

**Wine
Australia
for
Australian
Wine**

Export Report

12 months to 30 June 2022

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Executive summary

- Total value and volume of Australian wine exports declined significantly in financial year 2021–22 with value down 19 per cent to \$2.08 billion and volume declining by 10 per cent to 625 million litres
- The export figures are reflective of the unprecedentedly tough market conditions over the past 18 months including high tariffs on bottled Australian wine imported to China, the continuing impact of the global freight crisis, and a counter-swing in some markets after COVID-19 related stockpiling in 2020–21.
- Excluding mainland China, exports declined by 3 per cent in volume but increased in value by 5 per cent to \$2.06 billion – the highest value since 2009–2010
- The key contributors to the value growth included Singapore, the United States (US), Malaysia, Thailand, India and New Zealand
- Still red wine exports declined while still white wine and sparkling wine exports increased
- By price segment, excluding mainland China, the strongest growth for exports was at \$10 or more per litre, including to the US, United Kingdom (UK) and Canada.
- The US was the number one destination by value and there was growth in value and in the number of companies exporting to the destination, particularly at \$10 or more per litre
- The fastest growing region for exports was Southeast Asia, driven predominantly by red wine priced at \$10 or more per litre

Overview

In the 2021–22 financial year, Australian wine exports declined by 10 per cent in volume to 625 million litres and the average value fell by 10 per cent to \$3.33 per litre FOB¹, leading to a 19 per cent decline in value to \$2.08 billion².

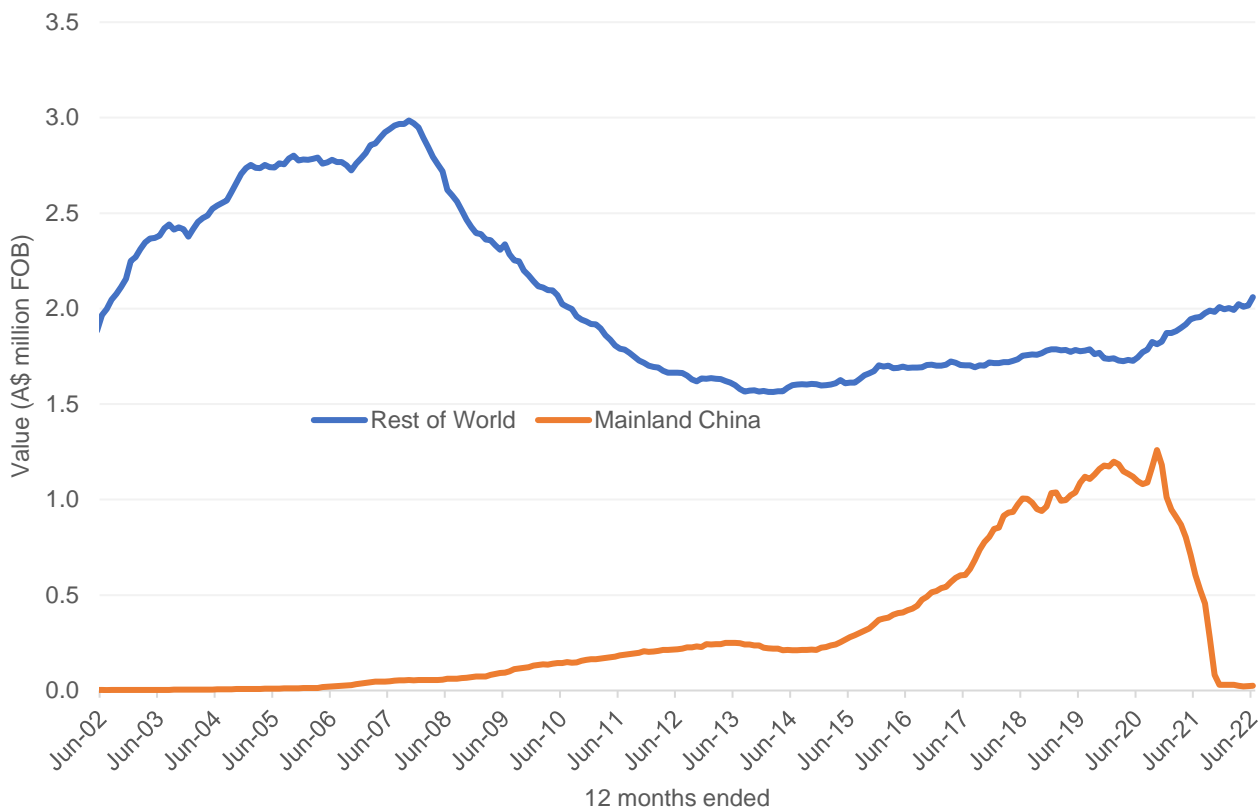
The significant and swift decline in exports to mainland China was the key driver behind the overall decline in exports. Excluding mainland China, exports to the rest of the world increased by 5 per cent in value to \$2.06 billion (see Figure 1). This is despite volume declining by 3 per cent to 619 million litres. The value growth for the rest of the world was driven by a 9 per cent increase in average value to \$3.32 per litre. The loss in value of exports to mainland China, from its peak in YE October 2020 to the latest 12-month period, has been \$1.23 billion. In comparison, over the same time period, exports to the rest of the world have increased by \$247 million.

