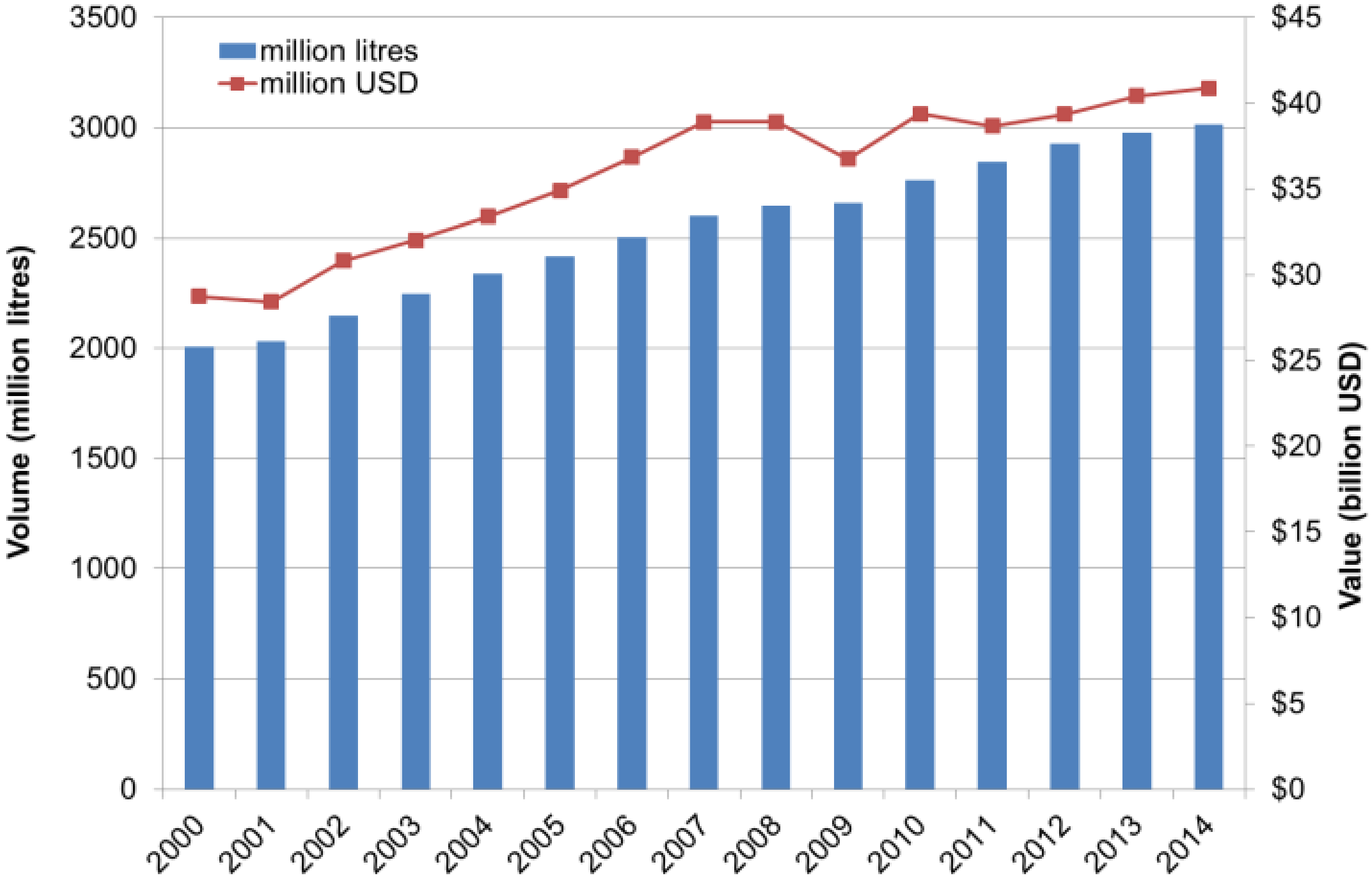
CASK (Bag in Box)

KEG Technology:

Kegs starting to work within on-trade as quality option driven by Bibendum. Green credentials, longer shelf life. Opens wine upto the mass market.



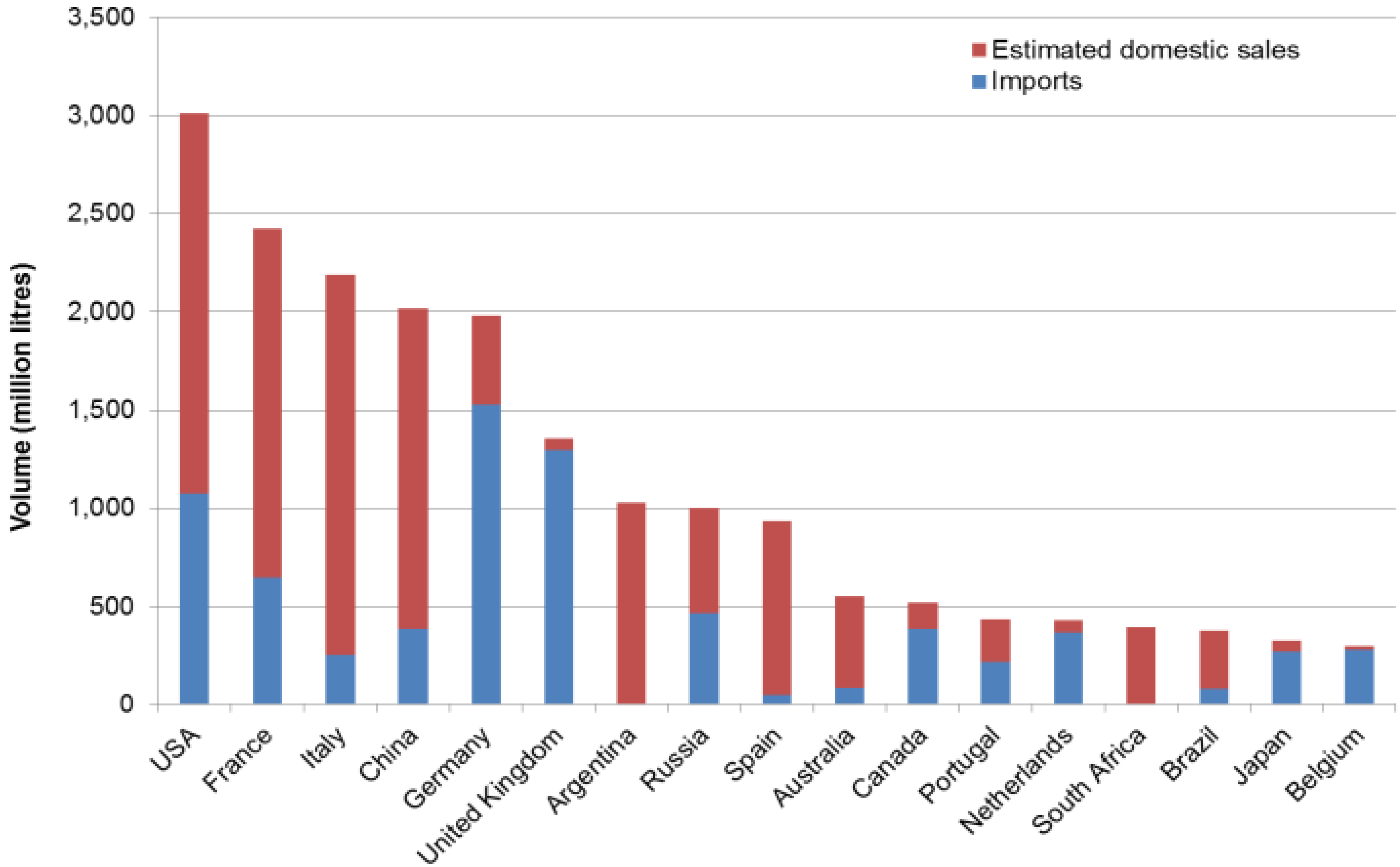
United States Wine Market



Source: Euromonitor International

US market in context

- USA is the world's largest wine market by volume and value
- The volume of wine imported is only exceeded by Germany and the United Kingdom



