

Webinar : Opportunities in the Chinese Wine Industry

For Australian viticulture & wine technology, products and consulting services

China Agribusiness &
Food & Beverage Team
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Australian Government
Australian Trade Commission



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China Wine Industry Overview

History of China's Modern Wine Industry

- China's Modern Wine Industry dates back more than a hundred years, to 1892.
- The first dry white wine was successfully made in China by the end of 1978.
- Until 1983, Changyu Wine Company bottled the first lot of dry red wine, which was the first time that China manufactured dry red wine.
- French wine was the first foreign wine imported into China. Dynasty Wine Ltd. set up in 1980, was the first joint venture in wine industry.

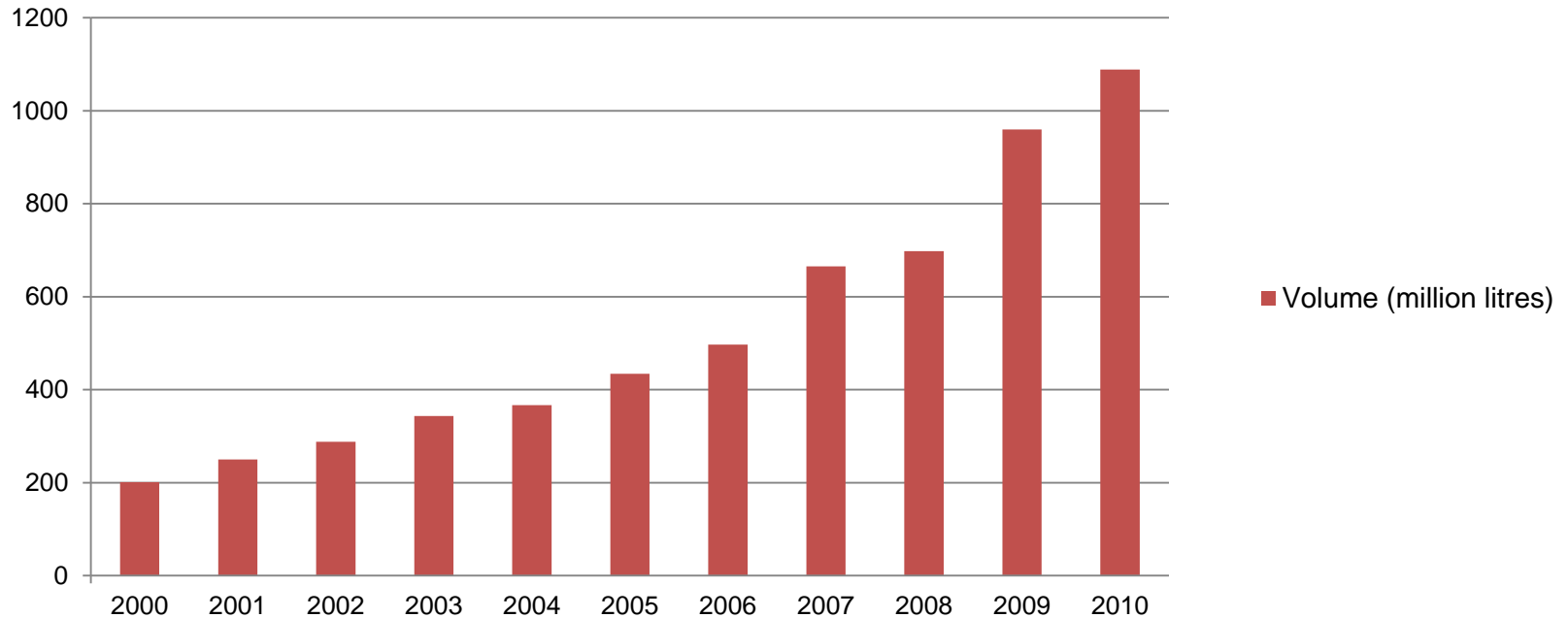
China Wine Industry Overview

- Over 940 wineries in operation ⁽¹⁾, ten or so of which are major producers.
- The top four domestic companies control over 27% of the entire grape wine market in China.
 - COFCO
 - Changyu
 - Dynasty
 - Weilong
- In general each has nationwide distribution, high brand recognition, customer loyalty, and a well defined niche market

