

The sun also rises: Trade deal lifts Japan exports



By Anthony Fensom*

Australia's new trade deal with Japan has quickly boosted the nation's wine exports to Asia's second-largest wine market. However, building Australia's image as a premium producer against established international competitors will take a longer-term effort, according to industry experts.

Announcing the signing of the Japan-Australia Economic Partnership Agreement (JAPEA) in July 2014, Trade Minister Andrew Robb declared it "the most ambitious trade deal Japan has ever concluded", with the reduced trade barriers extending to wine. Two-way trade amounted to \$70 billion last year, making Japan Australia's second-largest trading partner, while Japan is currently Australia's ninth-largest wine market.

Australian winemakers praised the trade pact, with Victor De Bortoli, export manager at De Bortoli Wines, telling the Department of Foreign Affairs and Trade (DFAT) it was "great news".

"Australian wine exporters have been under pressure in the Japanese market, holding volume but losing value. JAPEA gives us the ability to claw back sales," he said.

Implemented in January 2015, JAPEA eliminated Japan's previous 45 yen per litre excise on bulk wine shipments. Its 15 per cent tariff on bottled and sparkling wine will be phased out over seven years, with the first two rounds of cuts in January and April this year slashing the rate to 11.3%.

The results have been immediate, with a 10% rise in Japan wine exports to \$44 million in the year to June 2015, with record volume of 12 million litres, up 28%, according to Wine Australia.

The strongest growth came in bulk wine exports, where volumes increased five-fold to 3.5 million litres as buyers took advantage of cheaper prices. The value of bottled wine exports rose



A display of Sirromet wines in Japan.

by 4.3% to nearly \$35 million, while premium wines priced at \$10 and above per litre posted a large 51% gain to \$8.1 million.

Renewed Japanese interest in Australian wine was seen at September's annual Australian Wine Grand Tasting, in Tokyo, with Wine Australia reporting a significant increase in the number of exhibitors and a record attendance of more than 500 guests.

Wine writer for Japanese journal *Daily Wine and Spirits*, Makiko Morita, said there was now "genuine excitement" in Australian wine.

"I was thrilled to witness something that appears to be an evolution because I believe change is an opportunity. For Australian wine, I felt this evolution is an opportunity to create a new position in the Japanese wine market," he was quoted saying by Wine Australia.

JAPEA has also put Australian wine exports to Japan on a level playing field with second-largest importer Chile, which has grown market share from 7% to 25% on the back of its 2007 trade deal with Japan. Chile now trails only France among Japan's top importers, which include Italy, the US and Spain.

PREMIUM PUSH

Rather than competing against low-cost producers, Wine Australia and exporters such as Sirromet Wines are focussed on the upper end of the market.

"JAPEA has been a trigger for both the Japanese and Australian industry to take a fresh look at the Japanese market for Australian wine," said Wine Australia's regional manager Japan, Hiro Teijma.

"The question is whether we want to become a volume-driven wine country like Chile, or do we want to gain greater respect and higher expectations as a premium wine country, and the direction we are taking is certainly the latter," he said.

Teijma said the focus of his marketing activities, including the annual grand tasting, the recruitment of 37 Australian wine ambassadors, and seminars and industry visits to Australian wine regions, was aimed at building Australia's image as a premium producer. He pointed to changing tastes among Japan's emerging wine connoisseurs as a key opportunity. ▶

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