¹ **FOB** refers to the 'Free on board' value of the wine, where the point of valuation is where goods are placed on board the international carrier, at the border of the exporting country. The FOB value includes production and other costs up until placement on the international carrier but excludes international insurance and transport costs. All average values quoted in this report are FOB unless otherwise indicated.

² Unless otherwise stated all values are given in Australian dollars.

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Figure 1: Value of Australian exports over time – mainland China v Rest of the World



The number of companies exporting fell from 2193 in 2020–21 to 1173 in 2021–22. This was mainly due to the number of companies exporting to mainland China falling from 1508 to 143.

The operating environment for Australian wine exporters has been unprecedentedly challenging in 2021–22, due to the significant decline in exports to mainland China, the ongoing impact of the pandemic – including severe shipping delays and increased freight costs – and rising inflation, business costs and interest rates.

On a positive note, over the past few months, the Australian dollar has depreciated against the US dollar which assists in making Australian wine more price competitive, particularly in the US market.

Wine Australia General Manager Marketing Paul Turale said that the current headwinds facing Australian wine exporters had been well documented.

“Solutions will take time and effort to realise. It remains important that the sector acts in concert in our shared desire to build resilience through a combination of market diversification and intensification. Wine Australia will continue to focus on delivering relevant information and tools to enable exporters to best align their capabilities with existing and emerging market opportunities. New initiatives in sustainability, profitability, product innovation and price transparency are also underway to provide the foundation for longer term, sustainable value growth.”

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Packaging types

In 2021–22, the value of wine exported in glass bottles decreased by 21 per cent to \$1.57 billion while the average value per litre decreased by 8 per cent to \$6.69. Volume decreased by 14 per cent to 233 million litres. Mainland China was the main contributor to the decline in exports in glass bottles. Excluding mainland China, exports in glass bottles to the rest of the world increased in value by 11 per cent to \$1.55 billion, volume by 1 per cent to 232 million litres and the average value by 10 per cent to \$6.67 per litre.

Unpackaged wine exports decreased by 13 per cent in value to \$500 million and decreased 7 per cent in volume to 384 million litres. The average value of unpackaged wine decreased by 6 per cent to \$1.30 per litre. A decline in the volume of unpackaged exports to the UK and, to a lesser extent, Germany and the Netherlands, more than offset increases to the US, Canada and New Zealand.

Wine style

In 2021–22, still red wine exports decreased by 26 per cent in value to \$1.39 billion and 17 per cent in volume to 330 million litres. Average value declined by 11 per cent to \$4.22 per litre. The driver of this decline was the dramatic reduction in exports to mainland China, which were mainly still red wine. Excluding mainland China, while still red wine exports declined by 6 per cent in volume to 324 million litres, value increased by 6 per cent to \$1.37 billion, on the back of a 13 per cent increase in average value to \$4.22 per litre.

The UK was the biggest destination by value for still red wine exports in 2021–22, but exports declined by 19 per cent to \$239 million. The US was a very close second, with value up 10 per cent to \$237 million. Other destinations that recorded growth in still red wine exports included Singapore, New Zealand, Malaysia, Thailand, Denmark, Japan, Taiwan and Indonesia.

Still white wine exports increased by 7 per cent in value to \$579 million and 2 per cent in volume to 269 million litres. Average value increased by 5 per cent to \$2.16 per litre. The US was the number one still white wine destination and exports increased by 10 per cent to \$183 million. The UK was in clear second place and exports grew by 5 per cent to \$165 million. Other destinations to record growth in white wine exports included Canada, New Zealand, Germany, Japan, Belgium, Denmark and South Korea.

The volume share of still red wine fell from 57 per cent in 2020–21 to 53 per cent in 2021–22, while the still white wine share increased from 38 per cent to 43 per cent. The red wine value share declined from 74 per cent to 67 per cent, while the share for whites increased from 21 per cent to 28 per cent, driven by the 5 per cent increase in average value for whites compared with the 11 per cent decrease for reds.

Sparkling wine exports increased by 14 per cent in value to \$40 million and 3 per cent in volume to 6 million litres. The markets driving this increase were New Zealand, the UK, Canada, Singapore, the US, and United Arab Emirates. In contrast, still rosé wine exports declined by 24 per cent in value to \$29 million and 22 per cent in volume to 12 million litres with the UK the number one destination but declining in value by 10 per cent in 2021–22.