(1) <http://www.wines-info.com/html/2011/2/1-36742.html>

China Wine Industry Overview

China wine production

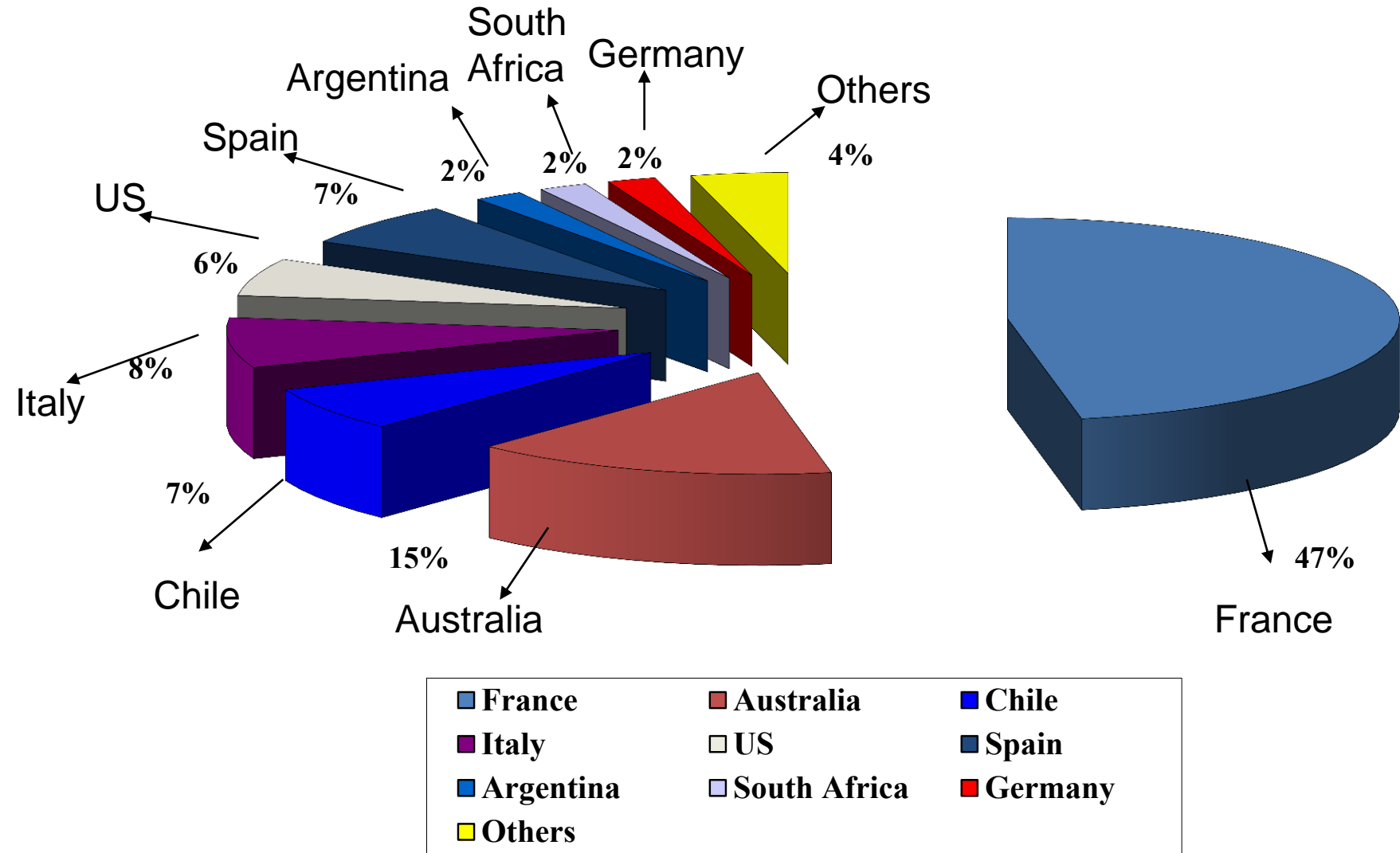


Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Volume (million litres)	201	250	288	343	367	434	497	665	698	960	1089

