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California Wine Exports Reach Record \$1.62 Billion in 2016: Global Trend Toward Premiumization Continues



The California Wine Export Program exhibited at Vinexpo Hong Kong, the hub of the growing Asia-Pacific market.

SAN FRANCISCO – U.S. wine exports, 90% from California, reached \$1.62 billion in winery revenues in 2016, a new record. Despite challenges from a strong dollar, winery revenues were up 1% from 2015. Volume was 412.7 million liters or 45.9 million cases.

“California wine exports continue to reflect the trend toward premiumization with the dollar value of our wine sales outpacing volume shipments. California wines are well positioned for this trend—our vintners are offering quality, value, diverse styles and environmental stewardship in their winemaking. Combined with the state’s iconic lifestyle, innovative cuisine and beautiful destinations, California wines continue to gain attention from consumers worldwide,” said Robert P. (Bobby) Koch, Wine Institute President and CEO.

The top 10 export markets for California wines are: the European Union’s 28-member countries, accounting for \$685 million, followed by Canada, \$431 million; Hong Kong, \$99 million; Japan, \$87 million; China, \$82 million; Mexico, \$24 million; South Korea, \$23 million; Switzerland, \$19 million; Singapore, \$14 million; and Philippines, \$13 million.

“California wine exports have grown 78% by value in the last decade despite heavily-subsidized foreign competitors and high tariffs. Our global trading partners are increasingly acknowledging the high quality of wine from the Golden State and responding to our California Wines marketing efforts throughout the world,” said Wine Institute Vice President International Marketing Linsey Gallagher. Gallagher manages Wine Institute’s California Wine Export Program, involving more

than 170 wineries that export to 138 countries, and 15 representatives and offices in 25 countries across the globe.

"Trade agreements, such as the North American Free Trade Agreement (NAFTA), have helped to dramatically grow U.S. wine exports yet discriminatory non-tariff trade barriers continue to be crafted by foreign governments at a steady pace," said Tom LaFaille, Wine Institute Vice President and International Trade Counsel. "We applaud U.S. government efforts to eliminate these barriers and strengthen our competitiveness globally, including the World Trade Organization (WTO) challenge against Canada which seeks to ensure that British Columbia grocery store consumers can choose from the vast array of the world's great wines."

Wine Institute's Regional Trade Directors in key export markets reported on 2016 exports:

Canada

"Canada remains a strong market for California wines and despite a slowdown in momentum, U.S. wines were still #1 in the table wine category in Canada in 2016. Retail sales of U.S. wines are now at a record 6.5 million cases and \$1.1 billion dollars with the strongest increases in the provinces of Ontario, New Brunswick, Manitoba and Saskatchewan. We anticipate continued growth and are also hopeful that provincial governments will extend to California wineries equal access to retail distribution channels," said Rick Slomka, Wine Institute Trade Director for Canada. "Canadian consumers have confidence in the quality and value offered by California wineries whose wines are successful in all price segments. Recent price increases resulting from exchange rate fluctuation may lead to slower growth."

Continental Europe

"As the dollar moves towards parity with the Euro, export volumes to Europe are down in most countries, mainly in the lower priced segment. The good news is that the dollar value of California's exports to the EU countries (excluding UK) is up 2.7% as the interest in premium California wines continues to be strong," said Paul Molleman, Wine Institute Trade Director for Continental Europe.

United Kingdom

"It's a fantastic result for California wine in the UK, continuing three years of accelerating growth. There is a very clear trend towards premiumization with +18% value growth and rising volumes (+5%). The conversation is increasingly about exceptional wine quality across both powerful and elegant styles. Volume shipped exceeded 13 million 9-liter cases to the UK, making it the top volume export destination for Californian wines globally. With the value of California exports to the UK now worth \$337 million, the industry is on track to meet its target of \$400 million in export sales by the end of the decade," said Wine Institute United Kingdom Trade Director Justin Knock.

Japan

"U.S. bulk wine exports to Japan have been growing as major Japanese importers are now importing popular-priced California wine brands in bulk and then bottling in Japan. This reduces the burdensome import duty to a limited extent and makes inventory control easier. In 2016, we saw the last major generic California wine brand switch to local bottling," said Ken-ichi Hori, Wine Institute Japan Trade Director. "Japanese importers of U.S. wines were disappointed to learn of the U.S. withdrawal from the Trans-Pacific Partnership. They now hope the U.S. will establish a Free Trade Agreement with Japan as soon as possible to abolish the heavy import

duty on U.S. wines, which will help the entire American wine category grow in Japan. This is critical for the U.S. wine industry, since our competitors, Chile and Australia, already have free trade agreements with Japan and benefit from a duty advantage over U.S. wines.”