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Price segments

The growth in the value of exports (excluding mainland China) has come predominantly in premium price segments (\$5 or more per litre) more than offsetting a decline in the value of exports at the commercial/value end (below \$5 per litre) (see Figure 2). This reflects the wine sales trends in many markets around the globe, which have seen a downward trend in commercial/value sales (less than US\$10 per bottle retail) and sales growth in premium and above segments (US\$10 or more per bottle retail).

Excluding mainland China, exports below \$5 per litre accounted for just over half the value of exports but declined by 7 per cent during the year to \$1.06 billion. The UK accounted for over 80 per cent of the decline at below \$5 per litre and this was mainly unpackaged exports. In contrast, there was growth in exports in all price segments at \$5 or more per litre, except at \$200 or more per litre. The strongest growth came in segments at \$10 or more per litre, up a combined 32 per cent to \$658 million.

A number of markets contributed to growth in this segment, including Singapore, the US, Malaysia, Thailand, the UK, South Korea, Indonesia, Denmark, Japan, Taiwan and Canada.

Excluding mainland China, still red wine accounted for 92 per cent of the value of exports at \$10 or more per litre and was the growth driver for this price segment. This is critical as the loss of exports to mainland China was predominantly still red wine. Off much smaller bases, still white wine and rosé also grew strongly in this price segment.

Figure 2: Value of exports by price segment excluding mainland China (\$ million FOB)

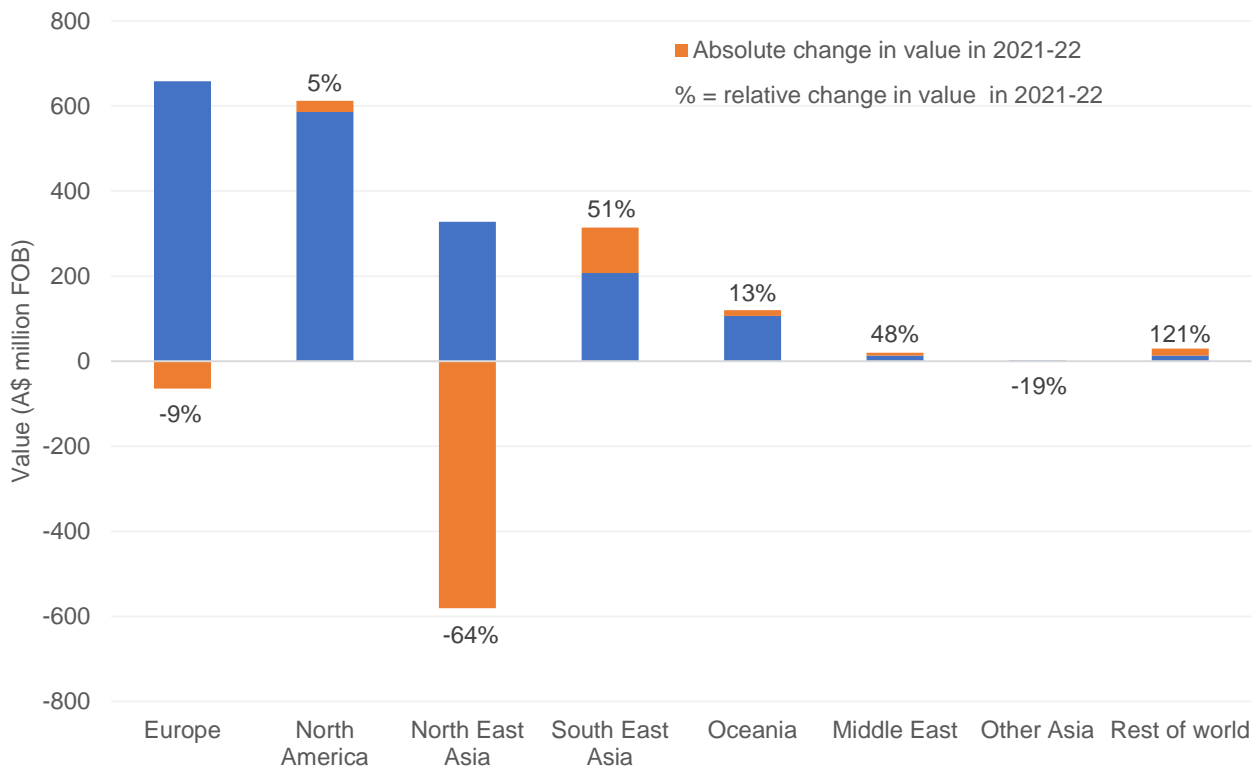
Price segment (A\$/litre)	MAT June 2022	Value change	Growth rate
\$2.49 and under	\$455	-\$64	-12%
\$2.50 to \$4.99	\$601	-\$18	-3%
\$5.00 to \$7.49	\$224	\$8	3%
\$7.50 to \$9.99	\$120	\$21	21%
\$10.00 to \$14.99	\$150	\$35	30%
\$15.00 to \$19.99	\$48	\$18	60%
\$20.00 to \$29.99	\$114	\$34	43%
\$30.00 to \$49.99	\$76	\$22	40%
\$50.00 to \$99.99	\$178	\$51	40%
\$100.00 to \$199.99	\$44	\$7	17%
\$200.00 and over	\$47	-\$7	-14%
Total value	\$2,059	\$105	5%

