

# Export market trends and outlook

Much better !

28<sup>th</sup> July 2017

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Food & Agribusiness Research



**Rabobank**

# Rabobank Food & Agribusiness Research



Rabobank's unique global team of 90 analysts – supporting insight based banking



<b>Section 1</b>	<b>Global context</b>
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<b>Section 2</b>	<b>Top export markets</b>
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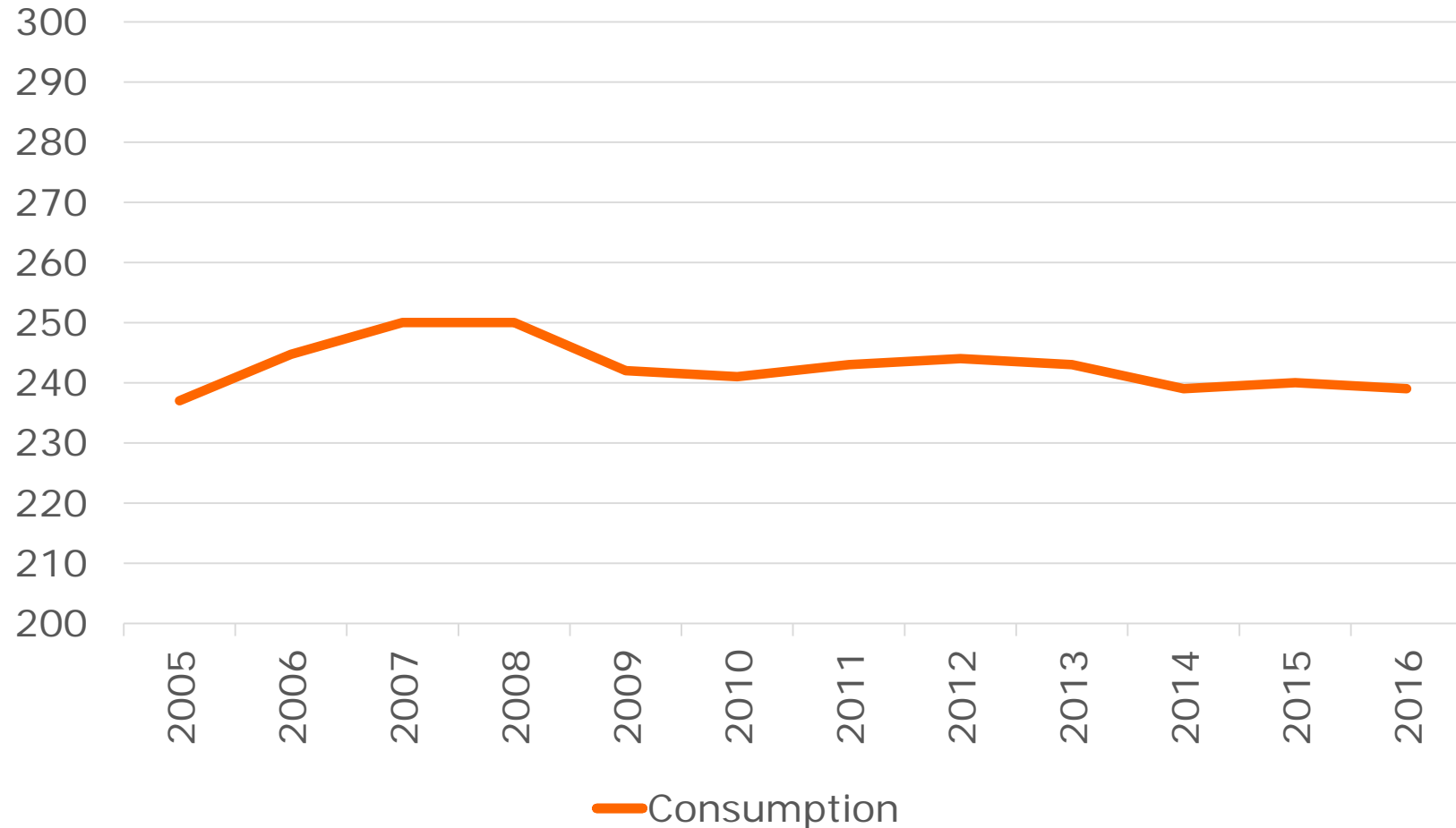
<b>Section 3</b>	<b>The currency factor</b>
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<b>Section 4</b>	<b>Conclusions</b>
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# Global wine consumption is basically flat

