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Mapping Australia's wine exporters

David Aylward

MUCH HAS been written in recent years about the dramatic increase in Australian wine firms, their production capacity and export trade. So far, however, little if any data have been presented that show concentrations of exporters and correlations between these exporters by region and firm size. Such a 'map' would provide for a new level of analysis with significant policy implications for our wine industry.

After surveying 1,258 Australian wine firms* the author has attempted to provide a profile of just where our wine export clusters are, what size the exporters tend to be and how many of our wine firms these exporters account for.

Looking first at where our wine firms are located, we see that at a state level the most populated are NSW, with 319 of the 1,258 firms, South Australia with 312 and Victoria with 311 firms. Western Australia is next with 202, then Tasmania with 70 and finally, Queensland with 44 firms.

In NSW the Hunter Valley is by far the most heavily populated, being home to almost 46% of the state's surveyed firms. This is followed by the Central/Western Plains region with just under 14%, the Mudgee region with approximately 10%, the Canberra District with a little over 7% and the Riverina with 6.5%.

In South Australia the distribution of wine firms is a little more evenly spread. The two notable regions are McLaren Vale, with a little over 22% and the Barossa Valley, with just under 22%. These are followed by Clare Valley with 13.5% and Adelaide Hills with a little over 13%. One of the most famous regions, Coonawarra, hosts a mere 7.5% of the State's wine firms.

In Victoria, the six largest regions account for just over 64% of firms, with the remaining 12 regions accounting for 36%. This map represents a more even distribution than both NSW and South Australia. Of the largest six regions, we have the Yarra Valley with 19.6%, Mornington Peninsula

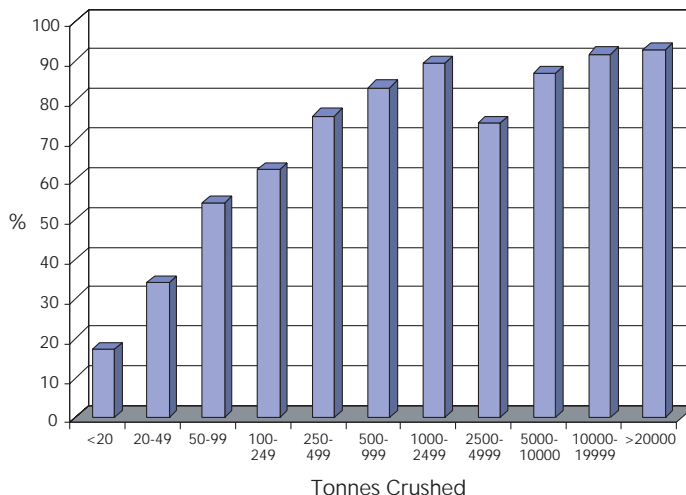


Figure 2. Percentage of exporters by operator size.

with 19.3%, Geelong with 7%, King Valley and Goulbourn Valley, both with 6.5%, and Rutherglen with 5.5%.

There are nine major wine producing regions in Western Australia. Three of these regions, Margaret River with approximately 36%, Great Southern with over 21% and the Swan District with almost 17% in total account for approximately 74% of all the wine operators in Western Australia.

A number of publications now attempt to keep track of our wine firms at both a national and state level, providing useful and continually updated 'maps' for industry purposes. What is now emerging as a more important issue for industry, however, is the location, size and concentration of the industry's exporters. No comprehensive 'map' has as yet been produced. The following is an attempt to redress this deficiency, with the emergence of interesting and somewhat unexpected patterns.

EXPORTERS BY STATE

Looking at exporters state by state, we see a substantial variance in the percentage of exporting wine firms, in terms of absolute numbers, but also by size of firm (tonnes crushed).

Looking at absolute numbers, South Australia is by far the most export intensive, with 234 of the 312 surveyed wine firms exporting—an astounding 75%. South Australia is followed at some distance by Western Australia, where 93 of the surveyed 202 wine firms export, representing 46% of all firms. Next is Victoria, where 132, or 42.4% of the 311 surveyed firms export. NSW is significantly and somewhat unexpectedly behind these leaders, with 36.9% of the 319 surveyed firms exporting. In Tasmania, 25.7% of the 70 wine firms export, and in Queensland only 4 or 9.1% of the 44 surveyed firms export.

