



China buys nearly \$800m of Australian wine in new record

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SYDNEY -- Australian wine exports to China hit an all-time high, rising 51% to more than 1 billion Australian dollars (\$777 million) in the 12 months through March, thanks in part to a tariff-cutting free trade agreement that came into effect in 2015.

Australian wine exports as a whole grew 16% on the year to A\$2.65 billion, with Chinese imports counting for roughly 40% of that figure, according to data released Monday by Wine Australia, a government agency that promotes the country's wine industry. The Chinese figure includes Hong Kong and Macau.

Chinese tariffs on Australian wine fell again in January as part of the trade deal and are slated to disappear in January 2019. That will let Australian imports compete head to head against French and Italian wines, which are popular in China, according to Wine Australia CEO Andreas Clark.

China buys the most Australian wine by value, with the U.S. coming in second and the U.K. third. But China lags the U.K. on a volume basis, indicating that Chinese consumers prefer pricier wines from Down Under.

Most of China's 2016 wine imports on a value basis came from France, followed by Australia, according to the Australian Trade and Investment Commission. Italy, Chile and Spain were next on the list.

The U.S.-China trade clash has given Australian vineyards an opening to grow their Chinese market share. China recently slapped tariffs on American wine in retaliation for U.S. duties on Chinese aluminum and steel.

Investors are betting on the future success of Australian winemakers in China. China's leading listed winemaker, Yantai Changyu Pioneer Wine, bought an 80% stake in South Australia's Kilikanoon Estate in December. U.S. private-equity fund Carlyle Group reportedly reached a deal this month to buy Accolade Wines, Australia's second-largest winemaker, for A\$1 billion.

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