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Prospects ahead for the wine industry

Kym Anderson

School of Economics and
Centre for International Economic Studies
Adelaide University SA 5005 AUSTRALIA
Phone: (61 8) 8303 4712
Fax: (61 8) 8223 1460
Email: kym.anderson@adelaide.edu.au

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Adelaide University

SA 5005, AUSTRALIA

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Executive Assistant
CIES
School of Economics
Adelaide University
SA 5005 AUSTRALIA
Telephone: (+61 8) 8303 5672
Facsimile: (+61 8) 8223 1460
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Prospects ahead for the wine industry

Kym Anderson*

More than 100 years ago it was claimed that "Many of the leading wine merchants of London and other important commercial centres admit that Australia promises to become a powerful rival in the world's markets with the old-established vineyards of Europe" (Irvine 1892, p. 6).[1] The first *Yearbook of Australia* made a similar claim in 1908, but by the 1922 edition it added some comments on why that had not happened: "The production of wine in Australia has not increased as rapidly as the suitability of soil and climate would appear to warrant. The cause of this is probably twofold: Australians are not a wine-drinking people and consequently do not provide a local market for the product, and; the new and comparatively unknown wines of Australia find it difficult to establish a footing in the markets of the old world, owing to the competition of well-known brands. Active steps are being taken in various ways to bring the Australian wines under notice, and it may be confidently expected that when their qualities are duly recognised the wine production of this country will exhibit a rapid development."

Well, it took seven more decades before that rapid development took place -- and now,

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[1] Such an admission was not forthcoming from the French, however. At the international wine competition of the Vienna Exhibition of 1873, for example, the French judges, on hearing of the identity of the wines they had judged blind, are reported to have resigned when they learnt a prize-winning shiraz was not French but from the Colony of Victoria (Beeston 1994, p. 62).

another decade on, people are wondering whether we have overshot! Certainly the rise in grapevine area since the late 1980s looks dramatic in Figure 1. What are the prospects ahead for Australian producers, given that global wine consumption per capita has not been growing yet premium wine production is expanding in many countries?

What are the prospects ahead?

Australia's grape and wine production is being increasingly oriented towards higher-quality products in response to the demand for premium wine growing rapidly at the expense of non-premium wine. However, other New World producers are also upgrading the quality of their product, as are previously low-quality regions of traditional supplying countries (the south of France, La Mancha in Spain, northern Italy, Southeastern Europe). It raises the question: are there physical (physiological/climatic, agronomic, water) limits on the expansion of premium winegrape production in the various regions of the world? The greatest influence on wine quality is the climate for grape growing. Virtually all winegrapes are the sub-species *Vitis vinifera* which, ten plus millennia ago, grew wild in much of Europe, North Africa and the Middle East (but not in the Americas or the southern hemisphere). They can be grown successfully only between 30° and 50° north and south of the equator where their distinctive annual cycle can be accommodated. That cycle involves winter dormancy when temperatures can be below freezing, but the mean daily temperature has to reach 10°C in spring before shoots grow and 20°C in summer for flower clusters to bloom. Frosts in spring can cause severe damage, as can rain prior to the autumn harvest (Unwin 1991, p. 33-35). Hence the idealness of a winter-rain Mediterranean climate, with the addition of local or meso-climatic features that include the right combination of access to sunlight, shelter from wind, freedom from spring frosts, sufficient irrigable water in case of a summer drought, etc. Given that, it is not surprising that the world’s top 30 wine-producing countries are in the temperate zone. But as Table 1 shows, there is a huge variance in the vine intensity of cropping in those countries.

At one extreme are the traditional producing countries of France, Italy, Spain and Portugal with 5, 6, 8 and 10 per cent of their cropped area under vines, respectively. Nearly as extreme are the Balkan states of Southeastern Europe. Having had the opportunity there to

cultivate grapes for more than two millennia, and given the financial supports provided by the European Union in recent decades, it is likely that virtually all suitable land in Western Europe is already under vines. Hence their only hope for growth is in terms of quality improvement, that is, expanding premium wine at the expense of non-premium. Normally that means lowering vine yields, so such viticultural quality upgrading will lower the aggregate volume of wine produced.

At the other extreme are the New World wine producers, with the United States, Australia and New Zealand each having only 0.2 per cent of their crop area under vines – barely above the ratio for China.[2] And Argentina, Uruguay and South Africa also have vines accounting for less than 1 per cent of their crop area. Hence in those countries, which have ample land with suitable climates for expansion, the main influence on vineyard area is the expected long-term profitability of grapes relative to that of alternative uses for the land.