(source: Wine China online & Wines-info.com)

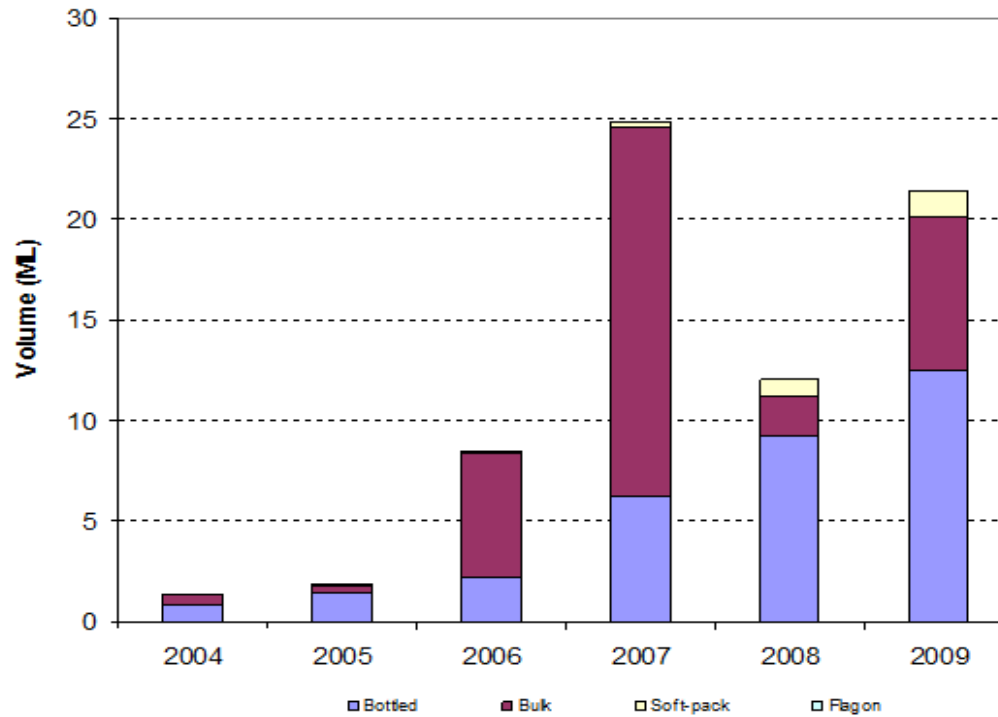
China Wine Market – Imports

Bottle Wine Imports to China by Volume – Calendar Year 2010



China Wine Market

Australian wine exports to China, Pr - by container type



China Wine Market

- China's wine consumption in 2009 was 1,050 million litres, the imported wines less than 2 litre package was 91 million litres, accounts for 8.7% of the total wine consumption (source: China Wine news)
- China is Australia's fastest-growing wine market
- 46% growth by value in 2009-2010 to A\$117 million
- China is the fourth largest of market for Australian wine
- Australian Wine dominated the 300-400yuan (A\$45-A\$61)market

(source: The Australian)

Australia and China Wine Industries

	China	Australia
• Wine Production (ML)	960(2009)	1,500(2010)
• Wine Consumption (liter per person a year)	0.4	25
• Vineyard Areas (hectare)	67,000(2010)	157,000(2010)
• No of wineries	900	2,200
• Average yield (tons per hectare)	10-15	5-8

China Major Wine Regions



1. Jiao dong Peninsula
2. Qin Huang-dao Area
3. Tianjin Area
4. Bohai Bay inland areas
5. Loess Plateau wine region in Ningxia, Hexi Corridor in Gansu Province.
6. Xin Jiang wine
7. North East Jilin province
8. Yun Nan wine
9. Ancient Huanghe River area

