

Wine
Australia
providing market
insights for
Australian
Wine

Market update:
Key Asian markets
August 2021

Foreword

The purpose of this report is to provide data and insights on key Asian markets for Australian wine exporters.

The markets were selected for this report based on Wine Australia and Austrade's priority markets – Japan, South Korea, Vietnam, Thailand, Indonesia, and Taiwan. Singapore and Malaysia have been included as they are key trading hubs in the region. India has been incorporated due to its potential as a destination for Australian wine in the future, although it is noted that this remains a long-term vision as long as tariffs on wine remain high to this market.

About Wine Australia

Wine Australia supports a competitive wine sector by investing in research, development and adoption (RDA), growing domestic and international markets, and protecting the reputation of Australian wine.

Wine Australia is an Australian Commonwealth Government statutory authority, established under the Wine Australia Act 2013, and funded by grape growers and winemakers through levies and user-pays charges and the Australian Government, which provides matching funding for RDA investments.

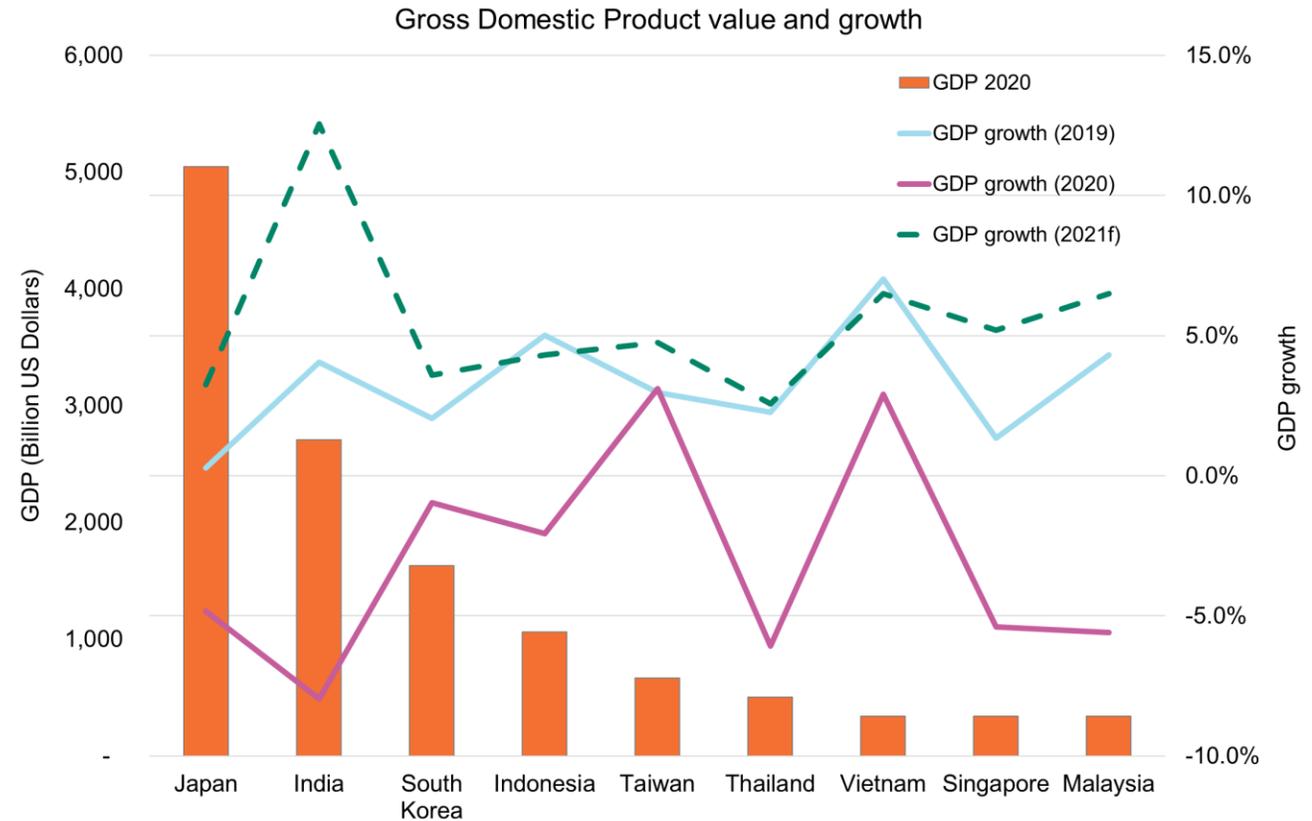
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Economic recovery

