



# **Wine Economics Research Centre**

## **Wine Policy Brief No. 3**

### **How does Australia rank in the various quality segments of the world's wine markets?**

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**March 2011**

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# WINE ECONOMICS RESEARCH CENTRE

The Wine Economics Research Centre was established in 2010 by the School of Economics and the Wine 2030 Research Network of the University of Adelaide, having been previously a program in the University's Centre for International Economic Studies.

The Centre's purpose is to promote and foster its growing research strength in the area of wine economics research, and to complement the University's long-established strength in viticulture and oenology.

The key objectives for the Wine Economics Research Centre are to:

- publish wine economics research outputs and disseminate them to academia, industry and government
- contribute to economics journals, wine industry journals and related publications
- promote collaboration and sharing of information, statistics and analyses between industry, government agencies and research institutions
- sponsor wine economics seminars, workshops and conferences and contribute to other grape and wine events

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Thanks are due to Nicki Chandler and Jagath Dissanayake for research assistance and to the Grape and Wine Research and Development Corporation for financial support through GWRDC Project No. UA 08/04. The views expressed are the author's alone. Forthcoming in Wine and Viticulture Journal 26(2), March/April 2011.

## **How does Australia rank in the various quality segments of the world's wine markets?**

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Getting a sense of the importance of each country in global wine markets has never been easy. Volume and value data are available for exports and imports, but globally only with a long lag. Data on volume of production are easily available only for the main producing countries. Consumption data are in even shorter supply, and they typically refer only to retail sales rather than pre-tax wholesale prices. Most sources are focused only on total wine, possibly separating out sparkling from still and, in the case of trade data (obtained from the United Nations' Commodity Trade Statistics at <http://comtrade.un.org>), bulk from bottled.

Nonetheless, with enough perseverance, the occasional assumption and some statistical techniques, it is possible to compile a comprehensive dataset that summarizes global shares by value categories. A first attempt at doing that has just been completed and is reported in a new statistical compendium of global wine markets, to be published in April (Anderson and Nelgen 2011). It distinguishes four categories of wines: non-premium, commercial-premium and super-premium still wines, plus sparkling wines. This seems at least a little more helpful than dividing the market into just 'commodity' and 'fine' wines.

We define commercial premium still wines to be between US\$2.50 and US\$7.50 per litre pre-tax at the national border. (This is equivalent to around AUD4 and AUD12 per 750ml bottle retail in Australia including all taxes and distributor mark-ups of 25% for non-premium wines and 33% for other wines.) Still wines below US\$2.50 per litre pre-tax are considered non-premium, as are bulk wines traded internationally, and those above US\$7.50 are classified as super-premium. This classification is used to get shares of the volume of domestic consumption of the three still wine categories, compressed from *Euromonitor* data on volume of sales by retail price range. The price ranges are reduced to pre-tax wholesale prices by taking account of excise taxes, GST/VAT and import taxes (from Anderson 2010) and assuming the above-mentioned marketing/distribution margins. The long delays in compiling complete data for all countries mean that data on global shares currently go up to only 2009.

What do those value estimates reveal? The most-familiar data are for exports, and the main players are included in Figure 1. Countries are ranked according to their shares of the global value of total (including sparkling) wines. Looking at the second bar for each country, France is the clear outsider with just over 50% of the world's super-premium still wine exports, nearly three times that of second-ranked Italy at 18%. Perhaps more surprising is that New Zealand is ranked 3<sup>rd</sup> in this category with 7%, ahead of Australia and Spain (each 3% of world exports of super-premium still wines). South Africa and Argentina trail behind Chile and the United States – although Argentina's share has probably risen somewhat in the past two years.

Super-premium wines as defined here are estimated to account for almost two-fifths of the value of the global still wine market, non-premium for just one-fifth, and the remaining 43% are commercial-premium wine sales. This contrasts sharply with their volume shares, which are 11% super-premium, 41% commercial-premium, 48% for non-premium.

It is Italy that has the number one rank in terms of value of exports of commercial-premium wines, ahead of France, while Spain is first ranked in non-premium wine exports, well ahead of Italy and then France. Together these three account for 50% of commercial-premium and non-premium global still wine export value, and 70% of super-premium still wine. The next-ranked commercial premium exporters are Australia, Chile, the United States and South Africa, and the same ordering applies to non-premium exports.

Those export shares are not all that closely related to value of global production shares, because of the large differences across countries in the extent to which national production is exported and consumption is imported. Most notable is the jump to 1<sup>st</sup> place for the United States followed by France and then Italy in the value of super-premium still wine production. The super-premium shares of Australia, Spain and New Zealand are similar but well behind Italy's (Figure 2).

