

US tariffs pressure Australian wine exports but China market booms

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As the United States enforces a 10 per cent tariff on all Australian goods, including wine, the Australian wine industry is taking proactive steps to navigate the challenge. Wine Australia, the country's national wine marketing and research body, is leading efforts to support local producers by hosting a North American roadshow from 6 to 13 May. The roadshow aims to promote the diversity and quality of Australian wines in key markets across the region.

The new tariff, effective 5 April, marks the end of the Australia-United States Free Trade Agreement's (AUSFTA) tariff-free access for Australian wine. While no export bans have been introduced, this added cost comes at a difficult time for the US wine market, still grappling with surplus inventory and sluggish post-pandemic demand.

According to Wine Australia, the US is Australia's second-largest export market by volume and third by value. In 2024, Australia exported 106 million litres of wine valued at \$325 million to the US. However, exports declined by 10 per cent in value and 21 per cent in volume compared to the previous year, largely due to a sharp drop in unpackaged wine shipments following a surge in early 2023.

The Australian wine category remains a significant player in the US commercial wine segment (under \$10 per bottle retail), holding a 19 per cent volume share, and ranking fifth in the premium segment (over \$10) with a 5 per cent share. The new tariff is expected to disproportionately affect the price-sensitive commercial end of the market, where margins are tighter and consumers are more sensitive to price increases.

Despite this setback, Australia's wine exports are thriving globally. Wine Australia reports that exports to destinations outside the US surged by 45 per cent in value to \$2.2 billion and 15 per cent in volume to 543 million litres in 2024. This growth has been largely driven by a dramatic rebound in mainland China, where exports jumped from \$10 million to \$907 million, following the easing of trade restrictions.

The Northeast Asian region saw a 181 per cent increase in value to \$1.18 billion, representing 46 per cent of Australia's total export value. In contrast, exports to Southeast Asia fell by 23 per cent to \$210 million, reflecting a temporary shift in exporter focus toward restocking Chinese supply chains, rather than a decline in demand. Exports to Europe dropped by 4 per cent to \$521 million, while Canada recorded a 9 per cent increase to \$156 million.

While the newly imposed US tariff introduces short-term challenges, particularly for commercial segment wine exports, Australian wine producers demonstrate resilience through diversified global growth and proactive marketing initiatives. With

strong demand returning in Northeast Asia and strategic promotional activities led by Wine Australia in North America, the industry is well-positioned to weather the impact of US trade policy changes and continue building its reputation as a leading global wine producer.

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