

FINANCIAL REVIEW

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HD **Corks popping for winemakers**
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Winemakers are ebullient about the spoils to flow from a free trade agreement with **China**, saying they can claw back ground lost to Chile and New Zealand in recent years.

China, Australia's third largest export market behind the United States and Britain, has become increasingly important because it typically delivers better profits.

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The Australian Grape and **Wine** Authority said Australian **wine** enjoys the highest average price of any of the 10 largest bottled **wine** exporters to **China**.

Under the trade deal, tariffs of between 14 per cent and 20 per cent for wines **sold** in **China** will be removed over four years.

Authority acting chief Andreas Clark said the benefits for **wine** were big. "**China** continues to hold enormous potential for Australian **wine** exports and after the recent contraction of the **Chinese wine** market and the impact of their government austerity measures, particularly on **wine** at higher price points, this is a very positive result for Australian **wine**," Mr Clark said.

Treasury **Wine** Estates managing director Mike Clarke wrote to Prime Minister Tony Abbott not long after taking the top job in March, encouraging tax reform and a **China** trade deal. Trade deal 'excellent news' for winemakers

A Treasury **Wine** Estates spokesman said the deal would be positive for its brands and its **business**. "It's excellent news for us," he said. Treasury shares snapped a five-day losing streak to close up 2.7 per cent at \$4.64.

Mitchell Taylor, managing director of the Clare Valley-based Taylors Wines, said the deal was a "very positive move" because it put Australia back on a level playing field with Chile and New Zealand. "It's catch-up time," he said.

Mr Taylor said while austerity measures had crimped demand in **China** in the short term, this laid the foundation for a strong growth platform.

"While it has come off a bit, what this does is really start building the pathway for the future," he said.

Figures from Global Trade Atlas show New Zealand **wine** exports to **China** swelled from 288,049 litres in 2007, the year before tariffs began to be phased out, to 2.5 **million** litres in 2013.

Exports of Chilean wines have surged from 10 **million** litres in 2006, when its wines attracted a 14 per cent tariff, to 79 **million** litres in 2014, when the tariff was 2 per cent.

Project **Wine** managing director Paul Zerella said the winery's **Chinese** shareholders, Wei Li and Hongwei Hao, are expecting a kick-up in sales from the agreement. "They're looking forward to it and believe it should help sales in **China**," Mr Zerella said.

He said Chile had made strong advances at the expense of Australia in **China** and that advantage will now be pegged back.

"They've gained a significant amount of market share that probably was Australia's area," he said.

CO trzwn : Treasury Wine Estates Ltd

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