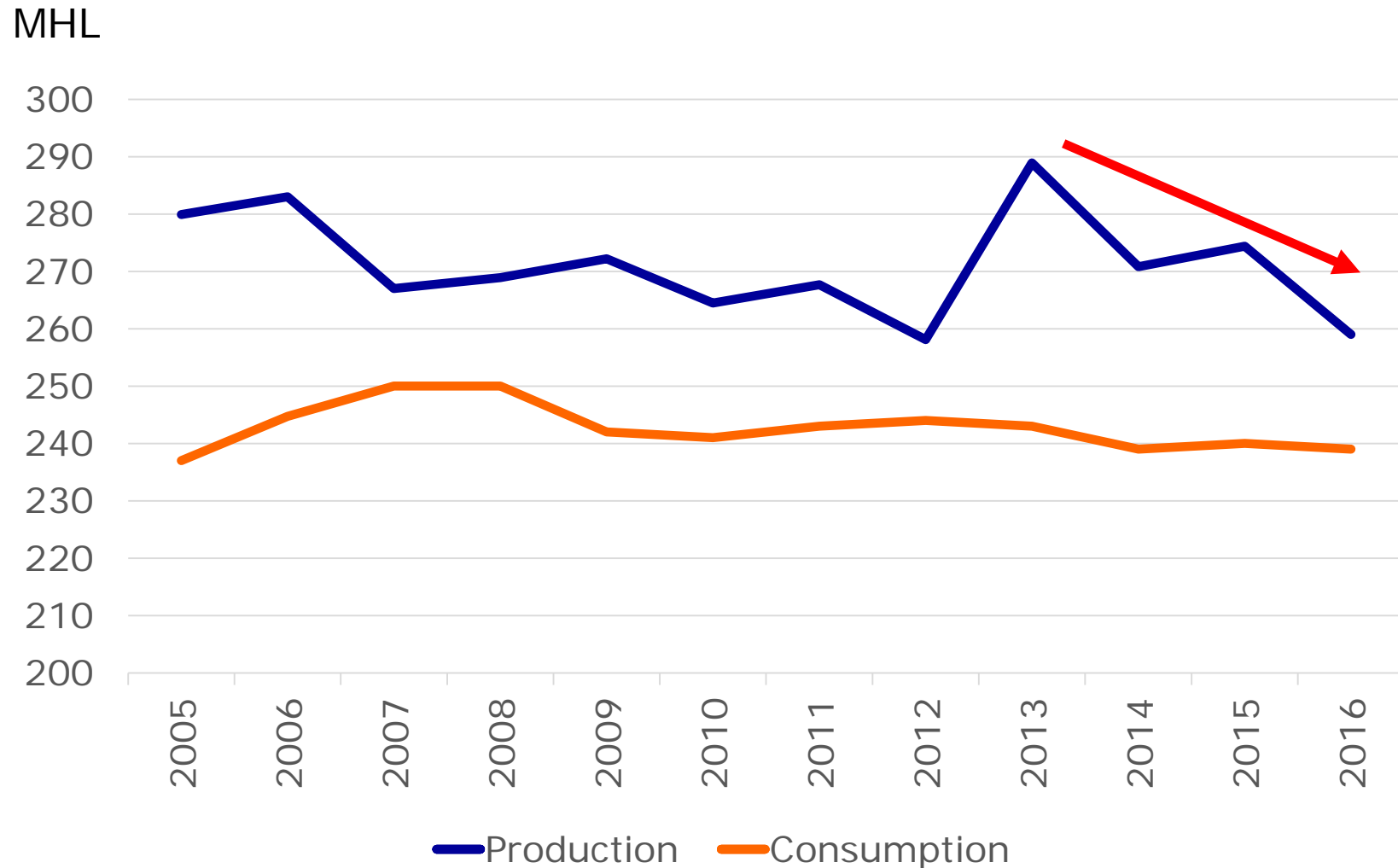


MHL



Source: OIV, Rabobank 2017

# But after years of over production, wine supply is also falling

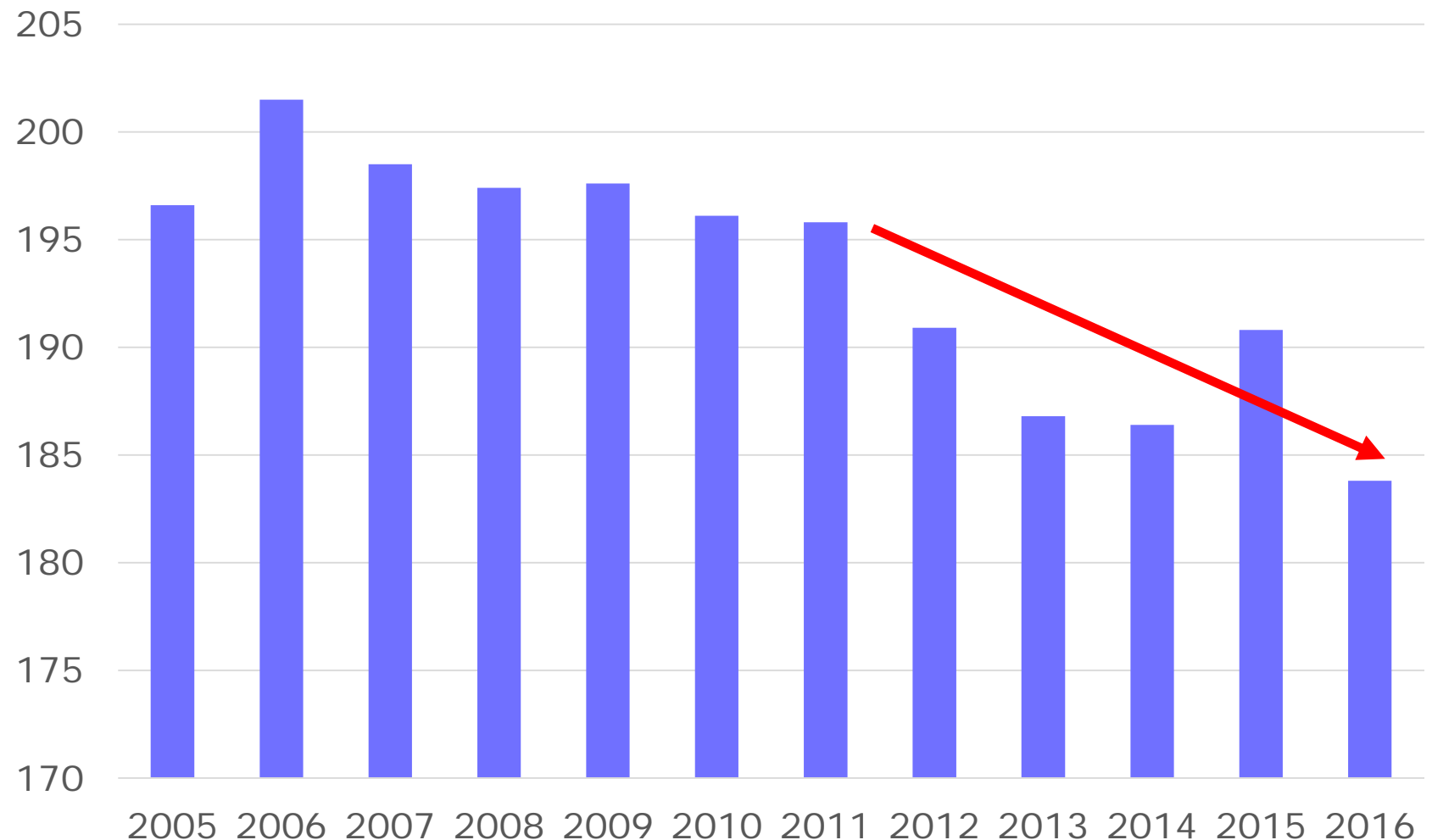


Source: OIV, Rabobank 2017

# Inventories have declined as a result

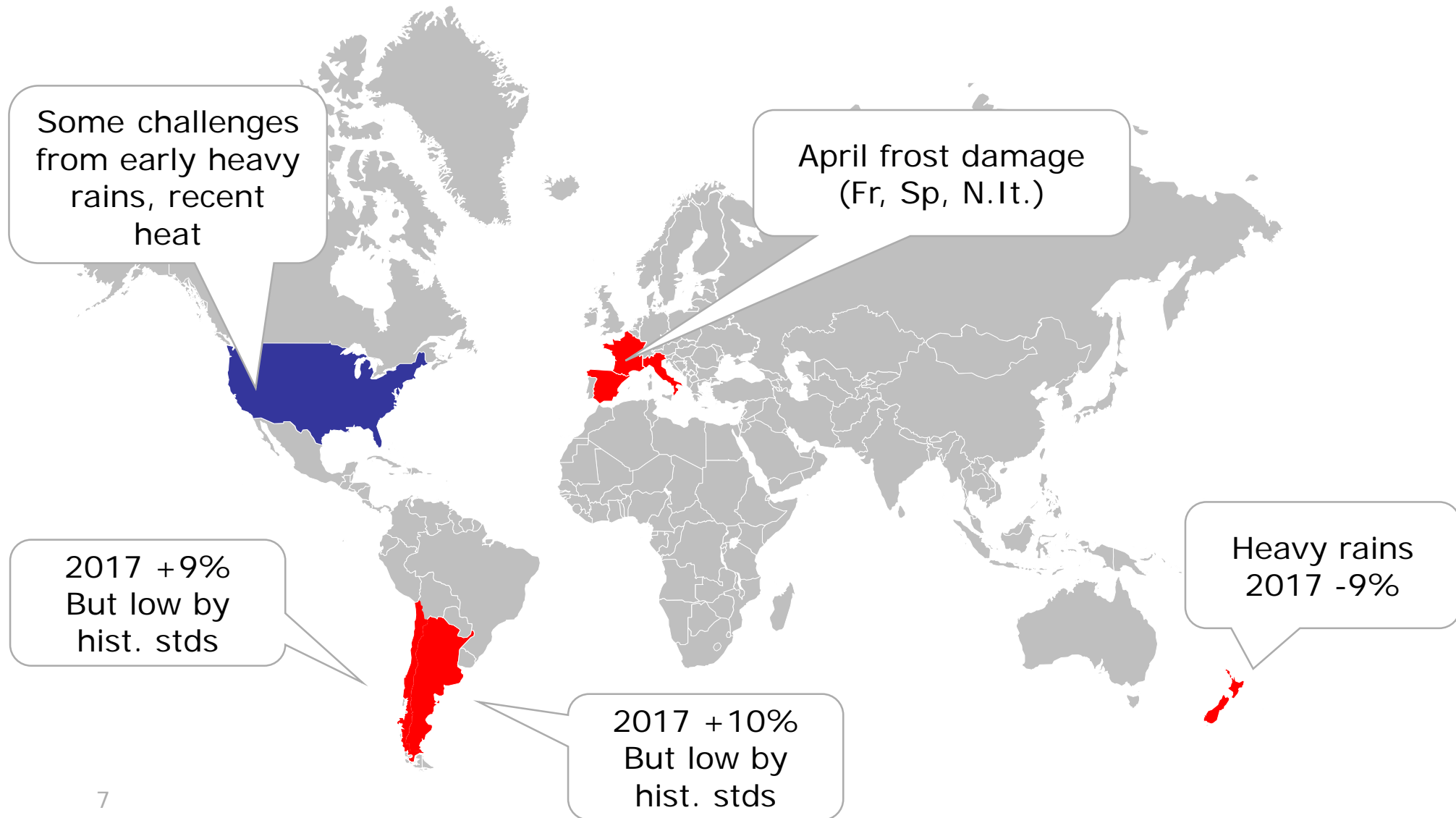
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Estimated ending inventories of wine





# We see little prospect for inventories to increase anytime soon



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------------------	-----------------------

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------------------	---------------------------

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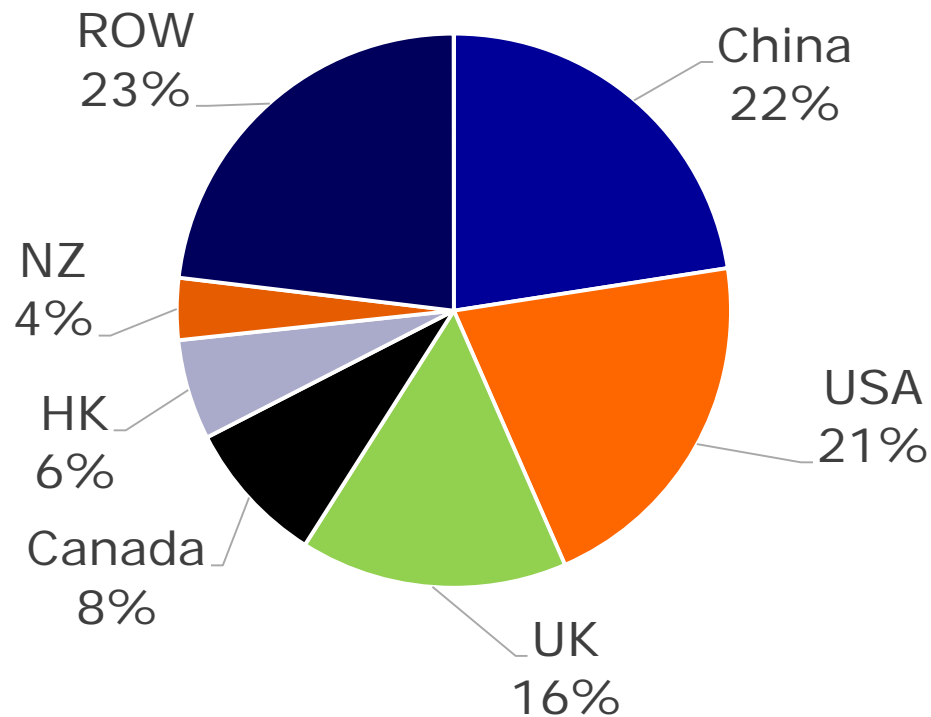
<b>Section 4</b>	<b>Conclusions</b>
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# Our key export markets



Australian Wine Exports by Destination 2016  
(Value breakdown)