GDP growth fell in 2020 for all markets in this group, except for Taiwan. India suffered the biggest decline in 2020 due to a crushing wave of COVID-19 infections. As such, their GDP growth in 2021 is expected to be much higher than 2019 because it is growing off a much smaller base. In 2021, all markets are expected to grow at a higher rate than 2020. However, for markets such as Thailand, Vietnam, and Indonesia, the expected 2021 growth rates are very similar to their pre-pandemic performance in 2019.



Source: IMF

Market size

Total wine consumption in this group of Asian markets is estimated at \$6.1 billion US retail and 47 million 9-litre case equivalents in volume (roughly the same volume of consumption as Canada).

Japan is by far the biggest by consumption (an 'Established' market according to Wine Intelligence) – with 60% of consumption being imported wine. The lead country of origin is Chile – made popular by 'critter labels' which are colour coded by variety. The market does have the lowest average value of the group on the screen.

South Korea is now close to being worth \$1 billion and is forecasted to keep growing.

The other markets are classified as 'Growth' or 'Emerging' markets according to Wine Intelligence and as such have a much smaller value and volume of total wine consumption.

Market	'000 cases	US\$M
Japan	33,681	3514
South Korea	5,320	912
Taiwan	2,065	381
India	1,298	228
Singapore	1,277	369
Vietnam	1,247	149
Thailand	919	256
Malaysia	568	117
Indonesia	472	130
Total	46,846	6,055

