

Wine Economics Research Centre

## Wine Briefs

Wine Brief No. 38 2023-04 ISSN 1837-9397



THE UNIVERSITY  
of ADELAIDE

# What's happening to China's wine market?

Kym Anderson

April 2023

Copyright the authors

make  
history.

# Wine Economics Research Centre

The Wine Economics Research Centre was established in 2010 by the School of Economics and the Wine 2030 Research Network of the University of Adelaide, having been previously a program in the University's Centre for International Economic Studies.

The Centre's purpose is to promote and foster its growing research strength in the area of wine economics research, and to complement the University's long-established strength in viticulture and oenology.

The key objectives for the Wine Economics Research Centre are to:

- publish wine economics research outputs and disseminate them to academia, industry and government
- contribute to economics journals, wine industry journals and related publications
- promote collaboration and sharing of information, statistics and analyses between industry, government agencies and research institutions
- sponsor wine economics seminars, workshops and conferences and contribute to other grape and wine events

Contact details:

Wine Economics Research Centre

School of Economics

University of Adelaide

SA 5005 AUSTRALIA

Email: [wine-econ@adelaide.edu.au](mailto:wine-econ@adelaide.edu.au)

Centre publications can be downloaded at: <https://economics.adelaide.edu.au/wine-economics/>

# What's happening to China's wine market?

**Kym Anderson**

*Wine Economics Research Centre, University of Adelaide, Adelaide and  
Arndt-Cordon Department of Economics, Australian National University, Canberra*  
[kym.anderson@adelaide.edu.au](mailto:kym.anderson@adelaide.edu.au)

April 2023

*Acknowledgement:*

The author is grateful for financial support from Wine Australia, under Research Project UA1803-3-1, and from the University of Adelaide's School of Agriculture, Food and Wine and its Faculty of Arts, Business, Law and Economics. Forthcoming in the May 2023 issue of the *Australian and New Zealand Grapegrower and Winemaker*.

# What's happening to China's wine market?

**Kym Anderson**

The imposition by China in late 2020 of a punitive tariff on imports of wine from Australia, of up to 218%, caused that trade flow – worth just over A\$1 billion per year – to virtually disappear. Some Australian exporters found markets elsewhere as other countries expanded their wine exports to China, but global exports of wine were projected to fall by more than US\$200 million and Australia's average producer prices of grapes and wine to fall by 11-12% as a consequence of that tariff shock (Wittwer and Anderson 2021a), and more so for reds because China's wine imports are more than 80% red.

With ministerial meetings being renewed between Australia and China in early 2023, there is speculation as to whether China might soon remove its high tariff on Australian wine. Many imagine that if it did, that would see an immediate reduction in the excessive stocks of red wine that are accumulating in Australia as a consequence of that tariff, and an eventual rebuilding of total exports back from A\$1.9 billion in 2022 to A\$3 billion again. That hope is built on the fact that Chinese wine import prices have been well above average world prices since 2010, as the share of bulk wine in China's import volume has gradually changed from well above to well below the global average.

However, even if that punitive tariff were to be removed this year, the trade with China is likely to become only a fraction of what it averaged in 2018-20 (132 ML and A\$1.15 billion/US\$745m per year). The reason is the wine market in China has shrunk hugely, something that began well before COVID-19.

This article compiles estimates of key indicators of the Chinese wine market to suggest how much smaller that market has become.

## **Wine statistics for China**

Compiling statistics on China's wine market is a fraught business. While official trade statistics may be reasonably reliable (apart from unmeasurable smuggling from Hong Kong), annual wine production and consumption estimates vary hugely across sources. Historically,

the government's national production statistics have relied on provincial government data, but they may well have been inflated for at least two reasons. One is because much of the wine that is imported by China in bulk containers is bottled as is or blended with domestic wine, and then sold in bottles labelled 'Product of China'. Another reason is that some wine is internally traded between provinces in bulk before being bottled but is counted as output in the source province as well as the destination province – a case of double-counting (Anderson and Harada 2018).

The UN's Food and Agriculture Organization used to provide estimates of China's wine production, which the International Organization of Vine and Wine (OIV) adopted. But those numbers (possibly provided by the Chinese government) were unrealistically high, presumably for the above reasons. The FAO no longer publishes numbers for China, and OIV (2023) now has lower numbers on its website. Meanwhile the National Bureau of Statistics of China (NBSC) has generated a new set of data that in recent years are considerably lower than OIV (2023) numbers. However, if the OIV production numbers are discounted by the extent of China's bulk wine imports for the reason mentioned in the previous paragraph, they come close to the NBSC (2023) data (see this article's Appendix Table). Hence the new NBSC production data are adopted here and, together with international trade data, are used to estimate China's wine consumption as production plus imports net of exports. That does not take account of changes in stocks, but there are no reliable data on wine stocks in China.