With both sets of regions in mind, what might be the net effect on global wine markets of recent and prospective trends in grape and wine supply and demand? The trend towards premium and away from non-premium wine production and consumption, together with the data on new plantings (the most recent of which will take until 2005 to produce significant crops), provide enough information to attempt to project wine markets a few years into the present decade. That has been done recently using a global model of grape and wine markets that differentiates not only according to region of origin but also as between premium and non-premium segments of each market and each bilateral trade flow (Wittwer, Berger and Anderson 2001).

The Wittwer et al. (2001) projection has the world market for premium wine (40 per cent of global wine output) growing by 38 per cent over the six vintages to 2005 while that of non-premium wine growing very little. It has premium production more than doubling for Australia, while it increases by a bit over 50 per cent for the US and nearly doubles for other Southern Hemisphere wine-exporting countries. However, it grows by only one-fifth in Western Europe. That growth in premium output is projected to outstrip the expanding

[2] Even with the massive planting of vineyards in recent years this bearing area number for Australia will still be less than 0.3 per cent in 2005.

demand because of income and adult population growth and preference changes, causing premium producer prices to fall. In the model's base case they fall most for Australia, by 12 per cent for premium grapes and 15 per cent for premium wine between 1999 and 2005, reflecting the very large premium acreage expansion in this country over the past few years. Meanwhile non-premium prices change little because the assumed slowdown in its demand is matched by a slowdown in supply. This base projection has Australia exporting nearly three-quarters of its premium wine by 2005, compared with a bit under three-fifths in 1999.

The usefulness of that base case projection is less in providing a market forecast (since it is dependent on assumptions about demand and supply growth) than in providing a basis for comparison with alternative scenarios over which participants may or may not have control. Several have been analysed quantitatively by Wittwer et al. (2001) and are explored in the following section which examines ways the Australian industry is attempting to improve its future competitiveness and reduce the prospects of a decline in profitability. All involve more investment in knowledge creation and dissemination, which means there is a role for collaboration both among firms and at an industry-wide level.

How can collaboration improve prospects for Australia's wine industry?

For differentiated products such as wine, where purchase decisions are to some extent driven by fashion (as determined by advertising, the writings of wine critics/judges, food safety scares, etc.), what is crucially important is information and the skills to use it profitably. Its generation, as well as its productive use, is to a considerable extent under the control of the industry's producers.

While acquiring and using information can be costly, it is gradually becoming less so -- and it is becoming available more quickly, thanks to the digital revolution. To keep one's competitive edge in this new economic environment, strategies are needed to obtain and make good use of available information faster and at a lower cost than one's competitors, to generate new information, and to cost-effectively disseminate imformation about one's products to consumers and to governments wishing to tax it. The information required relates not just to consumer demands but also to appropriate new technologies as they affect all aspects of grapegrowing, winemaking and wine marketing.

Much of that information has a public-good nature. That, together with the spillovers that can occur from private-firm generation of information through such activities as promotion and technical research, means collaboration between firms within the industry can have a high payoff. Hence critical determinants of future competitiveness include improvements in efficiency not only of individual firms but also via collaboration at the industry-wide level (see next section).

Two levels of collaboration between wine firms are important: vertical (that is, between the grapegrower, other input supplier, wine maker, and wine marketer), and horizontal. The various channels through which it can occur include mergers, acquisitions, and a range of other alliances.

There are far more winegrape growers than there are wineries, with the former depending heavily on the latter to process their highly perishable and virtually non-internationally tradable product. That dependence has not been a problem during the past decade when winegrape demand has grown much faster than supply. Indeed the shortage period has led to the widespread signing of long-term (often ten-year) contracts, providing wineries with security of supply in the 1990s and growers with greater security of demand into the next decade. Should supply grow faster than demand in the next few years, the vulnerability of the non-winemaking grapegrower could return. However, the increasing emphasis on producing and promoting consistent high-quality wine, and the fact that much of that quality is determined in the vineyard, has led Australia's wineries to improve their two-way relationships with contract grapegrowers.