Source: IWSR

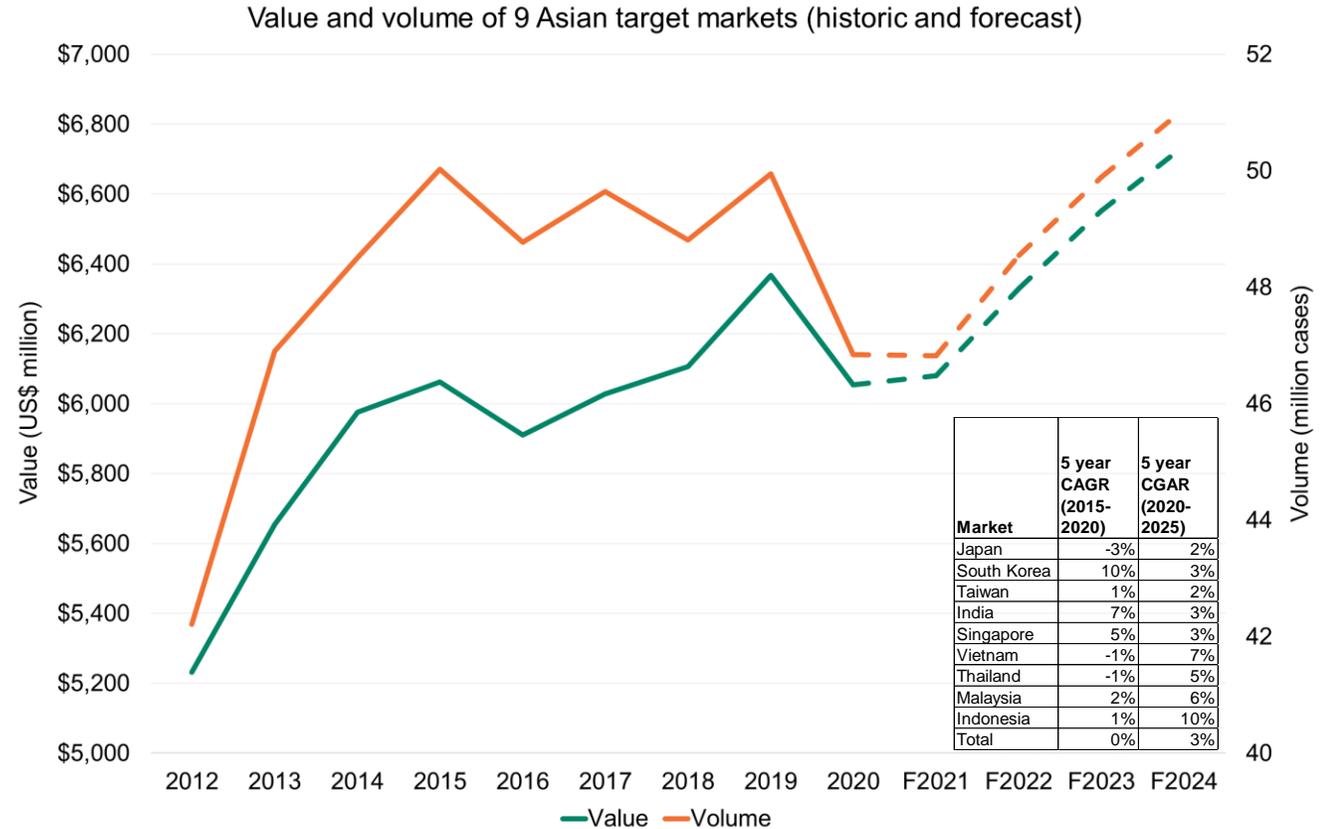
High level market trends

As wine is a relatively new category in most of these markets (compared to more traditional, Western markets) much of wine consumption takes place in the on-trade. Due to restrictions on the on-trade during the COVID-19 pandemic, and consumers trending towards value and what they know, total wine consumption has suffered.

2021 is expected to be a stabilising, transition year, before recovery takes off in 2022 and beyond. Although not all markets have grown in the past 5 years, all are expected to grow in value in the next 5 years. Volume is forecast to grow at 2 per cent per annum, value at 3 per cent.

Markets like South Korea and Singapore have grown exceptionally well in the last 5 years, but growth is expected to be tempered somewhat in the next 5 years.

