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China's Wine Market In Transition: Australia Shines As France, U.S. Decline

Wine volumes in China slipped last year, but international marketers continue to see it as a long-term growth opportunity. China's free trade agreements with Australia and Chile have benefited producers from those two countries as they compete with longtime top player France. Meanwhile, U.S. wines have faced headwinds in China owing to the trade war between the two countries.

Last year, imported wine volume in China was down 8.3% to 76.4 million cases, according to Impact Databank—marking the first decrease since 2014—as imports accounted for 38.2% of the total Chinese wine market. By value, however, imported wine grew 2.1% to \$2.85 billion, indicating that consumers continue to trade up.

France, the largest imported wine segment, fell 21% to 19.3 million cases and 3.1% to \$1.1 billion last year. Reds from Bordeaux have traditionally been the calling card of Chinese wine drinkers, but Bordeaux volumes were down last year. While France still accounts for 37% of the import market by value, Australia, the number-two import player, rose 5.4% to \$723 million in 2018. Chile (+1%), Italy (+4.9%), and Spain (+3.2%) were also on the rise in value terms. The U.S. posted a 5.2% decline to \$75.5 million.

“Imported wine continued to slide in the first four months of this year, signaling that the wine market is becoming more challenging than expected,” notes Yoshi Shibuya, CEO of Suntory-owned ASC Fine Wines, one of China's major import firms. According to the China Association for Import and Export of Wines and Spirits (CAWS), Australia overtook France as the top supplier during the first four months of 2019. While Australia and Chile enjoy FTAs with China, established in 2015 and 2005, respectively, French wines bear a 14% import tax.

Tom King, managing director for North Asia at Treasury Wine Estates (TWE), is focused on building TWE's luxury and prestige brands. “People under 30 with disposable income are getting into wine appreciation,” he says. “Methods of consumption are also evolving. While traditional gifting or formal banquets and dinners are still very much a part of the culture, consumers are purchasing wine for personal reward and more immediate consumption.” King adds that the expanding number of purchasing channels in China—including mobile shopping apps and increasing retail and bar sales—have boosted Australian wine. TWE has targeted the market with launches like Penfolds Lot 518, a fortified Barossa Shiraz enhanced with baijiu, which retails at CNY798 (\$116) a 700-ml.

As wines from Chile and Australia thrive, U.S. wines rank sixth, at less than 1.5 million cases. Hindering progress have been three recent tariff increases on American wine imports to China: a 15% levy in April 2018, a further 10% hike in September 2018, and another 15% increase this past June.

Still, Bill McMorran, vice president and general manager, Asia, for E. & J. Gallo, is confident that American wines can overcome the trade war. One of Gallo's priorities is penetrating the market through e-commerce platforms, the fastest-rising sector for wine sales. "E-commerce continues to thrive," McMorran says. "Word of mouth from friends and family (including those on social media platforms) remains the most powerful source of wine information." Last year, Gallo signed a three-year strategic partnership with e-commerce giant Alibaba. McMorran notes that while imported wine volume in 2018 declined, value remains stable. "Consumers are reining in consumption frequency for informal occasions but trade up to higher-priced premium wines," he says.

News Briefs:

- Tanqueray gin has unveiled a new flavored expression. Distilled four times with the essence of orange, Tanqueray Sevilla Orange is now rolling out across select Florida markets. While the launch will initially be limited to 1-liter bottles, 750-ml. packaging is set to debut in October. The orange-tinted expression first launched in Europe last September. Tanqueray is a part of Diageo's gin portfolio, which also includes the Gordon's, Jinzu, and Villa Ascenti labels.
- Pio Cesare has released its first single-vineyard Barolo in 30 years. The Pio Cesare Barolo Mosconi 2015 is sourced from a vineyard in the Monforte d'Alba commune. The grapes were vinified in two parcels—one for vines planted in 1947 and one for vines from 1971—before blending. About 5,000 750-ml. bottles and 300 magnums of the Barolo Mosconi 2015 were produced. The wine is currently available across the U.S., retailing at \$200 a bottle. Maisons Marques & Domaines is Pio Cesare's exclusive U.S. importer.
- Portland, Oregon's Beck Family Estates has launched a national sales company in the U.S., taking over as the exclusive importer and marketer for the company's portfolio of wines from South Africa and Oregon. The new company now handles importing and marketing for Graham Beck and Steenberg Vineyards from South Africa's Western Cape, and will be responsible for marketing Oregon's Angel Estate and Abbott Claim (an upcoming brand set to launch in 2020). The new import company is led by Kristin Marchesi, vice president of winery operations, and Clay Farmer, vice president of sales.
- Texas wholesaler Mexcor Pioneer Wine and Spirits (MPWS) has named Drew Hendricks director of business development and sales, a newly created role. Hendricks was previously director of business development at Republic National Distributing Co. (RNDC). Now he'll turn his attention to continuing to build MPWS's presence in the fine wine and craft spirits segments. MPWS is a recently formed joint venture between Mexcor CEO Eduardo Morales and Greg Kassaroff, founder of Pioneer Texas and CEO of MPWS.
- Morton Shiekman, who founded New Jersey-based Parliament Import Co., passed away August 21 at the age of 97. A standout football player at the University of Pennsylvania, Shiekman was drafted by the Pittsburgh Steelers but instead enlisted in the U.S. Army Air Corps during World War II. After the war, he owned Caldwell's Liquor stores in New Jersey, and founded Parliament in 1967, specializing in French wines. Today, his son Jonathan Shiekman continues the family legacy in the drinks business with his Linwood Wine & Spirit import company.

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