Another form of vertical integration is occurring between wine making and wine marketing. An example is e-commerce, which is lowering the cost, especially for smaller wineries, of using email and the internet to market their wines directly. One Australian firm even experimented in 2000 with selling its entire release by tender over the internet. The exemption of small wineries from the Australian Government's wine sales tax for own-marketed wines has added to the incentive to explore these new options. Another example is wineries getting involved in tourism, going beyond standard cellar-door activities to restaurant and entertainment services.

Turning to horizontal collaboration, New World wineries are beginning to diversify

their markets abroad as their production grows. Knowledge about the various niches and the distributional networks in those foreign markets is expensive to acquire, however. Hence new alliances between Australian and overseas wine companies are being explored with a view to capitalizing on their complementarities in such knowledge. The purchase by the owner of Mildara Blass (Fosters Brewing Group) of Napa Valley-based Beringer, the alliance between two family-owned firms, Rosemount and California's Mondavi, Petaluma's alliance with a Washington State-based distributor (Stimson Lane), and the purchase by New Zealand's biggest wine firm (Montana) of the second largest (Corbans) were all cases in point during 2000. These may achieve the desired result much quicker than direct foreign investment, although that has been happening increasingly too (not least from the US because of the strong US dollar in 2000). As well, in this era of floating exchange rates, cross-border operations can be a form of currency hedge; and it can also serve as insurance against a major disease outbreak (e.g., Phylloxera, Pierce's Disease) in the home country.

Horizontal mergers and acquisitions are also taking place domestically. A key objective is to get economies of scale not only in marketing but also in producing. This is especially important if firms wish to move beyond the boutique size and penetrate the large-scale (particularly supermarket) distribution networks abroad. The most recent in Australia is the merger of St Hallett and Tatachilla to list a new firm, Banksia Wines, at the end of 2000.

This trend – which is occurring in many industries as part of globalization (UNCTAD 2000) – may increase concentration in the wine industry. That should do little to reduce competition among winemakers however, including in their purchase of grapes.[3] While it may be that a few left-behind wineries will be disadvantaged by the new alliances among more-progressive firms, an alternative outcome is that even they could benefit as those merging ones improve their export performance. That could happen either by getting in the slipstream of the progressive firms' success abroad in promoting 'Brand Australia', or in supplying a less-crowded domestic market while the merging firms focus on markets abroad.

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[3] On a global scale, wine is the least concentrated of the beverage industries. According to SBC Warburg as quoted by Bruce Kemp at the Wine Industry Outlook Conference in Adelaide on 11 November 1999, the world market share of the top four firms is just 7 per cent in the wine industry compared with 20 per cent for beer, 44 per cent for spirits, 60 per cent for tobacco, and 78 per cent for soft drinks.

More worried are Australia's specialist grapegrowers. They are aware that the big wine corporations have valuable so-called 'knowledge capital' that is internationally mobile and hence tends to relocate to places where it can earn the highest rewards. During recent years Australia's grapegrowers have enjoyed an exceptionally high proportion of the benefits of the growth in demand for premium wine, in the form of high prices for their grapes. Were those high prices to continue, large wine firms (which source three-quarters of their grapes from independent growers) may find it more profitable to expand their crushing capacity in lower-priced countries rather than in Australia in the years ahead -- thereby causing winegrape prices to tend to equalize across countries, even though the grapes themselves are not traded internationally. Such developments help to keep profits of Australian-based multinational wine companies higher than they otherwise would be, while lowering profits to grapegrowers. However, there is also the possibility that multinational wine corporations from abroad will invest in Australia, which would have an offsetting, positive effect on grapegrowers. Some of that happened in 2000 in response to the fall in the US price of the Australian dollar, and more still could occur as such firms seek a hedge against the possible spread of Pierce's Disease in California.

Horizontal collaboration stimulated by the digital revolution is also occurring at the retail level. A recent example is the new alliance, scheduled to begin March 2001, between the supermarket giant Sainsbury's and the discount liquor chain Oddbins in the United Kingdom. While each will continue their traditional mode of selling, the combined venture is to sell wine exclusively via the internet, TV and email.

How are the savings from increased marketing efficiencies via supermarketing and e-commerce likely to be distributed between the consumer, marketer, winemaker and grapegrower? Wittwer et al. (2001) explore this question with their global wine model. They suggest that in the short run the innovative distributors will gain most but that, over time as competition among distributors drives down consumer prices, the gains will be shared among consumers and producers. Given even further time, the benefits to producers would encourage increased plantings and winemaking capacity and so consumers end up with the lion's share of the benefits (all but one-eighth in the empirical simulation experiment they report).

