

Major New World wine exporters continued their strong growth in 1997

Americas correspondent ROBERT M. NICHOLSON (International Wine Associates)

Once again 1997 was a very strong year for the leading New World wine exporters. Last year combined export revenues for Australia, the United States and Chile surged over 30% ahead of 1996 to over \$1.3 billion. The combined volume for the three countries increased by 24% to 614 million litres.

Eight years ago the combined export revenues for the three countries were \$264 million for 180 million litres sold. Since 1990 export revenues have increased by a factor of five (Figure 1) and volume by over three times (Figure 2). A strong world market for varietal wines from the New World in preference to Old World regional wines explains most of this growth.

As the largest wine exporter of the three, Australia has increased export revenues almost sixfold since 1990 to almost half a billion dollars in export turnover in 1996 (Figure 1). Volume has grown almost five times to over 170 million litres with a 20% increase in value per litre exported to \$2.86 (Figure 3). During the same period US exports, of which California accounts for 90%, performed well by more than tripling revenues to over \$400 million with an impressive increase in value per litre of 47% to \$1.87. Although Chile developed from a smaller base in 1990, their growth has been even more spectacular than either Australia's or the US's with 1997 revenues of \$400 million or eight times their 1990 revenue base with an increase of 60% in their price per litre exported to \$1.86, the same as the US. In 1997 the US took the lead, marginally ahead of Chile, in export volume.

Australia's export success in the wine world has become legendary and the envy of many other producer countries. It has succeeded in developing successful product entries at all levels of the market from Jacob's Creek to Penfolds Grange and has remained a cost-effective producer in a difficult market. Wine exports now account for more than 30% of the industry's production and continue to grow in share of total.

Competing with international demand for Australian wine, the domestic market has also been growing briskly with a 9% increase in white wine sales and 19% increase in red sales. Current shortages, particularly of red wines, indicate that Australia is significantly under-delivering against their domestic and international market potential. Total export revenues increased by 16% in 1997 over the previous year, but with a lower growth rate than in 1996 in US dollars terms, reflecting a weaker Australian dollar than the year before. Increased plantings coming into production will provide for continued export growth and a major increase in production

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This article compares the growth in wine exports for Australia, the United States and Chile in 1997. All dollars quoted are US dollars. Cases are nine litres.

is planned over the next five years. The industry's Strategy 2025 plan projected Australian plantings to grow by 1,500 hectares per year to over 80,000 hectares total by the year 2025. In the last two years the annual rate of planting has exceeded 6,000 hectares each year, against the 1,500 hectares required in Strategy 2025, and already 26,000 hectares of the 42,500 required by the plan have been planted.

Australian export volume also grew by 16% to 172 million litres for an average export price of \$2.86 per litres, the highest of the three leading 'New World' exporters and constant with 1996. The UK is the largest market for Australia, representing 43% of total revenues, and continued to grow at over 9% in US dollar terms last year (Figure 4). The US ranks second, is growing faster than the UK and is only one third the UK's volume, although significantly ahead in

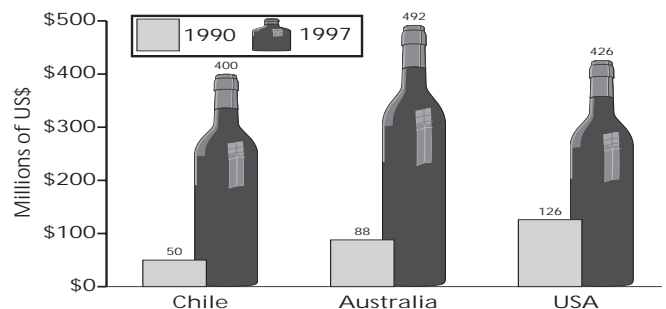


Figure 1. Comparison of 'New World' wine shipments by millions of dollars between 1990 and 1997.

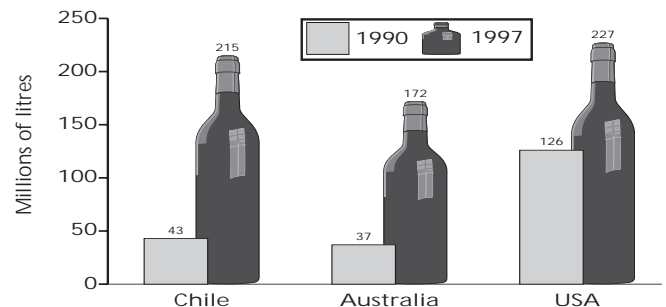


Figure 2. Comparison of 'New World' wine shipments by millions of litres between 1990 and 1997.