China

“The significant growth in U.S. wine exports to China in 2016 is particularly important because it demonstrates a meaningful growth in higher value products. A 47% increase in value in one year, coupled with an 11% increase in volume, speaks to the inherent strength in consumer acceptance of California wines in China, despite the rising value of the U.S. dollar versus the Chinese RMB currency throughout the year. Additionally, according to research firm Wine Intelligence, the total number of imported wine consumers in China increased by 26% over the last two years. These concurrent developments signal an increasing healthy market in China and Chinese consumers’ burgeoning interest in California wines,” said Christopher Beros, Wine Institute Trade Director for China and Pacific Rim.

Since 1985, Wine Institute has served as the administrator of the Market Access Program, a cost-share export promotion program managed by the USDA’s Foreign Agricultural Service. Wine Institute’s Export Program supports California Wines worldwide with a consumer website discovercaliforniawines.com in eight languages, social media campaigns in 16 countries, an educational California Wines PowerPoint tool and videos, and a strong partnership with [Visit California](#) to increase tourism to California wine regions. Wine Institute organizes California’s participation in international trade shows and trade missions, offers master classes and seminars as well as tastings for trade, media and consumers worldwide. Last year, the program hosted 150 international media and wine buyers from 15 countries for visits to California wine country. For information, see: [Wine Institute’s California Wine Export Program](#)

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Editors: Photos available at: <https://app.box.com/s/d0b6xsp3mfj1lqdnlk3sr964hnic2av9>

U.S. WINE EXPORTS*
Year to Date: January-December
2016 and 2015

PARTNER COUNTRY <i>Ranked by 2016 Value</i>	Value (U.S. Dollars) Revenues to Wineries		Variance '16 v '15	Volume (Liters)		Variance '16 v '15
	2016	2015	Percent	2016	2015	Percent
European Union Total**	\$685,170,785	\$622,325,431	10.10	221,188,826	238,843,833	-7.39
Canada	\$431,402,639	\$461,217,774	-6.46	88,776,570	99,780,645	-11.03
Hong Kong	\$98,615,294	\$97,293,559	1.36	12,438,896	12,540,529	-0.81
Japan	\$87,488,237	\$96,602,621	-9.43	23,613,126	29,474,848	-19.89
China	\$81,689,265	\$55,742,263	46.55	14,871,716	13,385,112	11.11
Mexico	\$24,059,600	\$25,973,601	-7.37	7,839,002	9,382,894	-16.45
South Korea	\$23,337,670	\$23,452,775	-0.49	4,261,903	4,401,293	-3.17
Switzerland	\$18,568,360	\$21,155,711	-12.23	2,304,460	2,693,876	-14.46
Singapore	\$13,606,568	\$14,965,175	-9.08	2,227,056	2,773,251	-19.70
Philippines	\$13,202,614	\$11,722,946	12.62	4,317,825	4,075,393	5.95
Dominican Republic	\$13,031,174	\$11,091,842	17.48	3,156,701	3,160,844	-0.13
Taiwan	\$12,173,291	\$10,557,798	15.30	1,646,567	1,858,293	-11.39
Vietnam	\$9,949,863	\$11,745,692	-15.29	346,954	1,134,683	-69.42
Bahamas	\$9,368,438	\$8,346,776	12.24	1,525,134	1,712,806	-10.96
Norway	\$7,667,471	\$5,732,539	33.75	4,130,418	2,991,410	38.08
United Arab Emirates	\$6,485,273	\$9,290,287	-30.19	1,026,694	1,674,586	-38.69
Panama	\$5,030,911	\$3,748,279	34.22	1,018,050	852,534	19.41
Bermuda	\$4,937,744	\$4,484,424	10.11	1,046,962	881,057	18.83
Thailand	\$4,338,664	\$5,379,211	-19.34	807,008	1,177,739	-31.48
Cayman Islands	\$4,313,943	\$4,685,239	-7.92	389,836	500,622	-22.13
OTHER COUNTRIES	\$65,288,952	\$97,730,084	-33.19	22,351,679	27,831,678	-19.69
WORLD TOTAL	\$1,619,726,756	\$1,603,244,027	1.03	412,650,737	461,196,309	-10.53

