



10 REASONS WHY CHAMPAGNE IN AUSTRALIA DIDN'T LOSE ITS SPARKLE IN 2018

SECOND HIGHEST EVER 8.38 MILLION BOTTLES IMPORTED









LOWEST PROPORTION OF NON-VINTAGE SHIPMENTS IN A DECADE



HIGHEST PRESTIGE I M P O R T S IN A DECADE

SECOND AFTER JAPAN FOR PROPORTION OF VINTAGE CUVÉES



6TH LARGEST M A R K E T IN PROPORTION OF PRESTIGE IMPORTS





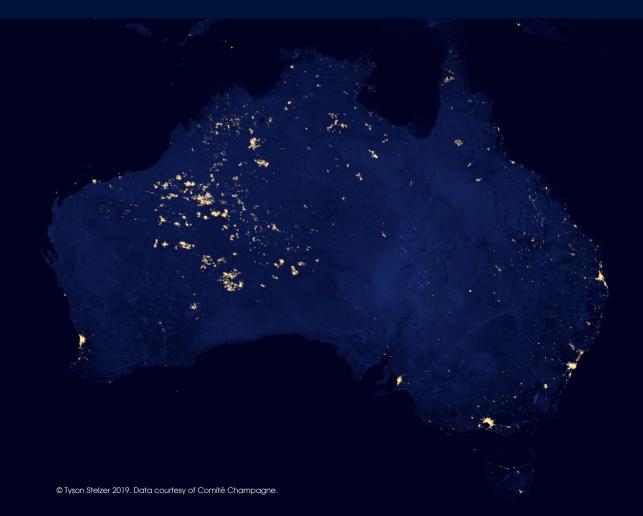


AUSTRALIA REMAINS
THE WORLD'S
7TH LARGEST
CHAMPAGNE MARKET



LARGEST CONSUMPTION PERHEAD OUTSIDE EUROPE





THE STATE OF PLAY OF (HAMPAGNE IN CUSTRALIA 2018

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Champagne down under: stalled, peaked or bubbling along?

'Stalled' is the word the Comité Champagne used to describe Australia's champagne imports, following a drop from 8.53 million bottles in 2017 to 8.38 million in 2018. 'Australia's love affair with champagne has finally peaked,' one analyst concluded. But it's not as simple as first appearances might suggest. In the pages to follow, I will show how the import trends of the past 15 years reveal that Australia's champagne consumption in 2018 was actually more effervescent than ever before.

Last year I cautioned that Australia's champagne shipments should be read not in the context of its meteoric year-on-year percentage growth, but rather in its steady, 16-year long growth curve. This is all the more pertinent in interpreting the wild fluctuations of the past four years. In this context, champagne in Australia is in a stronger place today than ever before. And, mark my words, it is yet to reach its peak.

Australia is like no other champagne market on earth. Posting almost ten-fold growth since 2001, no other country has embraced champagne so affectionately, so fast. And yet Australia is a notoriously challenging market for champagne: highly price sensitive, overwhelmingly big brand driven, and dominated by the supermarket duopoly. The giant négociant houses rule in Australia, and growers and coopératives occupy but a miniscule presence. Among Champagne's top ten markets, Australia ranks stone cold last or second last in number of négociant houses, growers and cooperatives, volume of growers and cooperatives, average spend per bottle, and volume of rosé.

For houses eager to share a slice of Australia's booming growth cycle, access to market is further complicated by the geographical spread of this vast continent. Very few importers have the resources to service even the majority of major capital cities. Perhaps the most resounding success stories have been medium-sized houses with a deep history with a national distribution team, like Bollinger, Billecart, Pol Roger and Louis Roederer.

The following 25 pages represent the most comprehensive report I have penned yet on a year in the life of champagne in Australia, a rigorous fermentation of all the latest trends and analysis to emerge from up-to-the minute data. Read on – it's amazing how dramatically things can change in one year!



TEN REASONS WHY AUSTRALIA IS STILL CATCHING UP

OF CHAMPAGNE'S TOP TEN MARKETS IN 2018, AUSTRALIA:



IS DOMINATED MORE BY
CHAMPAGNE HOUSES
THAN ANY OTHER



IMPORTS THE SMALLEST NUMBER OF HOUSES

IS DOMINATED BY NON-VINTAGE CHAMPAGNE MORE THAN ANY OTHER BESIDES BELGIUM



IMPORTS LESS
GROWER CHAMPAGNES
BY VOLUME THAN ANY
OTHER EXCEPT THE UK



IMPORTS LESS COOPÉRATIVE CHAMPAGNES BY VOLUME THAN ANY OTHER FXCFPT SPAIN

IMPORTS THE SMALLEST NUMBER OF GROWERS

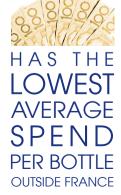




RANKS LOWEST IN ROSÉ IMPORTS
BESIDES BELGIUM

RANKS LAST AFTER THE UK, GERMANY & BELGIUM IN PRESTIGE IMPORTS





A brand new era in the world of champagne.