Global import value shares are best sub-divided into European and then others. In the super-premium category, Switzerland, Belgium (including Luxembourg) and the United Kingdom take the first three places, before there is a step down to the next three Europeans, namely Denmark, Germany and France. The United States and Japan have even larger shares of super-premium imports by value though, at 17% and 12%, respectively; and Canada is slightly ahead of the UK in this category (Figure 3). The East Asian markets were still rather

minor as destinations for super-premium wine as of 2009. However, they have grown very considerably since then.

The UK and US are almost equally dominant importers in the commercial-premium category, and with Germany account for just over half of the value of those global imports. As for non-premium, China is the only significant East Asian importer: by 2009 it was ranked 11<sup>th</sup> but has almost certainly joined the top ten list since then.

Finally, the shares of consumption values are shown in Figure 4, again with the Europeans and others separated. The United States is the dominant outlier in terms of super-premium consumption, followed by France. The next three are Japan, Canada and Switzerland, and then Germany, Denmark and the UK. As for commercial-premium wines, the United States and then the UK are ranked highest, followed well behind by France and then China, Germany and Canada.

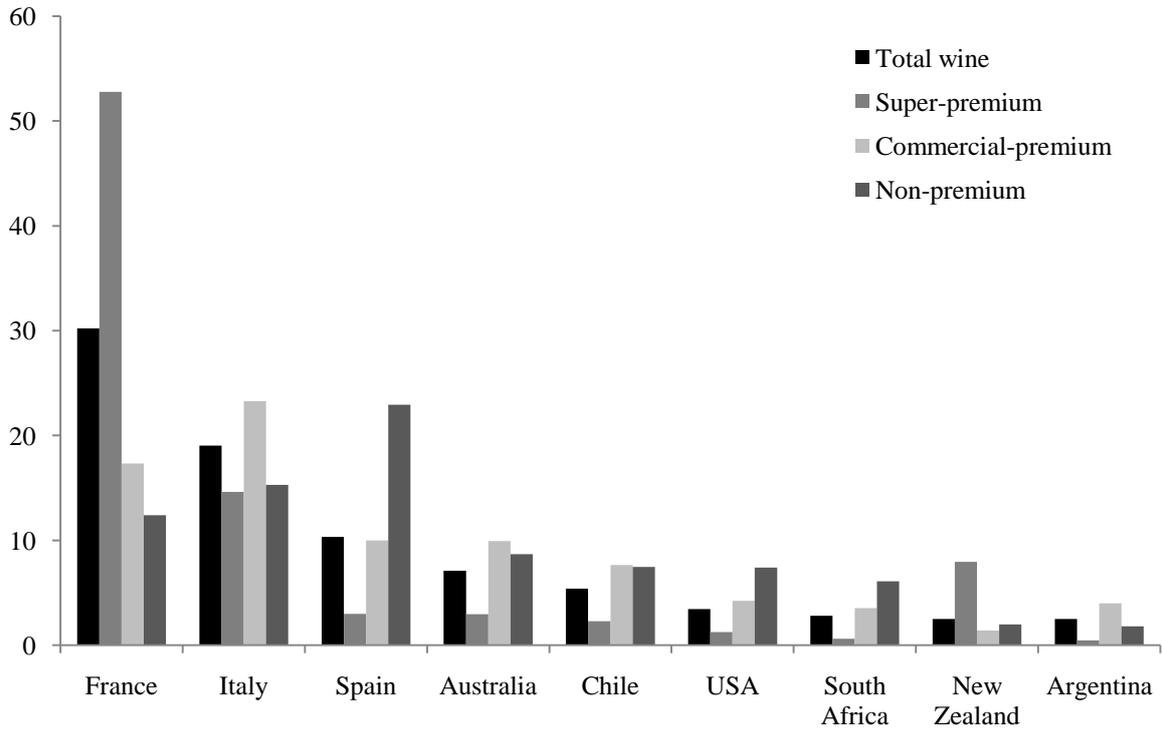
These shares are clearly dependent on numerous assumptions as well as on the arbitrary way in which we have defined the three priced-based quality categories, Even so, they provide an additional perspective on the world's wine markets to that usually presented with less-complete statistics.

## References

Anderson, Kym (2010), "Excise and Import Taxes on Wine vs Beer and Spirits: An International Comparison", *Economic Papers* 29(2): 215-28, June. Also available as Wine Economics Research Centre Working Paper 0510, March 2010, at [www.adelaide.edu.au/wine-econ](http://www.adelaide.edu.au/wine-econ).