Destinations

In 2021–22, Australian companies exported wine to 113 destination markets. The most significant growth came from exports to Southeast Asia, up 51 per cent to \$314 million, but also to North America (up 5 per cent to \$612 million) and the Middle East (up 48 per cent to \$20 million). This growth was offset by a decline in exports to Northeast Asia, down 64 per cent to \$328 million, and Europe, down 9 per cent to \$658 million (see Figure 3).

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Figure 3: Value of exports by destination region



The top five markets by value were:

- US, up 9 per cent to \$436 million,
- UK, down 10 per cent to \$421 million,
- Canada, down 5 per cent to \$174 million,
- Hong Kong, down 9 per cent to \$170 million and
- Singapore, up 49 per cent to \$169 million.

The top five markets by volume were:

- UK, down 15 per cent to 227 million litres,
- US, up 10 per cent to 139 million litres,
- Canada, up 4 per cent to 53 million litres,
- New Zealand, up 13 per cent to 32 million litres, and
- Germany, down 11 per cent to 32 million litres.

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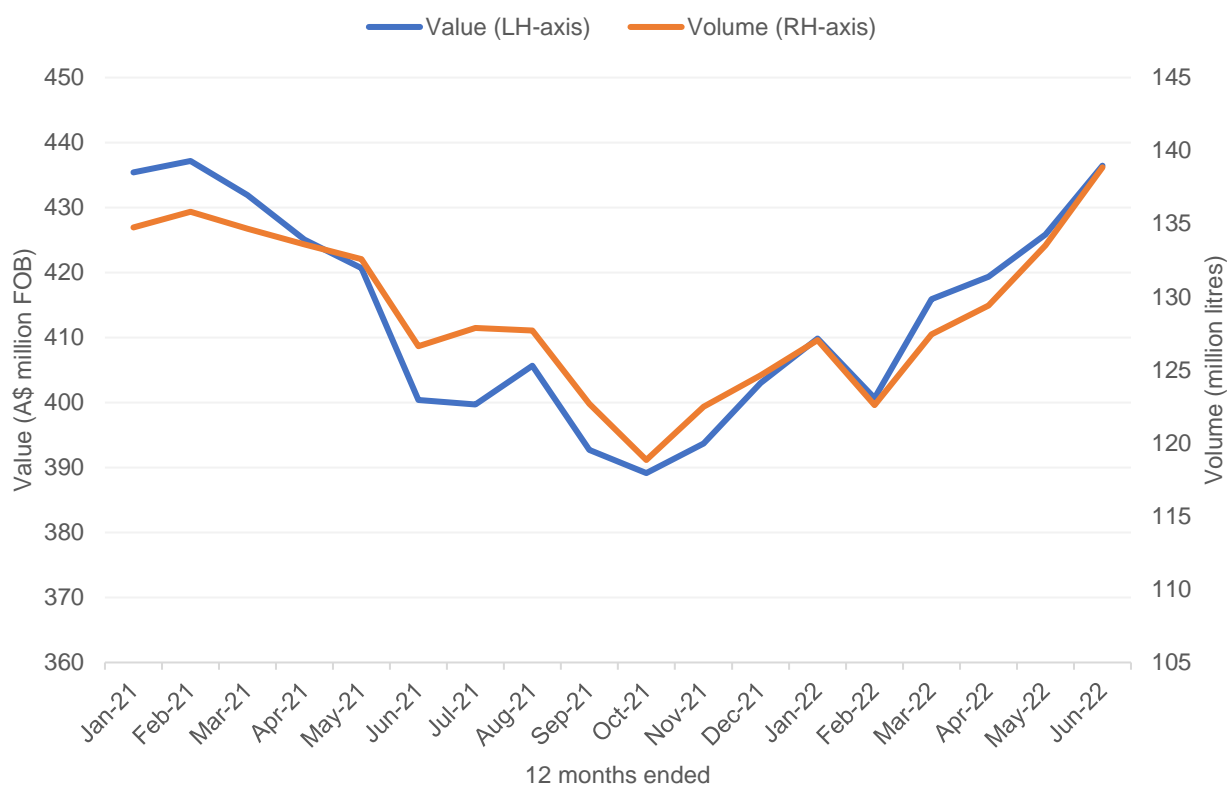
North America

United States

The US is the world's biggest wine market. It is also Australia's biggest export destination by value and second in volume. In 2021–22, Australian exports to the US grew by 9 per cent in value to \$436 million and 10 per cent in volume to 139 million litres. The number of Australian exporters also grew, up by 44 to 306. This is the largest number of exporters to the US since 2007–08.

