

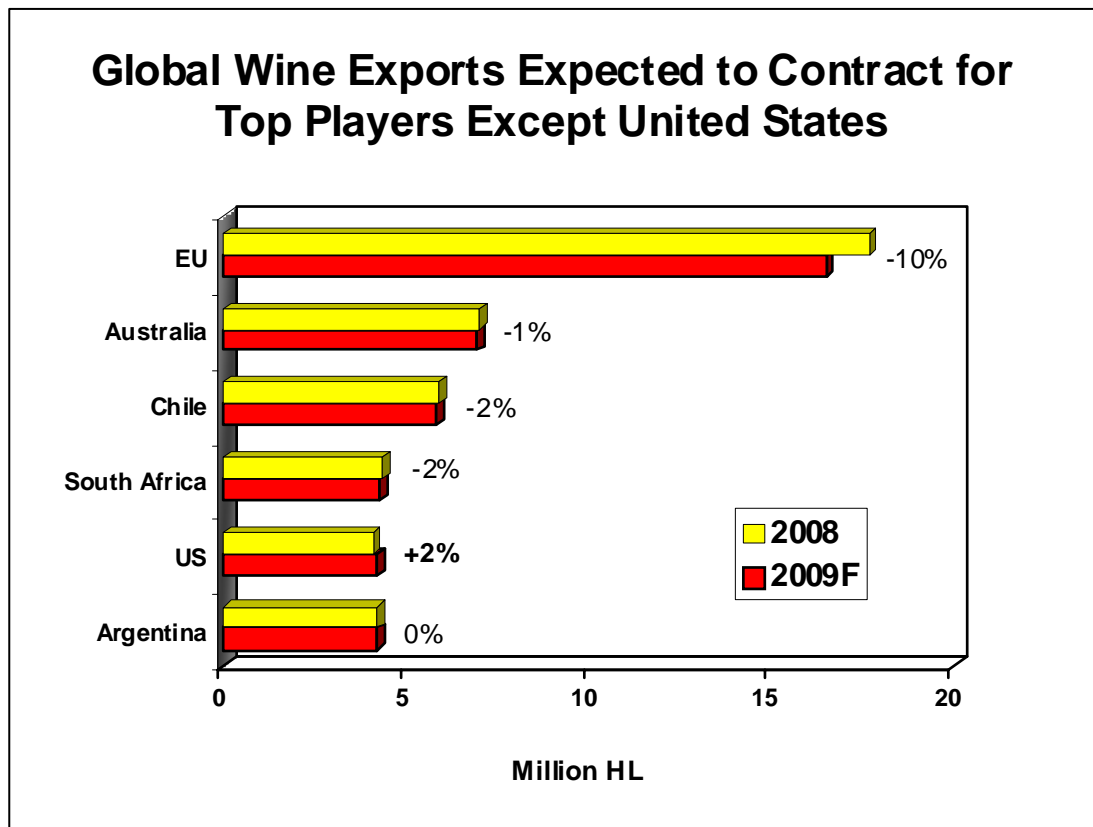
# WINE: WORLD MARKETS AND TRADE

April 2009

## WORLD WINE PRODUCTION AND TRADE EXPECTED TO CONTRACT SLIGHTLY IN 2009

### SUMMARY

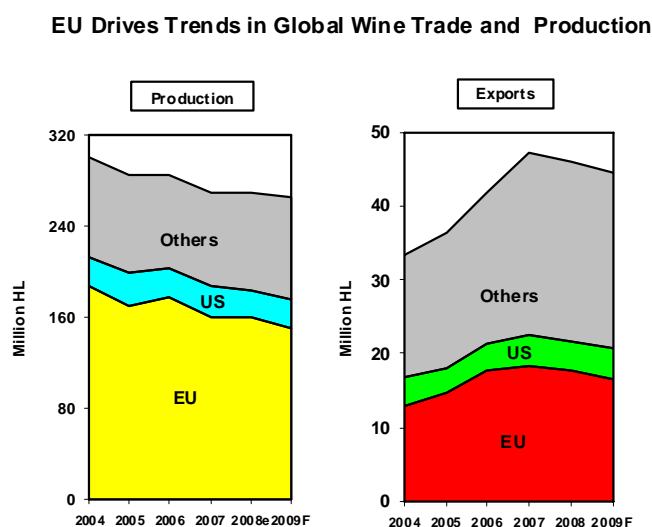
Despite deteriorating global economic conditions, world demand for wine is likely to ease only marginally in 2009 as consumers shift to lower cost brands rather than significantly reduce their consumption. Larger stocks will partially offset lower production, so prices should not change significantly.



