

Submission No: 154.1

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Sent: Friday, 23 April 2004 4:03 PM
To: Southcott, Andrew (MP)
Cc: Wilson, Frances (REPS); Committee, Treaties (REPS)
Subject: To Dr Andrew Southcott

Dr Andrew Southcott MP
Chair
Joint Standing Committee on Treaties on the
Free Trade Agreement between the United States and Australia

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27 APR 2004

BY:.....

Dear Dr Southcott

Please find attached the Winemakers' Federation of Australia (WFA) calculation for the estimated benefit of A\$20-\$A25m (to the Australian wine industry) arising from the AU/US Free Trade Agreement (FTA).

The benefit (value) to the Australian wine industry of the AU/US FTA in 2015 (ie all US import tariffs on wine reduced to zero) is ~A\$44m. Utilising a conservative approach, if half the benefit is apportioned to US importers/distributors (as assumed by WFA), then the benefit to the Australian wine industry is ~A\$22m.

Calculation assumptions:

- Australian wine export volume proportions to the US (based on December 2003 MAT data) remain constant ie. red/white/sparkling, bottle/bulk/soft pack etc
- Australian wine export volume to the US - Compound Annual Growth Rate of 12.83% 2002-2010
- Australian wine export volume to the US - CAGR of 5.00% 2010-2015 (note: the 1996-2002 CAGR of Australian wine export volume to the US is ~33%)
- tariff rates as per the Harmonized Tariff Schedule of the United States (2004)
- 80% of bottle red table wine exports to the US is below 14% alcohol volume
- constant US\$:A\$ exchange rate - US\$1 = A\$0.7313

If you have any questions regarding the calculation, please contact Nick Detmold (WFA Analyst) on 08 8222 9255.

Regards
Stephen Strachan

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27/04/2004

The Australia / US Free Trade Agreement - Benefit (Value) to the Australian Wine Industry

- all US tariffs to be phased out over an 11 year period (note: no specific timeline for implementation to date)

Australian Wine & Brandy Corporation - Wine Export Approval Report Data, December 2003 MAT							US Import Tariff						
Country	Major Categories	Container Types	2003		2010	2015	Per Litre	Total Benefit 2003		Total Benefit 2010		Total Benefit 2015	
			Litres	Share				Litres	Litres				
UNITED STATES OF AMERICA	Carbonated	bottled	450	0.000%	937	1,196	US\$0.198	US\$89	A\$122	US\$186	A\$254	US\$237	A\$324
UNITED STATES OF AMERICA	Carbonated	All Container Types	450	0.000%	937	1,196		US\$89	A\$122	US\$186	A\$254	US\$237	A\$324
UNITED STATES OF AMERICA	Fortified (excl sherry)	bottled	455,131	0.300%	947,592	1,209,394	US\$0.169	US\$76,917	A\$105,179	US\$160,143	A\$218,984	US\$204,388	A\$279,485
UNITED STATES OF AMERICA	Fortified (excl sherry)	bulk	10,207	0.007%	21,250	27,121	US\$0.224	US\$2,286	A\$3,126	US\$4,760	A\$6,509	US\$6,075	A\$8,307
UNITED STATES OF AMERICA	Fortified (excl sherry)	All Container Types	465,337	0.307%	968,842	1,236,515		US\$79,203	A\$108,305	US\$164,903	A\$225,493	US\$210,463	A\$287,793
UNITED STATES OF AMERICA	Fortified (sherry)	bottled	0	0.000%	0	0	US\$0.169	US\$0	A\$0	US\$0	A\$0	US\$0	A\$0
UNITED STATES OF AMERICA	Fortified (sherry)	bulk	1,600	0.001%	3,331	4,252	US\$0.224	US\$358	A\$490	US\$746	A\$1,020	US\$952	A\$1,302
UNITED STATES OF AMERICA	Fortified (sherry)	All Container Types	1,600	0.001%	3,331	4,252		US\$358	A\$490	US\$746	A\$1,020	US\$952	A\$1,302
UNITED STATES OF AMERICA	Red	bottled	100,342,336	66.230%	208,914,988	266,634,347	US\$0.084	US\$8,448,825	A\$11,553,158	US\$17,590,642	A\$24,053,934	US\$22,450,612	A\$30,699,593
UNITED STATES OF AMERICA	Red	bulk	2,223,231	1.467%	4,628,817	5,907,673	US\$0.140	US\$311,252	A\$425,615	US\$648,034	A\$886,140	US\$827,074	A\$1,130,964
UNITED STATES OF AMERICA	Red	flagon	9,900	0.007%	20,612	26,307	US\$0.084	US\$832	A\$1,137	US\$1,731	A\$2,368	US\$2,210	A\$3,022
UNITED STATES OF AMERICA	Red	soft pack	1,083,888	0.715%	2,256,679	2,880,158	US\$0.084	US\$91,047	A\$124,500	US\$189,561	A\$259,211	US\$241,933	A\$330,826
UNITED STATES OF AMERICA	Red	All Container Types	103,659,355	68.419%	215,821,095	275,448,485		US\$8,851,955	A\$12,104,410	US\$18,429,969	A\$25,201,653	US\$23,521,829	A\$32,164,405
UNITED STATES OF AMERICA	Sparkling (bottle & bulk fermented)	bottled	476,001	0.314%	991,045	1,264,852	US\$0.198	US\$94,248	A\$128,878	US\$196,227	A\$268,326	US\$250,441	A\$342,460
UNITED STATES OF AMERICA	Sparkling (bottle & bulk fermented)	All Container Types	476,001	0.314%	991,045	1,264,852		US\$94,248	A\$128,878	US\$196,227	A\$268,326	US\$250,441	A\$342,460
UNITED STATES OF AMERICA	White	bottled	43,358,928	28.618%	90,274,258	115,215,371	US\$0.063	US\$2,731,612	A\$3,735,283	US\$5,687,278	A\$7,776,943	US\$7,258,568	A\$9,925,569
UNITED STATES OF AMERICA	White	bulk	2,950,892	1.948%	6,143,823	7,841,248	US\$0.140	US\$413,125	A\$564,918	US\$860,135	A\$1,176,173	US\$1,097,775	A\$1,501,128
UNITED STATES OF AMERICA	White	soft pack	594,255	0.392%	1,237,252	1,579,082	US\$0.084	US\$49,917	A\$68,258	US\$103,929	A\$142,116	US\$132,643	A\$181,380
UNITED STATES OF AMERICA	White	All Container Types	46,904,075	30.958%	97,655,333	124,635,701		US\$3,194,655	A\$4,368,460	US\$6,651,343	A\$9,095,231	US\$8,488,986	A\$11,608,076
UNITED STATES OF AMERICA	All Major categories	bottled	144,632,846	95.463%	301,128,819	384,325,160		US\$11,351,692	A\$15,522,619	US\$23,634,476	A\$32,318,441	US\$30,164,245	A\$41,247,430
UNITED STATES OF AMERICA	All Major categories	bulk	5,185,930	3.423%	10,797,221	13,780,295		US\$727,022	A\$994,150	US\$1,513,676	A\$2,069,843	US\$1,931,877	A\$2,641,702
UNITED STATES OF AMERICA	All Major categories	flagon	9,900	0.007%	20,612	26,307		US\$832	A\$1,137	US\$1,731	A\$2,368	US\$2,210	A\$3,022
UNITED STATES OF AMERICA	All Major categories	soft pack	1,678,143	1.108%	3,493,931	4,459,240		US\$140,964	A\$192,758	US\$293,490	A\$401,327	US\$374,576	A\$512,206
UNITED STATES OF AMERICA	All Major categories	All Container Types	151,506,819	100.000%	315,440,584	402,591,001		JS\$12,220,509	A\$16,710,661	JS\$25,443,373	A\$34,791,977	US\$32,472,908	A\$44,404,359

