

SE **Business**

HD **Wine** exports still withering on the vine

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Australian **wine** exports continued to decline in both volume and value terms over the 12 months to the end of June, but sales of ultra-premium plonk priced at \$66 a bottle or above are surging.

Figures from the Australian Grape and **Wine** Authority showed exports fell by 2 per cent to 683.9 **million** litres, selling for \$1.78 **billion**, down 2.4 per cent and continuing the trend of decline seen since 2007 when exports peaked at \$3bn.

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However, the overall figures concealed a strong uptick in sales at the high end, with exports of bottled **wine** priced at \$10 and above rising by 4 per cent to 31 **million** litres.

AGWA noted that while the price segment only accounted for 5 per cent of sales by volume, it generated \$443m in annual sales, or 25 per cent of the export market.

The trend was even more pronounced further up the pricing scale, with the strongest growth seen among wines selling for more than \$50 per litre, or \$66 per standard 750mL bottle, which grew by 25 per cent to a record 950,000L valued at \$76m.

The news is encouraging for winemaking giant Treasury **Wine** Estates, which is focusing on high-end **wine** exports as a key plank of its turnaround strategy as it seeks to fend off a takeover approach from US private **equity** fund KKR.

The surge in demand for high-end wines was driven by increased sales of high-priced bottles to **Hong Kong** and Singapore, which have become regional hubs for Asian **wine** dealers and collectors. However, sales to **China**, which has become Australia's biggest customer for **wine** selling for more than \$10 per litre, reported an 8 per cent decline in sales in volume terms to 32.9 **million** litres as government austerity measures continued to impact demand for luxury goods.

The cheaper end of the market, from which TWE is increasingly distancing itself with plans to cull its "tail" of underperforming and lower-priced brands, was down sharply, with exports of bottled **wine** priced at between \$2.50 and \$5 per litre — a segment that accounts for 70 per cent of overseas bottled **wine** sales — down by 12 per cent in volume terms. Overall sales to Australia's biggest export customer, Britain, fell by 0.8 per cent in volume terms to 244 **million** litres valued at \$373m, while the US plunged by 15 per cent in volume terms to 161 **million** litres valued at \$432m, a decline of 3.5 per cent — reflecting a strong rise in sales of bottles priced at \$10 and above in both markets while cheaper wines reported weaker sales.

AGWA said this was the first financial year of growth for premium **wine** exports to Britain since 2007, while US sales of premium **wine** had now been growing for two years and looked to have formed a sustainable base. Shiraz remains our biggest export varietal for bottled **wine**, but sales were down 11 per cent over the 12 months to 62.3 **million** litres, and chardonnay was down 9 per cent to 46.9 **million** litres.

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