## WORLD PRODUCTION FORECAST TO SHRINK SLIGHTLY

World wine production is expected to continue trending downward to 250 million hectoliters (HL), down about 5 percent in 2009 resulting mainly from European supply reductions, alleviating concerns about an oversupply.

- The EU is the world's dominant producer. However, production is expected to dip to 151 million HL as a result of waning consumption and agricultural policy reform aimed at eliminating its oversupply and removing inefficient vineyards. The final implementation of the new EU wine reform is expected in August 2009.
- The United States is the second largest producer. As a result of a smaller grape crush, 2008 production is estimated down 5 percent to 24.6 million HL in 2007, but forecast to rebound to 25.3 million HL in 2009.
- Argentine production is forecast to ease marginally to 14 million HL due to a smaller grape crop.
- Australian production is forecast down almost 10 percent to 12 million HL due to drought, low prices, and high stock levels.



## MAJOR EXPORTERS

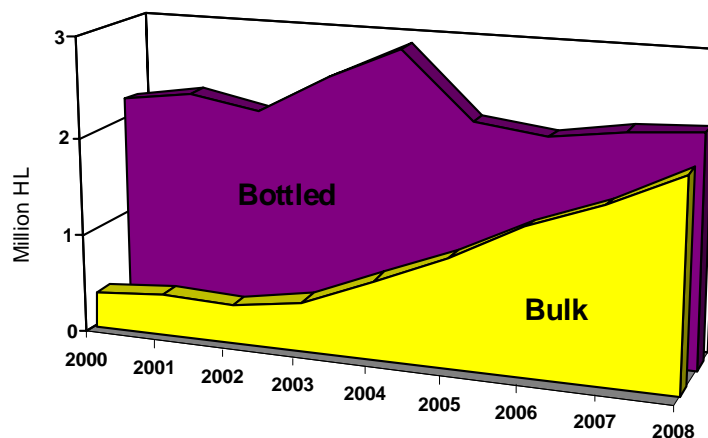
World wine exports are forecast at 45 million HL in 2009, down 3 percent from the previous year due to lower demand in select markets.

- The EU is the dominant exporter, accounting for about half of the world's trade. EU exports are forecast to drop almost 10 percent to 17 million HL due to expected lower demand from Russia and a few other top markets.
- Australia is the second largest exporter, and makes up 15 percent of the world's exports, despite accounting for only 5 percent of global production. Australian exports are forecast to remain flat at 7 million HL due to increased competition, lower demand, and the strengthening Australian dollar.
- Chilean exports are anticipated to dip 2 percent to 6 million HL. Lower demand from the EU, its main market, will be offset by shifting exports to the United States, its second largest market. The U.S.-Chile Free Trade Agreement (FTA) stimulated wine exports,

with shipments to the United States, up 10 percent in 2008. The Chile-Japan FTA resulted in significantly higher Chilean exports to Japan at the expense of U.S. sales.

- The United States is the fourth largest exporter. Exports are forecast at 4.5 million HL, up 2 percent as a result of continued demand in Canada and reduced competition from the EU and Australia, despite the stronger U.S. dollar. Rising bulk exports, versus bottled, are less expensive to transport and give the United States a competitive cost advantage.

### U.S. Bulk Wine Exports Grew Faster Than Bottled



- South Africa is the fifth largest exporter, steadily growing over the last several years. Exports are forecast to remain stable at 4 million HL.

### MAJOR IMPORTERS

- EU imports are expected to be flat in 2009. Of these imports U.S. wine will likely remain stable and increasingly represent shipments of bulk wine.
- U.S. imports are forecast to remain unchanged due to flat demand.
- Japanese imports are anticipated to only slip slightly as consumers switch to lower priced wines; the United States and Chile compete directly in this market.

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