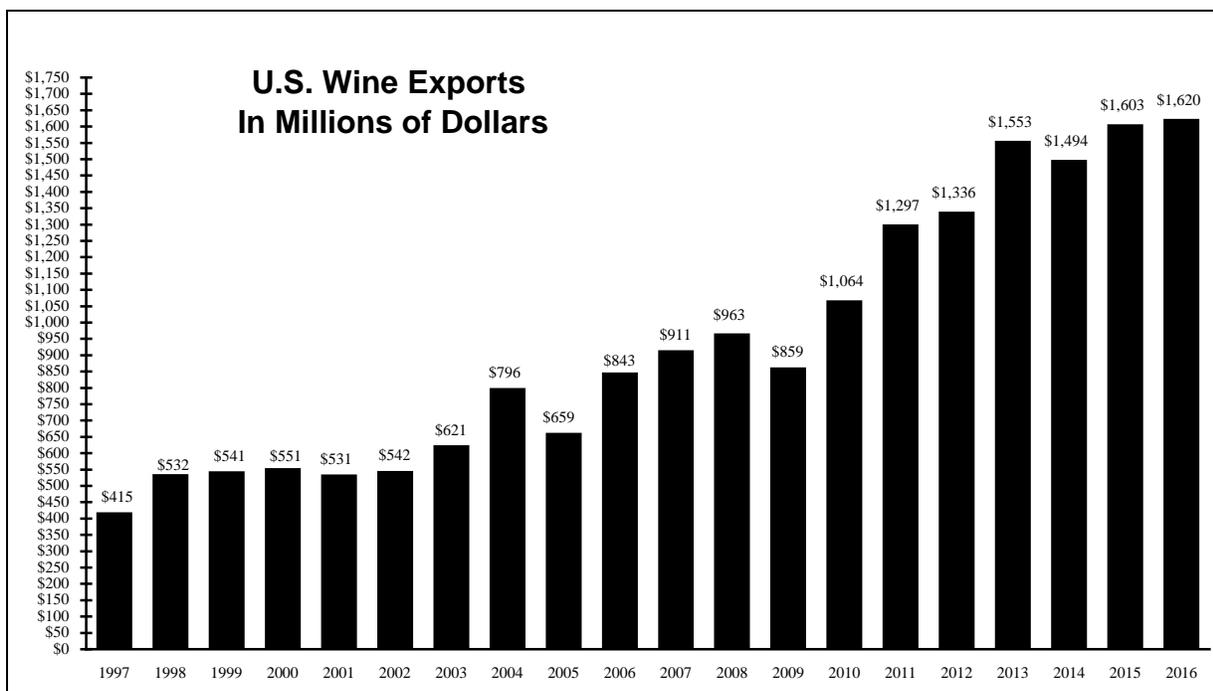
Source: Wine Institute & Global Trade Information Services, using data from U.S. Dept. of Commerce. Preliminary numbers.

Includes hard cider. History revised.

*Statistics exclude re-exported wine due to U.S. DOC changing its reporting to exclude this wine.

**Stats for the 28 EU countries are combined because transshipments to final destinations in neighboring countries make a country-by-country breakdown not reflective of actual consumption in each country.

To convert liters to gallons, multiply liters by .26418 To convert liters to cases, divide liters by 9



Source: Wine Institute & Global Trade Information Services, using U.S. Dept. of Commerce data.

U.S. WINE EXPORTS 1997 - 2016

Year	Volume (In millions)			Value (In millions of dollars)
	Gallons	Liters	Cases	Revenues to Wineries
2016	109.0	412.7	45.9	\$1,620
2015	121.8	461.2	51.2	\$1,603
2014	117.0	442.7	49.2	\$1,494
2013	115.1	435.8	48.4	\$1,553
2012	106.9	404.8	45.0	\$1,336
2011	111.4	421.6	46.8	\$1,297
2010	107.6	407.3	45.3	\$1,064
2009	106.4	402.8	44.8	\$859
2008	125.5	474.9	52.8	\$963
2007	115.9	438.8	48.8	\$911
2006	105.1	397.9	44.2	\$843
2005	101.5	384.1	42.7	\$659
2004	119.1	451.0	50.1	\$796
2003	92.3	349.2	38.8	\$621
2002	73.4	277.8	30.9	\$542
2001	78.8	298.3	33.1	\$531
2000	77.8	294.4	32.7	\$551
1999	74.2	281.0	31.2	\$541
1998	71.1	269.1	29.9	\$532
1997	58.7	222.1	24.7	\$415

Source: Wine Institute & Global Trade Information Services, using data from U.S. Dept. of Commerce.
History revised.