Figure 4 below shows that the volume and value of exports to the US have been on an upward trend since October 2021.

Figure 4: Exports to the US by volume and value



There was growth in almost all price segments (see Figure 5).

At below \$2.50 per litre, value grew 20 per cent to \$75 million driven by unpackaged exports. Exports at \$2.50 to \$4.99 per litre, which accounted for 60 per cent of the total value exported to the US in 2020–21, declined by 3 per cent to \$262 million.

There was very strong growth in all price segments at \$5 or more per litre, except at \$100 to \$199.99 per litre. The total value at \$5 or more per litre grew by 47 per cent to \$100 million. The strongest growth came at \$10 or more per litre, up 57 per cent in value to \$61 million, the highest level since 2009 (see Figure 5).

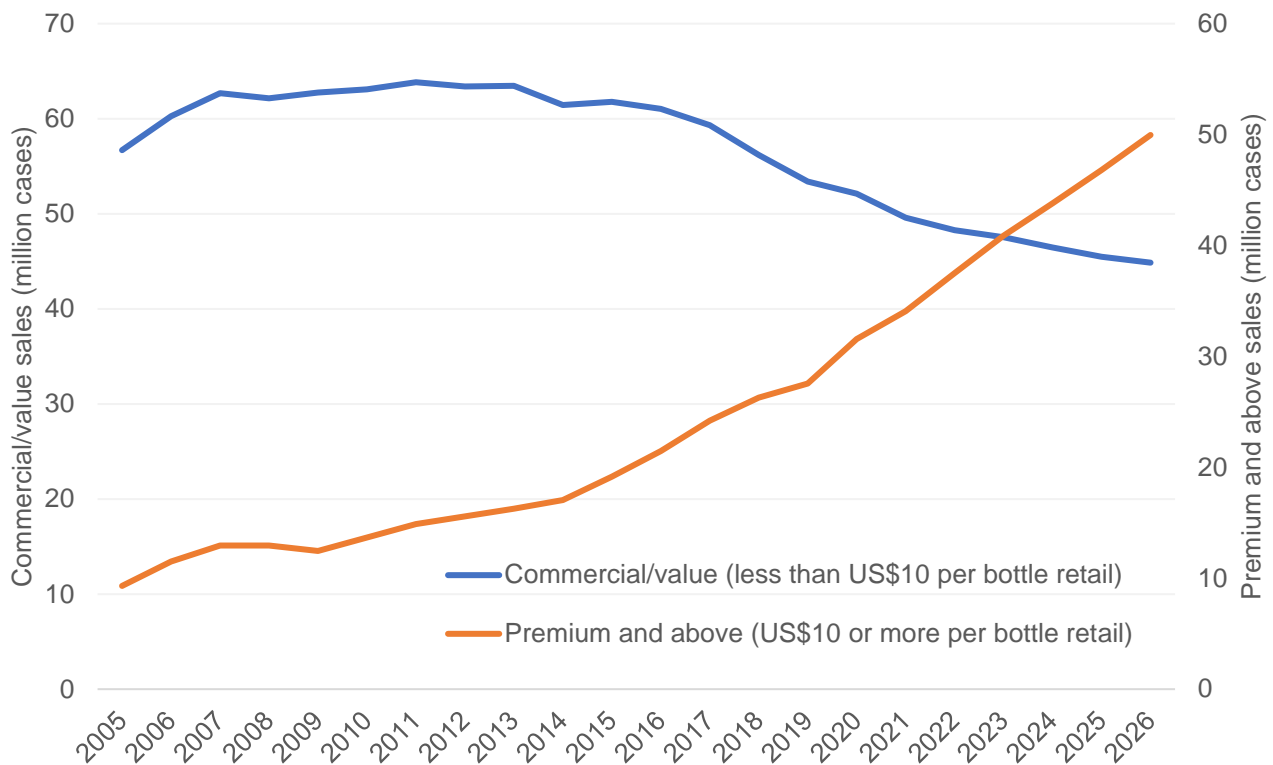
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Figure 5: Exports to the US by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT June 2022	Value change	Growth rate
\$2.49 and under	\$75	\$13	20%
\$2.50 to \$4.99	\$262	-\$8	-3%
\$5.00 to \$7.49	\$26	\$6	32%
\$7.50 to \$9.99	\$13	\$3	36%
\$10.00 to \$14.99	\$23	\$6	37%
\$15.00 to \$19.99	\$10	\$6	160%
\$20.00 to \$29.99	\$13	\$3	32%
\$30.00 to \$49.99	\$8	\$4	100%
\$50.00 to \$99.99	\$4	\$2	107%
\$100.00 to \$199.99	\$1	-\$0.4	-21%
\$200.00 and over	\$1	\$1	275%
Total value	\$436	\$36	9%