Collaboration at the industry-wide level

In addition to collaboration to improve the efficiency of grape growing, wine making and wine marketing at the firm level, the Australian wine industry during the past decade has enjoyed a high and envied degree of collaboration also at the industry level. Maintaining and expanding those activities requires a non-stop flow of deliberate and skilful leadership, something that the Australian wine industry has been fortunate to have in relative abundance compared with both other Australian industries and the wine industry abroad. Three key areas are discussed here: investments in research, education and training (and now also statistical information); investments in marketing; and lobbying governments (most notably for lower taxes on wine consumption at home and lower barriers to imports overseas).

More investment in research, education and training

Australia has had a long history of investing in formal grape and wine research, education and training, dating from the establishment of Roseworthy Agricultural College (now part of the University of Adelaide) in 1883 and of its Diploma in Oenology in 1934, plus the creation of the Australian Wine Research Institute adjacent to the University of Adelaide's Waite agricultural research campus in 1955 (Halliday 1994 pp. 109-11). In that same Waite precinct, but involving several interstate participants as well, is a Cooperative Research Centre for Viticulture. And the industry since 1988 has had its own Grape and Wine Research and Development Corporation (called a Council until 1991). The GWRDC's current budget is over $10 million per year, and growing rapidly not only because output is expanding but also because in 1999 growers and wineries agreed to raise the research levy by more than one-third. The Federal Government matches producer levies dollar-for-dollar up to a maximum of 0.5 per cent of the gross value of output (a limit yet to be reached). The GWRDC's role is to ensure those dollars are invested in the highest-payoff research projects.

Rankine (1996) claims that even though Australia has supplied less than 2 per cent of the world's wine until very recently, it contributes as much as 20 per cent of the global flow of research papers on viticulture and oenology. A more recent study of 1995 data suggested a

somewhat smaller but still disproportionately large contribution (Hoj and Hayes (1998, Figure 3). That latter study also showed that research as a percentage of gross product was considerably smaller for grapes and wine than for Australia's larger rural industries and for that of major manufacturers. That is not sufficient justification for boosting R&D spending, but it does suggest the need for an empirical study of the likely rate of return from raising the producer levies at least to the level of attracting the maximum dollar-for-dollar contribution from the government.

The payoff from investments in R&D is higher the more readily and rapidly new information is disseminated, trialed and adopted. While Australia has been a leader in wine R&D investments and in the rapid adoption of new technologies, Southern Hemisphere and Southern and Eastern European suppliers are catching up, including through international technology transfer. Australia is contributing to and benefiting from that in at least two ways. One is via Australian viticulturalists and winemakers exporting their services through spending time abroad as consultants (Williams 1995; Smart 1999). Another is via foreign investment by Australia's bigger wine companies in grape production, wine making, and/or wine marketing and distribution in other countries. Such international technology transfers are not peculiar to the wine industry of course -- it is part of the general contribution by multi-national corporations (MNCs) to globalization. That in turn has been aided by reforms to restrictions on foreign investment and by the fall in communication costs thanks to the digital/information revolution. Smaller grapegrower/winemaker firms might be affected adversely in so far as the spreading abroad of Australian expertise in viticulture, winemaking and wine marketing eventually reduces the distinctiveness of 'Australian' wine in the global marketplace. However, there is the offsetting prospect that internationally engaged Australians will bring back new ideas that can be exploited to good effect in Australia.

Finally on research, one of the more difficult priority setting issues is to decide how much of the R&D budget to spend on GMO, organic, and biodynamic technologies. Food consumers, especially in Europe, have become far more sensitised in recent years to food safety issues, making it awkward to anticipate their – and their governments' -- possible reactions to new products that might be generated using these different technologies. Vastly different outcomes are possibly depending on the nature of those consumer and/or

government reactions abroad. Given the international nature of these concerns, there may be a higher payoff than usual from collaborating with grape and wine researchers focused on these issues in the US and other New World countries.

More investment in marketing

Another classic way to try to boost profitability is to promote one's product as being different from and superior to what others produce. For Australian wine this has been done in two key ways, particularly since the 1980s. One is generic promotion abroad by the Australian Wine Export Council, particularly through its London-based Australian Wine Bureau. The other is corporate brand promotion. Both are becoming more cost-effective with the huge increase in the quantity and quality of Australia's exportable wine, and together they have greatly enhanced the reputation of the Australian industry as a producer of high-quality, value-for-money wines.