2018 marked a milestone turning point for the global balance of champagne sales.

Exports are vital for the Champagne sector and are becoming more central to our growth as each year passes. In 2018, the two biggest Champagne markets – France and the United Kingdom – continued to shrink. Foreign markets, however, continued to grow, and now represent over half of all Champagne sales in terms of volume: we have entered Champagne's second period of global expansion. During the first, at the start of the twentieth century, Champagne exported 30 million bottles per year, with around 70% destined for foreign markets.

Vincent Perrin, Directeur Général, Comité Champagne

For the first time in history, champagne exports grew to exceed French sales in 2018. Fifteen years ago, exports represented barely more than one-third of the region's production.

The true champagne export figures are actually even stronger again, since the official numbers do not account for sales to international tourists, nor countless boot loads driven across French borders daily!



FRANCE OFF THE BUBBLE

In 2018, French sales were down 4.2% to 147.0 million bottles and turnover down 1.8% to €2 billion, a decline stronger than expected due to a disappointing fourth quarter, in which the 'gilets jaunes' movement diminished both consumer spending and confidence.

More than 50% of the volume loss was attributed to supermarket sales, which now account for just one-third of France's champagne sales by volume. Refreshingly, almost one million fewer bottles priced at less than €10 were sold. Promotional pressure on champagne is likewise diminishing, with a 16% decrease in supermarket promotions on champagnes priced under €18.

THE REST OF THE WORLD TO THE RESCUE

Champagne shipments in 2018 dropped to 301.9 million bottles (down 1.8% on 2017), the lowest since 2009, following crashes in the French and UK markets, with sales in the rest of the European Union relatively stable. Nonetheless, the region was able to notch up a record turnover of €4.9 billion (up 0.3% on 2017), thanks to another year of steady growth in countries outside the European Union (up 2.1% to 78.7 million bottles and €1.6 billion, now representing 26.1% of sales by volume and 32.2% by value).

In spite of unfavourable exchange rates, particularly for the United States, Japan, Switzerland, greater China, Australia and Canada, there was nonetheless growth in both volume and turnover in Japan, Switzerland, Spain, Greater China and Canada.

Export markets were where champagne's diversity shone again in 2018, eclipsing its record 2017 export values for rosés, prestige, demi-sec, extra brut and brut nature. Rosé in particular continued its spectacular trajectory in 2018, now representing 10% of volume and 11.8% of value of exports, up 3.6% to €356 million. The USA is due much of the credit, having averaged 10% growth each year since 2010, surpassing €100 million for the first time in 2018. More than one in every six bottles of champagne popped in the USA is now pink.

Valued at €2.9 billion, champagne was again France's most lucrative wine export in 2018, accounting for almost one-third of wine export sales, and a close second to cognac in the spirits sector. Wines and spirits are now France's second biggest export after aeronauatics.

Australia has transformed into one of the most important and dynamic champagne markets on earth and now plays a lead role in offsetting declining sales in traditional markets.





RECORD HIGHEST EVER TURNOVER €4.9 BILLION



FRENCH & UK SALES **DOWN 4.1%**





EXPORT SALES OUTSIDE EUROPE ACCOUNT FOR 32.2% OF VALUE



EXPORTS UP OUTSIDE FRANCE NOW 51.3% BY VOLUME & 58.3% BY VALUE

EXPORTS EXCEED FRENCH SALES FOR THE 1ST TIME



RECORE **EXPORT VALUES OF** ROSÉS, PRESTIGE, DEMI-SEC, EXTRA **BRUT & BRUT NATURE**



CHAMPAGNE NOW FRANCE'S MOST LUCRATIVE WINE EXPORT

CHAMPAGNE SHIPMENTS 2018 France 147.0 million bottles 48.7% **Other Countries** 78.8 million bottles 26.1%

Tyson Stelzer 2019. Data courtesy of Comité Champagne.

EXPORTS OUTSIDE **EUROPE UP 2.3%** FXCFFDING **EXPORTS WITHIN EUROPE** FOR THE 2ND TIME

FOREIGN MARKETS CONTINUE TO GROW... WE HAVE ENTERED CHAMPAGNE'S

SECOND PERIOD OF **GLOBAL EXPANSION**

- VINCENT PERRIN, DIRECTEUR GÉNÉRAL, COMITÉ CHAMPAGNE

The way Australians drink sparkling is changing...