Wine Regions

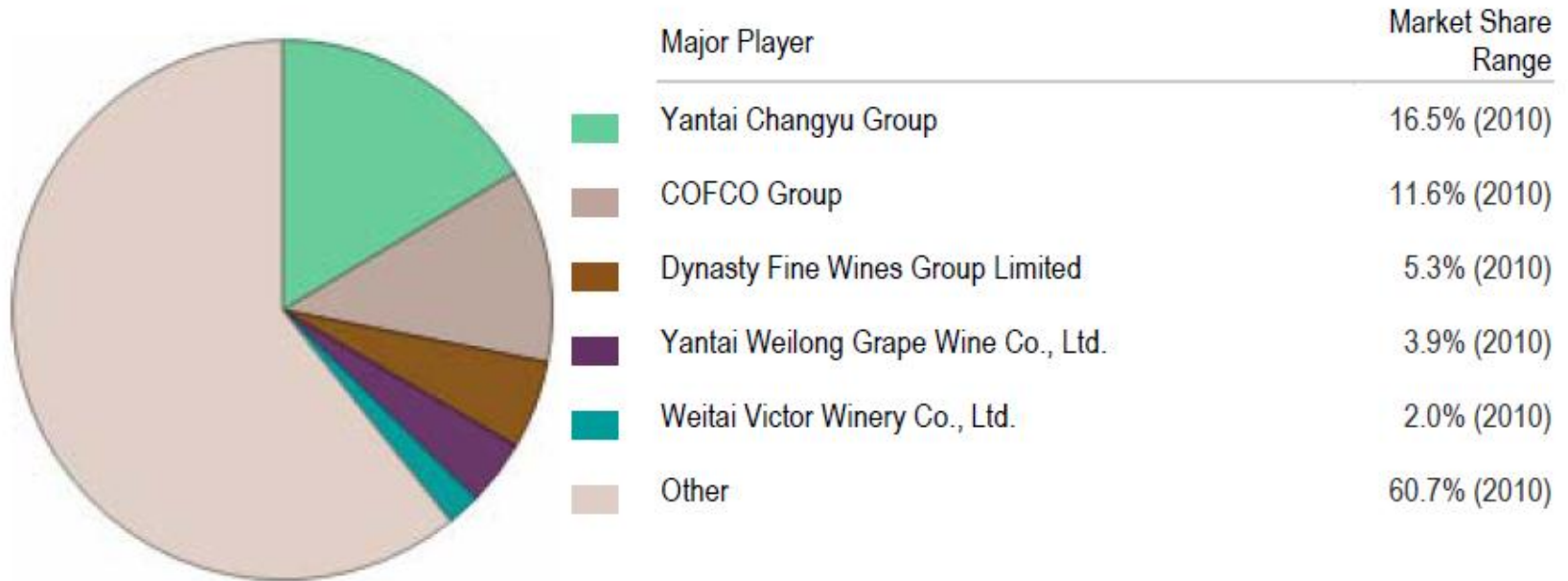
- North West – Ningxia, Xinjiang and Gansu

Summers are hot and dry, grapes have high sugar content and fewer problems with disease than in coastal regions; Winters extremely cold, have to bury the vines

- East Coast (Shandong)

Relatively long wine making tradition means greater supply of experienced employees; burying vines not necessary in winter; gets hot and humid simultaneously so need pesticides

Major Players



Chinese Vineyard Practices

- China is fortunate with no phylloxera pest problems. Most of planting material is propagated by cuttings. In some cold areas vines are grafted on cold resistant root stocks
- Pergola and vertical trellis most popular used for grape growing
- The popular trellis systems – multi-arm fan system with no trunk used for vertical trellis and the dragon system with a strong permanent cordon where grapevines usually need to be “heeled” in winter.
- Grape yields varies from 8 to 20 tons/ha

Chinese Vineyard Practices

- Pruning is done in late autumn (Oct) or winter (Nov)
- Fertilisers are used throughout year
- Due to different climates diseases are different region to region: downy mildew, white rot, bitter rot; brown spot in all regions; Anthracnose & rust in rainy humid areas like Yunnan; Grey mold in Hebei, Shandong, Sichuan

Chinese Vineyard Practices

Vineyard selection – based on the analysis of soil, climate, land slope, grape variety suitability etc.