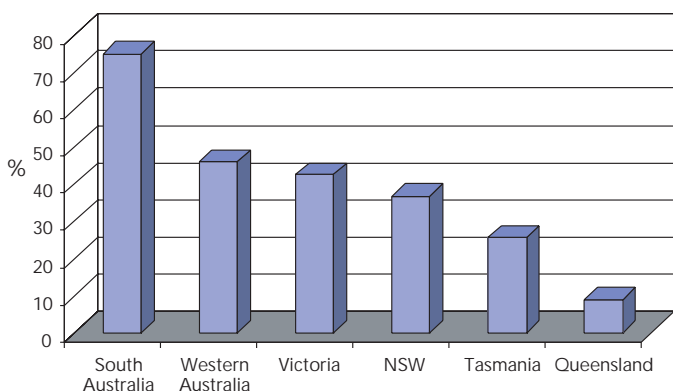


Figure 1. Percentage of surveyed wine firms that export — by State.

Most noticeable in Figure 1 is the fact that South Australia not only out-exports every other state by a significant margin, but that it is more than twice as export-intensive as New South Wales.

By any measure, South Australia has an impressive wine export record. Part of the explanation for this may be what the author has referred to in a previous article as Australia's wine 'R&D epicentre' (Aylward 2002). There is a very clear and well known association between the Australian wine

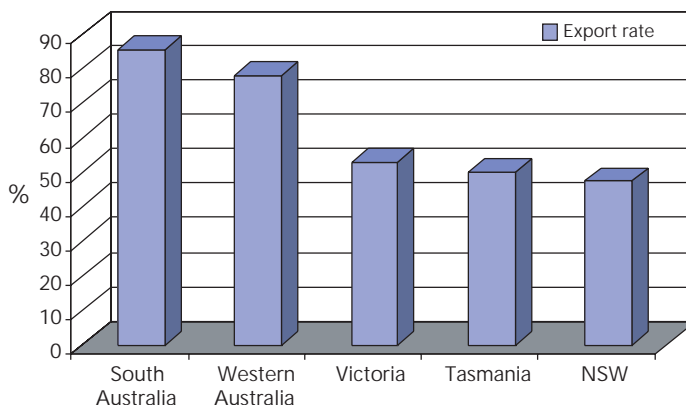


Figure 4. Percentage of larger boutique firms exporting — by State. Note: Queensland was excluded due to very low numbers.

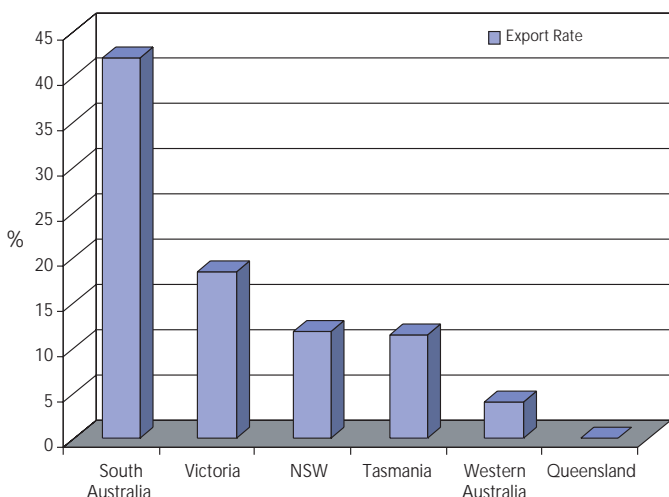


Figure 3. Percentage of micro firms exporting — by State.

industry's strong focus on research and development (R&D) and its export success (GWRDC 2002). As the article points out, much of the industry's R&D effort is concentrated within an 'epicentre' based in Adelaide and focused around the major wine research bodies, such as The Australian Wine Research Institute and the CRC for Viticulture, as well as the largest of our wine firms.

Regions and wine firms outside this epicentre do not have the same access to R&D infrastructure, or opportunity to participate in the industry's innovation and training programs (Aylward 2002). This disadvantage has an indirect but

Austwine exports

strong association with their ability to establish and sustain export activity. There is an innovative culture in and around the South Australian ‘epicentre’ that feeds the high quality export culture of the industry. It is a ‘marriage’ that is simply not evident to the same extent in regional areas.

In fact, when looking closely at exports by specific regions, we can see this same phenomenon duplicated on a smaller scale. While other factors, such as the history of the region, firm size and state government policy, influence export propensity, there is little doubt that there are also regional ‘epicentres’ that attract disproportionate infrastructure support and innovation opportunity. R&D and training support within these ‘epicentres’ are often the fruit of close relationships between industry bodies and the larger of the Australian wine firms. A clear innovation-export culture has developed and is continually nurtured within these regions.

For example, if we look outside the ‘epicentre’ of South Australia we see there are several regions in Victoria where the export rate is far higher than the state average of 42.4%. In the Yarra Valley the export rate is 51%. In the Pyrenees, the Grampians and the Murray Darling it is over 64%. In NSW where the export rate is just under 37%, the Hunter Valley has an export rate of almost 45% and the Riverina almost 67%. Western Australia shows similar patterns. The state has an overall export rate of 46%, but Margaret River has almost 54%.