Marketing is something the industry may not have done well during its first 150 years which, as the earlier quotation from the *Yearbook of Australia 1922* (p. 279) suggested, may partly explain why it had not revealed a strong comparative advantage in exporting premium wine in the past. But that is changing rapidly. For example, being acutely aware of the prospect of premium prices falling during the next few years from their historically very high 1990s levels -- due in part to the spectacular success of its *Strategy 2025* -- the Australian industry is turning its attention to the next steps in its strategy. One of them was launched at the Wine Industry Outlook Conference in November 2000: the *Australian Wine Marketing Agenda 2000-2010* (WFA and AWEC 2000). That calls on firms to boost not only their own brand promotional efforts but also to support spending on 'Brand Australia' generic promotion. Recent empirical research suggests there may well be scope for Australia to gain from generic promotion in the United States at least, as its wines continue to attract lower prices than wines from Napa Valley that receive similar sensory ratings in magazines such as the *Wine Spectator* (Schamel 2000).

National generic and brand promotion can be complemented by regional generic promotion. This is a more viable option now that the definition of boundaries for the various regions and sub-regions ('geographical indications') are being finalized. Thanks to the WTO's

trade-related intellectual property rights agreement ('TRIPs') and our agreement with the European Union, Australia is now able to legally register and get its own geographical indications recognised globally. The payoff from exploiting that piece of intellectual property may be non-trivial: a new study by Schamel and Anderson (2001) finds that equally rated wines in sensory terms attract significantly different prices according to their regional origin within Australia. Corporate brand advertising will still remain the dominant form of promotion, but regional branding will add to 'Brand Australia' as an additional and more-specific means of generic promotion of the nation's wines. Domestically, too, the better definition of regions is leading to more information-sharing among producers within regions, and to better coordination with regional wine (and food) tourism activities.

A further marketing strategy involves diversifying the destinations for Australia's exports as more exportable production comes on stream. The current narrowness of that distribution is clear from the fact that more than three-quarters of Australia's wine export earnings still come from just four English-speaking countries. Of course there are good reasons for low shares in some other markets. One is that the types and qualities of wine Australia exports may be not well matched with the types/qualities currently imported by some of the major importing countries. For example, France imports mainly low-quality wine (priced at one-quarter Australia's average export price), and the same is true for Europe's transition economies and, to a lesser extent, for the Netherlands and Sweden (Anderson and Berger 1999, Table 8). That is not the case in Japan though, yet Australia sells a very small proportion of its premium wine to Japan (while contributing a relatively high proportion of Japan's imports of other goods). This is probably due to Australia not being perceived by the Japanese as a super-premium supplier, having exported relatively low quality wine there in the early 1990s.

Nor had Australia until very recently made much of an inroad into Germany, despite it being the world's biggest red wine importer. To date that has been because of insufficient premium red wine being available for export. As supplies expand over the next few years, the scope for high returns from further efforts in marketing and trade diplomacy in such countries will grow commensurately. Since its red imports are more than ten times Australia's current premium red wine export volume, there is ample scope for that market alone to absorb all of

Australia's expected output increase without reducing very much German imports from other countries (mostly France and Italy).

What about sales prospects in Asia? The claim that Asian food does not lend itself to wine as much as European food is difficult to sustain in the face of both contemporary and historical evidence. Recent efforts to match such foods with wine have been highly successful. And there is evidence that the elites of both China and India consumed wine centuries ago. China, for example, produced, consumed and traded grapewine with Persia as early as the first century BC, and Marco Polo noted that excellent wines were produced in Shansi Province for exporting all over Cathay (Johnson 1989, pp. 20-21). And the Mogul empire in 16th century India was supplied with wine from the High Indus Valley and Afghanistan (Johnson 1989, pp. 106-108). It seems reasonable to expect then as incomes rise, and with it access to refrigeration and air conditioning, that a gradual expansion in wine promotion in this food-revering region will yield a high payoff over the long term. The speech in China by Premier Deng in 1997, affirming the health virtues of red wine consumption, like the *60 Minutes* TV program in the US in 1991 concerning the so-called French paradox, are stark reminders of how well-targeted information can alter consumption patterns overnight. The mind boggles at the potential impact on world wine markets of an easing in the negative attitude of Islamic clerics towards alcohol, given the long history of grapegrowing in the Middle East and North Africa.

