

# MARKET INSIGHT REPORT



## GLOBAL WINE SUPPLY MONITOR JANUARY 2009



Australian Government  
Australian Wine and  
Brandy Corporation

Wine Australia  
[www.wineaustralia.com](http://www.wineaustralia.com)



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# 1 Introduction

## **Background**

The *Global Wine Supply Monitor* presents information on harvest tonnages and wine production since 1994 for the major wine producing countries in the world. The report was compiled by the Australian Wine and Brandy Corporation and is the inaugural release of what will be a bi-annual report. Future target releases will be in July and December each year. The timing of these releases should make possible an early indication of the harvest results for the Southern Hemisphere in July and the Northern Hemisphere in December. The next report in July 2009 will provide an update on the 2009 harvest in the Southern Hemisphere.

The monitor uses the data published in *The Global Wine Statistical Compendium* up to 2006, the most recent compendium data available. Wine production for 2007 and 2008 is estimated by the AWBC based mainly on estimates contained in the *OIV State of Conditions* report released in November 2008 as well as other reliable sources including government agencies, industry associations and well-recognised industry journals.

Winegrape harvest tonnages are only reported for countries for 2007 and 2008 where reliable data is available.

## **What is in this report?**

There are two major data items covered in this report:

- The production of wine in litres from 1994 to 2008, and
- The tonnes of winegrapes crushed by vintage from 1994 to 2006.

Section 2 summarises the report's key insights which are detailed in the subsequent sections.

Section 3 presents an overview of world wine and winegrape production since 1994.

Section 4 provides a report on wine production for 2008, with a focus on the major wine producing countries in the Northern Hemisphere (Italy, France, Spain, USA, Germany, Portugal and Romania) and Southern Hemisphere (Argentina, Australia, South Africa, Chile and New Zealand).

Section 5 presents a detailed data table.

Section 6 lists the main data sources.

# 2 Key insights

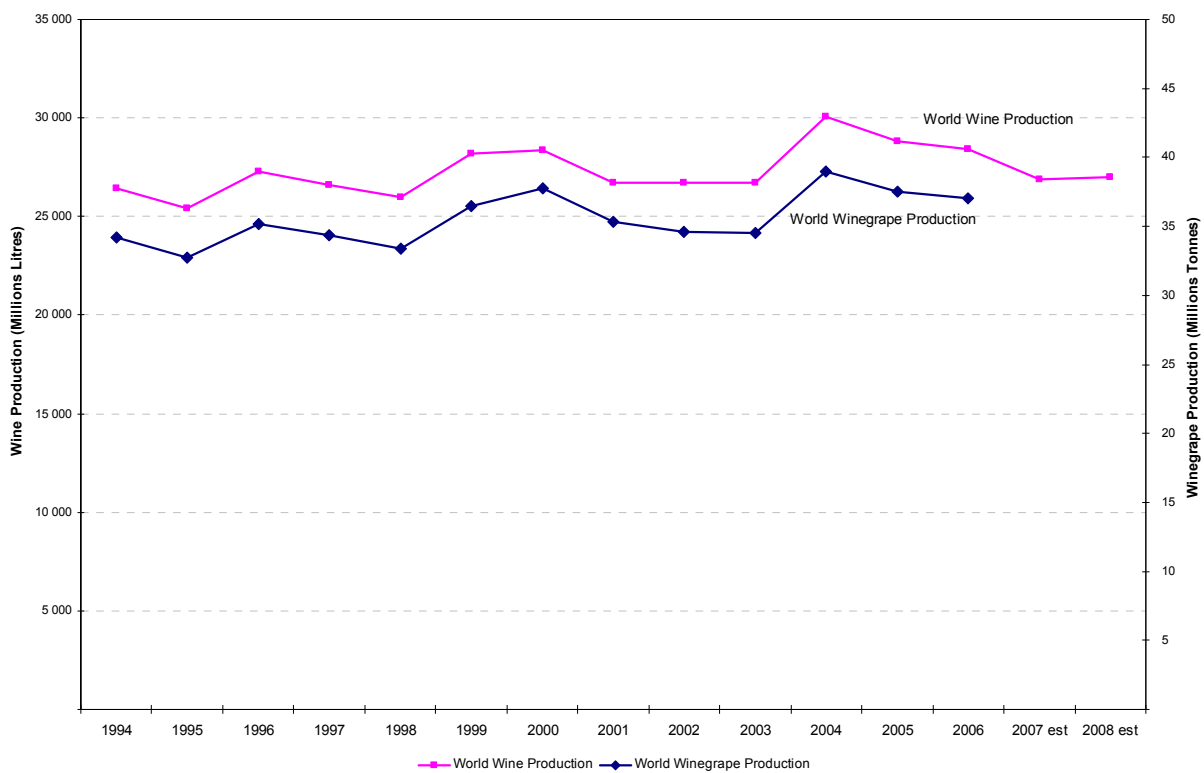
- A downward trend in world wine production following its peak in 2004 was halted in 2008
- France and Italy driving overall downward trend in world wine production
- World wine production increased marginally in 2008
- Northern Hemisphere production declined marginally in 2008; Italy overtook France in wine production
- Southern Hemisphere production increased in 2008, driven by a large increase in Australian wine production