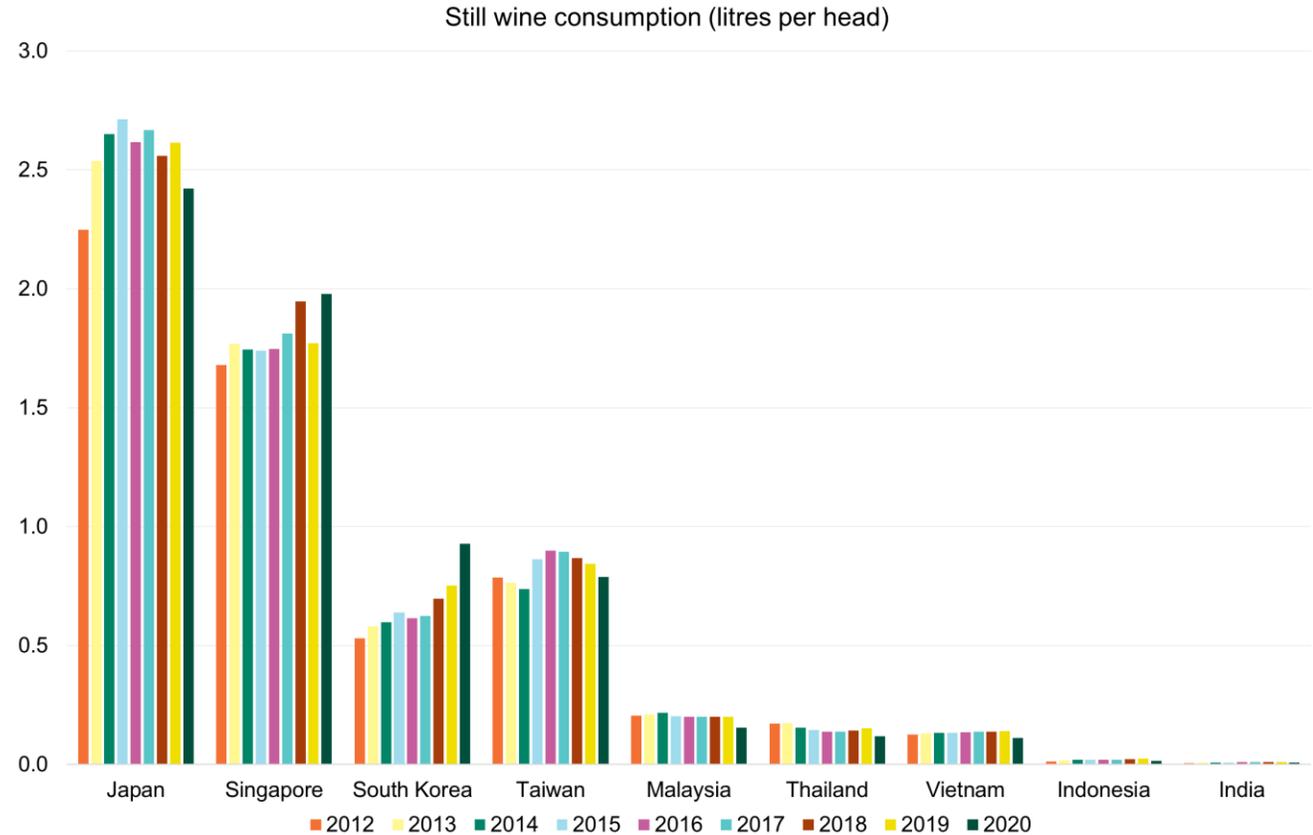
Higher growth rates are expected from smaller markets such as Indonesia and Vietnam, where consumers are starting to get more exposure to wine through entry level brands.



Source: IWSR

Per capita consumption

Growth in per capita consumption in Singapore and South Korea has been a factor in driving overall consumption as you can see here. The highest per capita consumption in the region is in Japan at 2.4 litres per person. And then drops off to Indonesia at 0.02 litres (mostly driven by tourist consumption while on holidays) and India at 0.01 litres per person. To put this into perspective, Australians consume on average 20 litres per person per year.