Figure 3. Comparison of 'New World' wine shipments by dollar per litre between 1990 and 1997.

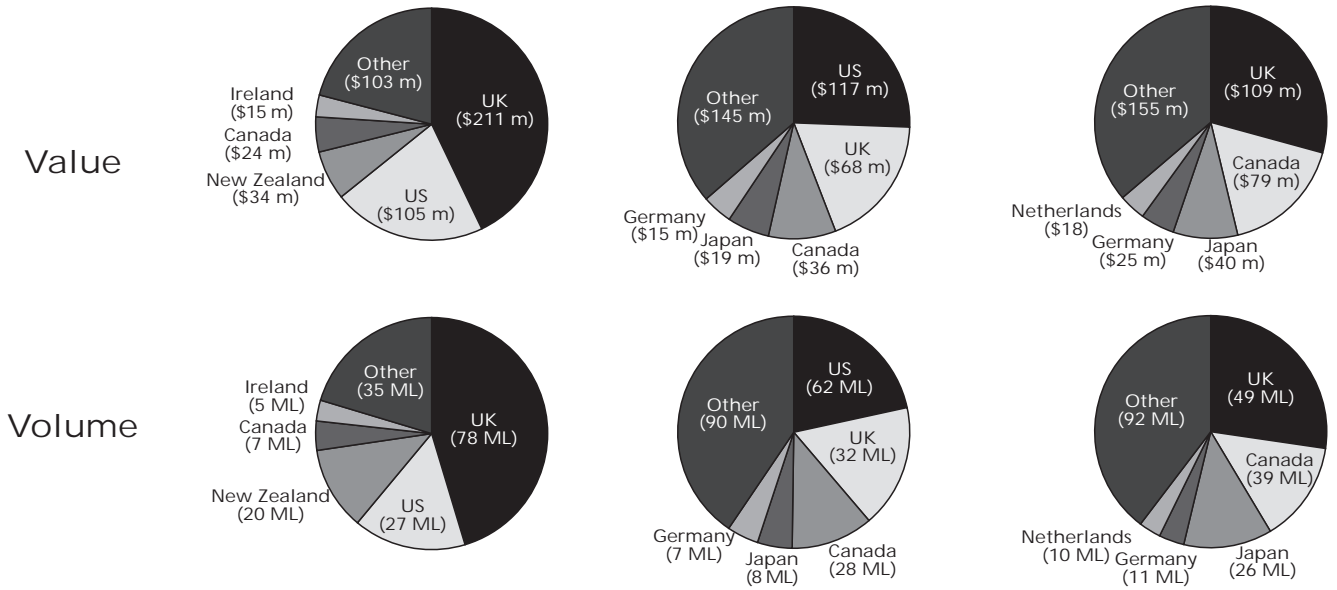


Figure 4. Australian wine exports, 1997 Figure 5. US wine exports, 1997 Figure 6. Chilean wine exports, 1997

value per litre shipped. Australia's other major markets are New Zealand, Canada and Ireland, a newcomer last year to Australia's top five markets. The top five continue to represent 80% of Australia's wine export revenue and volume. Short-term projections are that Australia will continue to experience a shortage of premium red grapes through the year 2000; however an excess of predominantly white grapes will grow to over 150,000 metric tonnes by the year 2001.

Of the three exporters, in 1997 US wine exports grew the fastest and surged ahead of 1996 by \$124 million or 41%, for total revenues of \$426 million. Volume grew by 38% to 227 million litres to take the volume lead from Chile, for an average export price of \$1.87 per litre. The five major markets accounted for 63% of revenues and 59% of volume (Figure 4).

The UK maintained its lead market position with the same 26% share of total revenues as in the previous year and an

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increasing per litre price (+6% over 1996) to \$2.22/litre. Shipment volume jumped ahead by 30% of 1996. Canada maintained second place position, 18% ahead of 1996 in value with the same gain in volume. Other major markets in the top five for US wine exports were Japan, maintaining its solid third placed position with an impressive 38% gain in revenues; Germany, which followed impressive growth in 1996 with a 39% gain in value in 1997, and the Netherlands.