US Import Tariff

Carbonated - bottled	US\$0.198	Per Litre
Fortified (excl sherry) - bottled	US\$0.169	Per Litre
Fortified (excl sherry) - bulk	US\$0.224	Per Litre
Fortified (sherry) - bottled	US\$0.169	Per Litre
Fortified (sherry) - bulk	US\$0.224	Per Litre
Red - bottled	US\$0.063	Per Litre
Red - bottled	US\$0.169	Per Litre
Red - bulk	US\$0.140	Per Litre
Red - flagon	US\$0.084	Per Litre
Red - soft pack	US\$0.084	Per Litre
Sparkling - bottled	US\$0.198	Per Litre
White - bottled	US\$0.063	Per Litre
White - bulk	US\$0.140	Per Litre
White - soft pack	US\$0.084	Per Litre

Harmonized Tariff Schedule of the United States (2004)

sparkling wine
of an alcohol strength by volume over 14% vol.
containers holding over 4 litres, of an alcohol strength by volume over 14% vol.
of an alcohol strength by volume over 14% vol.
containers holding over 4 litres, of an alcohol strength by volume over 14% vol.
of an alcohol strength by volume not over 14% vol.

80%
20%

 AWBC Information Data Warehouse
of an alcohol strength by volume over 14% vol.

80%
20%

 AWBC Information Data Warehouse
containers holding over 4 litres, of an alcohol strength by volume not over 14% vol.
containers holding over 2 litres but not over 4 litres, of an alcohol strength not over 14% vol.
containers holding over 2 litres but not over 4 litres, of an alcohol strength not over 14% vol.
sparkling wine
of an alcohol strength by volume not over 14% vol.
containers holding over 4 litres, of an alcohol strength by volume not over 14% vol.
containers holding over 2 litres but not over 4 litres, of an alcohol strength not over 14% vol.

Australian Wine Export Volume Growth: US Market

1994-2002	32.82%	Compound Annual Growth Rate
2002-2010	12.83%	CAGR
2010-2015	5.00%	CAGR

AWBC/WFA Export Demand Model (October 2003)
AWBC/WFA Export Demand Model (October 2003)
WFA estimate

US\$: A\$ Exchange Rate

US\$1.00 = A\$0.7313 Australian Financial Review 22042004

Sources:

AWBC Wine Export Approval Database
AWBC/WFA Estimates - Export Volume Growth
Harmonized Tariff Schedule of the United States (2004)
Australian Financial Review