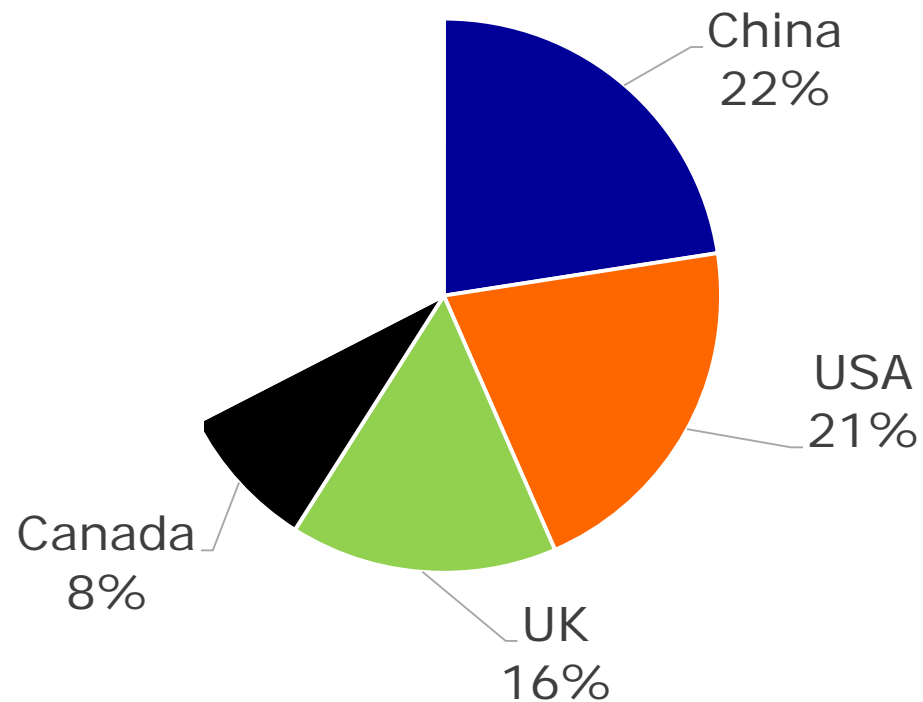


Source: Wine Australia 2017

# Our focus today



## Australian Wine Exports by Destination 2016 (Value breakdown)



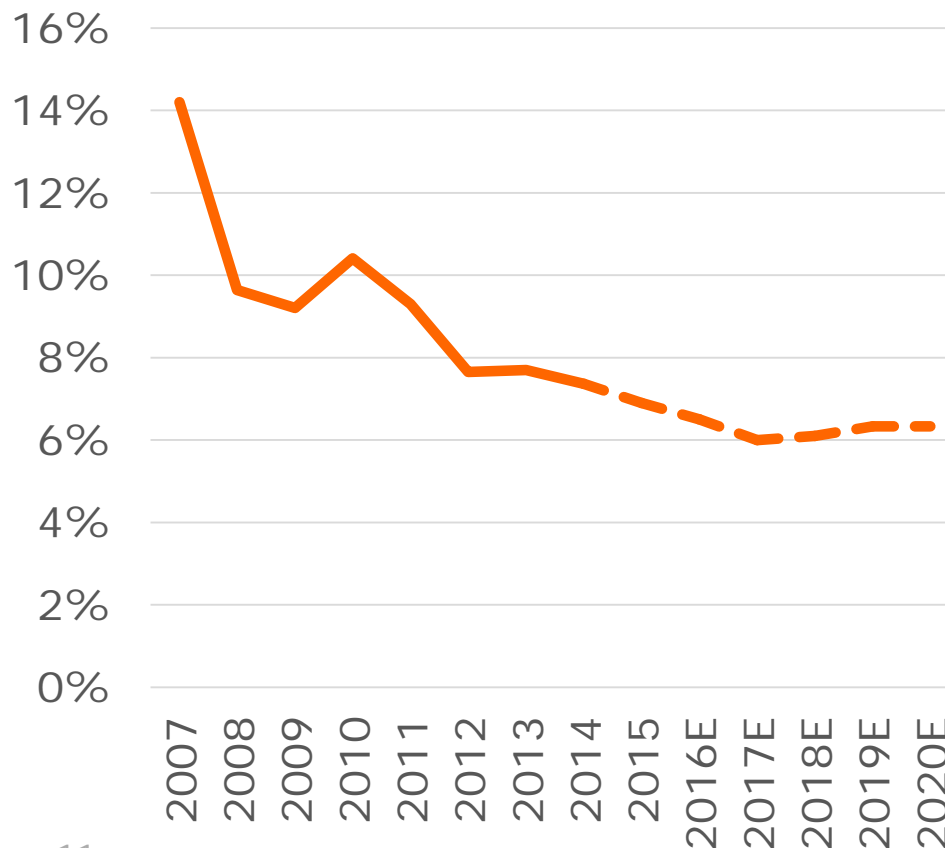
Source: Wine Australia 2017

# China: economy is slowing, but retail spending less so



22% of Australian wine exports (by value)

China GDP Growth 2007-2020E



Q2 GDP	+6.9% YOY
June retail sales	+11% YOY

# We have pushed beyond the 2012-15 crackdown on corruption

## Belt Tightening | New spending rules for Communist Party members

**1** China is cracking down on officials' use of public funds across a variety of sectors.

**Some of the areas authorities are scrutinizing for wasteful spending:**

- ◆ Cigarettes, alcohol and gifts
- ◆ Banquets, luxury travel
- ◆ Membership cards
- ◆ Elaborate meeting halls
- ◆ Mooncakes ▶



- ◆ Greeting cards, calendars
- ◆ Firecrackers, flowers
- ◆ Certain cars
- ◆ Funerals

Shark fin soup ▶



**2** About **182,000 Communist Party members were punished** for suspected corruption last year. Here are some of the leading figures and their former positions. None could be reached to comment on the charges.



**JIANG JIEMIN** ▲  
Chairman China  
National Petroleum Corp.



**LI DONGSHENG** ▲  
Vice minister Public  
Security Ministry



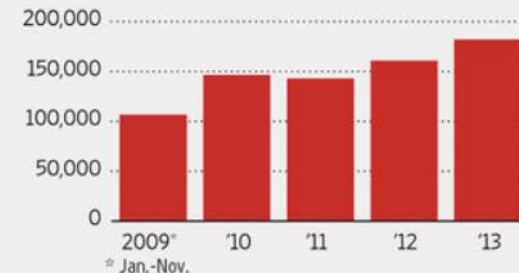
**LIU TIENAN** ▲  
Deputy chairman of  
National Development  
and Reform Commission



**NI FAKE** ▲  
Deputy governor of  
Anhui Province.

**3** The Communist Party's internal watchdog says the party **punished a record number of members** last year.

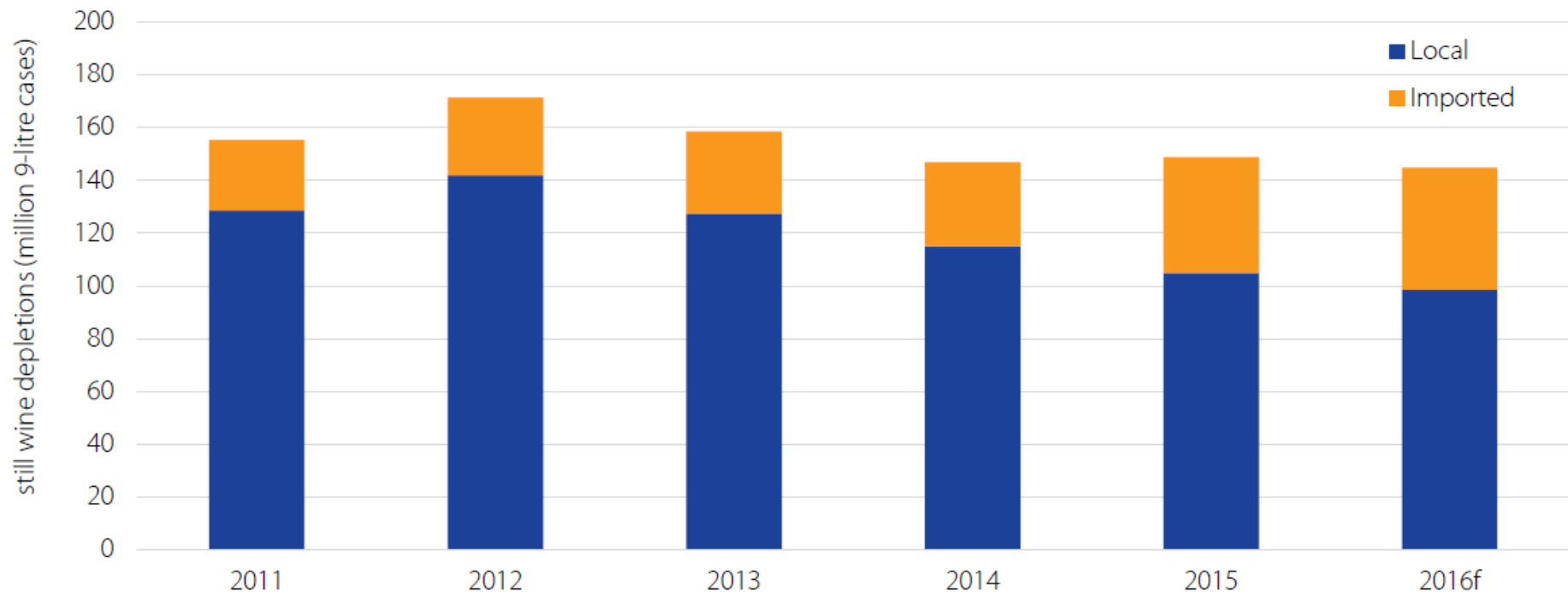
Sources: Staff and news reports  
Photos: iStock (wasteful areas); Associated Press (Li, Liu, Ni);  
Bloomberg News (Jiang)  
The Wall Street Journal



