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Thank you for the opportunity to comment on the recently concluded Free Trade Agreement negotiations between Australia and the Republic of Korea.

Australians who drink alcoholic beverages, only consume half the amount drunk by their Korean counterparts. Wine, however, contributes 37% of the alcohol consumed by the average Australian, yet only 2% of that drunk by the average Korean<sup>1</sup>. Hence the potential for growth in the Korean market is significant and, indeed, their imported wine market has grown by more than 10% in each of the last two years (see figure 1).

Figure 1: Wine exports to the Republic of Korea

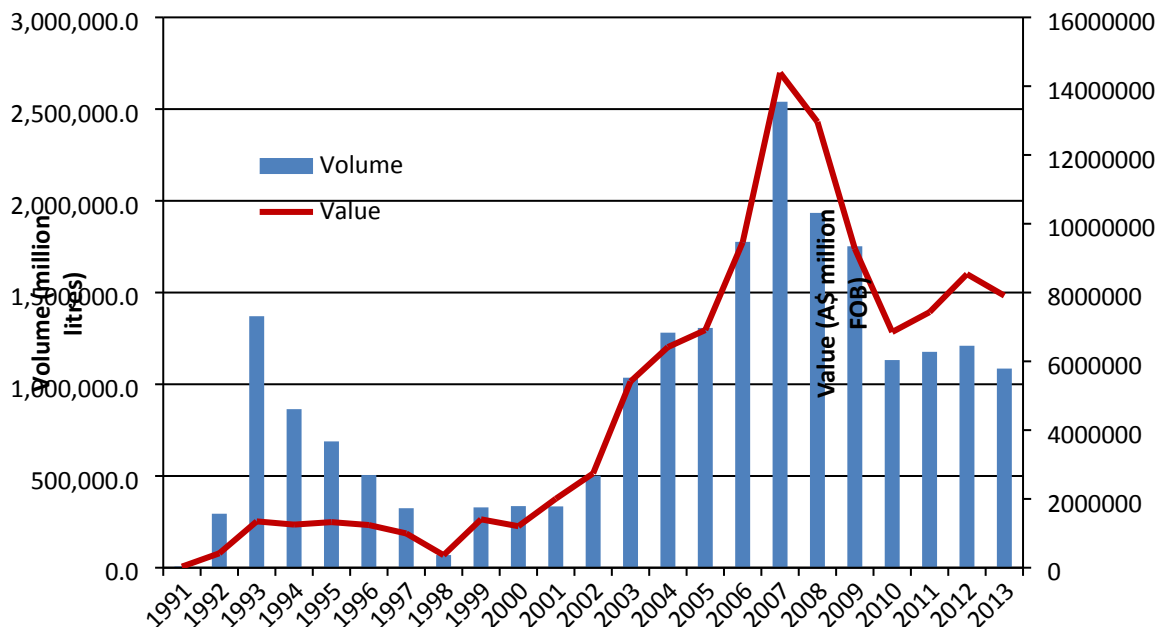
	2005	2006	2007	2008	2009	2010	2011	2012	2013	Growth in last year
Chile	3.2	3.8	6.4	6.6	5.3	5.8	6.4	6.6	7.9	20%
Spain	3.0	3.6	5.3	4.9	4.1	5.2	5.6	5.9	7.1	20%
Italy	1.5	1.9	3.3	3.6	3.2	3.9	4.2	4.7	5.1	7%
France	4.2	4.7	7.3	5.5	3.7	3.4	4.0	3.9	4.6	18%
United States	3.1	3.9	4.7	3.8	3.0	2.7	2.7	3.4	3.9	13%
Australia	1.3	1.6	2.4	2.0	1.7	1.3	1.2	1.3	1.1	-20%
South Africa	0.5	0.5	0.4	0.4	0.5	0.7	0.6	0.9	1.2	32%
Germany	1.0	1.0	1.2	0.8	0.7	0.8	0.5	0.7	0.5	-23%
Argentina	0.3	0.5	0.7	0.6	0.5	0.3	0.4	0.5	0.6	34%
New Zealand	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	1%
Other	0.5	0.3	0.4	0.4	0.3	0.3	0.2	0.2	0.5	197%
World	18.6	21.9	32.2	28.8	23.3	24.5	25.8	28.3	32.7	15%

The Korean market presents a particular attractive opportunity because the average value of wine exported to their market is \$US5.18 which compares favourably with many of our more traditional wine markets. The average value of our wine in the Korea is \$6.61, considerably higher than the overall market, hence Australian wine has a prestigious reputation in Korea. Although we have only the 6<sup>th</sup> largest share of the imported wine market, of those countries with higher share only France enjoys a higher average value.

The five countries that export more wine to Korea than Australia does, sharing 88% of the imported wine market, all benefit from preferential tariff treatment as a result of recent Free Trade Agreements. Chile, the market leader, has enjoyed zero tariff since 2009, Spain, Italy and France since 2011 and the USA since 2012. In contrast, Australia has lost market share over this period.

Australian exports to Korea peaked at 2.5 million litres valued at A\$14 million in 2007 but have since fallen to 1.1 million litres valued at A\$8 million in 2013 (see figure 2).

Figure 2: Australian wine exports to Korea over time



Wine Australia views the Republic of Korea as presenting an attractive opportunity for Australian wine. Although our wine is regarded highly in this market, export growth has been constrained by recent market access advantages conferred upon our competitors through bilateral trade deals. The Free Trade Agreement between Australia and the Republic of Korea has the potential to restore the balance in a very competitive marketing environment and we commend it to you.

Andreas Clark  
Acting Chief Executive Officer  
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<sup>i</sup> Source : Global Status Report on Alcohol and Health, World Health Organisation 2014