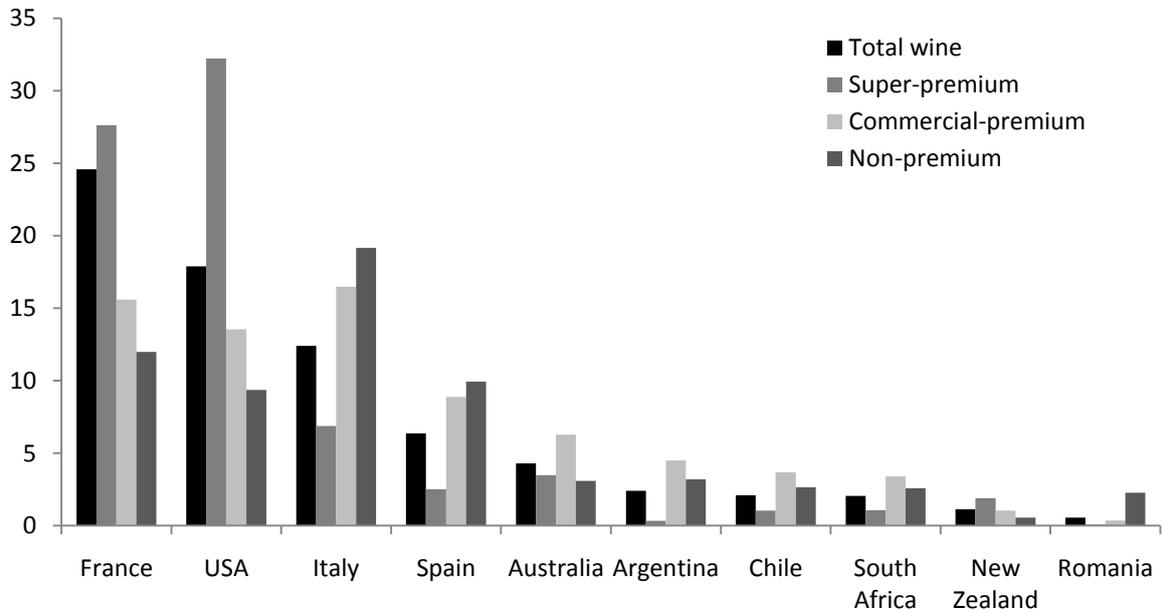
Anderson, Kym and Signe Nelgen (2011), *Global Wine Markets: A Statistical Compendium, 1961 to 2009*, Adelaide: University of Adelaide Press, forthcoming April. To be published as an e-book at [www.adelaide.edu.au/press](http://www.adelaide.edu.au/press).

Figure 1: Shares of global export value, total (including sparkling) wines plus super-premium, commercial-premium and non-premium wines, 2009 (%)



Source: Anderson and Nelgen (2011).

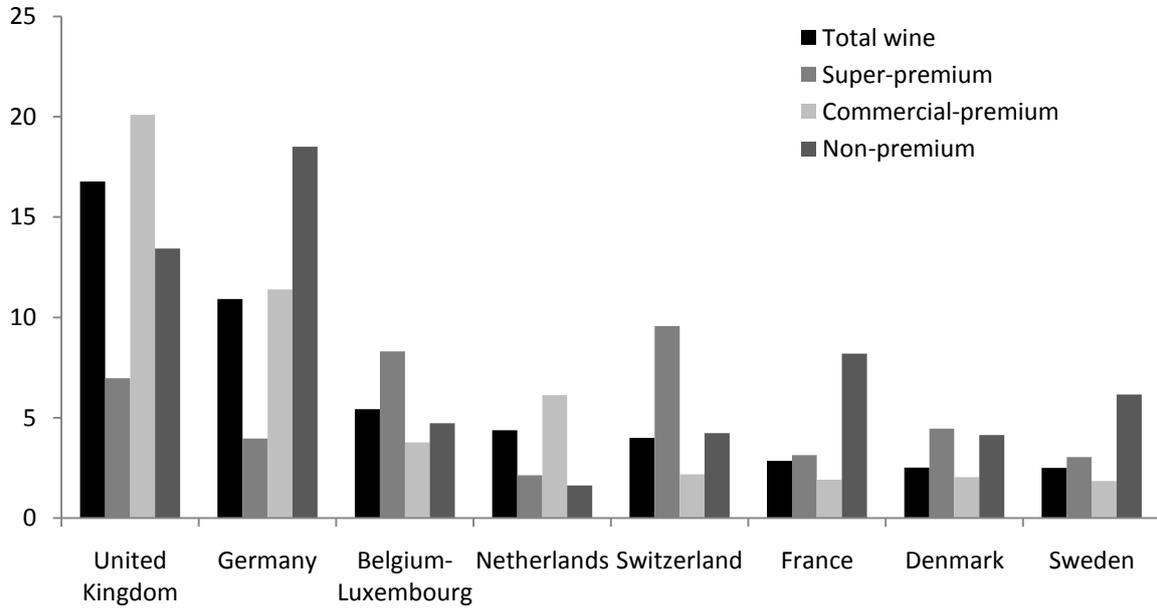
Figure 2: Shares of global production value, total (including sparkling) wines plus super-premium, commercial-premium and non-premium wines, 2009 (%)



