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Cheers! Wine export prices lift in 2011 but strong dollar hurts volumes

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Here's something for Australia's winegrowers to toast to – the average price of exported wine has finally risen and red wine is proving more popular, providing a glimmer of hope for the sector.

Australia is the world's fourth-largest exporter and the number of winemakers exporting grew last year despite problems such as the wine glut, the soaring Australian dollar and the emergence of supermarket private labels.

The Government export marketing body Wine Australia says there were 1,279 companies exporting wine last year, up from 1,243 in 2010.

And it seems China has captured their attention, with China attracting the highest number of exporters at 812, ahead of the traditional European and North American markets.

Those exporters were getting better bang for their buck: Wine Australia says the value of bottled exports to China increased by 37% to \$184 million, with a 28% increase in volume to 31 million litres and a 7% increase in the average value to \$6.01 per litre.

Across the board, the average price of bottled wine lifted by 5% in 2011 to \$4.31, while the average price of exported wine was up 1% to \$2.69 per litre, the first increase in four years.

Wine Australia says the figures are creditable result, given the Australian dollar soared to record highs throughout the year.

Overall, exports were down 10% to 703 million litres, and sales by value were down 9% to \$1.89 billion. The decreases were attributed to the fall in production and stock levels.

By volume, sales to Britain were down 9% to 248 million litres, down 13% to the US at 179 million litres, down 10% to Canada to 50 million litres, and down 26% to China at 41 million litres.

Sales to Germany lifted 13% to 41 million litres.

The figures show that white wine is losing popularity among export customers, down two percentage points to comprise 35% of exports. Red wine's share increased to 62% and sparkling was unchanged at 2%.

Victor De Bortoli, export manager at the family-run De Bertoli wine group, says 2011 was probably a more stable year, when wineries regrouped after some tough times.

"There are things to be positive about," De Bortoli says, including the rebound in reds.

Still, De Bortoli says the company - one of Australia's top five wineries - is working harder than ever, because the market is so competitive and global economic conditions are tough.

He estimates that about 25% of the company's products are exported, and about 20 of its 430 full-time staff work overseas.

China is an important market, De Bortoli says, but the traditional markets in the UK and US are not being forgotten.

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Victor De Bortoli

Shane Pettiona, who leads Australia's largest online retail wine site Cracka Wines, concurs that there are great opportunities for Australian winemakers in Asia, but says there were simply too many producers here.

"Australia is in a situation where there is too much acreage under grapes for how much wine we drink and if we can't export it, there's difficulty," he told SmartCompany last month.

Still, he remained positive about Asian opportunities.

"Most of your Asian countries that have big populations are starting to get into table wine. A lot of Asian countries don't drink a lot of wine per capita; places like France drink 57 litres per year on average [per year]; Australia is in the 20s and then you have Asia that doesn't even get to one.

"The market potential is good – people are consuming more wine in Asian countries but you have to make sure the quality is good otherwise those countries will try to produce it themselves."

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