### 3 World wine and winegrape production overview

**A downward trend in world wine production following its peak in 2004 was halted in 2008**

- In the period since 1994, world wine production has remained in the range of 25 to 28 billion litres except for 2004 when production edged to just over the 30 billion litre mark.
- In the three years following the peak of 2004, world wine production declined at a compound annual rate of 4%. However, this decline was halted in 2008, when world wine production increased marginally by 0.3% to 27 billion litres.
- The graph below demonstrates the strong and consistent relationship between the winegrape production and the resultant wine production.

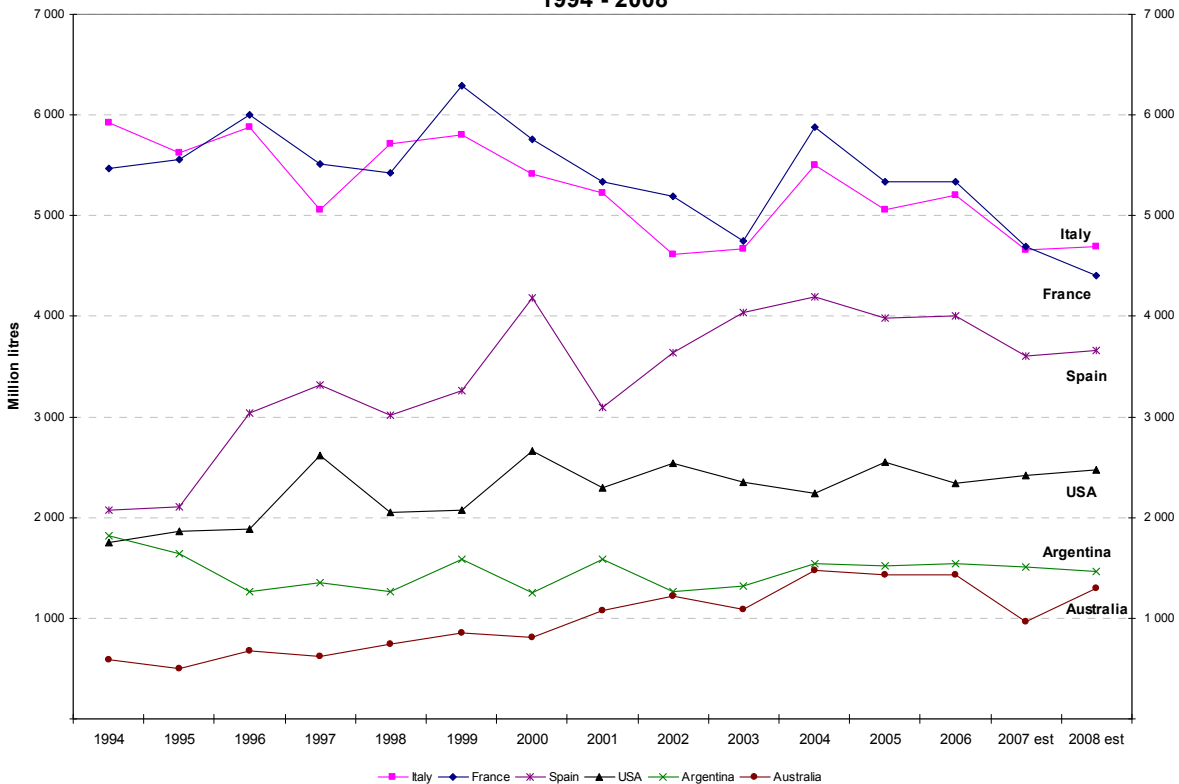
**World Wine Production and World Winegrape Production: 1994 to 2008**