# Wine imports are gaining market share, and will continue to do so

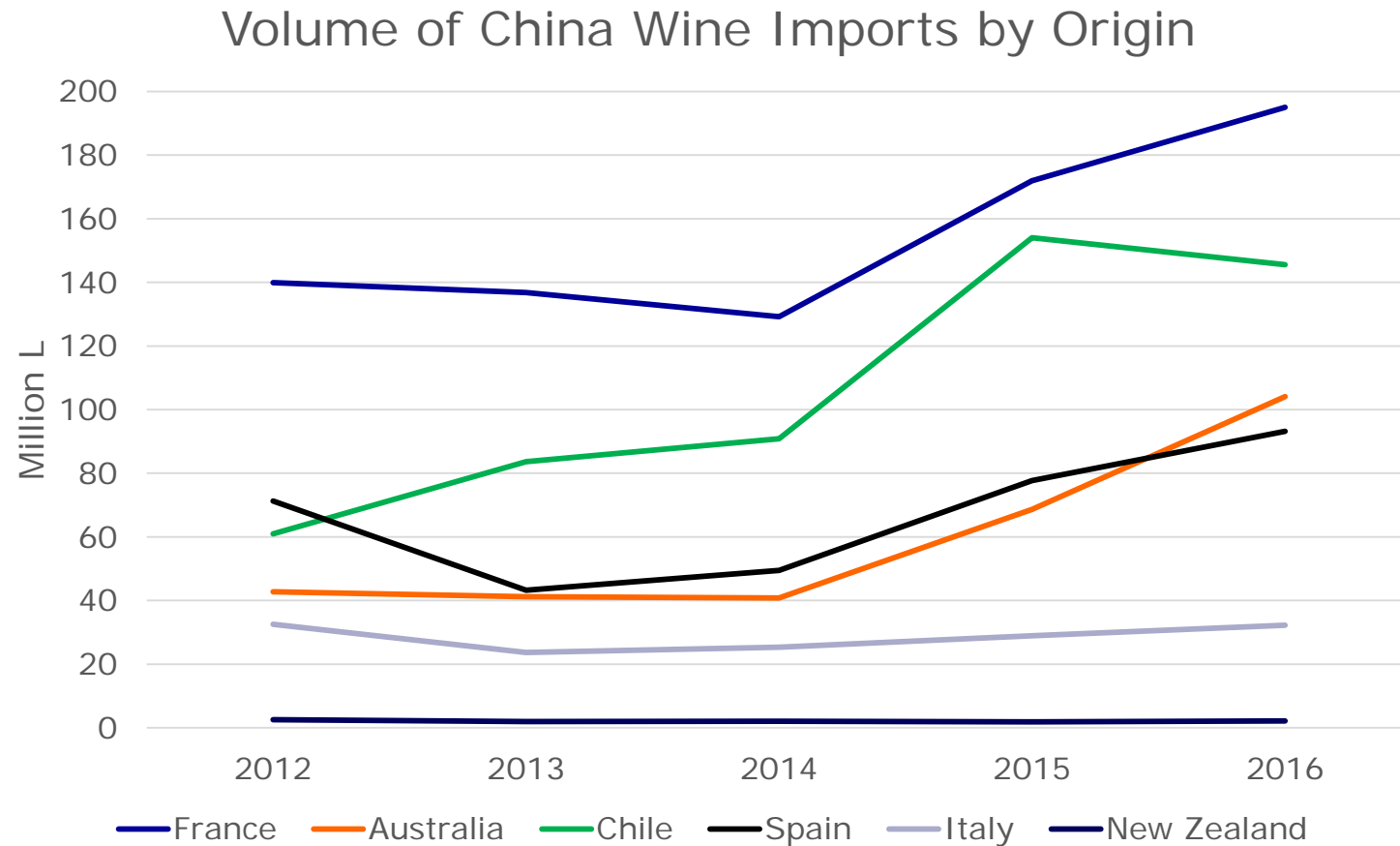


Chinese Wine Depletions by Source



Source: IWSR, Rabobank 2017

# Australia is very well placed to compete



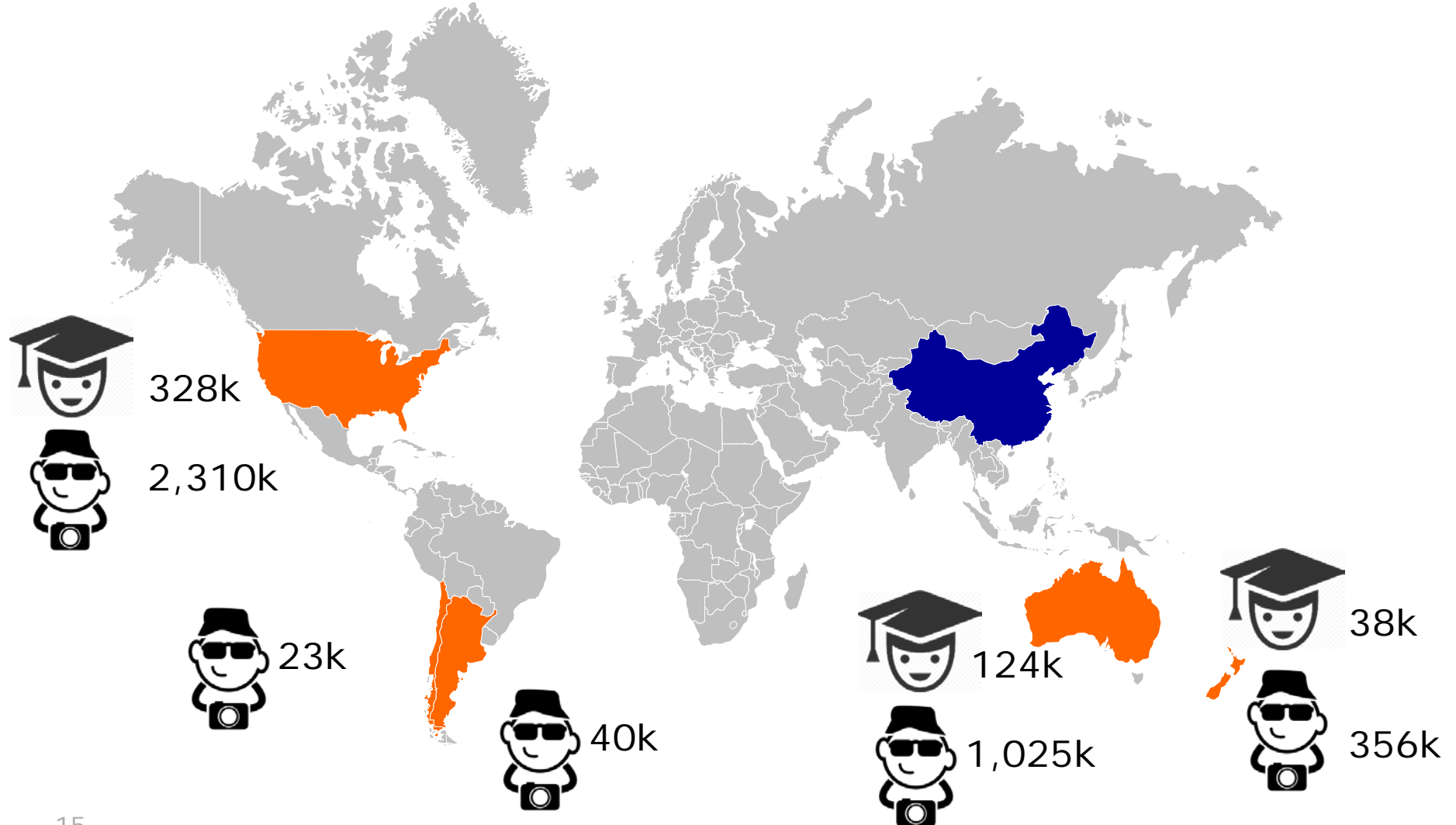
Source: UN Comtrade 2017

5 years, import CAGR 8% in value and 10% in volume  
AUS share increased: from 14% to 24% in value, 11% to 16% in volume

# Australia has an edge in tourism and educational links



Numbers of Chinese students and tourists visiting select countries in 2016





Suddenly we have more provenance  
worth fighting over!