More imports, less domestic

Consumption of sparkling wine in Australia has remained stable over the past five years, with consumption of domestic sparkling wine decreasing by 2% annually as imports saw 5% year-on-year growth. Over the same period, champagne consumption grew almost 7% annually. Overall, Australia's per capita consumption of sparkling wine has declined slightly over this time.

More French and Italian

Australians consume about 62 million bottles of sparkling wine annually, of which about 22 million are imported. France and Italy dominate, and are expected to continue to grow. Champagne comprises a little over 8 million bottles annually, Italian a little under 8 million, French crémant a little under 2 million, New Zealand around 1.5 million and German and Spanish each a little under 1 million.

More often

Almost half of Australia's adult population consumes sparkling wine and almost one-third consumes monthly. Of all sparkling drinkers, just under one-quarter consume at least once a week and almost two-thirds consume at least once a month. Champagne is consumed less frequently – just under one-fifth consume at least weekly and less than half consume monthly.

More young consumers

18 to 34 year olds make up only 35% of Australia's sparkling drinking population, yet account for more than half of the monthly drinkers of champagne, Italian prosecco and New Zealand sparkling.

Younger drinkers are showing increasing interest in sparkling. In the Wine Intelligence Sparkling Wine in the Australian Market October 2018 Report, 16% of Australian sparkling drinkers were aged between 18 and 24, compared with just 12% in 2017.

A higher proportion of younger drinkers consume champagne than any other sparkling category, with 22% of Australia's champagne drinkers aged 18-24, 23% aged 25-34 and 18% 35-44. This means that two-thirds of Australia's champagne consumers are under 45.

Even gender split

Females comprise 55% of Australia's sparkling wine drinkers and males 45%. For champagne drinkers, the split is an even 50/50.

10 future forecasts...

Where is champagne headed in Australia in 2019 and beyond? Here are ten crystal ball predictions...

1. All-time record imports

In 2019, Australia is set for an all-time champagne record, poised to break the nine million bottle threshold for the first time, threatening to steal Belgium's mantle as the sixth largest champagne market on earth.

2. Immaculate consumption

Australia will uphold its position as the fifth largest market per head of population, edging ever closer to the UK in fourth position.

3. Négociants rise up

Australia's sales of négociant houses will continue to rise, hitting a record of more than 8.5 million bottles in 2019, while the diversity of houses stabilises at around 110 brands.

4. Growers settle in

Australia's grower imports might finally stabilise in volume at around 130,000 bottles annually, while continuing to increase in diversity as this space shifts progressively out of the realm of the big retailers and increasingly into the hands of small importers, independent wine stores and progressive restaurants.

5. Coopératives plateau

Coopérative imports will remain stable at around 130,000 bottles annually, while continuing to increase slowly in diversity.

NV takes a hit

Australia's obsession with non-vintage champagne will increasingly wane as rosé and prestige continue their slow growth.

7. Rosé on the rise

Rosé will remain Australia's most underperforming category, but will continue to post consistent annual growth, setting a new record of more than 320,000 bottles.

8. Prestige performs

Prestige will uphold its dazzling performance and set a new record of more than 350,000 bottles.

9. Vintage variation

Vintage champagne will remain small and continue to fluctuate around 150,000 bottles annually.

Cheapskates

Australia's average spend per bottle will remain the lowest outside France.

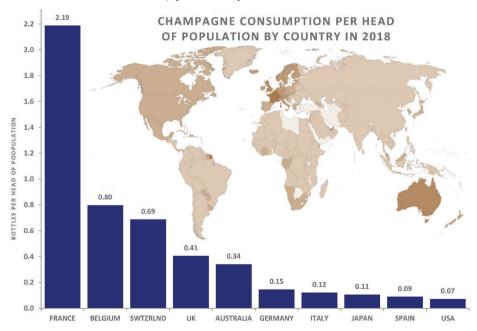
Champagne's top ten markets

Despite a small decline in imports in 2018, Australia holds its position as the seventh largest champagne market on earth. Sweden and Germany also suffered decline in 2018, while greater China, Japan, Switzerland, the US, Spain and Canada enjoyed steady growth.



Immaculate consumption

Australia confidently holds its place as the fifth largest champagne market per head of population, and the only country outside Europe in the top seven. Australians continue to consume more than twice as much champagne as Germans, three times that of Italians, Japanese and Spanish, and almost five times that of Americans.