Australian exports

- Australian exports mirror the US market profile – top five are California, New York, Florida, Texas and New Jersey
- Australian exports to Texas grew in the last 12 months, by volume and value but outpaced by growth in exports to New York
- In contrast, exports to California and Florida declined
- Other markets to grow off small bases include Illinois, Washington, Maryland and Michigan

Australian exports to the USA by state, 12 months ended April 2015

	A$ Val (000's)	A$ Val % Chg vs YA	9L Eq Vol (000's)	9L Eq Vol % Chg vs YA	A$ per litre
CALIFORNIA	125,213	-10%	7,668	2%	1.81
NEW YORK	45,248	11%	1,638	14%	3.07
FLORIDA	37,764	-3%	1,389	-2%	3.02
TEXAS	24,750	-1%	893	0%	3.08
NEW JERSEY	20,274	-11%	693	-10%	3.25
MASSACHUSETTS	14,486	-10%	566	-4%	2.85
VIRGINIA	12,807	-7%	418	-7%	3.40
ILLINOIS	14,126	13%	426	4%	3.69
PENNSYLVANIA	9,351	-3%	353	3%	2.94
GEORGIA - USA	8,112	-12%	298	-9%	3.03
WASHINGTON	8,991	6%	324	10%	3.09
MARYLAND	9,778	36%	344	33%	3.16
NORTH CAROLINA	7,415	-5%	276	-2%	2.99
OHIO	7,235	-9%	263	-9%	3.06
MICHIGAN	6,762	1%	249	-3%	3.02
TOTAL USA	423,268	-4%	18,479	1%	2.55

US – large and growing premium market

- Largest consumer of wine in world (145 million wine drinkers, US$40 billion)
- Huge upside in wine consumption (10 litres per head)
- AU wine 2nd largest importer by volume behind Italy
- AU sales centred at USD$5-8 per bottle (87% of Oz sales)
- Shiraz is misunderstood in market by retailers and consumer & is in decline
- Large and growing premium wine market - $15-$25 best opportunity for Australia
- Recent trade research indicates a very high regard for Australian high-end wines but this perception has only trickled down to a small group of consumers
- Exchange rate has depreciated (AUD:USD at 0.76)
- Large, complex multi market country with a diversity of laws around alcohol

Australian Wine Growth Potential on U.S. Market
(Base = sells Australian wines)

	Great growth potential	Good growth potential	Not much growth potential	No growth potential	Don't know or no opinion
Red blends	34%	53%	9%	2%	2%
Cabernet Sauvignon	22%	51%	22%	1%	3%
Shiraz	21%	48%	25%	3%	3%
Grenache	18%	48%	26%	3%	5%
Riesling	15%	39%	32%	8%	5%
Sauvignon Blanc	12%	37%	39%	8%	4%
Chardonnay	11%	43%	36%	5%	4%
Viognier	9%	35%	37%	12%	7%
Moscato	9%	31%	34%	18%	9%
Pinot Grigio/ Pinot Gris	8%	27%	40%	17%	8%
Merlot	4%	23%	54%	12%	6%

More expensive Pinot Noirs are selling well

Pinot Noir in the US off-trade

Price segment	Australian sales			Total market	
	Cases	Change	Market share	Cases	Change
<3.49	0	na	0%	113,094	19%
3.50-4.99	0	na	0%	244,893	-6%
5.00-7.99	259,152	-4%	12%	2,076,625	-4%
8.00-10.99	5,386	-9%	0%	1,757,675	5%
11.00-14.99	28,305	49%	3%	957,738	13%
15.00-19.99	349	72%	0%	478,737	12%
20+	429	29%	0%	393,206	28%
Total	**293,621**	**-1%**	**5%**	**6,021,968**	**4%**

Red blends a growing category in the US

Red blends in the US off-trade

Price segment	Australian sales			Total market	
	Cases	Change	Market share	Cases	Change
<3.49	0	na	0%	52,072	11%
3.50-4.99	0	na	0%	142,517	-9%
5.00-7.99	161,477	32%	30%	544,851	6%
8.00-10.99	53,942	204%	2%	2,936,171	16%
11.00-14.99	13,396	-11%	2%	632,569	16%
15.00-19.99	5,476	25%	3%	164,176	23%
20+	8,381	23%	5%	177,070	26%
Total	**242,672**	**46%**	**5%**	**4,649,426**	**14%**

Australian Cabernets above $11 are selling well

Cabernet in the US off-trade

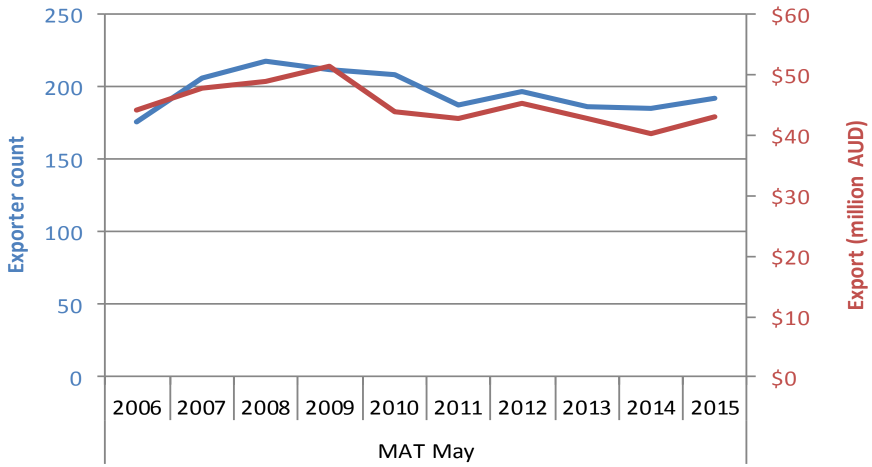
Price segment	Australian sales			Total market	
	Cases	Change	Market share	Cases	Change
<3.49	0	na	0%	933,180	4%
3.50-4.99	42,585	-30%	3%	1,349,222	-8%
5.00-7.99	824,595	-1%	18%	4,656,287	-1%
8.00-10.99	12,014	-32%	0%	3,170,038	6%
11.00-14.99	49,646	18%	2%	2,675,651	18%
15.00-19.99	2,739	20%	0%	723,608	9%
20+	5,042	54%	1%	513,102	14%
Total	**936,621**	**-3%**	**7%**	**14,021,088**	**4%**

