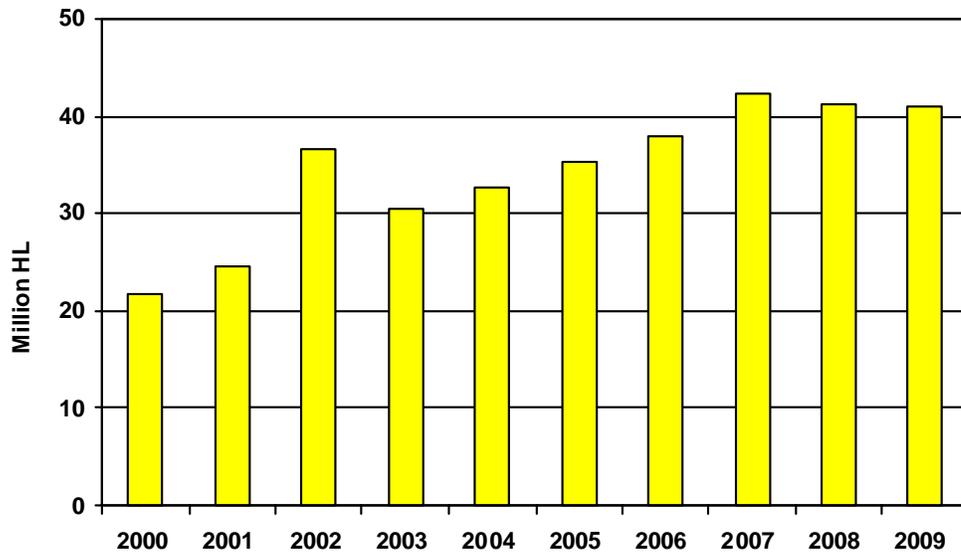




Wine: World Markets and Trade

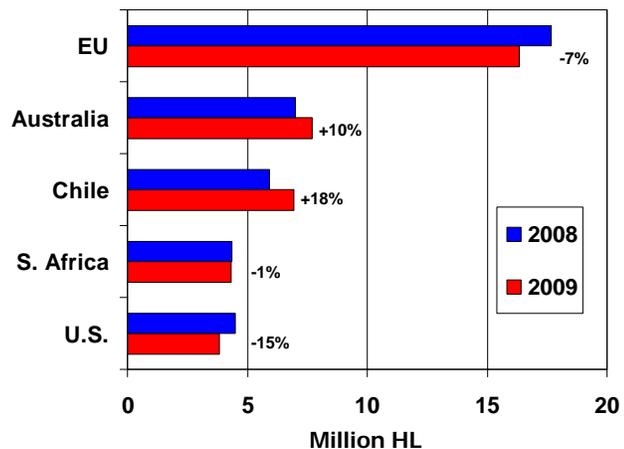
The Economic Crisis Has Curtailed Growth in World Wine Import Demand



SUMMARY

After a decade of robust global import demand growth, trade appears to have temporarily plateaued at 41 million hectoliters (HL) in 2009. During difficult economic periods, consumers typically switch to less expensive brands rather than severely cut their purchases, or this dip would have been more severe. Although the economic crisis treated exporters differently, the majority are optimistic that world demand will strengthen.

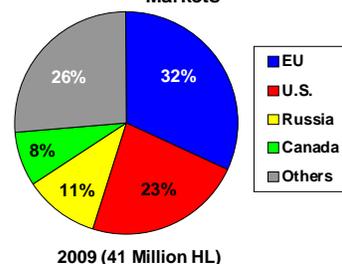
Exporters Affected Differently by Global Economic Conditions



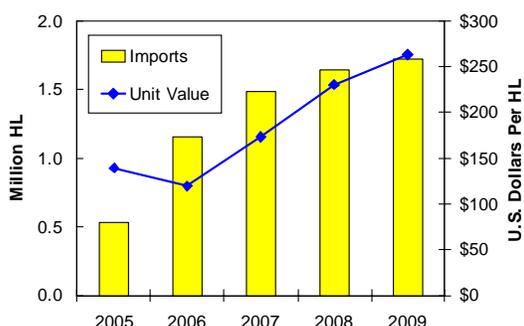
Major Importers

- EU imports were up 5 percent to 13 million HL in 2009 on greater demand for Chilean and South African wines, at the expense of the United States. However, the rate of growth has been slowing due to policies aimed at reducing alcohol consumption and competition from alternative beverages.
- U.S. imports rose by 10 percent to 9 million HL on greater demand for less expensive bulk wine from Australia and Chile, which are then bottled in the United States.