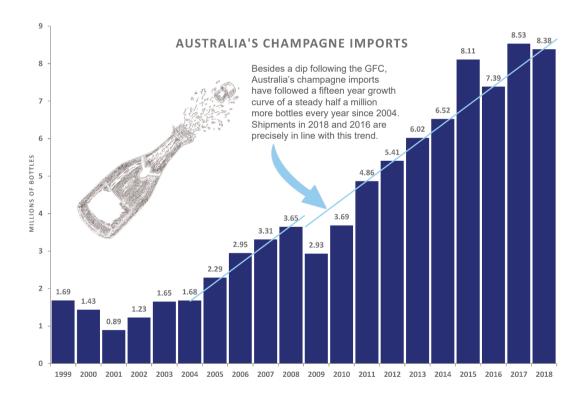
Champagne in Australia hasn't lost its sparkle

Australia's champagne imports dropped from 8.53 million bottles in 2017 to 8.38 million in 2018, prompting the Comité Champagne to describe the market as 'stalled'. But it's not as simple as first appearances might suggest. A look at the import trends of the past 15 years reveals that Australia's champagne consumption in 2018 was actually more effervescent than ever.

Since 2015, Australia's champagne imports have entered a cycle of oscillation, from exceptional growth records in 2015 and 2017, contrasting unexpected declines in 2016 and 2018, leading some analysts to draw the premature conclusion that Australia's love affair with champagne has finally peaked. Not so. In fact, 2016 and 2018 were not dips at all, but exactly fit Australia's incredible, explosive growth curve. Apart from a hiccup following the GFC, Australia's champagne imports have followed a fifteen year trajectory of a steady half a million more bottles every year since 2004. It is actually the unprecedented leaps in 2015 and 2017 that are the outliers.

Further, these figures represent shipments, not consumption, and there is something of a 'pipe filling' effect at play here, fuelled by volatile exchange rates, with warehouses overstocked in 2015 and 2017, triggering artificial declines in shipments in 2016 and 2018.

Last year I cautioned that Australia's champagne imports should be read not in the context of its meteoric year-on-year percentage growth, but rather in its steady, I6-year long growth curve. This is all the more pertinent in interpreting the wild fluctuations of the past four years. In this context, champagne in Australia is in a stronger place today than ever before. And, mark my words, it is yet to reach its peak.



Statistics compiled by Tyson Stelzer from data presented in Les Expéditions de Vins de Champagne en 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008, Comité Champagne, and Sparkling Wine in the Australian Market October 2018 Report, Wine Intelligence.

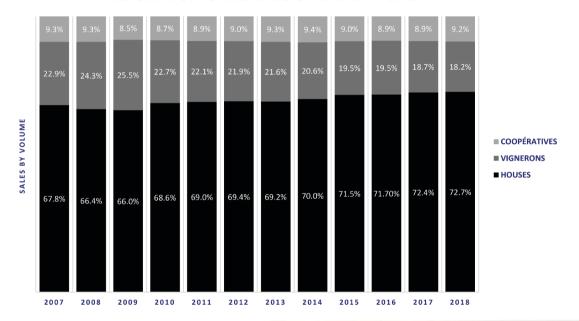
Champagne houses, growers and coopératives

Over the past decade, global sales by volume by champagne houses have grown 13.3% and coopératives by 10.8%, while growers have dropped by a devastating 26.7%, as Champagne moves toward a steadily increasing dominance by its houses.

In 2018, houses shipped 72.7% of the volume and 77.5% of the value of champagne, growers 18.2% of volume and 14.8% of value, the remaining 9.2% and 7.6% respectively accounted for by coopératives.

2018 saw grower sales decline to 54.9 million bottles, down 4.4% on 2017, for a value of €725 million, down 3.3%. The long-term trend is even more revealing, as just a decade ago in 2008, growers sold 78.5 million bottles, almost one-quarter of all champagne sales.