The stronger growth in premium wine exports is consistent with the market trends in the US. According to IWSR, the commercial/value segment (below US\$10 per bottle retail) has been in decline while the premium and above segment (US\$10 or more per bottle retail) has been steadily rising for at least the past 15 years (Figure 6). The IWSR expects these trends to continue out to 2026 with commercial/value sales forecast to decline by 2 per cent per annum and premium and above sales forecast to grow by 8 per cent per annum.

Figure 6: US imported wine market by price segment (source IWSR)



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There are differences in performance in the US market within the price segments by variety. At below \$5 per litre, there was growth in some key white varieties³, notably Chardonnay (up 5 per cent to \$100 million), Pinot Grigio (up 25 per cent to \$43 million) and Sauvignon Blanc (up 15 per cent to \$14 million). The major two red varieties declined - Cabernet Sauvignon (down 10 per cent to \$49 million) and Shiraz (down 3 per cent to \$35 million). There were also increases in Merlot (up 1 per cent to \$27 million) and Pinot Noir (up 4 per cent to \$11 million).

At \$5 or more per litre, the two major red varieties were growth drivers. Exports of Shiraz to the US grew by 50 per cent to \$42 million and Cabernet Sauvignon by 22 per cent to \$21 million. These two varieties accounted for two-thirds of the exports in this price segment. Off smaller bases, there was also growth in a range of other varieties, including Chardonnay (up 28 per cent to \$7 million), Sauvignon Blanc (increasing four-fold to \$3.7 million), Pinot Noir (up 85 per cent to \$2.5 million) and Grenache (up 25 per cent to \$2.3 million).

Wine Australia's Regional General Manager Americas Aaron Ridgway said Australian wine had turned a corner in the US.

"The number of active exporters has expanded to a 15-year high, and the concurrent increases for both bulk and bottled wine show that the market is responding to Australian wine at a wide range of price points. If this trend continues, we should see further category development helped by a favourable exchange rate and sustained increase in the number of exporters that see the US as a market with significant upside."

Canada

Canada is the third biggest destination for Australian wine by volume and by value. In 2021–22, Australian wine exports to Canada decreased by 5 per cent in value to \$174 million but increased 4 per cent in volume to 53 million litres. Average value declined by 9 per cent to \$3.26 per litre. The increase in volume was driven by a 19 per cent increase in volume of unpackaged exports. This, combined with a 20 per cent decline in the average value of unpackaged exports, was behind the decline in the overall average value. In contrast, the average value of bottled exports increased by 4 per cent to \$6.13 per litre.

A decline in the value of exports below \$7.50 per litre more than offset growth at \$10 or more per litre (see Figure 7). The biggest declines in value came at \$5.00 to \$7.49 per litre and \$2.50 to \$4.99 per litre. Exports at \$10 or more per litre increased by 12 per cent to \$27 million, the highest value for a financial year since 2009–10.

³ Based on variety label claims for the variety including blends

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Figure 7: Exports to Canada by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT June 2022	Value change	Growth rate
\$2.49 and under	\$30	-\$2	-7%
\$2.50 to \$4.99	\$32	-\$7	-18%
\$5.00 to \$7.49	\$67	-\$4	-6%
\$7.50 to \$9.99	\$18	\$1	4%
\$10.00 to \$14.99	\$20	\$1	5%
\$15.00 to \$19.99	\$3	\$1	34%
\$20.00 to \$29.99	\$2	\$1	75%
\$30.00 to \$49.99	\$1	\$0.4	47%
\$50.00 to \$99.99	\$1	\$0.2	40%
\$100.00 to \$199.99	\$0	\$0.01	3%
\$200.00 and over	\$0	-\$0.03	-28%
Total value	\$174	-\$10	-5%

Europe

United Kingdom

The UK was the number one destination for Australian wine exports by volume and second by value in 2021–22. The lower value ranking reflects that 84 per cent of the exports to the UK are shipped unpackaged and then packaged in-market, and hence have lower FOB values.

In 2021–22, the value of exports to the UK declined by 10 per cent to \$421 million and by 15 per cent in volume to 227 million litres.

The decline comes after exports increased to their highest for a decade in 2020–21 as a result of the surge in wine sales in the off-trade sector (where Australia has its highest market share) due to the COVID-19 related shut-down of the on-trade as well as some exporters sending wine into the market ahead of Brexit. The market returned to a more normal situation in 2021–22.