California exporters were faced with low inventories last year after two short harvests; however, they maintained their commitment to growing the international market. The 1997 California grape harvest provided considerable relief, 32% ahead of the 1996 crop, with 2.8 million tons crushed for a value gain of over half a billion dollars and a total of \$1.8 billion. Total US market wine shipments for all categories of wine, domestic and imported, increased by 6% to 220 million cases in 1997. However, California wines grew by only 1% to 172 million 9 litre cases because of shortages and price increases, while imports jumped 27% to 50 million cases, of which 17% was imported in bulk by US wineries to make up for low inventories.

Based on new vineyard plantings that are coming into production and estimates from Allied Grape Growers, a growers' co-operative, future California varietal wine supply will increase substantially by the year 2000. Chardonnay is projected to grow from production of 20 million 9 litre cases in 1996 and a potential for 31.5 million cases in 1997 to 40 million cases by 2000. Cabernet Sauvignon grew from 10.3 million cases in 1996 to 15.2 million cases in 1997 and is projected to grow to 18.5 million cases by the end of the decade. Merlot started at a lower base with production of 6.8 million cases in 1996, then almost doubled to 12.7 million cases last year and

is projected to increase to 18.2 million cases by the year 2000. Even if the US market continues to grow for California supply of the three varietals will make California a formidable competitor on the international market in the next ten years.

Once again Chilean wine exports turned in a strong performance in 1997 with revenues growing by an impressive 37% to \$400 million, for total volume of 215 million litres (17% ahead of 1996) and an average price similar to the US's of \$1.86/litre. A short harvest in 1997 and higher prices were the reason that this growth was not stronger. Bulk shipments of Chilean wine represented 20% of revenues and 34% of volume.

The US continued as the largest export market for Chilean wines, with over one quarter of total revenues and volume (Figure 4). The US also bought almost one third of Chilean bulk exports, or 1.8 million cases, with an FOB price to importers of \$1.39/litre, an increase from the 1996 price of \$1.06/litre. The UK continued to embrace Chilean wine with over a 50% gain in value and 28% ahead in volume last year. Chile shipped 46% of total revenues and 44% of volume to its two largest markets.

Canada is Chile's third largest market and although revenues grew by 25%, volume remained flat. For the first time Japan and Germany appeared in the top five markets as Chilean wines continued their appeal in mainstream in world markets. Last year the share of the five largest markets increased modestly to 64% of revenues and dropped to 63% of volume.

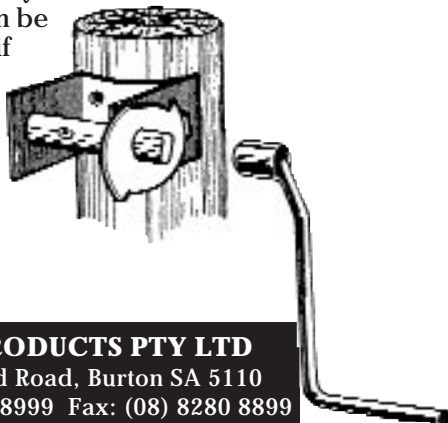
The latest available survey of Chilean vineyard plantings, from January 1996, indicates that 56,000 hectares of wine grapes are in current production. After my conversations in Chile last November with university officials, wine producers and others in the industry, it appears that figures I provided in last year's article (see *WIJ May 1997*) were significantly understated. The latest plantings of new vineyard are estimated to have been 1,500 hectares in 1996, 7,000 hectares in 1997 and 7,000 hectares in 1998. These vineyards will produce 450 million litres of export quality Chilean varietal wine. With total 1997 shipments of 215 million litres and declining domestic consumption, Chile will probably face some sizeable surplus in the years ahead on Chardonnay, Cabernet Sauvignon and Merlot.

In the face of possible surplus production from California, Australia and Chile it is probable that these three 'New World' producers will continue their export growth in the next few years at the expense of some leading 'Old World' producers. □

Sources: Chilean Wine Exporters Association, California Wine Institute, The Gomberg-Fredrickson Report & Australian Wine Export Council.

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