More lobbying for lower wine consumer taxation in Australia

The consumer tax on wine is higher in Australia than in almost any other significant wine-producing country (Berger and Anderson 1999). The introduction by the Federal Government of its so-called 'wine equalization tax' (WET) of 29 per cent, which came into force on 1 July 2000 is, together with the 10 per cent GST on wine, generating even more tax revenue from the industry than prior to the GST tax reform. The wine industry is lobbying during election year 2001 for the phase-out of the WET. To get a feel for what impact that might have, Wittwer and Anderson (2000) analyse the impact of cutting Australia’s tax on premium wine to just double the OECD average (leaving the non-premium rate unchanged so that, in volumetric terms, the latter tax is about the same as for premium wine). With such a

tax cut consumer prices drop significantly for premium wine, by over $1.50 per litre, and domestic consumption of premium wine increases from 95 Ml to 107 Ml for red wine, and from 90 Ml to 102 Ml for white wine. The impact on industry output is small, with the premium segment expanding by less than 0.5 per cent relative to the base case. This small change is due to the assumption that land in the winegrape industries and capital in all the winegrape and wine industries is the same in this as in the base scenario, leaving labour as the only variable factor within these industries. Importantly for producers, however, the volume of premium exports required to maintain the same total volume of sales as in the base case is significantly less in this scenario. That is, the amount of investment in promotion abroad over the next few years would not need to be as great if the imminent output growth coincided with a reduction in domestic wine taxation.

More lobbying for lower wine consumer taxation in other countries

In early days it was wine production that was taxed in order to subsidize consumption, as for example in Rome in 250AD (Johnson 1989, p. 74). Wine export trade was also taxed, which had the same impact of subsidizing domestic consumers while hurting producers. Turning to more recent times, import restrictions are more commonly used to protect domestic producers of either wine or, as in East Asia, wine substitutes (beer and spirits). Import tariffs themselves are not very large except in East Asia (Berger and Anderson 1999). However, Old World fears of growing competition in the European and East Asian wine markets from New World suppliers could lead to the provision of more subsidies and protection via non-tariff import restrictions by the European Commission. Already recent subsidies to producers in the EU to help upgrade their wine industry are reputed to be of the order of US$2.3 billion.

There is also the possibility that technical measures are used to provide hidden forms of protection to the EU industry. The EU's recent effort to have so-called "industrial wine" distinguished from "agricultural wine" (the former presumably referring to North America and Australia/New Zealand, the latter to European) would, if successful, provide a possible opening for another technical barrier to trade. To avoid such outcomes, New World wine exporters need to develop ways to make the most of the opportunity to become active

participants, for the first time as a group, in the recently launched WTO round of multilateral trade negotiations. While each of those suppliers alone is not a very big player in the world wine market, their combined share of the value of global wine exports (excluding intra-EU trade) is 29 per cent, which is a sizeable counterweight to the EU's share of 55 per cent. It thus makes sense for them to form a coalition for the purpose of dealing with the EU, including in multilateral negotiations. That was done recently, in the form of the New World Wine Producers' Forum that involves officials and wine industry representatives meeting twice a year. Building up that new informal institution, by drawing on the huge success during the Uruguay Round of the Cairns Group of like-minded agricultural-exporting countries, is likely to have a high payoff during and beyond the next round of WTO trade talks. Care is needed in fine-tuning their requests for trade policy reforms abroad, however. Wittwer et al. (2001) note that their modelling of a reduction in the EU wine import tariff generated some counter-intuitive results. In particular, since the EU tariff is volumetric rather than ad valorem, its reduction encourages the consumption and importation of non-premium relative to premium wines and so leads to less rather than more sales from premium wine exporters such as Australia and New Zealand.

Conclusion

What should one answer to the person in the street who asks: has Australia invested too much in vineyards in the past few years? As is true for all such economic questions, the answer is: it depends. The average price of our exports is still rising, but will it soon fall? The Wittwer et al. (2001) analysis suggests it would if the industry did nothing more in response to the growing supplies of premium wine at home and abroad. But the industry *is* doing a great deal to reduce the risk of a slump in profits, and it has scope to do even more. So long as its producers also remain attuned to the market and flexible enough to respond to exogenous shocks such as currency re-alignments, changes in consumer fashions, or disease outbreaks, its prospects for continued prosperity look good. But, as anybody who has studied the history of the wine industry knows, the only thing that is really certain is that this is an industry characterized by great uncertainty and ever-fluctuating fortunes.