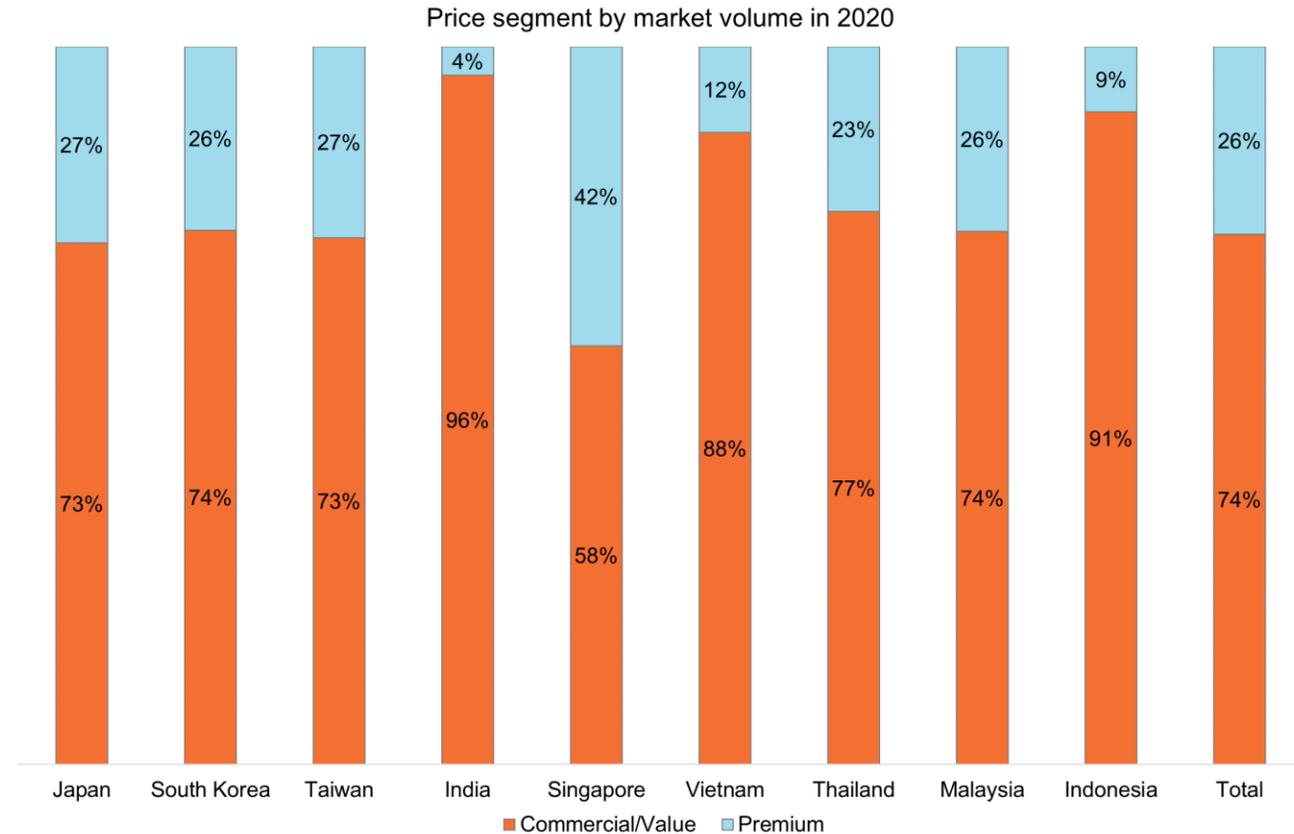


Source: IWSR

Price point profile

Most of the wine sold in this region is commercial (in other words sold at a price per bottle of US\$10 equivalent or below). Singapore has the largest share of premium – 42%. With some of the highest-GDP-per-capita levels in the world, as well as high tax levels on alcohol – this is not surprising.

Indonesia and India on the other hand have a high level of entry-level wines due to their relative inexperience with the category. Premium is, however, expected to grow.



Source: IWSR

Price point trends

Both premium and commercial wines are forecast to grow for all markets in the next 5 years, so no matter what your business model, there are growth opportunities for everyone, according to the IWSR. The markets where premium growth is expected to out-pace commercial are South Korea, Singapore, Thailand, Vietnam, and Indonesia.

Market	Commercial/Value		Premium	
	Historical 5 year CAGR (2015- 2020)	Forecast 5 year CGAR (2020- 2025)	Historical 5 year CAGR (2015- 2020)	Forecast 5 year CGAR (2020- 2025)
Japan	-2%	2%	-3%	1%
South Korea	7%	2%	13%	4%
Taiwan	-1%	2%	2%	2%
India	8%	3%	-3%	6%
Singapore	3%	2%	6%	4%
Vietnam	-1%	6%	0%	8%
Thailand	-1%	4%	-2%	8%
Malaysia	0%	6%	5%	5%
Indonesia	0%	10%	5%	11%
Total	1%	3%	-1%	2%