A decline in export value below \$5 per litre outweighed growth above \$5 per litre for the financial year (see Figure 8). Exports below \$5 per litre fell by 17 per cent to \$327 million while exports at \$5 or more per litre increased by 27 per cent to \$94 million. The strongest rates of growth came at \$10 to \$29.99 per litre, up 53 per cent to \$29 million. It is the highest value in this segment for a financial year since 2007–08.

At below \$5 per litre, there were contrasting performances for still red and white wine exports. Still red wine exports declined by 30 per cent to \$172 million while still white wine exports increased by 4 per cent to \$144 million. All the major red varieties, including Shiraz, Merlot and Cabernet Sauvignon declined. For whites in this price segment, Chardonnay was the number one variety and exports increased by 1 per cent to \$84 million. There was also strong growth in Sauvignon Blanc (up 10 per cent to \$33 million) and Pinot Grigio (up 71 per cent to \$23 million). Other white varieties to grow below \$5 per litre off much smaller bases included Viognier, Riesling and Fiano.

For the \$10 to \$29.99 per litre segment, both still red and still white wine exports increased. Still red wine exports increased by 57 per cent to \$21 million and whites by 21 per cent to \$5 million. For reds, Shiraz was the key driver of growth in this price segment, up 81 per cent to \$13 million. Cabernet Sauvignon was the other significant contributor, up 33 per cent to \$3.9 million. For whites in this price segment, Chardonnay was the number one variety and exports increased by 3 per cent to \$2.7 million.

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Off much smaller bases (less than \$1 million), there was also growth in Riesling, Semillon and Sauvignon Blanc.

Figure 8: Exports to the UK by price segment (\$ million FOB)

Price segment (A\$/litre)	MAT June 2022	Value change	Growth rate
\$2.49 and under	\$228	-\$57	-20%
\$2.50 to \$4.99	\$99	-\$11	-10%
\$5.00 to \$7.49	\$33	\$3	11%
\$7.50 to \$9.99	\$23	\$7	43%
\$10.00 to \$14.99	\$19	\$7	67%
\$15.00 to \$19.99	\$5	\$1	34%
\$20.00 to \$29.99	\$6	\$1	34%
\$30.00 to \$49.99	\$5	\$0.3	8%
\$50.00 to \$99.99	\$3	\$0.2	6%
\$100.00 to \$199.99	\$1	-\$0.7	-48%
\$200.00 and over	\$1	-\$0.04	-4%
Total value	\$421	-\$48	-10%

Other Europe

Excluding the UK, exports to Europe declined by 6 per cent in value to \$236 million and by 9 per cent in volume to 103 million litres. The markets contributing most to this decline were Germany, down 16 per cent to \$46 million and the Netherlands, down 21 per cent to \$31 million (see Figure 9). For these two destinations, a decline at below \$5 per litre offset solid growth at \$7.50 or more per litre.

Partially offsetting the overall decline in exports to Europe (excluding the UK) were exports to Denmark, up 15 per cent to \$42 million and Poland, up 39 per cent to a record \$6 million. In Denmark, a 13 per cent decline below \$2.50 per litre to \$22 million was more than offset by growth in all other price segments, notably up 78 per cent to \$9 million at \$10 or more per litre. In Poland, there was very strong growth across all price points. Two-thirds of the value to Poland was at \$2.50 to \$4.99 per litre, and exports grew by 28 per cent to \$4 million.

Figure 9: Exports to Europe (excluding UK) by market

	Value		Volume	
	A\$ million	% change	Litres million	% change
Germany	46	-16%	32	-11%
Denmark	42	15%	20	3%
Netherlands	31	-21%	10	-30%
Sweden	23	0%	5	-6%
Belgium	17	-9%	9	6%
France	15	-15%	10	-6%
Ireland	12	-8%	3	-8%
Finland	10	-27%	4	-26%
Norway	9	-9%	2	-18%
Poland	6	39%	2	35%
Other	25	-111%	5	-105%
Total	236	-6%	103	-9%

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Wine Australia's Regional General Manager UK/EMEA Laura Jewell MW said the UK wine market was facing strong headwinds of staffing shortages, particularly in hospitality, shipping issues, wobbling consumer confidence and high levels of inflation that was leading consumers to pull back their spending in both the on and off trade.

"While the on-trade is recovering, it is taking longer than expected, and the off-trade is dropping back to pre-pandemic sales levels. The cost-of-living crisis is having a profound impact on customer behaviour. The previously successful online channel is also showing decreases across all beer, wine and spirit categories, with a move to lower-priced options and more own label lines. However, there is resilience at the higher price points and the independent off-trade is showing an increased interest in Australian wines. Across Europe we are seeing slow but promising recovery in Poland, where younger drinkers are turning to wine especially across the summer months, and in Denmark at the higher price points."