Sales in the year ended March 2015

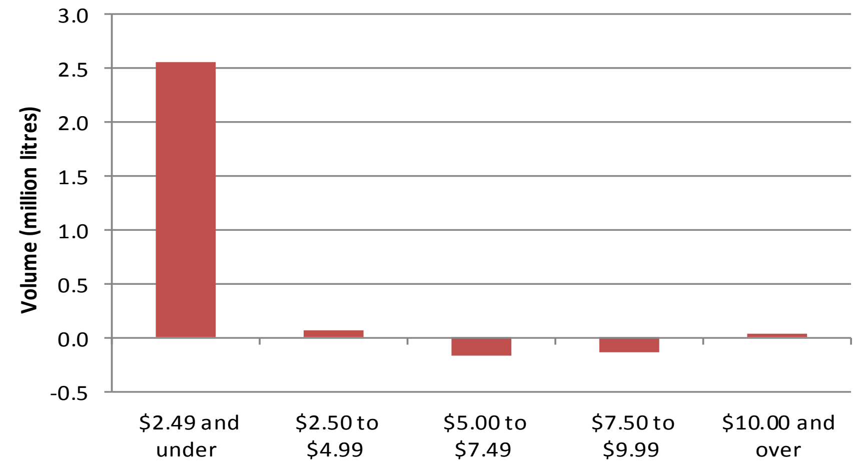
❑Emerging and Growth Markets

Japan

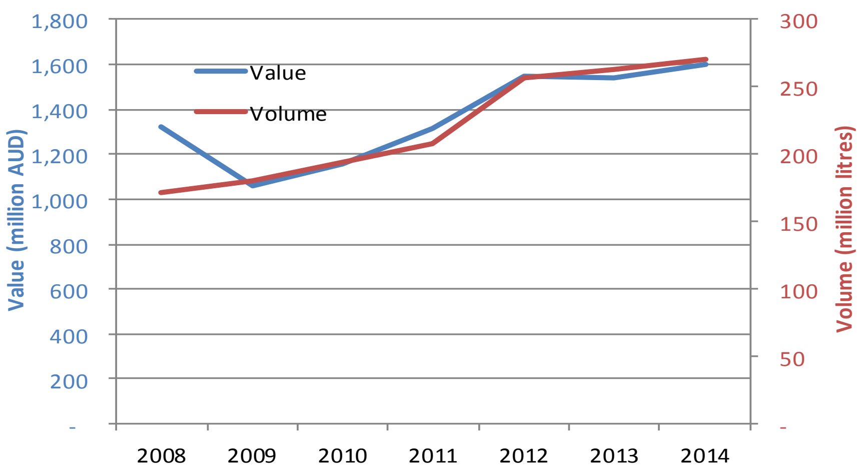
Australian exports



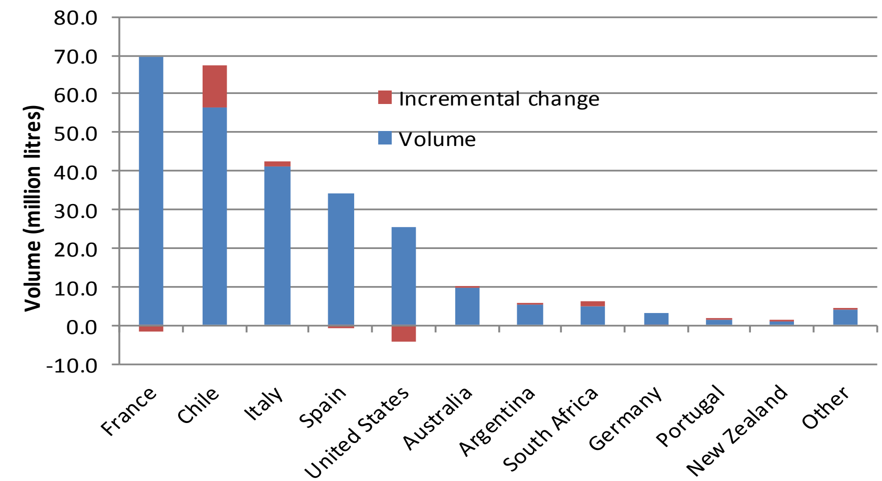
Australian growth by price segment



Total imports

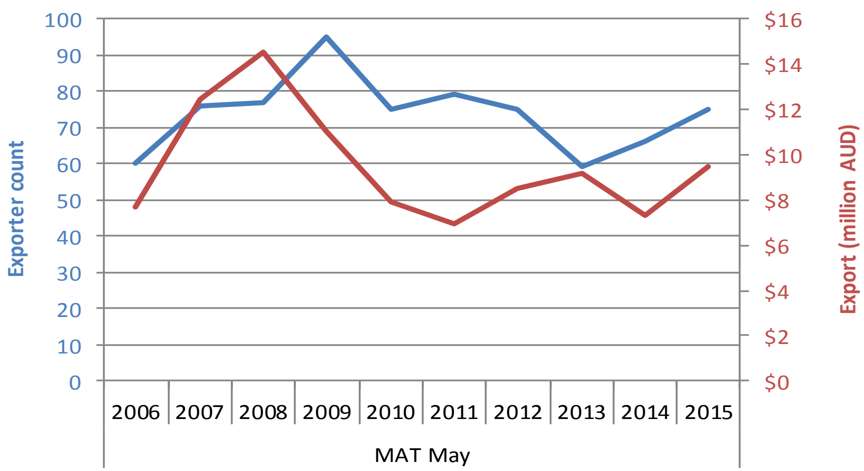


Imports by source (2014)



South Korea

Australian exports



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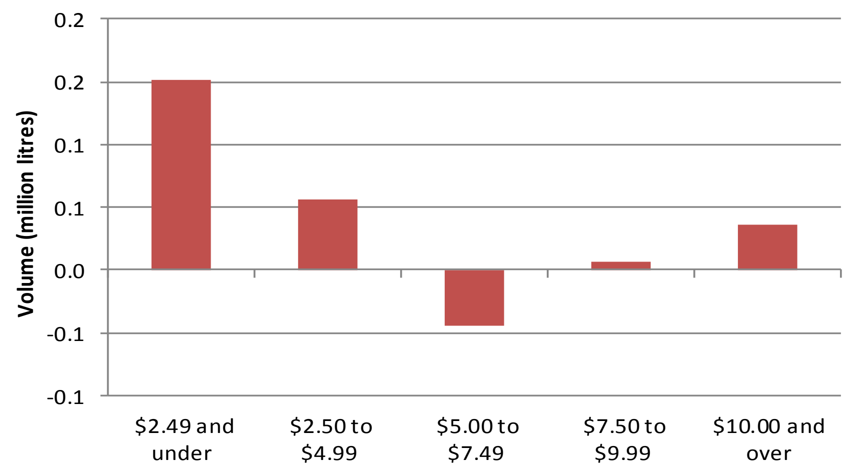

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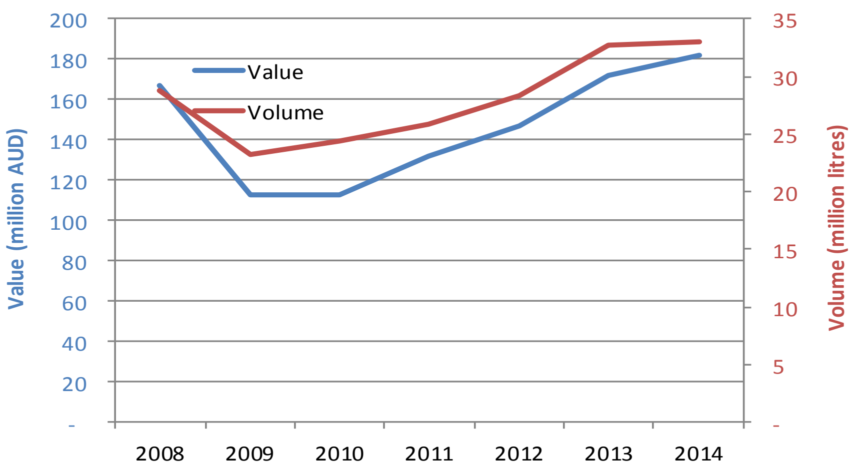