THE CHANGING BALANCE OF CHAMPAGNE

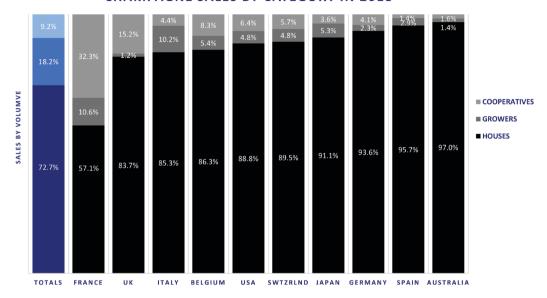




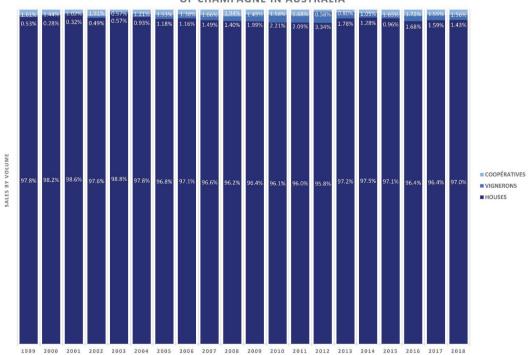
The grower crisis

Of Champagne's top ten markets, Australia is dominated more by champagne négociant houses than any other, with market share by volume for growers dropping from a dismal 1.59% in 2017 to a devastating 1.43% in 2018, compared with 18.2% globally. This represents more than an 11% drop, making Australia's grower shipments less than one-twelfth of their global average, placing Australia second lowest for both grower and coopérative imports among Champagne's biggest markets. This means, of every 33 bottles of champagne sold in Australia, 32 were from champagne négociants. Globally, it's 24 in 33.

CHAMPAGNE SALES BY CATEGORY IN 2018

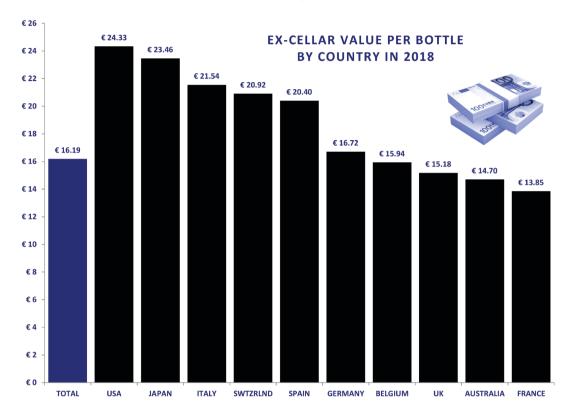


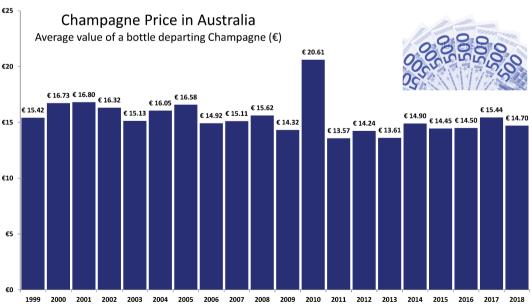
THE CHANGING BALANCE OF CHAMPAGNE IN AUSTRALIA



Depressed values

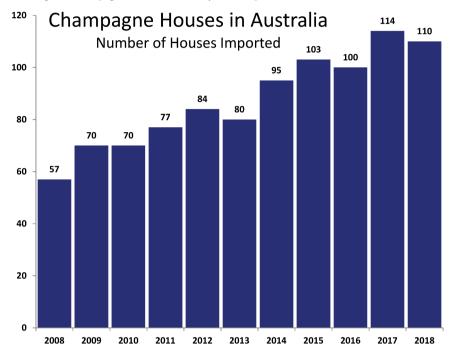
Of Champagne's top ten markets, Australia's average spend per bottle is the lowest outside France, even slipping behind the UK in 2018. The optimism of a jump to the highest ex-cellar value in a decade in 2017 proved to be short-lived, with a crash back to under €15 again last year.

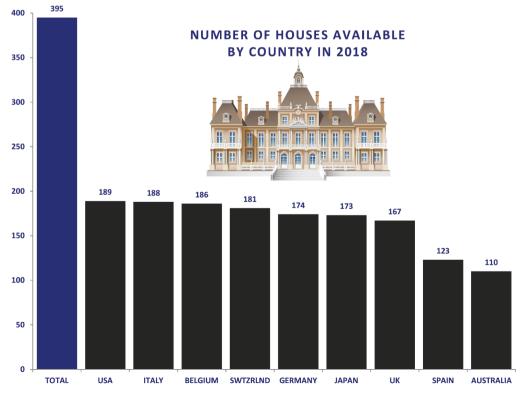


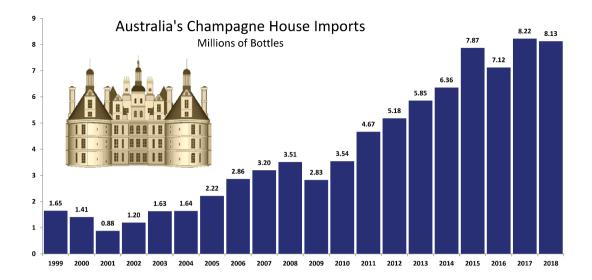


Limited house diversity

Of Champagne's top ten markets, Australia imports the smallest number of négociant houses, just II0 of a total of 395 houses, and a drop of four on 2017. Nonetheless, this represents the second-highest figure in history, and a full 30 more than five years ago. Even still, Australian consumers have access to less than two-thirds of the range of champagne houses offered by other equivalent-sized countries.