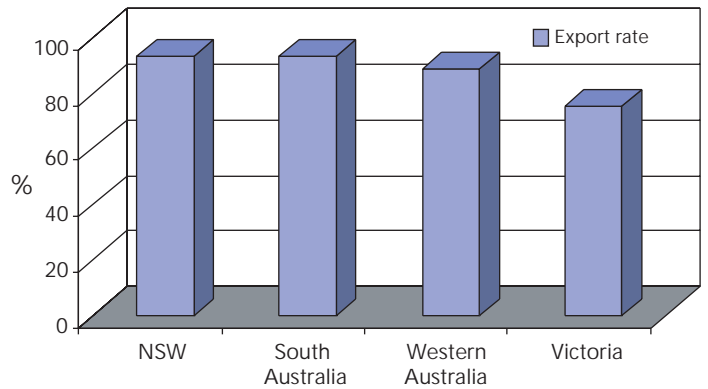


Figure 5. Percentage of smaller medium-size operators exporting.

SIZE DOES MATTER!

An equally interesting ‘map’ is that of export performance by size of firm. In this analysis, size is determined by annual tonnes crushed—the standard wine industry measure. Figure 2 shows the national export rate for each size category of wine firm.

We can see from the Figure 2 that there is a fairly direct association between size of operator and propensity to export. The micro wine firms are the least export-intensive with only 17.2% exporting, while 92.9% of large firms export.

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Again, when looking at individual states or regions we see distinct patterns between firms located close to the 'epicentre' as opposed to those in regional areas. For example, if we look at micro firms (<20 tonnes), there is a substantial difference in export rates between states and regions. The national average is 17.2%, but an incredible 42.1% of South Australia micro firms export. On the other hand, in NSW the rate is below the national average at only 11.8% and in Western Australia, a very low 4.1%. It is also obvious that the South Australian input boosts the national rate considerably. If we remove South Australia, the national export rate for micro firms falls to 12%.

This pattern of exporting tends to moderate as firm size increases. Looking at the larger of the boutique firms, that is, those crushing between 100-249 tonnes per year, we see a less dramatic difference between states, although South Australia's lead is still considerable.

Finally, if we look at the export rate of the smaller medium-sized firms (1,000-2,499 tonnes crushed), we see a consistently high pattern of export across all states.

AN EXPORT-INTENSIVE INDUSTRY

It is worth noting that while export rates vary considerably across state, region and size of wine firm, they are consistently high compared to other industry sectors. Looking at all industry sectors, only 4% of the nation's firms export. This compares to over 45% for the Australian wine industry (Winetitles 2001). Figure 6 shows export rates for the wine industry compared with those sectors generally considered to be Australia's most export-intensive industry sectors (ABS A Portrait of Australian Exporters 2000 p.5).

Export activity within the wine industry is more than twice as intense as Australia's next most export-intensive industry sector, property and business services. The future of wine exports appears even more promising as Australia's wine increasingly becomes

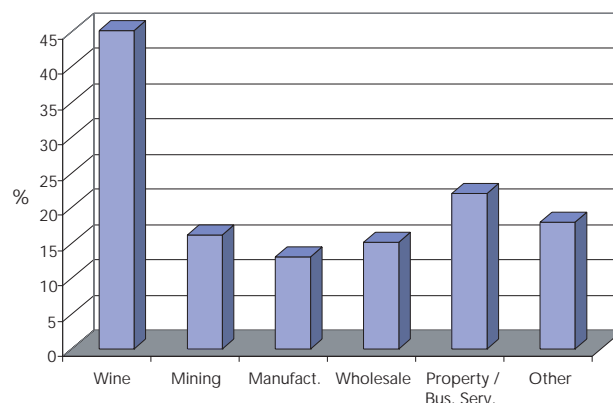


Figure 6. Export intensity (% of firms exporting) by industry sector.

the preferred choice within the major market of the UK and the rapidly growing lucrative markets of the US and Germany. It is now the role of the Grape and Wine Research and Development Corporation (GWRDC) and other industry bodies to ensure that there is broad participation in this growing export success (Aylward 2002).

While the larger wine firms in R&D intensive regions fully enjoy the benefits of Australia's export success story, many of the micro and smaller wine firms in regional areas are experiencing obvious disenfranchisement (Aylward 2002). If the wine industry's export growth is to prove sustainable, a concerted campaign of awareness raising, education, training and access to extension programs is required to allow the broadest possible participation in export activities.

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