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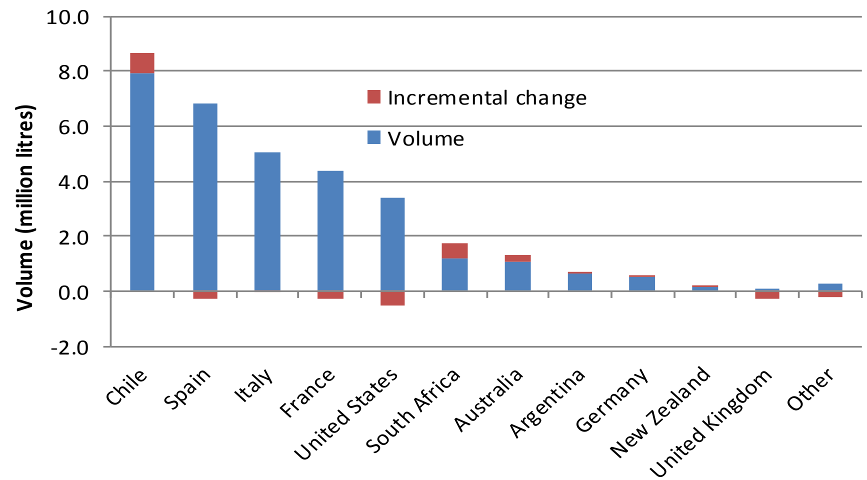
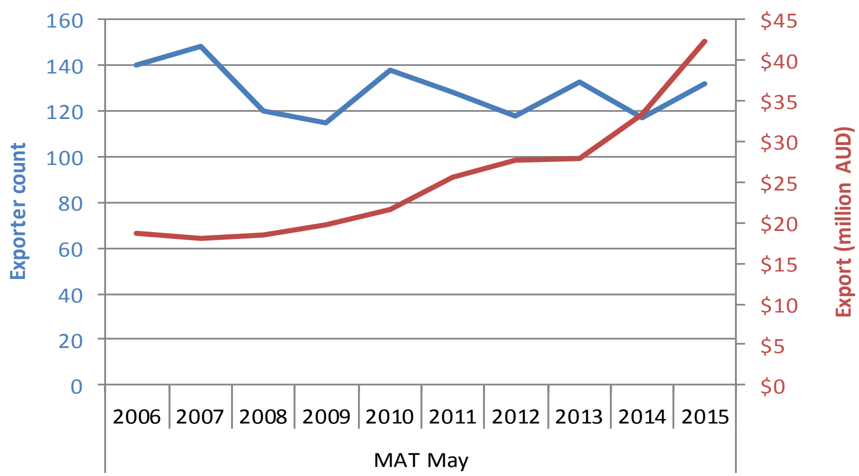


Malaysia

Australian exports



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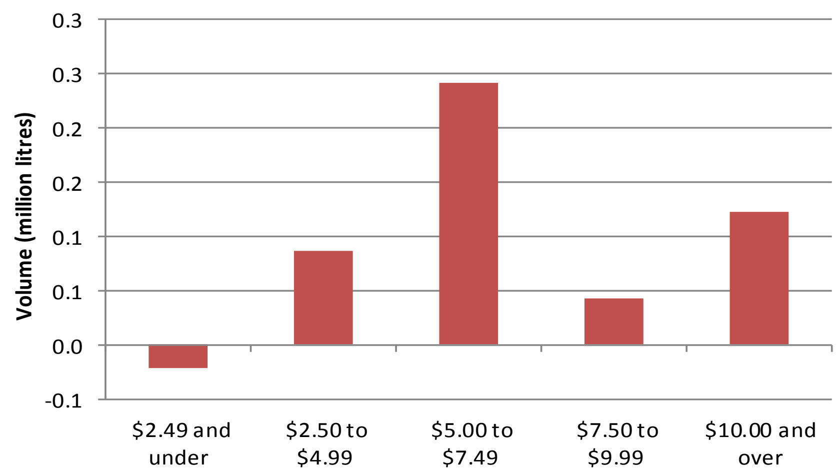

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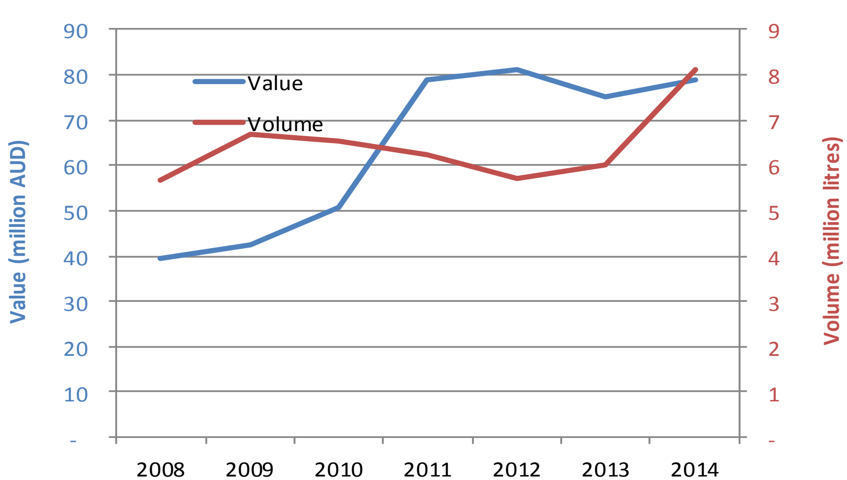

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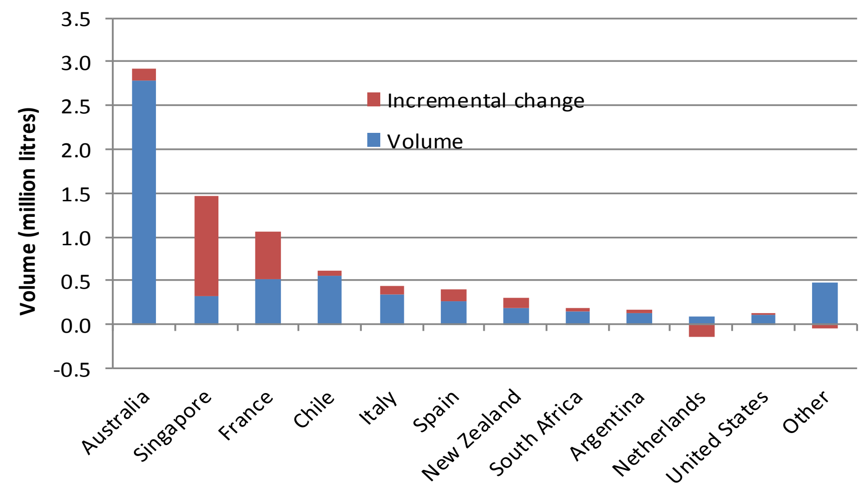
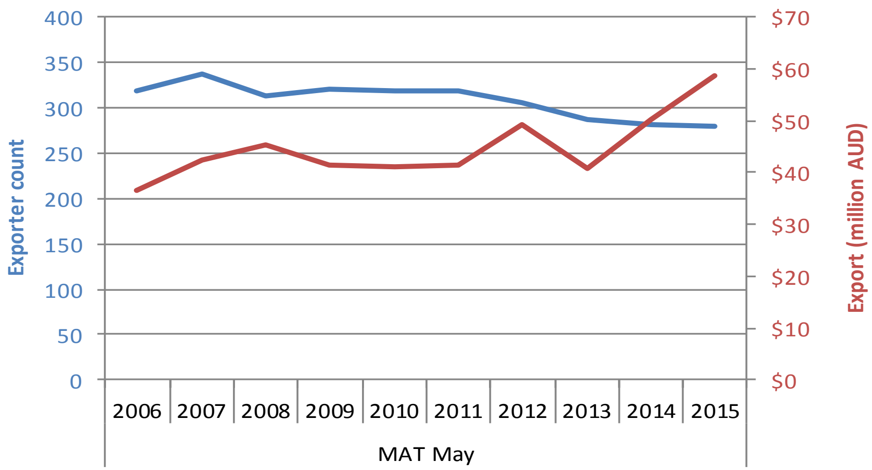
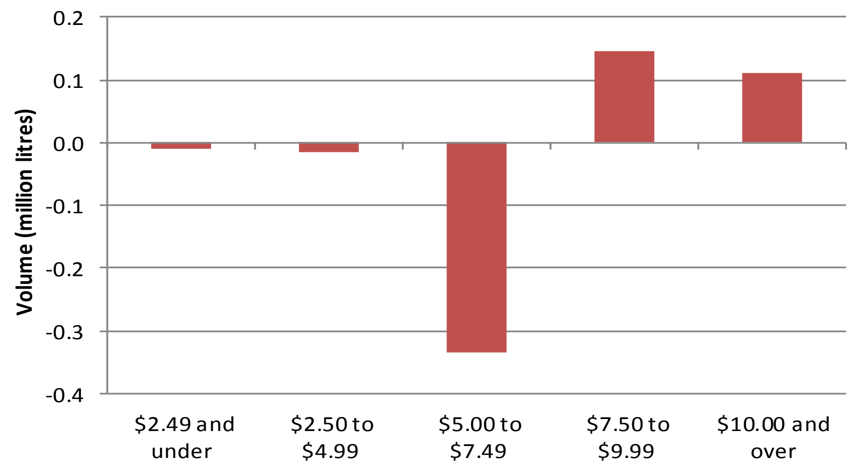