### **Wine market shrinkage in China**

Based on the above, China's per capita wine consumption has fallen every year since its peak in 2017 and is now less than one-third of that peak. Imports also peaked that year later, but they have dropped by 60% since 2017. Imports from Australia kept rising until 2018, then dropped along with total imports in 2019 and 2020 before collapsing in 2021. China's local production has declined since 2015 continued and its pace of decline slowed only slightly following the imposition of the tariff on Australia wine from late 2020 (Figure 1).

[insert Figure 1 around here]

Thus China's shares of world wine production, consumption and imports peaked in 2016-17 and have more than halved since then (Table 1). Even so, the share of the value of Australia's wine exports going to China continued to rise and averaged 36% during 2018-20, or nearly six times China's value share of global wine imports. By contrast, the share of France's exports going to China remained similar to China's share of world imports, and

Chile's remained about twice China's share of world imports, until both exporters' shares rose in 2021 when the tariff choked Australian exports (Figure 2).

[insert Table 1 and Figure 2 around here]

Within China, wine's share of total alcohol consumption is down by one-third from its peak in 2016. Of course the COVID-19 disruption and associated slowdown in China's income growth accounts for some of that (Wittwer and Anderson 2021b), but the fall in China's alcohol consumption between 2019 and 2021 was considerably larger for wine (30%) than for spirits (20%) and beer (8%). Thus wine's share of alcohol consumption in China fell by more than one-fifth over those two years, according to the data in Table 2.

[insert Table 2 around here]

### **Why the decline?**

The decline in China's local wine production may be a consequence of new domestic producers disinvesting because their earlier profit expectations were not realized. The production decline might have slowed once the tariff was imposed on imports from Australia, had it not coincided with COVID. China's wine consumption volume began declining four years before COVID began to disrupt sales. Part of that could be attributed to the austerity measures introduced by President Xi from 2013. However, the decline in sales volume was faster for wine than for beer and spirits (Table 2), which suggests either a taste swing against wine or a shift from quantity to quality (a greater premiumization of preferences for wine than for beer or spirits).

### **Implications for Australia**

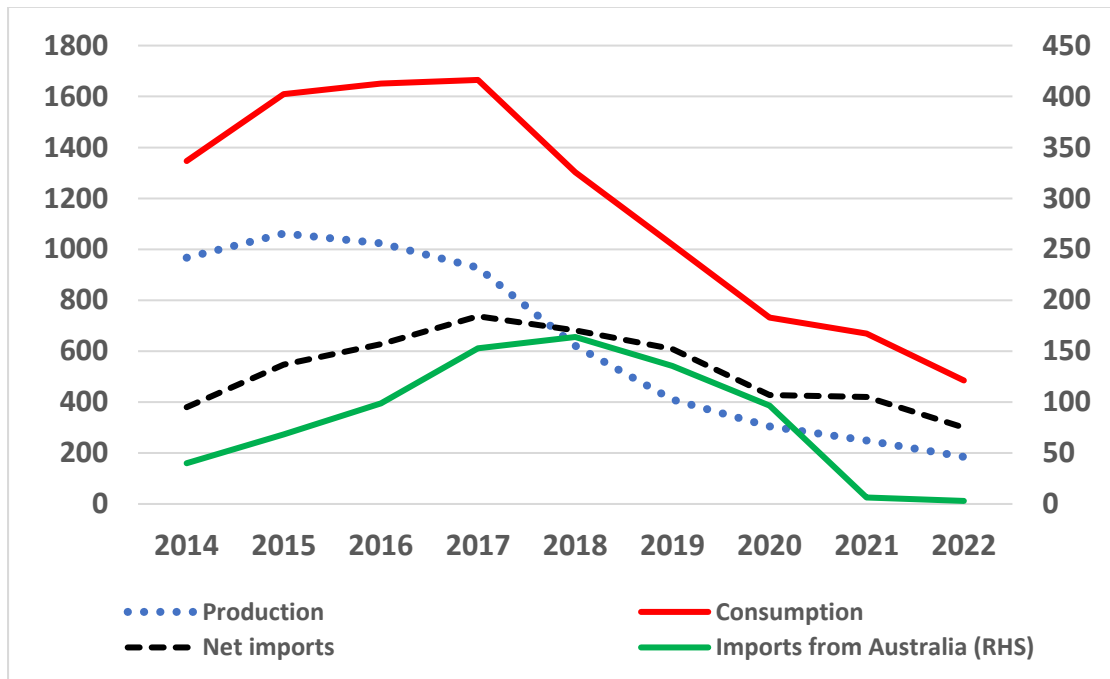
These downward trends in China's wine market may reverse a little as incomes recover following the complete removal of the country's COVID lockdowns in late 2022. The OECD (2023) expects China's real GDP growth rate to rise from 3% in 2020 to 5% in 2023 and 2024. But the volume of its wine imports in the short term is unlikely to be more than half what it was at its peak. So even if Australia were to be able to claw back its 2018-20 *share* of China's wine imports (one-quarter by volume, one-third by value), that would amount to an export increase of not 130ML or A\$1.1 billion per year but perhaps only half those amounts. Even that may be too optimistic a forecast, because numerous Australian wineries that have invested in developing new markets after 2020 may be reluctant to go back to the now-less-