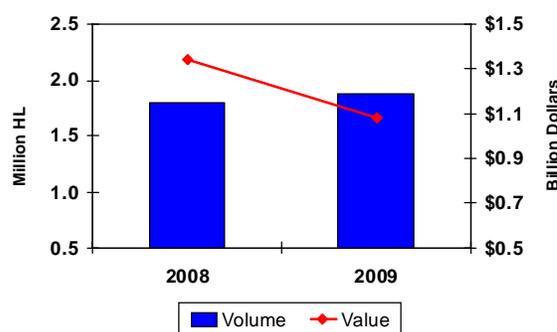
Global Imports Dominated by Top 4 Markets



China's Import Growth Rate Slowed, But Unit Values Surged

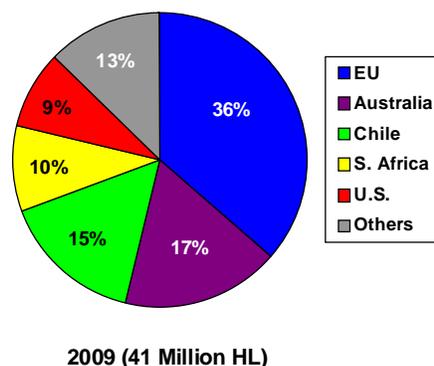


Japan's Imports Were Flat by Volume But Fell by Unit Value



- Russia's total imports contracted 25 percent to 4.3 million HL. Shipments of must and bottled wine tumbled by volume and value, whereas bulk imports (accounting for 30 percent of the total volume) surged more than 200 percent to 1.3 million HL. Lower bulk unit costs helped drive the increase.
- Japan's import volumes remained relatively flat, but values shrank 20 percent, as consumers switched to lower priced wines.
- China's import growth appears to have slowed in recent years. Business travel has fallen off, and, in turn, hotels and western-style restaurants have likely been drawing on stocks and reducing new purchases of imported wine. More importantly, import unit values have been rising, which suggests that consumers have been switching to more premium brands.

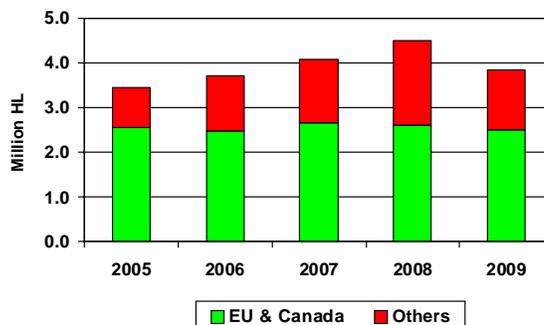
Global Exports Dominated by Top 5 Suppliers



Major Exporters

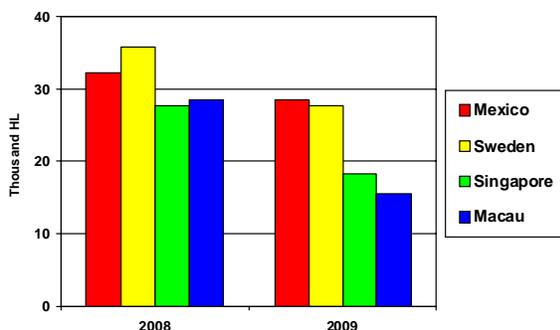
- U.S. exports to small markets plunged 15 percent to 3.8 million HL, but there were some bright spots, such as Hong Kong and China. Demand

U.S. Exports to Small Markets Shrank

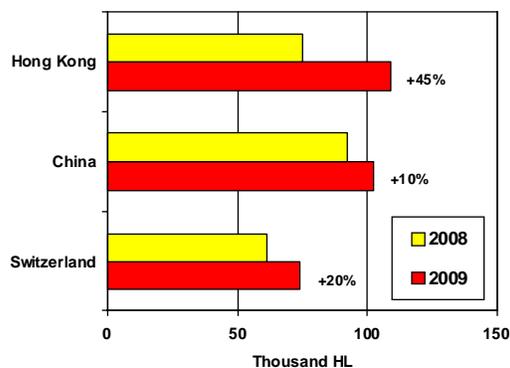


remained steady from our two largest markets, the EU and Canada.

U.S. Exports to Some Small Markets Tanked



...While Others Expanded



- EU shipments dropped almost 10 percent to 16.4 million HL due to lower demand from the United States, Russia, and a handful of other top markets.
- Australia produces only 5 percent of global production, but accounts for 15 percent of global exports. Shipments grew 10 percent to almost 7.7 million HL as a result of surging demand from the United States, Canada, and Japan. Excess exportable supplies and rising bulk exports, versus bottled, which are less expensive to transport, helped them gain cost advantages. However, there is a perception among importers and consumers that low price means low quality, a view the sector has vowed to change. This will be an uphill battle, and the industry expects the problem to persist another 3-5 years.
- Chilean shipments rose sharply to almost 7 million HL due to strong demand from major markets, particularly the United States, its second largest market after the EU. Free Trade Agreements with the United States and Japan appear to have helped boost wine shipments to these two.
- South Africa's exports were flat at 4.3 million HL, whereas in the past, they had been steadily growing. However, the outlook is positive. Hosting the 2010 World Soccer Cup could raise the country's visibility and help expand export sales.

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