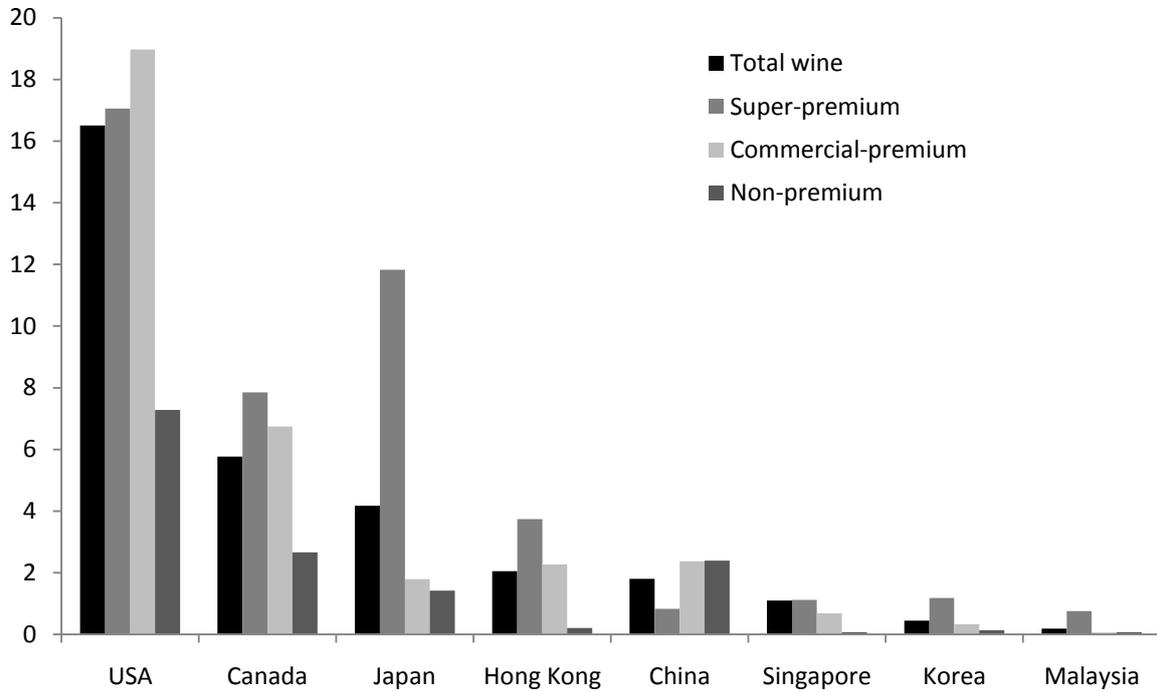
Source: Anderson and Nelgen (2011).

Figure 3: Shares of global import values, total (including sparkling) wines plus super-premium, commercial-premium and non-premium wines, 2009 (%)