## Australia and New Zealand battling over manuka, the champagne of honeys

Bruce Einhorn

AUGUST 26 2016

*The Sydney Morning Herald*

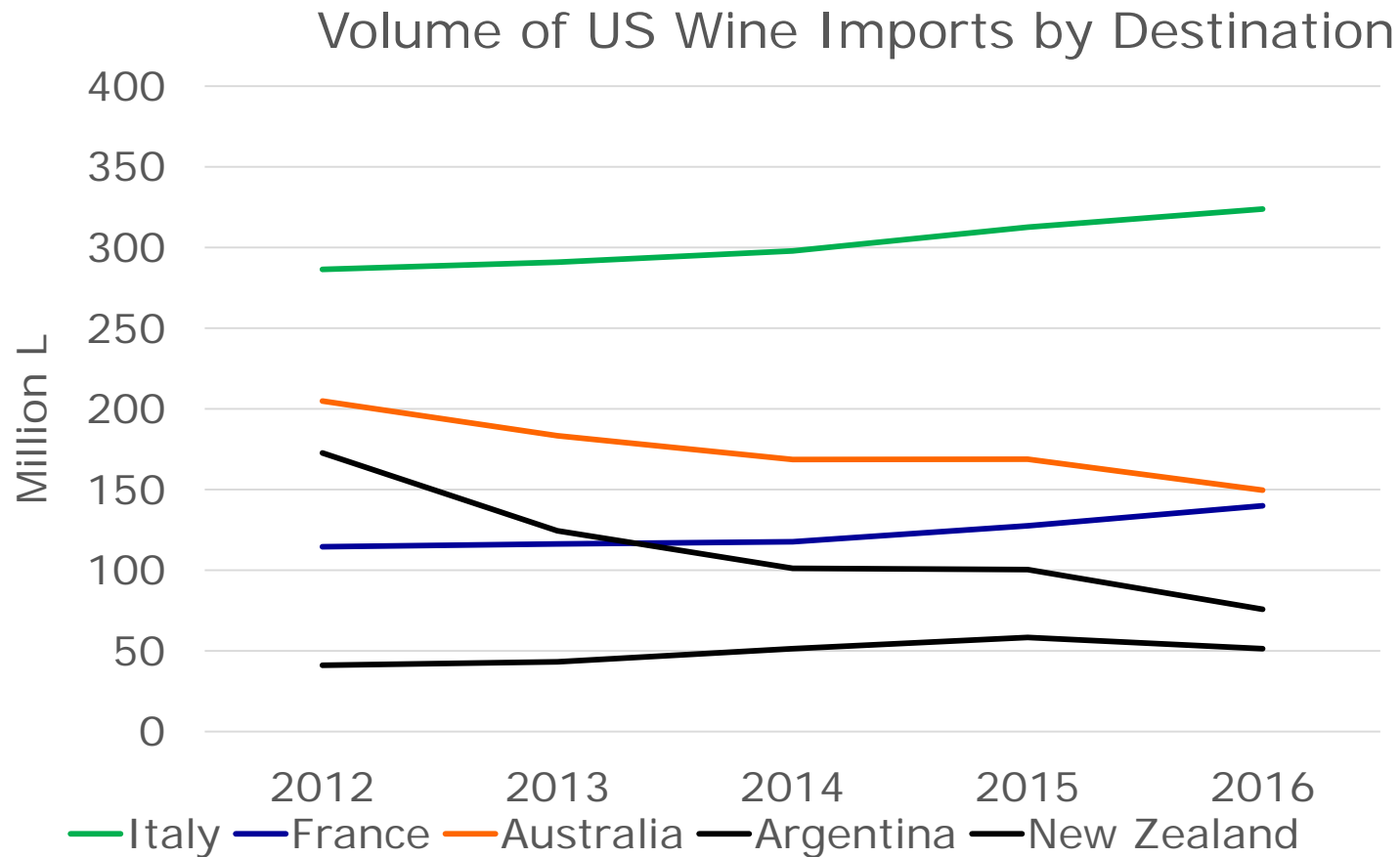


# US market is a premiumisation play

21% of Australian wine exports (by value)

- Not a lot of growth in wine consumption
- Domestic production is also pretty flat
- **Strong premiumisation:** with double digit growth in wines priced above USD11/bottle
- And appreciation of the USD in recent years increases the appeal
- Becoming more important given challenges in UK market

# The challenge for Australia is recent market positioning



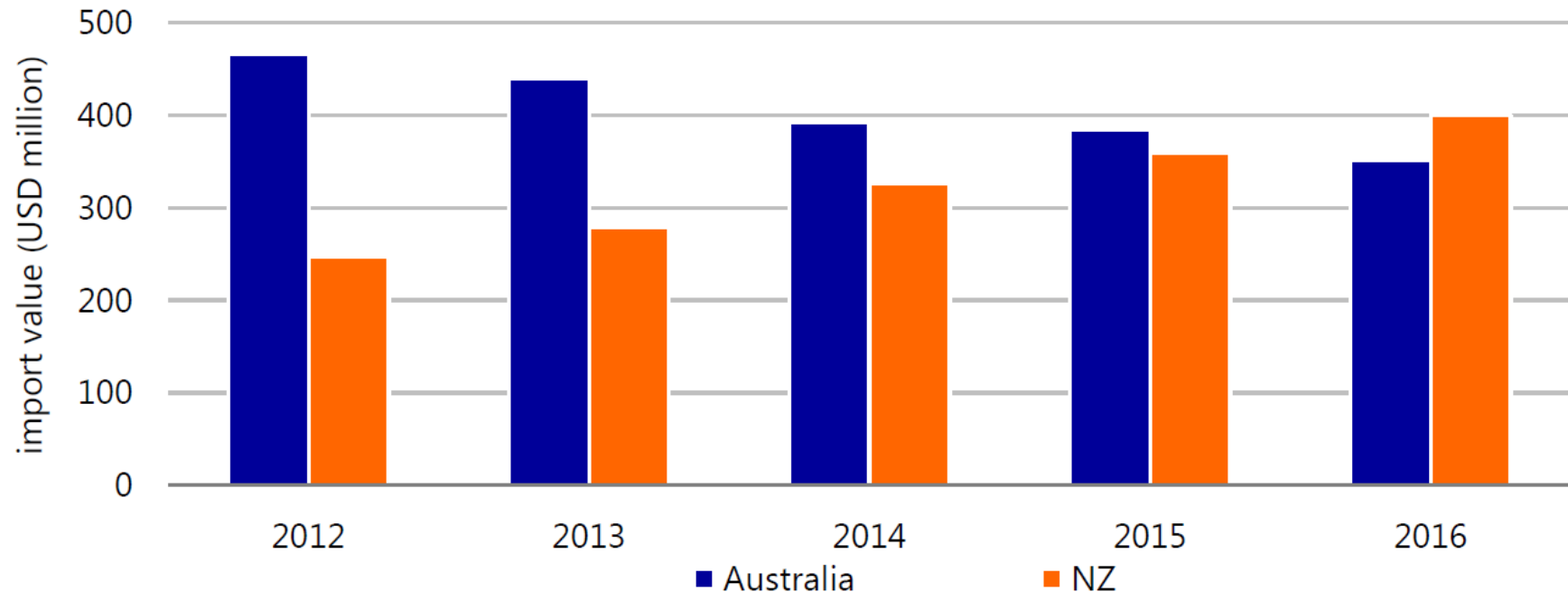
- Over past 5 years, market CAGR 2% in value and -1% in volume
- AUS share decreased from 11% to 7% in value and 18% to 13% in volume.

Source: UN Comtrade 2017

# The challenge for Australia is recent market positioning



US Bottled Wine Imports from Aust and NZ (value)



Source: Gomberg-Fredrikson Report, Rabobank 2017

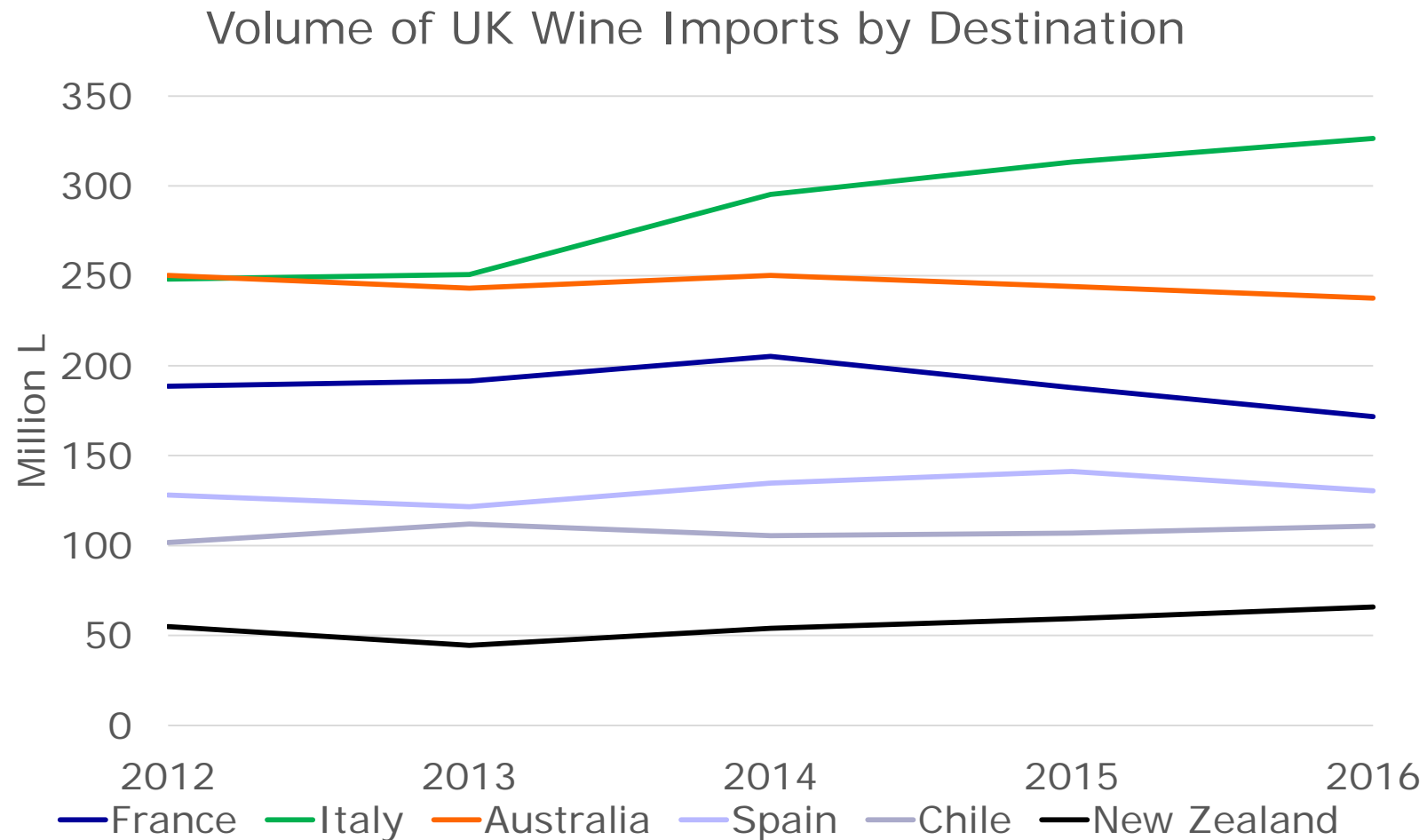
# Signs this is being turned around



- Australian exports to the US rose 3% in value in year to June 2017
- Australian exports in AUD15-20 price point up 70% in year to June 2017 (off a low base)