Source: IWSR

Import trends

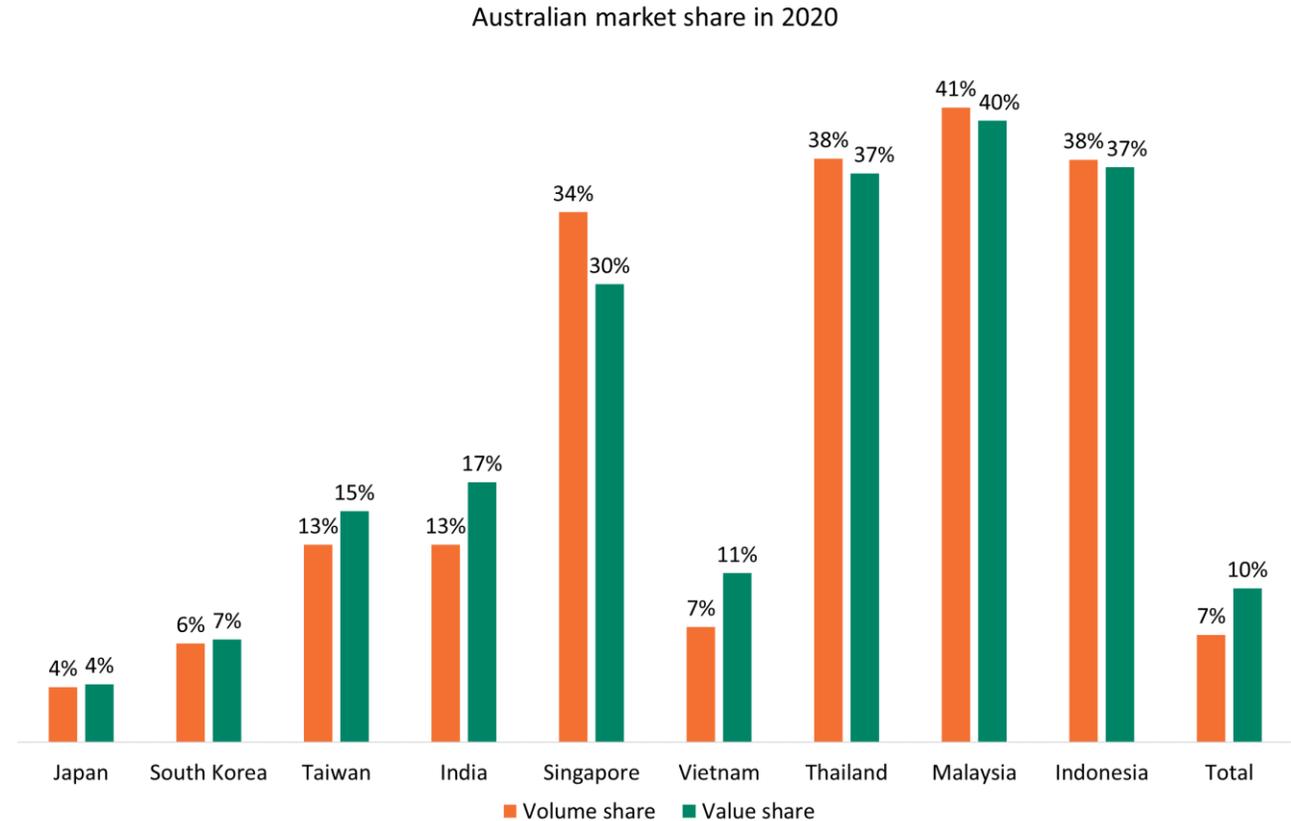
As expected, most of these markets have a high share of imports. In fact, Singapore and Malaysia have no domestic grape wine production, while Taiwan and Thailand have very little. India has the lowest imported wine share – around 1 million cases of domestic wine are consumed in India each year and imports incur very high duties (150 per cent). The good news is that imports are projected to grow in all markets in the next 5 years – Indonesia at the highest rate, Japan at the slowest.

Market	Import value	Import share of market	Historical 5 year CAGR (2015-2020)	Forecast 5 year CGAR (2020-2025)
Japan	\$2,854	81%	-3.5%	1.7%
South Korea	\$863	95%	11.3%	3.2%
Taiwan	\$372	98%	1.2%	2.0%
Singapore	\$369	100%	4.9%	3.2%
Thailand	\$251	98%	-1.2%	5.3%
Vietnam	\$134	90%	-1.0%	6.5%
Indonesia	\$118	91%	2.0%	8.8%
Malaysia	\$117	100%	2.0%	6.1%
India	\$103	45%	4.0%	2.8%
Total	\$5,181	86%	-0.3%	2.7%