reliable Chinese market. Selling excess stocks of red wine in bulk to China would provide some relief to tanks in Australia, but both the volume and price may be low: in 2020 and 2021 China imported little more than 100 ML/year in bulk, and at an average price of just 88 US cents per litre. All this vindicates the move by Australian vignerons since 2000 to diversify their exports to other markets in Asia, North America and Europe.

## References

- Anderson, K. and K. Harada (2018), “How Much Wine is *Really* Produced and Consumed in China, Hong Kong and Japan?”, *Journal of Wine Economics* 13(2): 199-220.
- Anderson, K. and V. Pinilla (with the assistance of A.J. Holmes) (2021), *Annual Database of Global Wine Markets, 1835 to 2019*, August. Freely available in Excel at the University of Adelaide’s Wine Economics Research Centre, <https://economics.adelaide.edu.au/wine-economics/databases>
- NBSC (2023 and earlier), *China Statistical Yearbook*, Beijing: National Bureau of Statistics of China.
- OECD (2023), *OECD Economic Outlook, Interim Report*, Paris: OECD, March.
- OIV (2023), *Country Statistics*, Paris: International Organization of Vine and Wine. <https://www.oiv.int/what-we-do/country-report?oiv> (accessed 20 March 2023).
- United Nations (2023), *COMTRADE database*. <https://comtrade.un.org/data/> (accessed 20 March 2023).
- Wine Australia (2022), *Australian Wine Production, Sales and Inventory 2021-22*, Adelaide: Wine Australia, November.
- Wittwer, G. and K. Anderson (2021a), “How Will Markets Adjust to China’s New Tariff on Imports of Australian Wine?”, *Wine and Viticulture Journal* 36(2): 66-70, Autumn.
- Wittwer, G. and K. Anderson (2021b), “COVID-19 and Global Beverage Markets: Implications for Wine”, *Journal of Wine Economics* 16(2): 117-30.

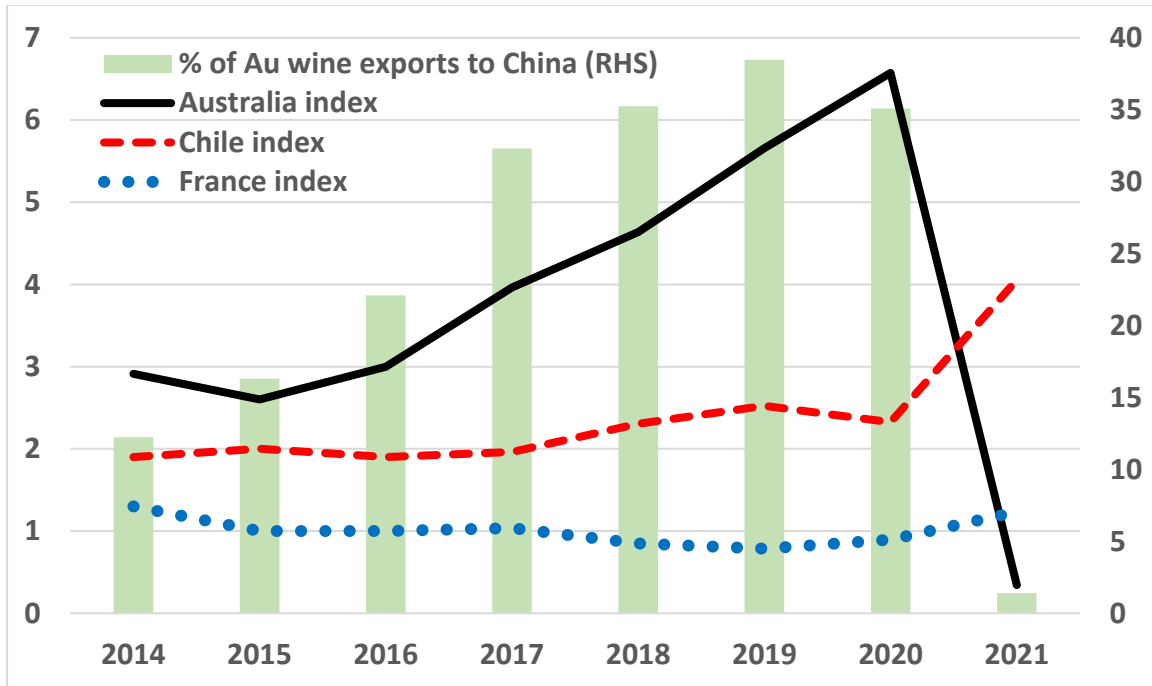
Figure 1: China's wine production and consumption, and net imports from the world and from Australia, 2014 to 2022 (ML)