# UK – a tough market for a while now

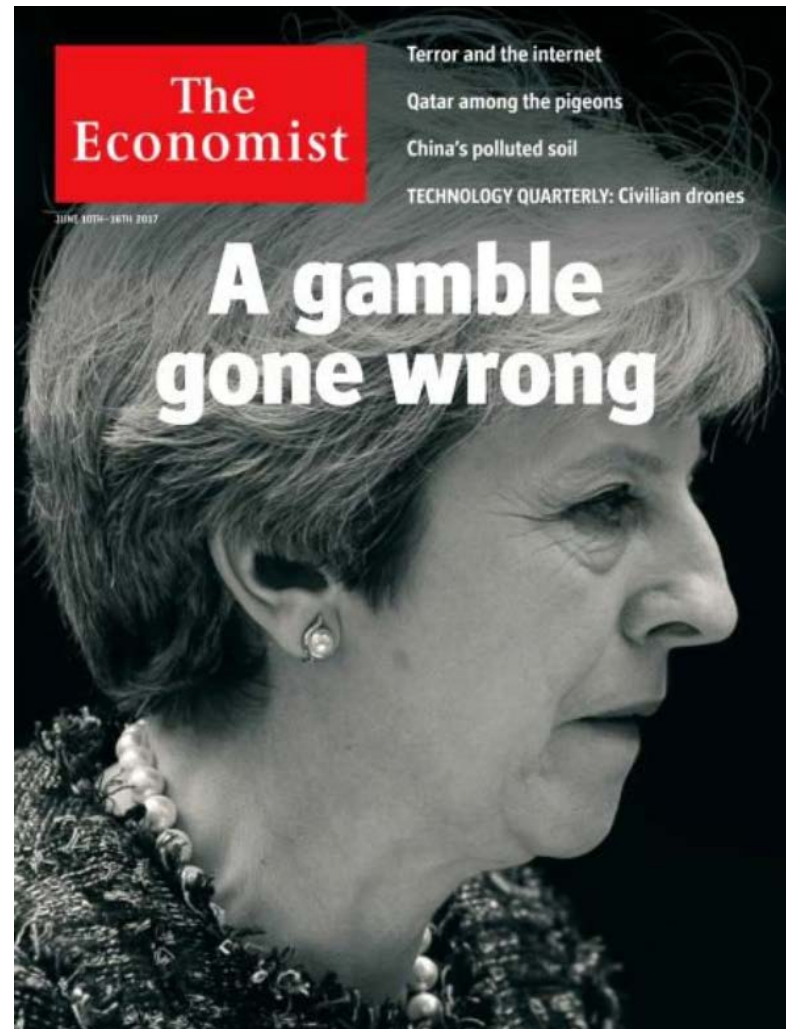
16% of Australian wine exports (by value)



Source: UN Comtrade 2017

5 years, market CAGR -4% in value and 1% in volume  
AUS share decreased: from 10% to 8% in value and 19% to 17% in volume