Source: IWSR

Australian market share

Overall, Australia has a small share of wine sales in the region – 7% by volume and 10% by value. (Although it should be noted that Australia only produces 5% of the world’s wine so it over-indexes for its size.) The contributing factor to these small shares is a low ranking in the larger markets of Japan and South Korea. Australia is the market leader in Malaysia, Indonesia, Thailand and Singapore. However, in Japan and South Korea, it’s ranked as the 6th largest imported source country. Chile is the number 1 source in both markets, followed by the Old World sources of Spain, Italy, and France, and then wines from the US. In Taiwan and Vietnam the Australia’s volume and value shares are slightly higher and imported rank is 3rd.



Source: IWSR

Australian wine exports

These 9 markets account for 5.4% of the volume and 12.5% of the value of Australian wine exports in the 2020-21 financial year. However, when you remove the top 4 export markets for Australian wine (mainland China, UK, USA, and Hong Kong, which make up 65% of export value) these 9 markets account for 36% of the value of all other markets outside the top 4, and all 9 markets are within the top 30 markets by value.

Singapore is the biggest destination by value due to its high average value, but it is a trading hub and some wines are dispersed to other markets.

Japan is the biggest by volume but has the lowest average value among the 9 markets due to large proportion of Australian wine being sent to Japan unpackaged.

Market	Volume ('000 cases)	Value (A\$ million)	\$ per case FOB	Volume share	Value share
Japan	1,402	45	32	1.8%	1.8%
South Korea	696	45	65	0.9%	1.8%
Taiwan	334	26	77	0.4%	1.0%
India	168	7	40	0.2%	0.3%
Singapore	774	114	147	1.0%	4.4%
Vietnam	69	5	72	0.1%	0.2%
Thailand	354	26	74	0.5%	1.0%
Malaysia	318	38	120	0.4%	1.5%
Indonesia	76	14	185	0.1%	0.5%
Total	4,190	319	76	5.4%	12.5%

Source: Wine Australia, 12 months ended June 2021

Exports by variety

82% of the value of exports across the 9 markets is red wine, with whites at 11%

Cabernet Sauvignon and Shiraz account for over 70 per cent of the value of exports. Japan has the highest share of white wine at 30% of the value of exports. Chardonnay is the most popular variety for Japan (29 per cent of value). However, Singapore has the widest range of varieties being imported – 96 different varieties were exported there from Australia in the 12 months to June 2021. The smallest repertoire of varieties belongs to India – only 19 different varieties were exported there in the same time period.