Asia

Northeast Asia

There were mixed results in Northeast Asia in 2021–22 (see Figure 10). Hong Kong is by far the largest destination in the region by value, and exports decreased by 9 per cent to \$170 million, after more than doubling in 2020–21.

After declining by 9 per cent in the previous year, the value of exports to Japan rebounded strongly, up 12 per cent to \$51 million. There was growth in most price segments, with the strongest coming at \$10 or more per litre, up 50 per cent to \$11 million. Japan is the biggest destination for Australian wine in the region by volume, with its lower value ranking due to unpackaged wine accounting for a third of the volume shipped to the country.

After more than doubling in 2020–21, exports to South Korea declined by 7 per cent to \$42 million in 2021–22. A 37 per cent decline in exports below \$7.50 per litre to \$13 million more than offset a 23 per cent increase in exports at \$10 or more per litre to \$22 million.

Exports to Taiwan increased by 13 per cent to \$29 million, the fourth successive financial year in growth. The growth was driven by exports at \$10 or more per litre, up 22 per cent to \$17 million. This price segment accounted for 60 per cent of exports to Taiwan by value.

There was still a small number of shipments departing for mainland China, with more than 80 per cent of this volume in bulk containers. The number of exporters fell from 1508 in 2020–21 to 143 in 2021–22.

For most of the destinations in Northeast Asia, red wine is by far the major winestyle exported, with an 84 per cent share of value across the region. The exception is Japan, where red wine accounts for a 52 per cent value share, white wine 30 per cent and sparkling wine 7 per cent.

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Figure 10: Exports to Northeast Asia by market

	Value		Volume	
	A\$ million	% change	Litres million	% change
Hong Kong	170	-9%	8	-11%
Japan	51	12%	14	9%
South Korea	42	-7%	5	-22%
Taiwan	29	13%	3	2%
China mainland	25	-96%	6	-88%
Macau	12	100%+	0.2	100%+
Total	328	-64%	35	-57%

Southeast Asia

There were very positive results in Southeast Asia (see Figure 11). The growth driver was Singapore, up 49 per cent to a record \$169 million. Singapore is the fifth biggest destination for Australian wine exports by value. It is important to note that Singapore is a major trading hub within Asia due to its proximity and access to other destinations in the region. With wine taxes and accessibility less stringent than in other nearby countries, traders can take advantage of the hundreds of bonded warehouses that can store wine with excise taxes and GST suspended until they're removed from the warehouse for sale or consumption.

Other strong performances were to Malaysia (up 51 per cent to a record \$58 million), Thailand (up 68 per cent to a record \$44 million), Indonesia (up 33 per cent to a record \$19 million) Philippines (up 74 per cent to a record \$14 million), and Vietnam (up 67 per cent to \$8 million). Tourism is vital to the economy and wine markets in these countries and thus as travel has opened up, wine exports are benefitting.

For most of the destinations in Southeast Asia, red wine is by far the major winestyle exported, with a 91 per cent share of value across the region and was driving growth, particularly at \$10 or more per litre (up 68 per cent to \$247 million).

Figure 11: Exports to Southeast Asia by market

	Value		Volume	
	A\$ million	% change	Litres million	% change
Singapore	169	49%	8.4	20%
Malaysia	58	51%	4.3	50%
Thailand	44	68%	4.5	42%
Indonesia	19	33%	0.9	29%
Philippines	14	74%	2.4	63%
Vietnam	8	67%	0.9	46%
Cambodia	2	3%	0.2	11%
East Timor	0.2	12%	0.0	4%
Timor-Leste	0.1	15%	0.0	92%
Laos	0.1	-73%	0.0	-80%
Total	314	51%	22	35%

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India

Exports to India increased almost three-fold in 2021–22 to a record volume and value of 4 million litres and \$19 million. The average value of shipments to India increased by 1 per cent to \$4.43 per litre. The number of exporters increased from 14 to 21. The growth came across all price segments but was most prominent at \$2.50 to \$4.99 per litre, a segment that accounted for 86 per cent of the value of exports to India. Still red wine accounted for 74 per cent of the value of exports to India with still white wine accounting for 23 per cent.

Wine Australia Regional Manager Asia Pacific Sarah Roberts said, “The results are really encouraging for exporters to APAC markets, coming out of such a difficult trading period. There has been a lot of ground to make up after the reduction of so much trade to China; however, the excellent growth in key emerging markets reinforces our confidence in the significant opportunities for Australian exporters in this region.

“The strong performance in these markets, particularly in the price segments above \$10 per litre, aligns with the interest we’ve seen for premium wine through our various marketing activities over the previous 12 months, alongside increasing interest in white varieties and lighter styles. In the emerging markets such as Thailand and Vietnam – where tourism is a significant driver of consumption – the signs are there that travelers are returning and looking to purchase our wines.”