# Breaking up is hard to do!

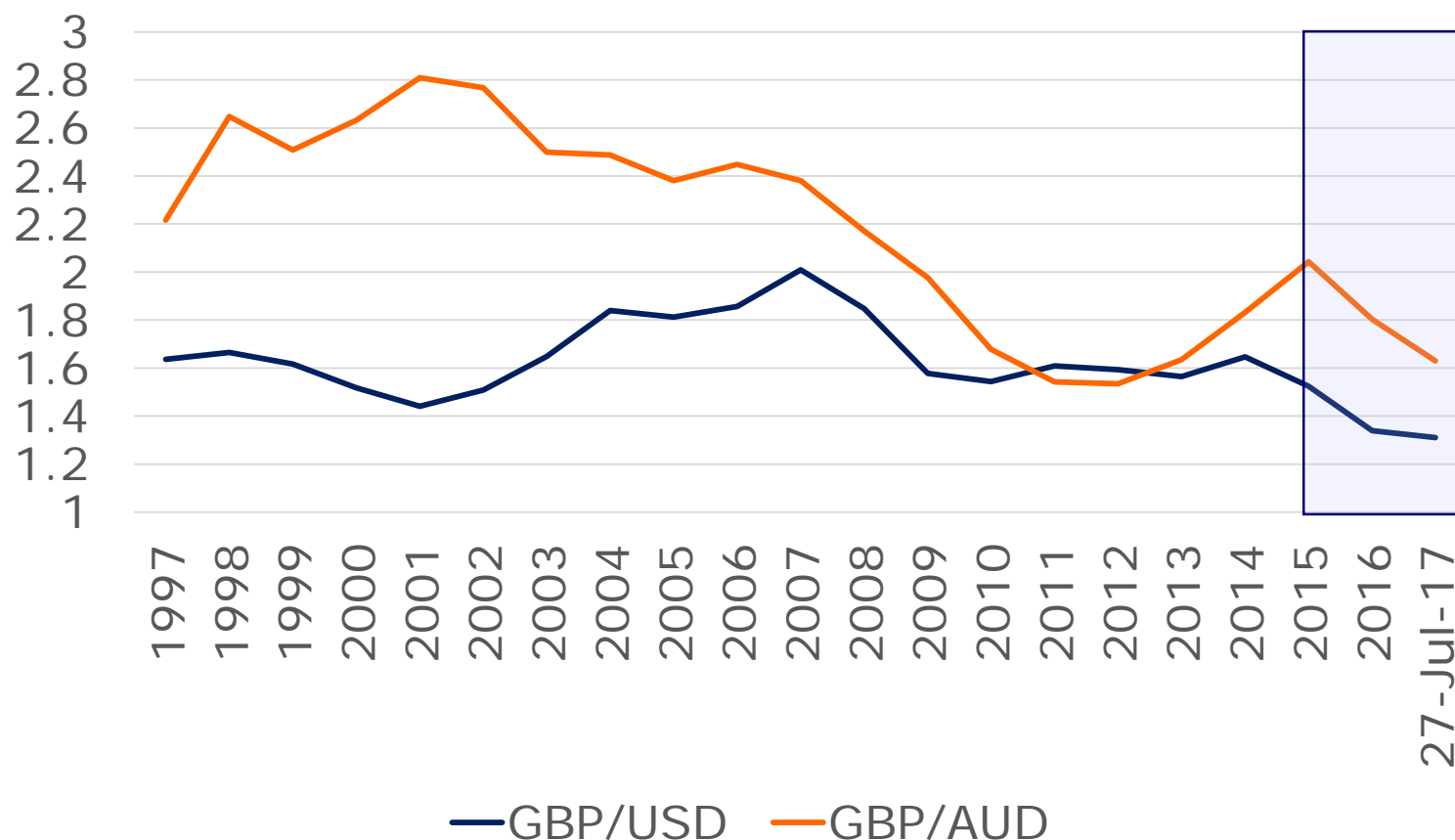




# Pound has fallen, increasing the cost of imported products



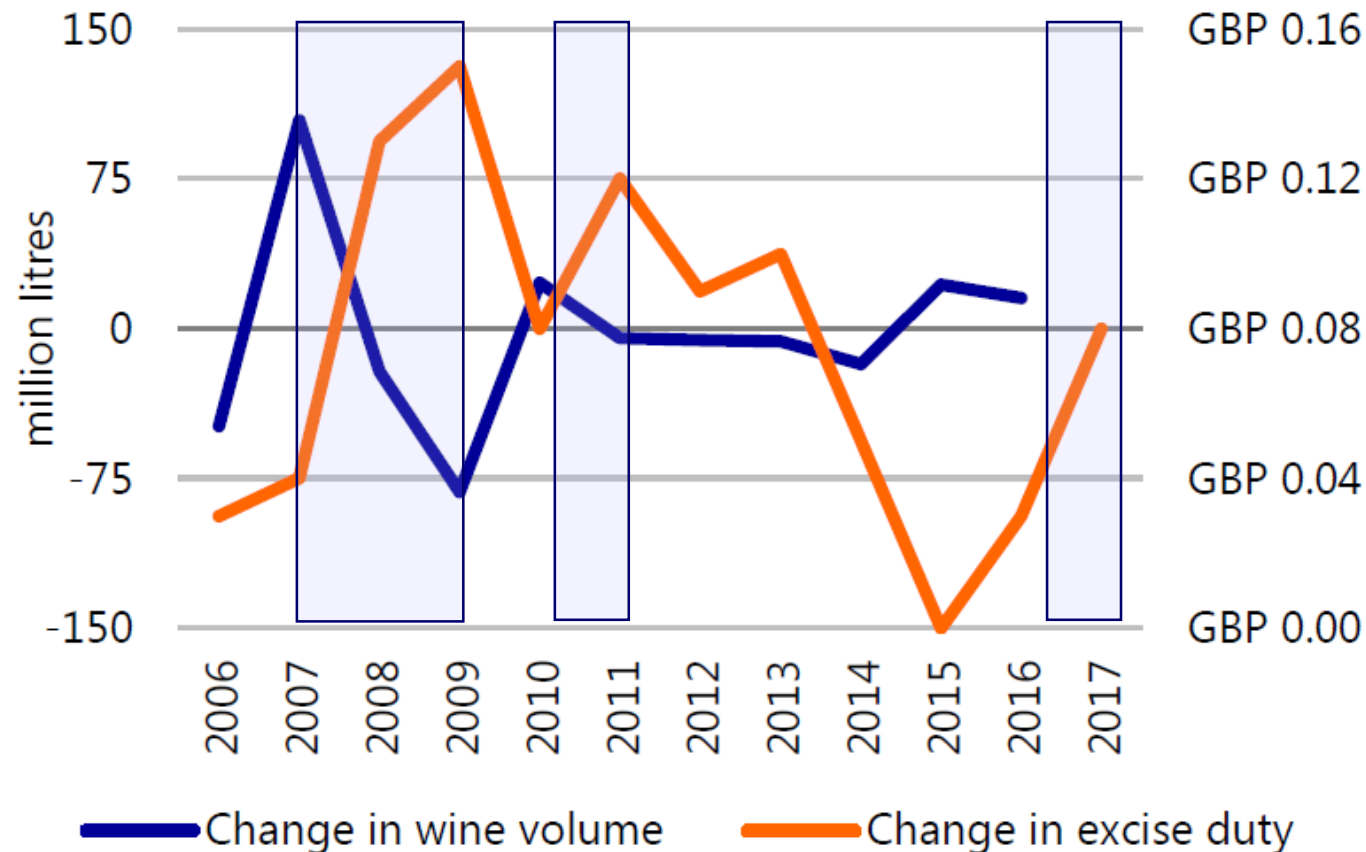
GBP against USD and AUD



# The wine excise tax has also been increased (bad news in the past)



Annual change in UK wine excise and consumption



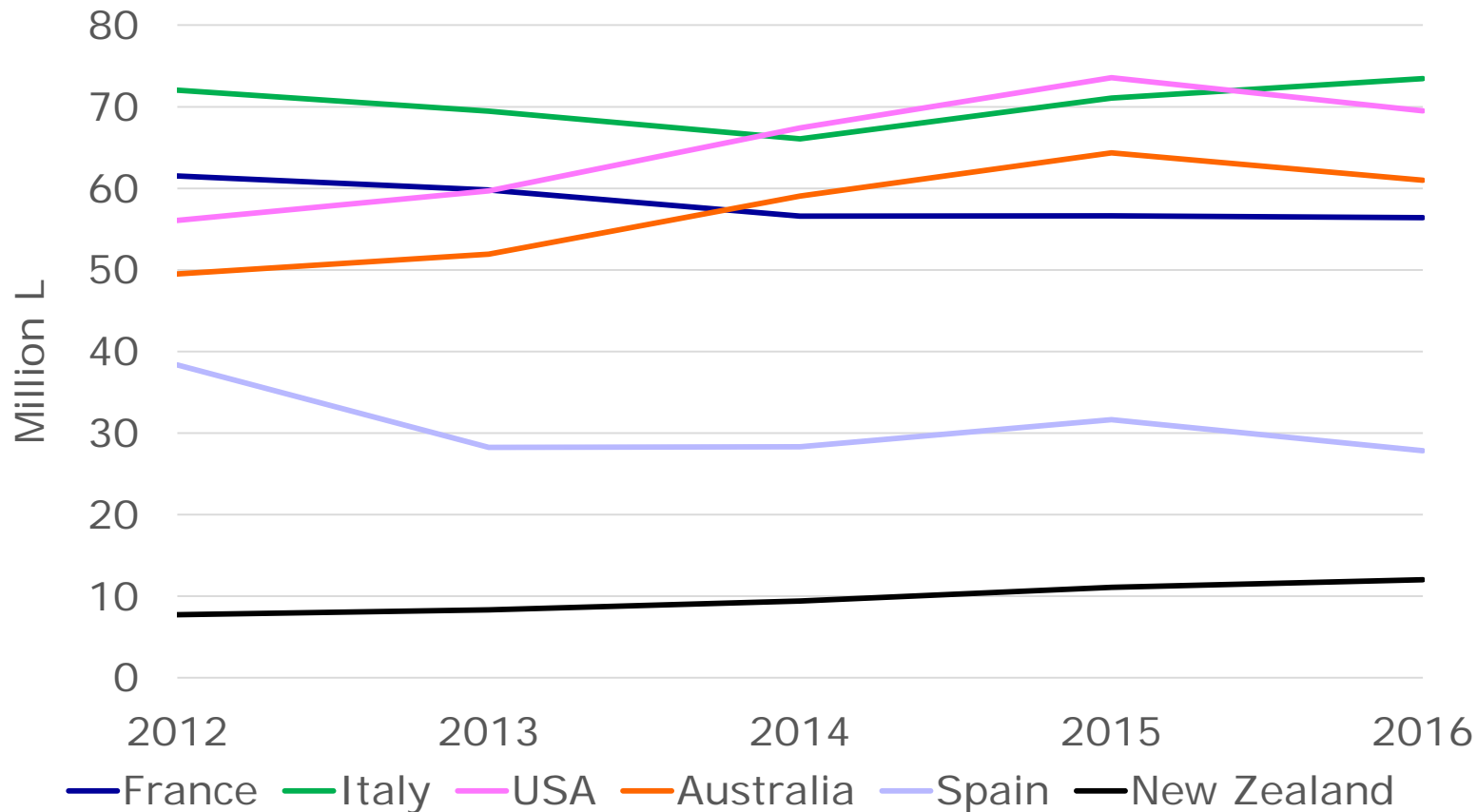
Source: Office for National Statistics 2017

# Canada – echoes from south of the border

8% of Australian wine exports (by value)



Volume of Canada Wine Imports by Destination



Source: UN Comtrade 2017

- Over past 5 years, market CAGR -2% in value and 2% in volume
- AUS share value decreased from 12% to 9%, volume grew from 13% to 15%

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------------------	-----------------------

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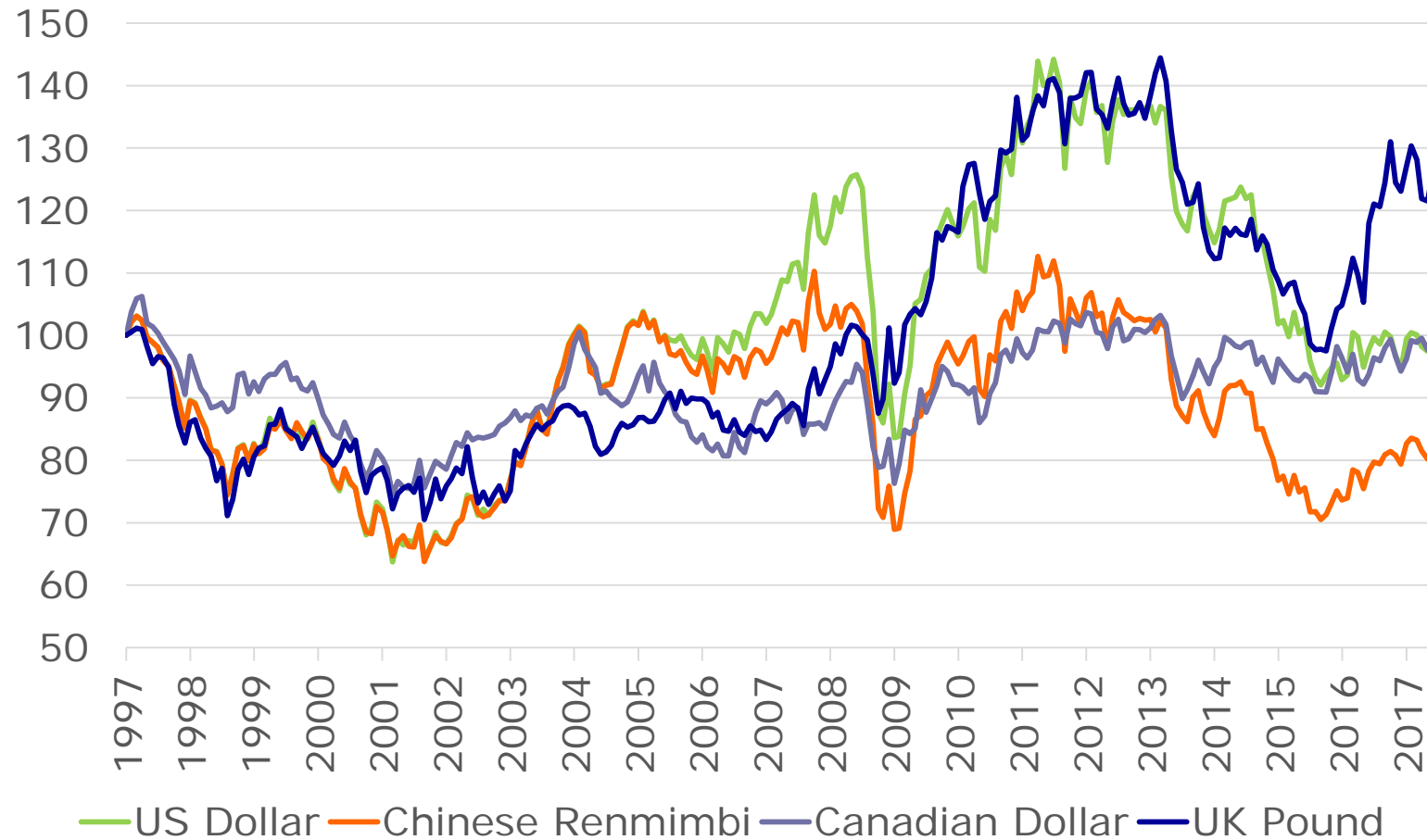
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# Currency versus import regions