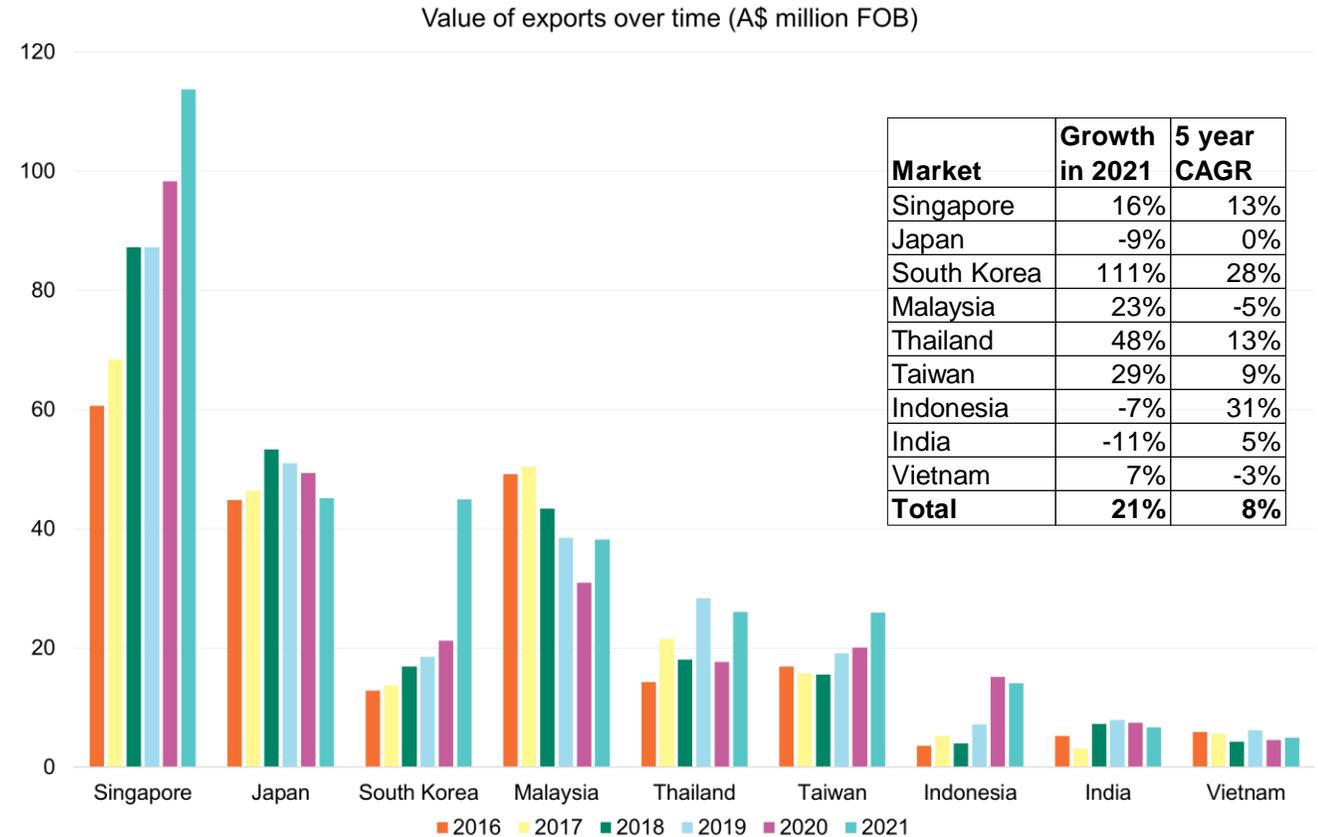
	India	Indonesia	Japan	Malaysia	Singapore	South Korea	Taiwan	Thailand	Vietnam	Total
Cabernet Sauvignon	8%	33%	18%	26%	27%	20%	17%	25%	20%	23%
Shiraz	8%	25%	13%	19%	22%	45%	25%	14%	30%	23%
Shiraz Blend	51%	13%	6%	21%	18%	4%	15%	27%	16%	16%
Cabernet Sauvignon Blend	0%	19%	2%	19%	15%	1%	6%	10%	6%	11%
Chardonnay	18%	2%	20%	3%	3%	9%	5%	4%	7%	7%
Chardonnay Blend	2%	0%	9%	0%	2%	0%	1%	1%	1%	2%
Merlot	5%	2%	1%	2%	2%	1%	4%	2%	4%	2%
Pinot Noir	0%	0%	4%	0%	1%	2%	2%	1%	1%	1%
Cabernet Blend	4%	0%	1%	2%	1%	1%	2%	3%	3%	1%
Moscato	1%	1%	1%	1%	1%	3%	2%	0%	1%	1%
Other	3%	5%	24%	6%	7%	15%	20%	13%	10%	12%

Source: Wine Australia, 12 months ended June 2021

Australian export trends

Restrictions to on-premise consumption hit the wine market in these countries hard and Australian wine exports decreased to most locations in the first half of 2020-21 and by 5 per cent in total. However, easing of restrictions and re-direction of Australian wine from mainland China meant that exports grew by 58 per cent in the second half of 2020-21 and 21 per cent for the year in total.

South Korea is the stand-out, up 111 per cent in 2021. This was driven by all price segments and is an acceleration of steady growth in the past 10 years. Increasing wine consumption and the Korea-Australia Free Trade Agreement have fuelled growth to this market.



Source: Wine Australia, 12 months ended June 2021