Singapore

Australian exports



Australian growth by price segment



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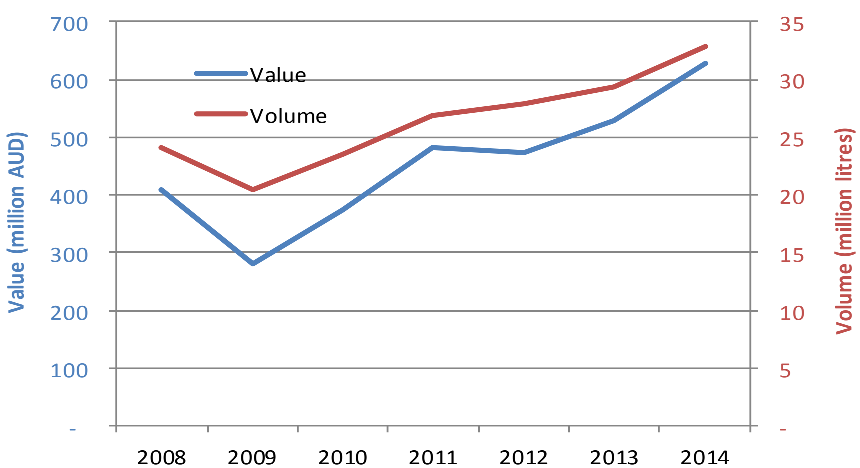

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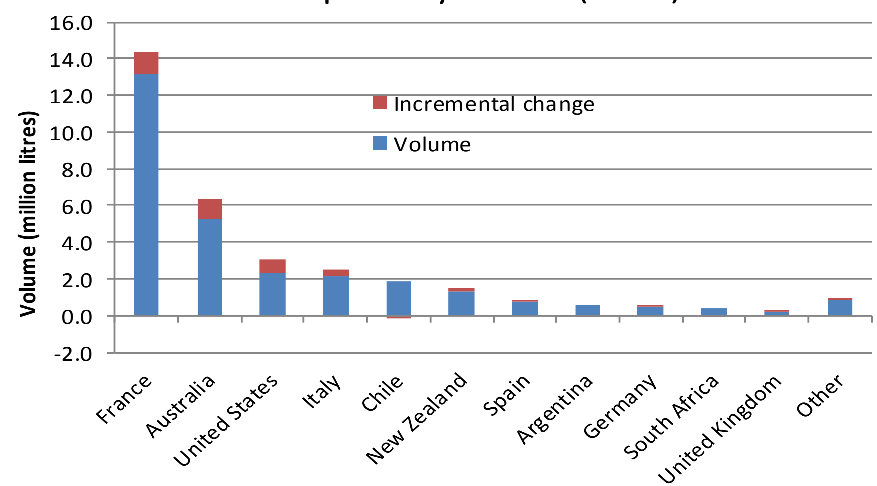
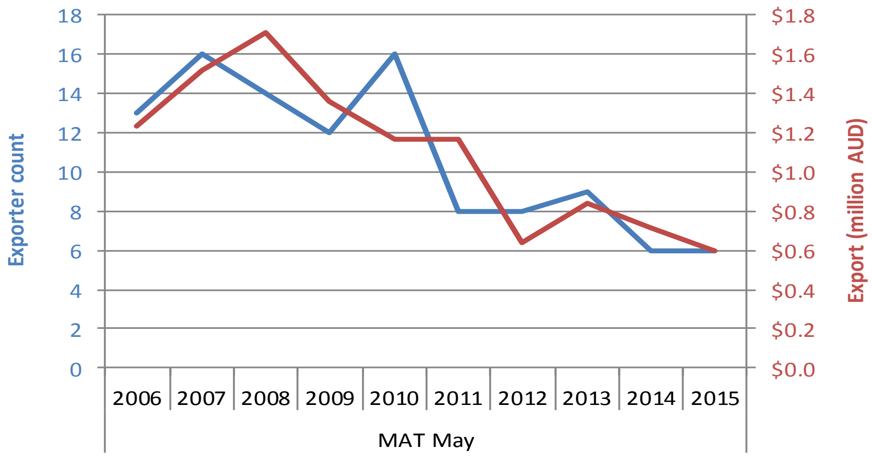
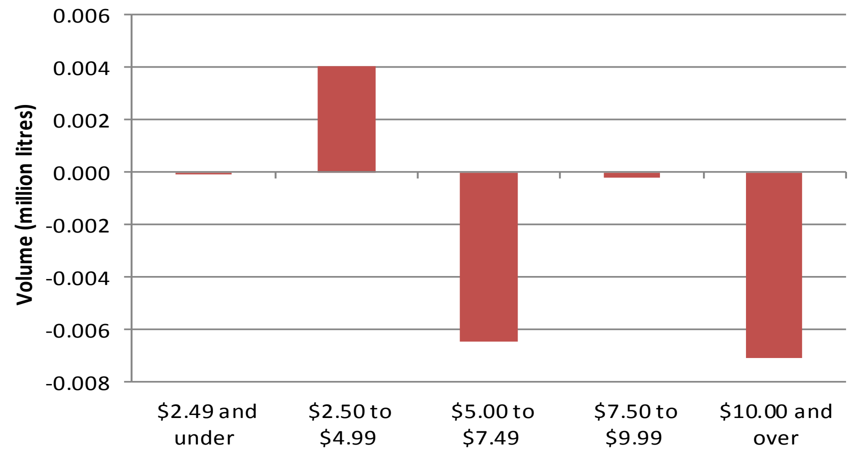


Mexico

Australian exports



Australian growth by price segment



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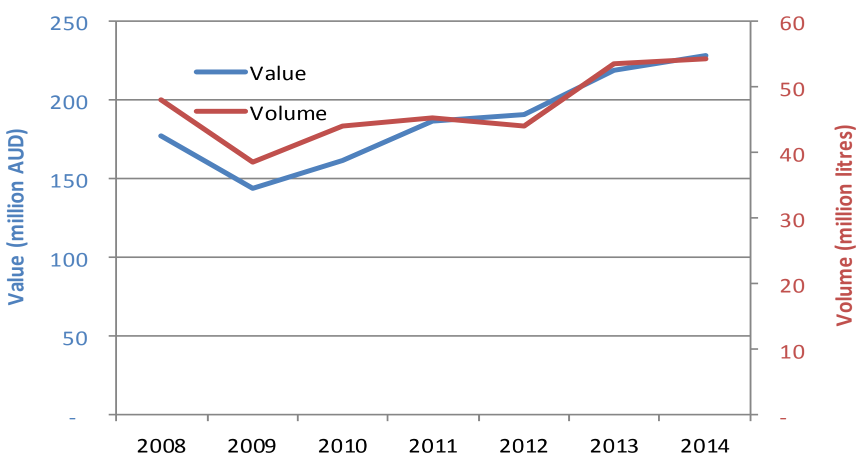