(a) Key European countries



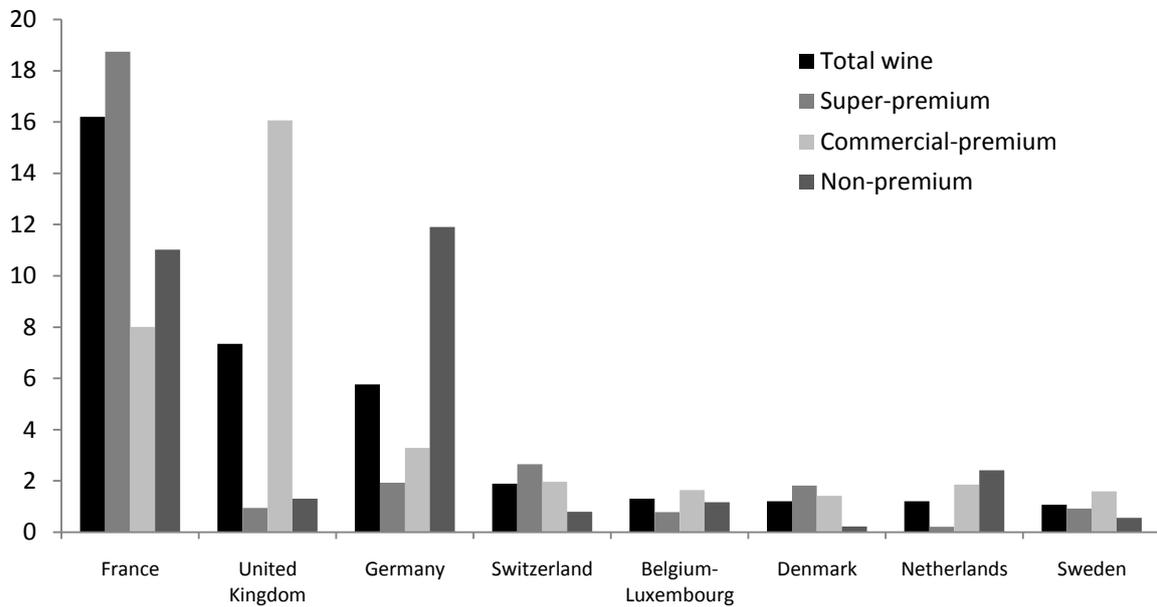
(b) Key non-European countries



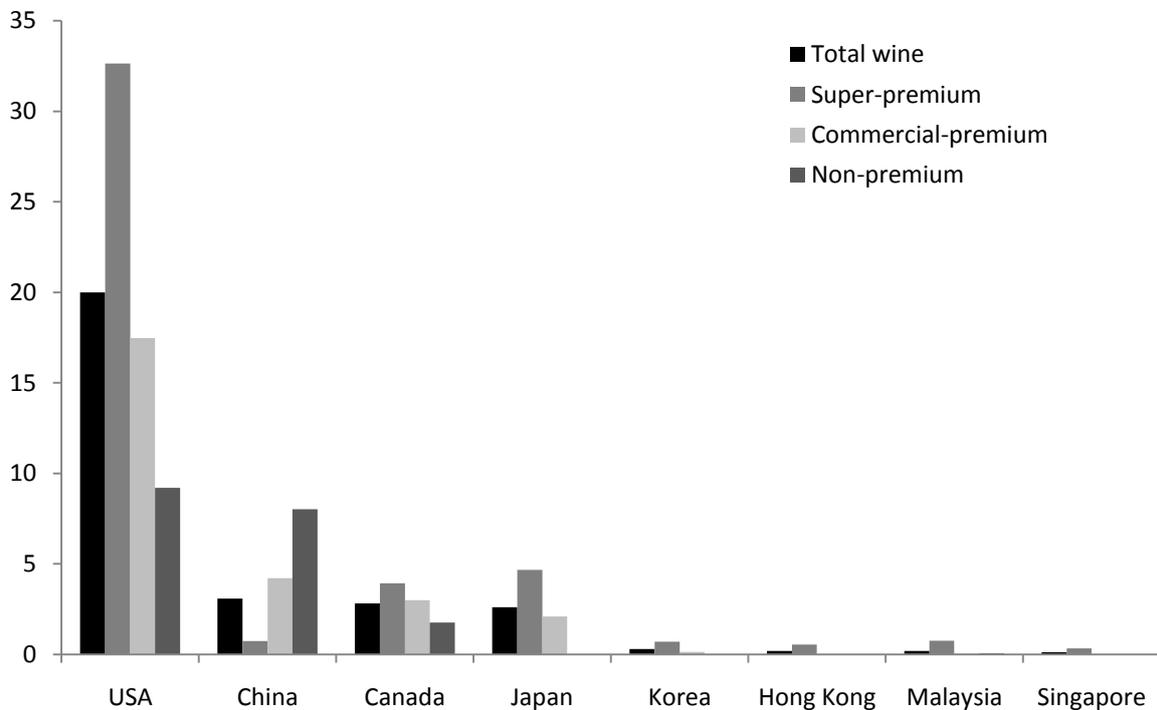
Source: Anderson and Nelgen (2011).

Figure 4: Shares of global consumption value, total (including sparkling) wines plus super-premium, commercial-premium and non-premium wines, 2009 (%)

(a) Key European countries



(b) Key non-European countries



Source: Anderson and Nelgen (2011).