Currencies of Wine Importers vs AUD



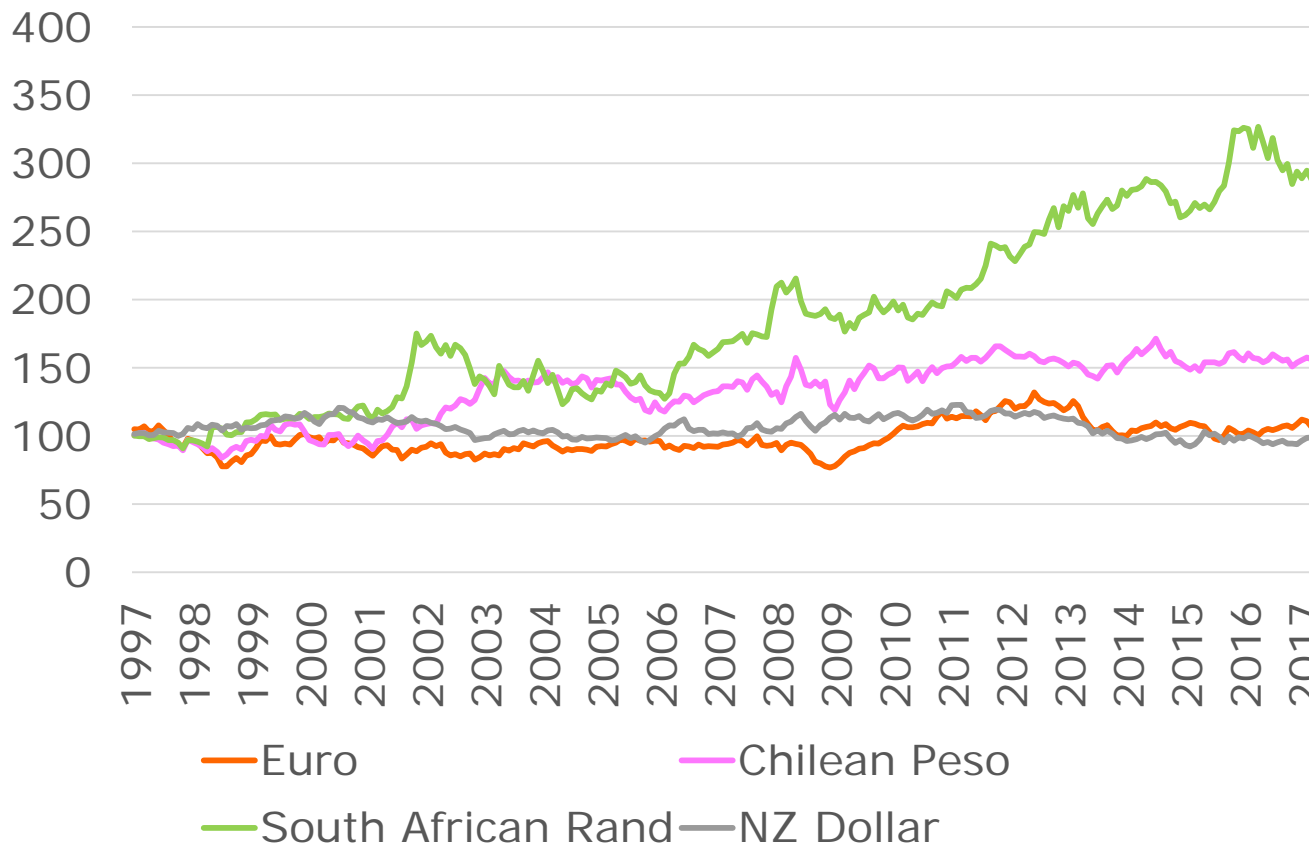
# Currency versus competing export regions



# Currency versus competing export regions



Currencies of Global Wine Exporters vs  
AUD

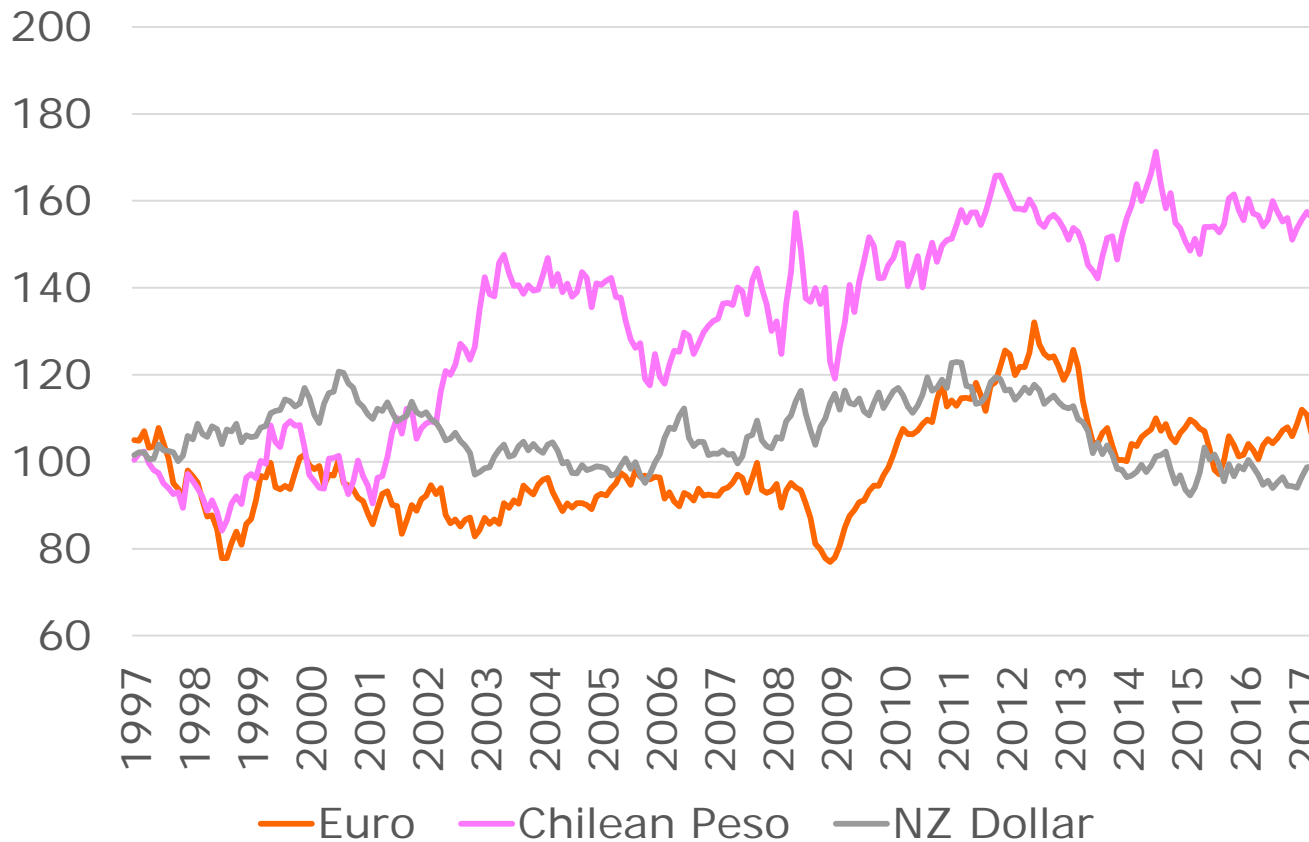




# Currency versus competing export regions



Currencies of Global Wine Exporters vs  
AUD



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------------------	-----------------------

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# Outlook is better than it has been in years



- Global market is flat, but tending to tightness...
- ...and unlikely to see major increases in inventories any time soon
- Beneath flat world market, demand is shifting to new markets
- UK market presents near term challenge
- While the industry is starting to re-position in the US
- Aust particularly well placed in Chinese market
- Our currency has strengthened in recent months, but still well below 2011-14 highs (and may well soften over coming year)

# For more from Rabobank on wine....



Report Topic	Release
Liquid lunch: trends in global beverages markets	Jul 2017
Focus on the EU wine market	Jul 2017
Foreign wine looking for US market penetration	May 2017
The future of asset light business models	Jan 2017
The rise, fall and rise again of China's wine market	Dec 2016
Global wine sector update	Oct 2016
The premiumisation conundrum	May 2016
NZ grows up (and up)	April 2016
Regional wine markets outlook	Jan 2016

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