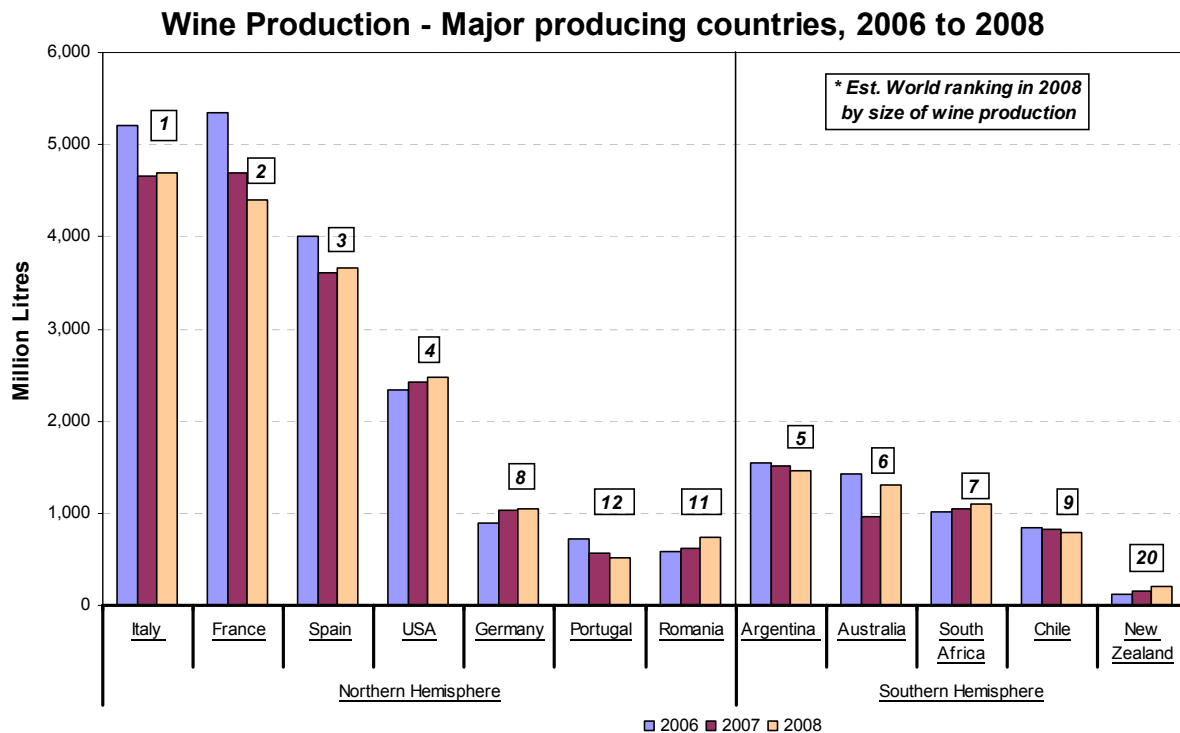
**France and Italy driving overall downward trend in world wine production**