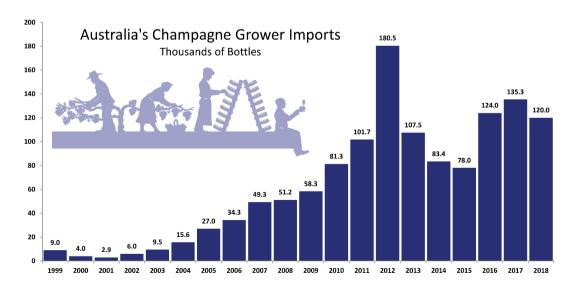


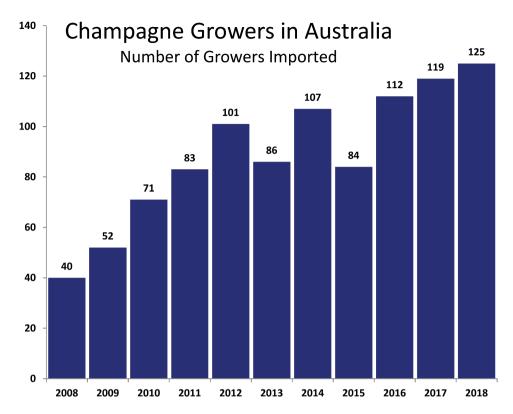


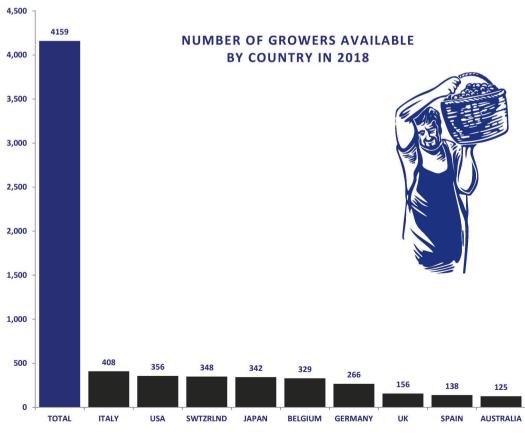
Limited grower diversity

Of Champagne's top ten markets, Australia imported the smallest number of growers in 2018, just 125 of a total of 4,159. The number of growers available in Australia is less than one-third that of equivalent-sized markets. Italy imports less champagne than Australia, yet enjoys access to more than 400 growers. But the signs are promising: 125 represents the record number of champagne growers imported into Australia, representing more than three-fold growth since 2008 and almost 50% growth since 2015. The grower category is migrating progressively out of the realm of the big retailers and increasingly into the hands of small importers, independent wine stores and progressive restaurants. Australia's importers are discerning, and those growers that do find their way down under largely represent the best of this dynamic and enthralling category of champagne.

One of the key factors contributing to the shrinking of this category globally (at least on paper) lies in the migration of key growers into small négociants. Australia is privileged to great representation of a number of little négociants who I consider like growers, including André Clouet, Veuve Fourny and Laherte Frères.