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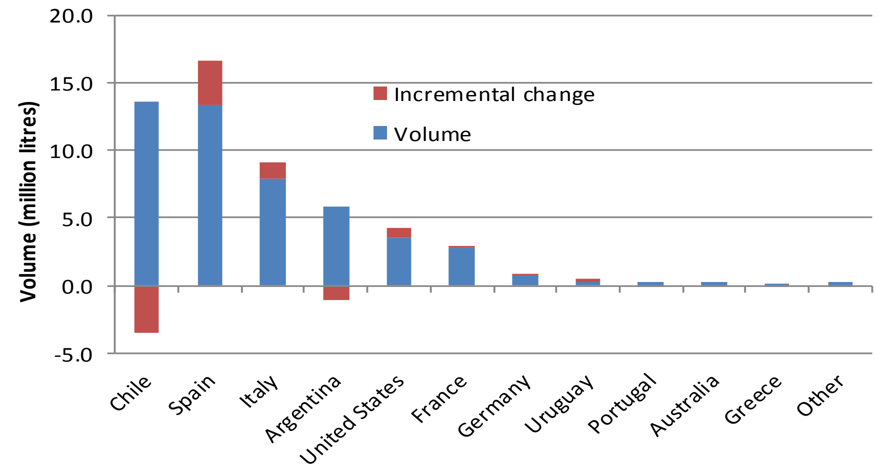
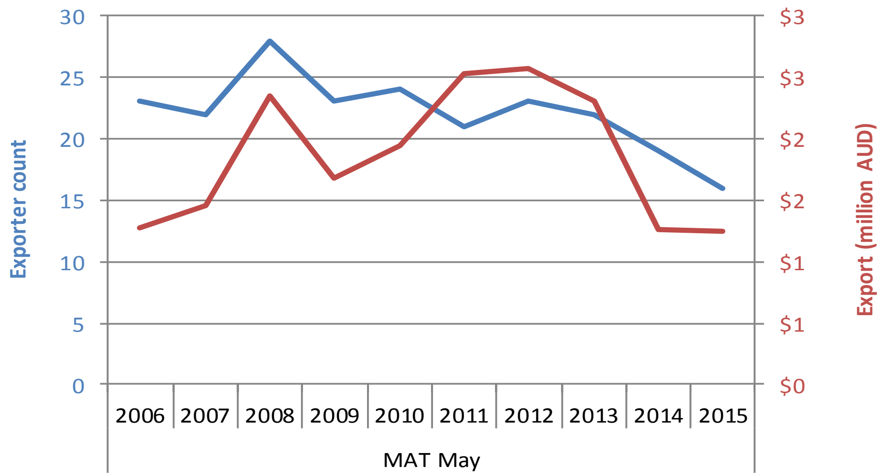
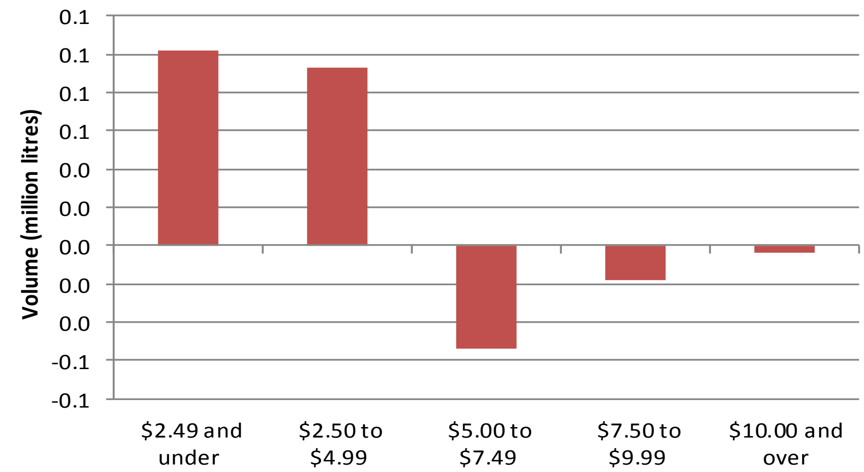


Brazil

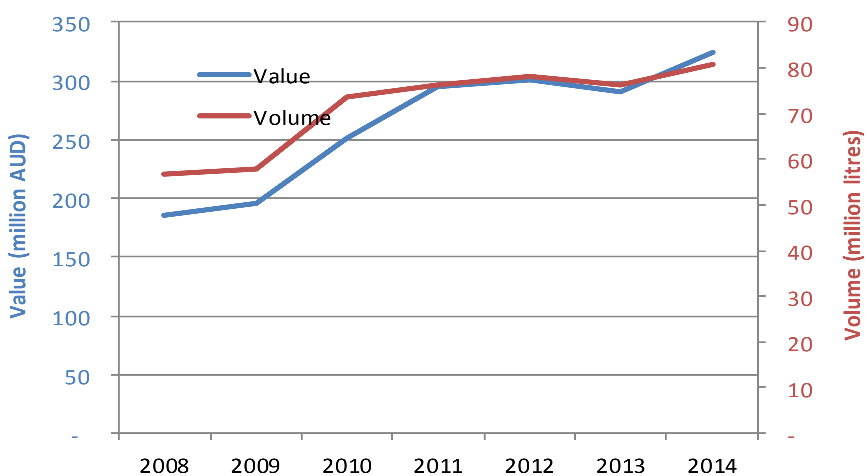
Australian exports



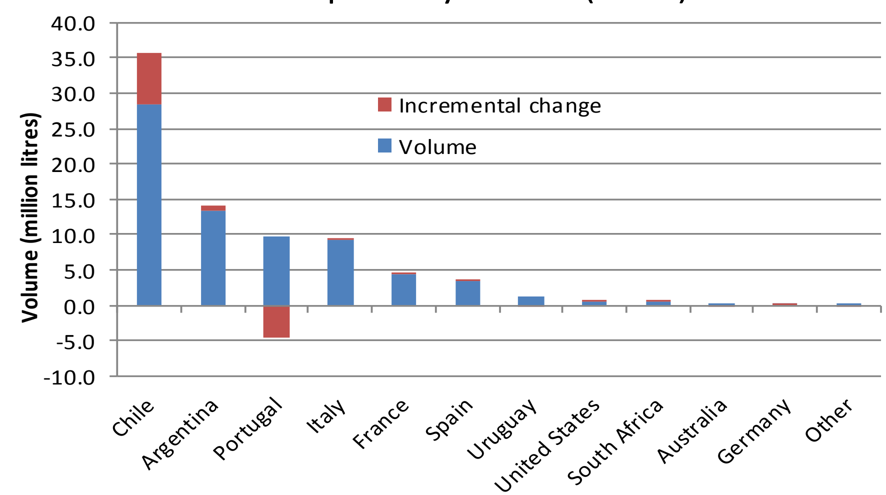
Australian growth by price segment



Total imports

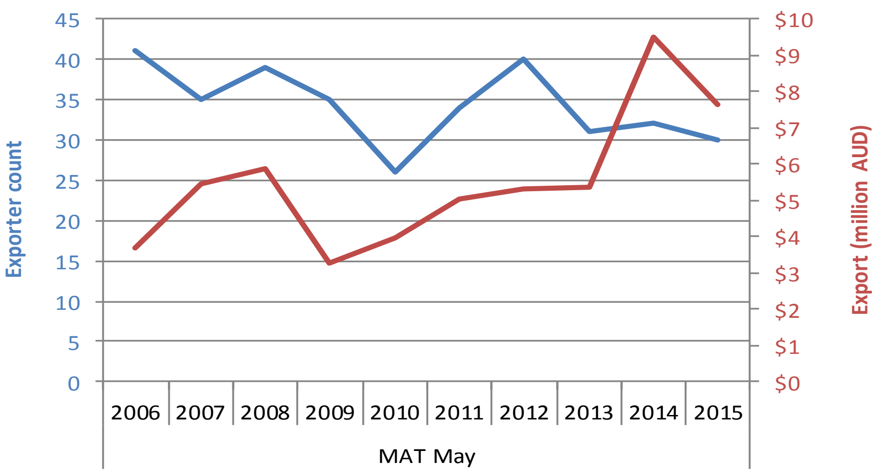


Imports by source (2014)