Sources: See the Appendix Table.



Figure 2: Index of intensity of wine exports to China from Australia, Chile and France,<sup>a</sup> and share of Australia's wine exports going to China, by value, 2014 to 2021



<sup>a</sup> Defined as the value share of a country's wine exports to China divided by China's share of the value of global wine imports.

Source: United Nations (2023).

Table 1: China's shares of world wine production, consumption and import volumes, 2014 to 2022 (%)

	China's shares of the volume of world wine:		
	Production	Consumption	Imports
2014	3.7	5.3	3.6
2015	4.0	6.1	5.2
2016	4.0	6.2	6.0
2017	3.7	6.0	7.0
2018	2.1	4.7	6.5
2019	1.6	3.7	5.8
2020	0.9	2.7	4.1
2021	0.7	2.3	4.0
2022	1.3		2.9

Source: Estimated using part (c) of the Appendix Table and updated global data from Anderson and Pinilla (2020).

Table 2: Wine's share in the volume of alcohol consumption in China (%), and China's per capita consumption of alcohol by type (litres of alcohol/year),<sup>a</sup> 2014 to 2021

	Wine's % of China's alcohol consumption:	China's per capita alcohol consumption (l/yr):			
		Beer	Spirits	Wine	TOTAL
2014	2.9	1.6	1.9	0.11	3.6
2015	3.1	1.5	1.9	0.13	3.5
2016	3.3	1.5	2.0	0.13	3.6
2017	3.2	1.5	2.0	0.13	3.6
2018	2.7	1.4	2.0	0.10	3.5
2019	2.5	1.4	1.9	0.07	3.4
2020	2.1	1.4	1.6	0.05	3.1
2021	2.0	1.3	1.5	0.05	2.8
<i>2021 as % of 2019</i>	<i>80</i>	<i>92</i>	<i>80</i>	<i>62</i>	<i>82</i>

<sup>a</sup> Wine is assumed to average 12% alcohol, beer 4.5% and spirits 40%.

Source: See part (c) of the Appendix Table for wine data; beer and spirits data are from an update of Anderson and Pinilla (2020).

Appendix Table: China's wine production estimates, trade and apparent consumption, 2014 to 2022 (ML, litres and %)

(a) OIV prod'n and UN COMTRADE trade data (b) Assuming bulk imports blended with local wine (c) China's official local production

	Prod'n (ML)	Exports (ML)	Imports (ML)	<i>Bulk (%) of imports</i>	Prod'n (ML)	Consm (ML)	Consm p.c. (L)	SSR (%)	Prod'n (ML)	Consm (ML)	Consm p.c. (L)	SSR (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2014	1350	4	384	21	1268	1648	1.19	77	967	1441	0.97	72
2015	1335	8	555	26	1188	1735	1.25	68	1062	1267	1.15	66
2016	1322	10	638	22	1179	1807	1.29	65	1023	1465	1.18	62
2017	1164	9	746	24	985	1721	1.22	57	928	1505	1.18	56
2018	927	6	687	23	766	1447	1.02	53	621	1490	0.92	48
2019	784	3	612	23	646	1255	0.88	51	410	1142	0.72	40
2020	659	2	430	24	554	983	0.69	56	304	882	0.51	42
2021	591	4	424	29	469	889	0.62	53	249	629	0.47	37
2022 <sup>P</sup>	418	4	304	25	342	642	0.45	53	185	547	0.34	38

<sup>a</sup> Consm is apparent consumption in ML, calculated as production plus imports minus exports; Consm p.c. (litres per capita) is apparent consumption divided by total population; and SSR, the self-sufficiency ratio, is production divided by apparent consumption (expressed as a percentage).

<sup>P</sup> Preliminary, pending final trade data for 2022.

Source: Authors' calculations, starting with production and trade numbers reported, respectively, by the International Vine and Wine Organization (OIV 2023) and the COMTRADE database of the United Nations (2023) plus NBSC (2023) for column (9).