- The top five wine producers in the world in 2008 were Italy (4.7 billion litres), France (4.4 billion litres), Spain (3.7 billion litres), the United States (2.5 billion litres) and Argentina (1.5 billion litres). Together they accounted for 62% of the wine produced in the world, down three percentage points from a peak share of 68% in 2000.
- Australia was the sixth largest wine producer with 1.3 billion litres in 2008, just behind Argentina, but still well behind the USA. Australia accounted for 5% of world wine production, an equal high share with that recorded in 2005 and 2006. Despite producing less wine than both countries, Australia is ranked ahead of both Argentina and the USA in the volume of wine exported.
- After being the world’s largest wine producer for almost a decade, France was overtaken by Italy in 2008. However, the production by both countries was significantly less than a decade ago. The combined wine production by Italy and France declined by a quarter, from a reported peak of 12 billion litres in 1999 to 9 billion litres in 2008. French wine production in 2008 was the lowest in the reported period, while Italian production was the fourth lowest during the same period.
- Wine production from third-ranked Spain has shown an upward trend over the reported period. Although Spanish production in 2008 was down from a peak of 4.2 billion litres in 2004, it was still nearly double what it was in 1994.
- The US is the fourth-ranked wine producing country with wine production occasionally topping the 2.5 billion litre mark, only to have it fall during the following couple of years, leading to a pattern of up and then down. However, the last two years have been “up” years with production edging close to the reported peak in 2000.
- Wine production by fifth-ranked Argentina has remained at around 1.5 billion litres over the past five years. However, this is lower than the reported peak of 1.8 billion litres in 1994.
- In the decade after 1994, Australian wine production steadily increased to a peak of almost 1.5 billion litres in 2004. Production remained at around this level for the next two years before falling by a third in 2007, due to severe drought and frost conditions across some regions. Production recovered to 1.3 billion litres in 2008.

**Wine Production of the 6 largest producing countries in 2008;  
1994 - 2008**



## 4 Overview of 2008 wine production



\* There is no available data for China for 2007 and 2008, but 2006 data suggests that China would be ranked number ten in world wine production

### World wine production increased marginally in 2008

- World wine production increased 0.3% (81 million litres) to 27 billion litres in 2008, the first increase since 2004.
- A significant increase (369 million litres) in wine produced in the five reported Southern Hemisphere countries offset declines in the seven reported Northern Hemisphere countries (72 million litres) and other wine producing countries not reported separately (216 million litres). These other countries include China and Eastern European producers such as Hungary and Moldova.

### Northern Hemisphere production declined marginally in 2008; Italy overtook France in wine production

- Wine production estimates for the major Northern Hemisphere wine producing countries reported here declined by 0.4% in 2008 to 17.5 billion litres but the combined share of world wine production of these seven countries remained at 65%.
- Italy overtook France as the largest wine producer in the Northern Hemisphere (and the world) in 2008. Italian wine production increased by 1% to 4.7 billion litres. In contrast, French production declined for the second consecutive year, down 6% to 4.4 billion litres. In France, poor weather conditions (mild winter, late spring frost, excessive humidity in spring and summer) and decreased land under vine are largely responsible for the drop in production. In Italy the increase in production was largely due to good weather conditions which helped vineyard yields improve after falling significantly in 2007. The Italian share of world wine production remained at 17% while the French share fell one percentage point to 16%. Together, Italy and France produced a third of the world's wine in 2008.
- Spain (up 2%), the US (up 2%), Germany (up 2%), and Romania (up 19%) all recorded increases in production while Portugal was the only other reported Northern Hemisphere producer to record a decline (down 11%).

## Global Wine Supply Monitor

- Albeit off a small base, Romania recorded the largest absolute increase in production (up 119 million litres) while France clearly recorded the largest decline (292 million litres). The large decline in French wine production was chiefly responsible for the overall Northern Hemisphere decline.