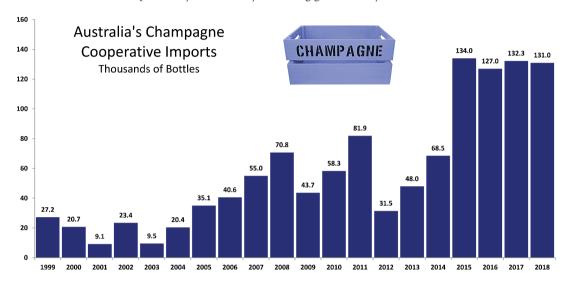


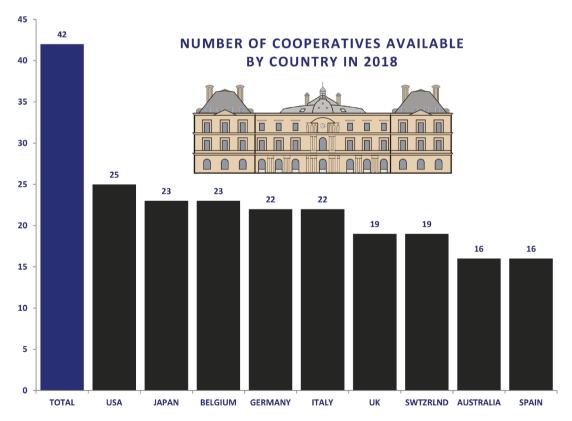


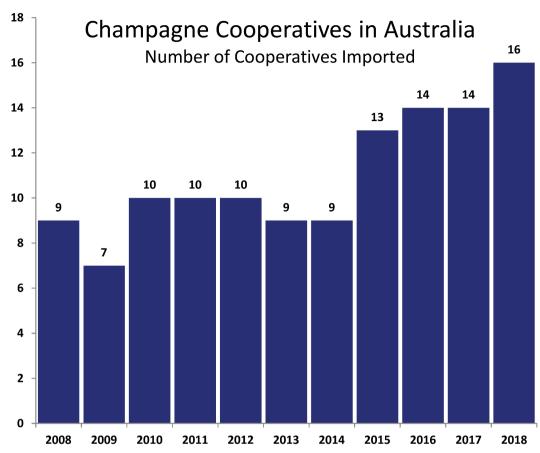


Limited coopérative diversity

Of Champagne's top ten markets, Australia imported the equal smallest number of coopératives in 2018, just 16 of a total of 42. Nonetheless, there is growing diversity in this category, and 16 represents the record number of coopératives ever imported into Australia. Annual coopérative imports have plateaued around 130,000 bottles for the past four years, narrowly overtaking growers this year.





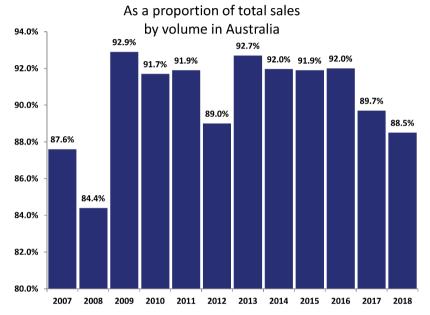


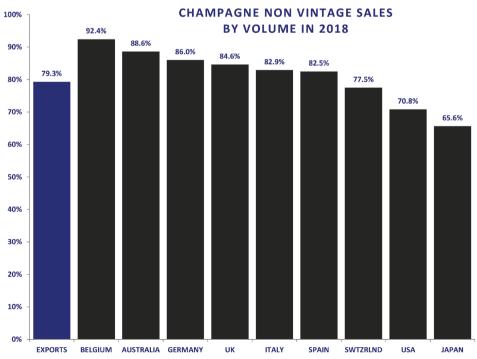


Non-vintage obsession

Of Champagne's top ten markets, Australia is dominated by non-vintage champagne more than any other besides Belgium. For every 20 bottles of champagne sold in Australia, almost 18 are non-vintage. On average across all markets, it's less than 16 in 20. In Japan, it's 13. Australia's preoccupation with non-vintage has fuelled the explosive growth in its champagne obsession over the past decades, and it's encouraging to see signs of a modest swing over the past two years to embrace the wonderful diversity of champagne and discover vintage, rosé and prestige. Non-vintage shipments in 2018 were proportionally the lowest in a decade.

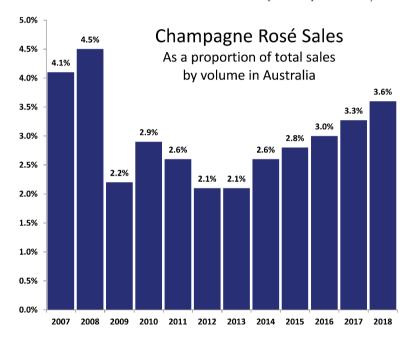
Champagne Non Vintage Sales

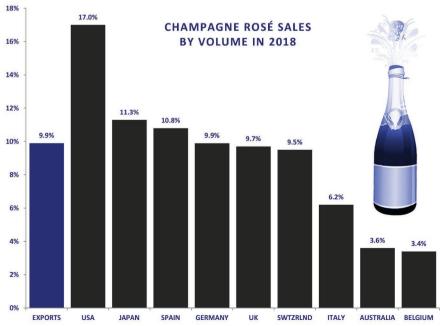




Rosé on the rise... slowly

Champagne's rosé exports globally continue a strong growth trajectory, hitting a record 9.9% by volume and II.8% by value in 2018. Even after steady rises over the past five years, Australia continues to lag far behind, consuming just one-third of the champagne rosé of other top markets, and ranking last besides Belgium among the top ten. For every 28 bottles of champagne popped in Australia, just one is pink. Across all markets, it's one in ten, and the USA set a new record last year of more than one in six. But Australia's rosé shipments have shown solid growth since 2013, and jumped by more than 7% in 2018 to more than 300,000 bottles for the first time. Nonetheless, rosé remains Australia's most underperforming category, so watch this space for growth in the future – albeit moderated by price sensitivity. Champagne rosé is elegantly suited to Australia's diverse cuisine and warm climate and deserves pride of place in every celebration.