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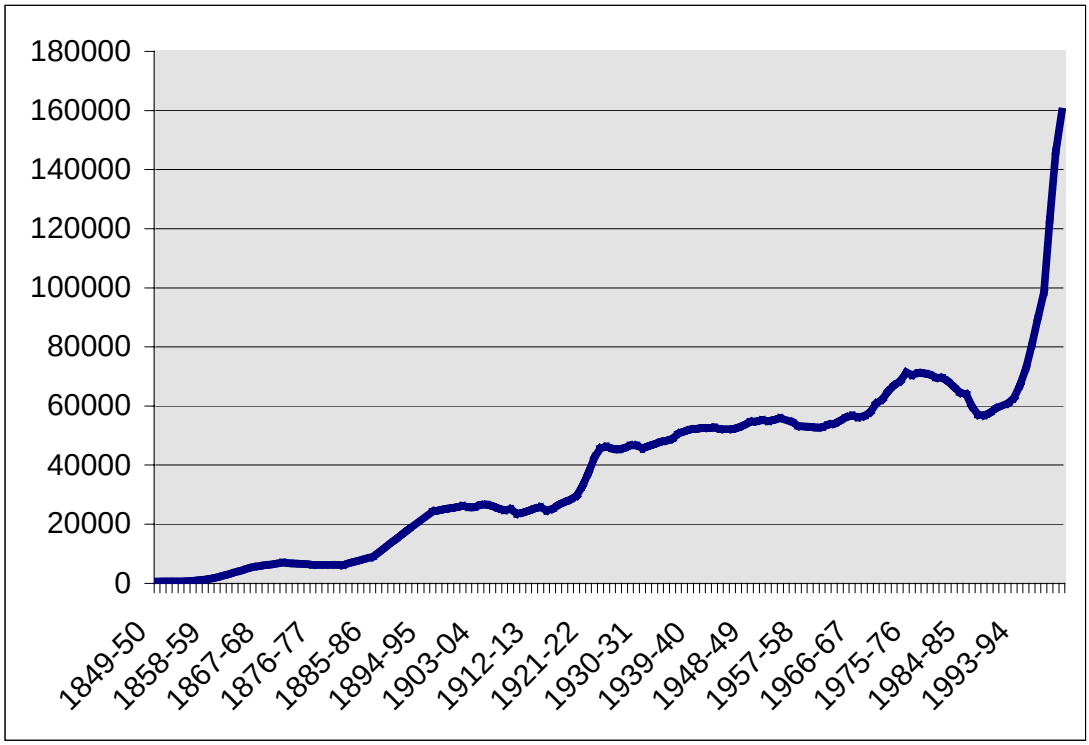
Figure 1: Area of vineyards (hectares), Australia, 1849-50 to 2000-01



Source: Updated from Osmond and Anderson (1998, Table 2).

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1. **Anderson, Kym and Robert Osmond**, "How Long Will Australia's Wine Boom Last? Lessons From History" August 1998. (Since published in *The Australian Grapegrower and Winemaker* 417: 15-18, September 1998.)
2. **Wittwer, Glyn and Kym Anderson**, "Impact of Tax Reform on Australia's Wine Industry" September 1998. (Since published in *The Australian Grapegrower and Winemaker* 418: 62-66, October 1998.)
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4. **Anderson, Kym and Glyn Wittwer**, "More on Modeling the Impact of Tax Reform: How Unequal is the Proposed Wine 'Equalization' Tax" May 1999. (Since published in *The Australian and New Zealand Wine Industry Journal* 14(3): 100-101, May/June 1999.)
5. **Anderson, Kym and Nicholas Berger,** "Australia's Re-emergence as a Wine Exporter: The First Decade in International Perspective" October 1999. (Since published in *The Australian and New Zealand Wine Industry Journal* 14(6): 26-38, Nov/Dec 1999)
6. **Anderson, Kym**, "On the Impact of the Canada-United States Free Trade Agreement on U.S. Wine Exports," June 2000. (Since published in *The Australian and New Zealand Wine Industry Journa*l 16 (1): 115-117, January/February 2001.)
7. **Anderson, Kym,** "Prospects Ahead for the Wine Industry", March 2001. (Forthcoming in *Australian Grapegrower and Winemaker* 434, April 2001.)