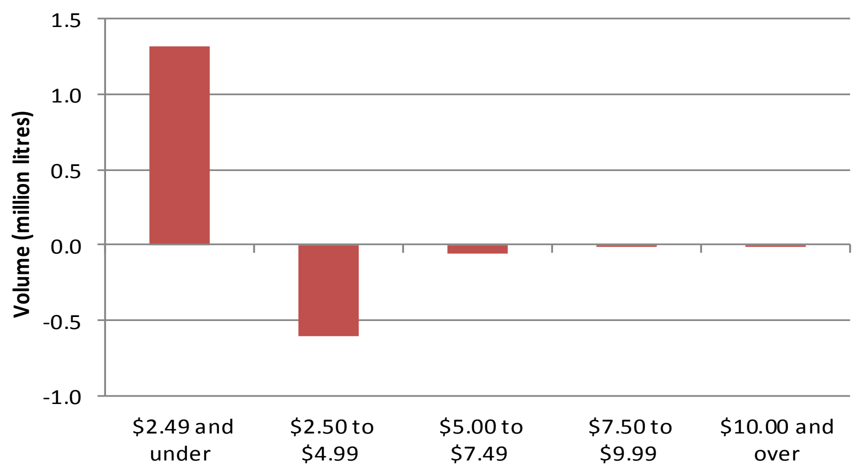


Russia

Australian exports



Australian growth by price segment



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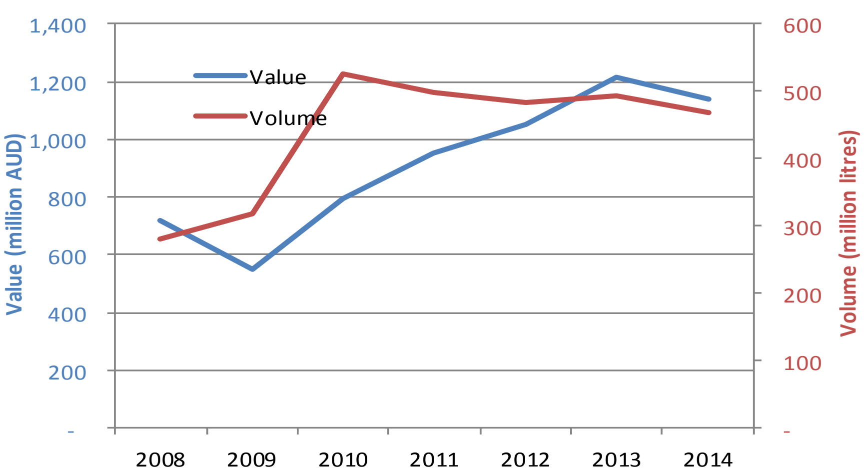

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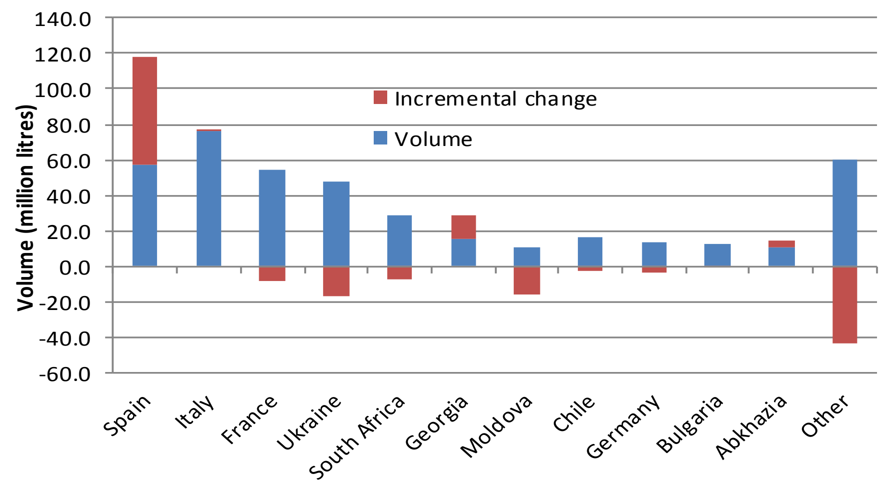
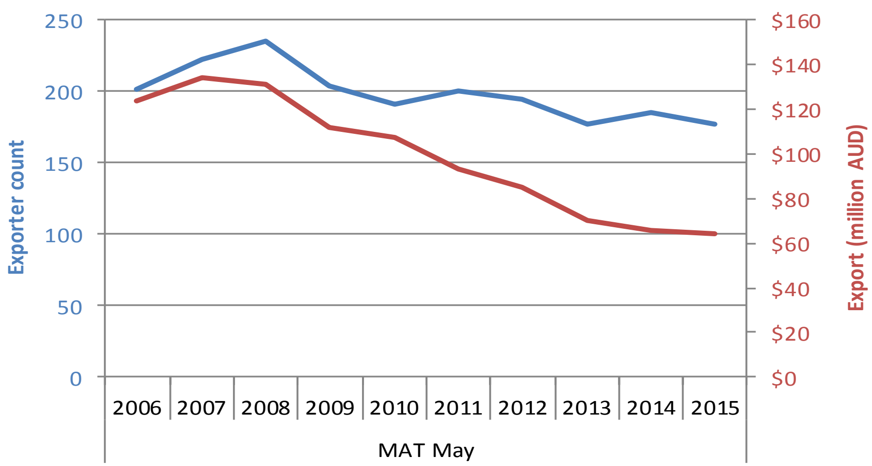
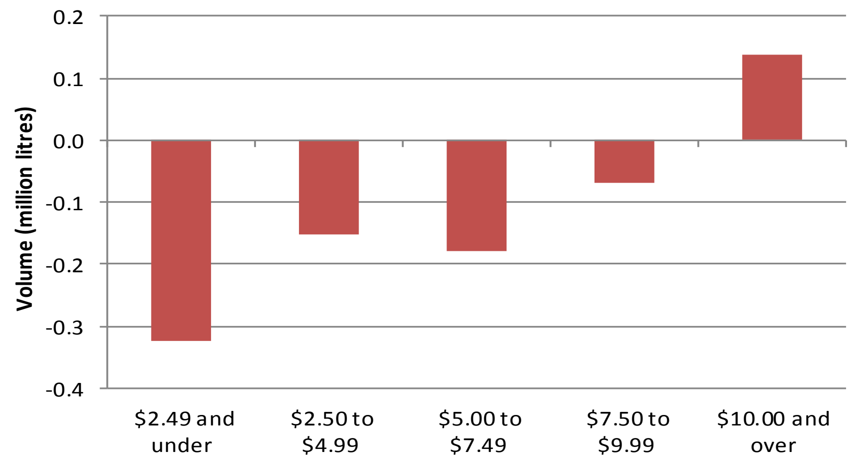