### ***Southern Hemisphere production increased in 2008, driven by a large increase in Australian wine production***

- Wine production of the major Southern Hemisphere wine producing countries reported increased by 8% in 2008 to 4.9 billion litres and the combined share of world wine production of these five countries increased by one percentage point to 18%.
- Despite a 2% decline in wine production to 1.5 billion litres in 2008, Argentina remained the largest wine producer in the Southern Hemisphere (and fifth in the world). Extreme weather conditions in Argentina, such as higher than normal rainfall leading to some disease pressures, and cooler than usual temperatures resulting in some frost damage, contributed to the drop in wine production in 2008.
- Australia overtook South Africa to regain its position as the second largest producer of wine in the Southern Hemisphere (and sixth overall), having recovered strongly from the low 2007 harvest with a 35% increase in 2008, to 1.3 billion litres. Australia easily recorded the largest volume increase (341 million litres) and accounted for over 90% of the increase in the reported Southern Hemisphere production.
- South Africa recorded a 5% increase in wine production to 1.1 billion litres but the increase in volume (49 million litres) was only 14% of the Australian increase in volume. South Africa dropped back one place to rank third in the Southern Hemisphere and seventh overall. South African vintners had to deal with a difficult growing season in 2008 with inconsistent weather that required significant vineyard management to keep crop levels in the normal range.
- One of Australia's major exporting competitors, Chile, registered a 5% decline in production in 2008 to 786 million litres. This ranked Chile at number four in the Southern Hemisphere and ninth overall. A dry, lengthy growing season in 2008 in Chile resulted in lower yields and the subsequent drop in wine production.
- New Zealand remains a small player in volume terms, ranked fifth in the Southern Hemisphere and twentieth in the world. However, New Zealand recorded the strongest relative growth in production in the Southern Hemisphere, up 39% to 206 million litres. Good seasonal conditions contributed to yields in many vineyards being about 20 to 30 percent larger than expected. Although coming off a much smaller base, the increase in the volume of New Zealand wine produced (58 million litres) was nearly 20% greater than that for South Africa. Furthermore, New Zealand wine production doubled between 2005 and 2008, mainly on the back of strong global demand for New Zealand wine, predominantly Sauvignon Blanc. It is doubtful that New Zealand wine production will continue to increase at this rate in the future. The country's peak wine body, New Zealand Winegrowers, has already warned of an over-supply of New Zealand wine, advising its members in January 2009 to thin crops in an attempt to contain a potential bumper 2009 crop (Source: Drinks Business, January 15 2009).



## **6 Data sources**

ABS – Australian Bureau of Statistics

AWBC – Australian Wine and Brandy Corporation

Global Wine Statistical Compendium 1961 to 2006

INV - National Institute of Vitivinicultura (Argentina)

NZW – New Zealand Winegrowers

OIV – International Organisation of Vine and Wine

sawis – South African Wine Industry Information & Systems

Viniflor (France)

Vinos de Espana – Wines of Spain



## Looking for more industry information?

The **Australian Wine and Brandy Corporation** (AWBC) supports the Australian wine sector with a range of industry, regulatory and statistical information via the website.

### [www.wineaustralia.com](http://www.wineaustralia.com)

The Wine Australia website covers a broad range of general industry and regulatory information. If you are looking for information on wine regions and styles, steps to export, marketing materials, press releases and the latest news you will find it on this website.

By registering as a user of the [www.wineaustralia.com](http://www.wineaustralia.com) website you will be kept up-to-date with industry news and highlights via the monthly Wine Australia e-news.

### [www.wineaustralia.com/winefacts](http://www.wineaustralia.com/winefacts)

The winefacts section of the Wine Australia website provides a framework of industry statistics and reports on: Exports, Imports and Domestic sales, International Wine, Vintage Reports, Production and Crush, Supply and Demand. Both free and user pays information is available. Charged products can be purchased on an ad-hoc basis at full cost or companies can receive a generous discount by signing up to a full subscription that enables unlimited company users full access over a 12 month period.

To receive email notification on data updates and new releases register as a user of winefacts on [www.wineaustralia.com/winefacts](http://www.wineaustralia.com/winefacts)

### [www.wineaustralia.com/levypayer](http://www.wineaustralia.com/levypayer)

This secure area located at [www.wineaustralia.com/levypayer](http://www.wineaustralia.com/levypayer) provides selected information, free of charge, exclusively to AWBC Export and Wine Grape Levy Payers. You must be registered and logged in to access this information. This requires you to enter your valid **Levy Payer ID** in your **My Profile** on the website. This can be found on your Levies Revenue Service invoice, or by contacting Levies Revenue direct on 1800 020 619.

Information contained in this area includes: Wine Export Approval Reports and related export analysis, Varietal snapshots, Regional snapshots, Nielsen domestic sales data, National Winegrape Crush and Price Reports and Supply and Demand research papers.

## Contact us

For any questions regarding the above information please contact the AWBC Customer Relations Officer on 08 8228 2010 or via email at [info@awbc.com.au](mailto:info@awbc.com.au)