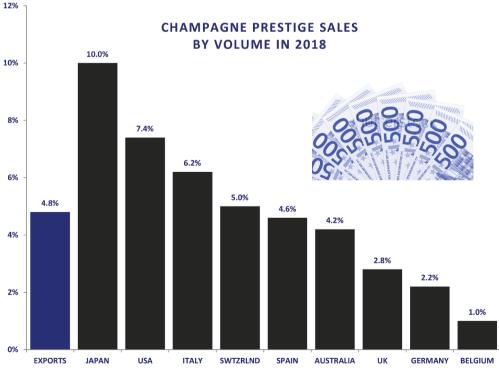




Prestige explosion

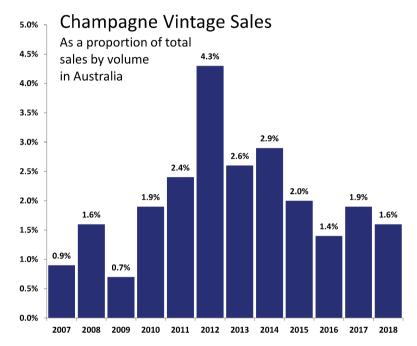
2018 saw an all-time record 350,000 bottles of prestige champagne land on Australian shores, proving that the astonishing leap from I20,000 in 2016 to 320,000 in 2017 was no one hit wonder. This dazzling performance has promoted Australia from stone cold last in the prestige ranks of Champagne's top ten countries to a respectable sixth place, leapfrogging the UK, Germany and Belgium. Prestige cuvées now represent 4.2% of Australia's champagne imports, the highest in a decade.

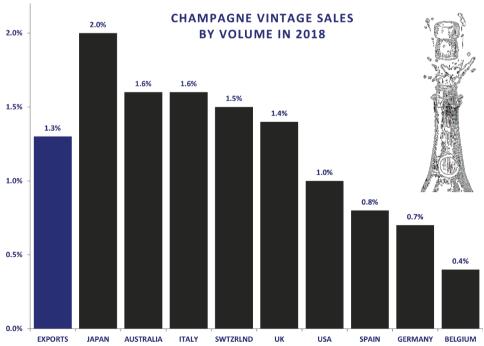


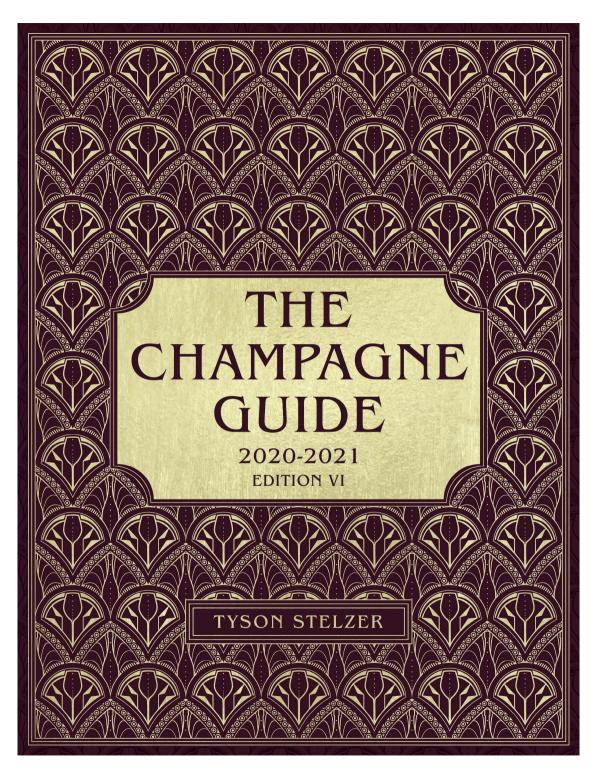


Vintage decline

In 2018, Australia's vintage champagne imports dropped from I.9% to I.6%. However, this still places it in equal second place behind Japan among Champagne's top ten markets. This is nonetheless hardly a champagne-popping achievement — the numbers are small everywhere. Vintage represents a tiny and declining category in champagne worldwide, making up fewer than one in every 70 bottles of champagne sold. And yet it is widely and rightly heralded as champagne's most underrated category of all. Production is minuscule and typically a strong step up from entry non-vintage blends, yet largely underappreciated by the mass market. Look out for great buys again this year, particularly from the spectacular 2008 vintage.







COMING SEPTEMBER 2019