Scandinavia

Australian exports



Australian growth by price segment



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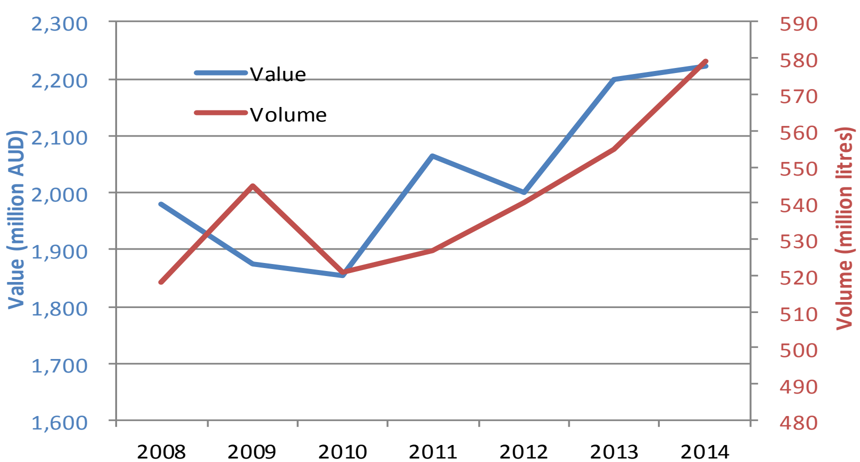

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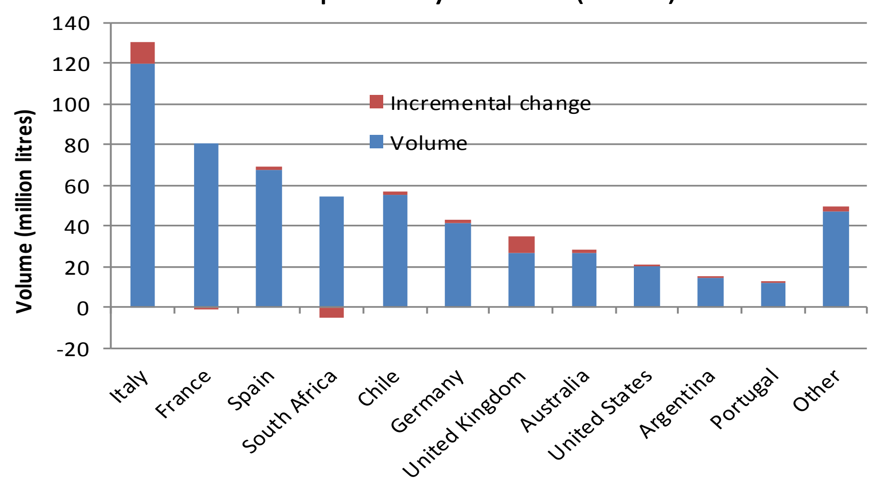
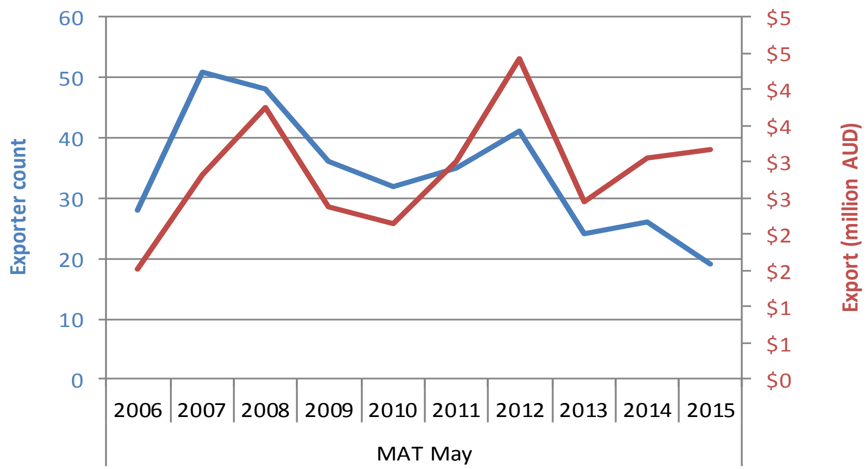
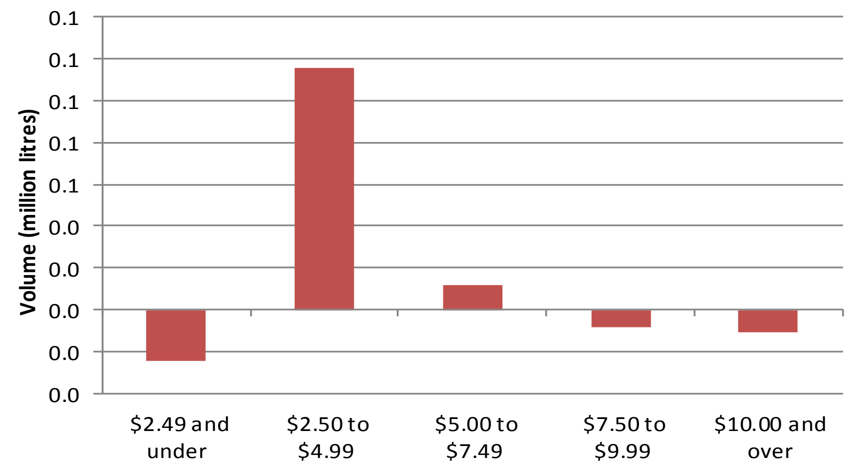


India

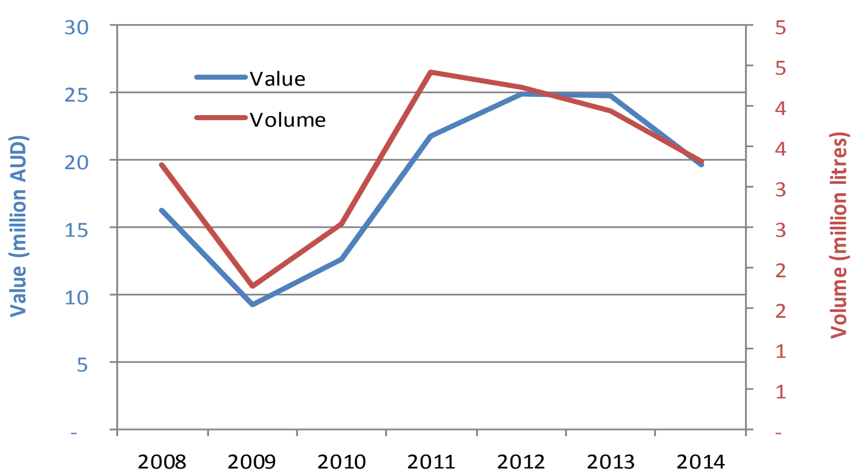
Australian exports



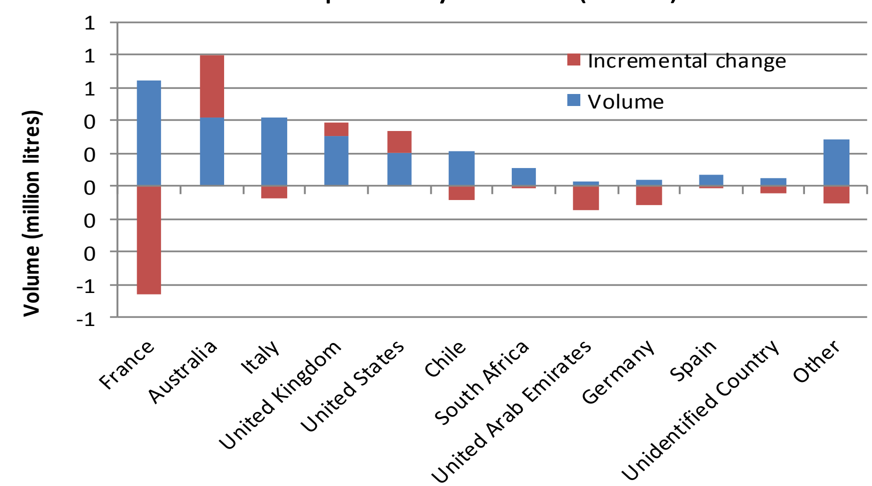
Australian growth by price segment



Total imports



Imports by source (2014)



Thankyou

"Opportunity is missed by most people because it is dressed in overalls and looks like work."

Thomas Edison