COFCO JUNDING CHATEAU

Chinese Vineyard Practices

Irrigation – drip irrigation and flood irrigation



Ningxia, Feb 2010



Xinjiang, May 2010

- specific climate issue in Northwest region (cold) - the vines needs to be buried under soil in winter

Chinese Wine Making Practices

- Mainly stainless steel tank fermentation
- Some higher quality using oak but still rare
- 99% are commercial yeast

Trends of China Wine Industry

- China wine industry to maintain the current rapid speed of development
- China wine market to be further expanded
- More capital to be injected in wine industry
- Significant investments in wine production equipment and technologies
- Increasingly focus on medium and high end brands
- Market share for imported wines will be increasing
- The competition of foreign wine brands to be more intense in China

Trends of China Wine Industry

- More and More Foreign Investment into China Wine Industry

Dynasty Fine Wine	--	Remy Martin
Yantai Changyu	--	Castel Group
Tonghua Wine	--	Macro-Link
Shenzhen Castel	--	Subsidiary of Castel Group
CITIC	--	Chateau Lafite
Helan Shan	--	Pernod Ricard
Mogao Wine	--	Kir-Yianni (Greece)

Trends of China Wine Industry

China Wine Industry are investing overseas

- Dynasty Wine will invest 1 billion yuan (A\$153 million) in purchasing vineyards in Australia, New Zealand, Chile and France
- ChangYu Group had cooperated with Karikari Estate of New Zealand by co-branding in 2006.

Education and training

Wine Institutes in China

- The Enology college of Northwest Agriculture & Forestry University (NWSUAF)
- China Academy of Agricultural Sciences, Zhengzhou, Henan
- Wine Institute of China Agriculture University (CAU)
- School of Biotechnology – Jiangnan University
- Food Science and Engineering College of Shandong Agriculture University
- Food Science and Biotechnology College of Tianjin University of Science & Technology

Established wine laboratories with research institutes

- COFCO and China Agricultural University's
“China Agricultural University Great Wall Wine Research Center”

The Enology college of Northwest Agriculture & Forestry University (NWSUAF)

- Origin in 1985
- The first training and education institute in Asia specialising in viticulture and wine making.
- Well known for educating professionals in China's viticulture and wine making industry
- Well established International cooperation including Australia, such as Adelaide Uni, AWRI etc.



<http://wine.nwsuaf.edu.cn/>

Opportunities for Australian Industry

- Wine making & Viticulture consulting
- Competitive equipment such as fermenting equipment, reverse osmosis technology, etc)
- Testing and analysis technologies
- Quality control
- Mechanization for large scale production
- Vine Nursery
- Viticulture & vineyard management
- Education & Training
- Winery Design and Architects
- Wine Tourism consulting

Challenges for Australian Products and Service Suppliers in China

- Strong competition from France, Italy, New Zealand and Spain
- 1st mover advantage established by French and Italian companies
- Majority of Chinese wine Industry is at very undeveloped level across supply chain – education is required on production but also greater consumer appreciation on understanding quality wine
- Small and medium sized wineries can lack long-term strategy,
- Misconception that Australia is not a fine wine producer and is only a source of bulk wine
- Soil ,Climate and Disease of Vine are quite different from Australia
- Eager for training and new technology, but can be reluctant to pay for consulting services
- IP Protection
- Language and Cultural Considerations

Case Study 1. Gansu Weilong Wine / Grand Dragon

- **Gansu Weilong Organic Wine Co., Ltd (Brand as GrandDragon)**
 - The largest organic vineyard in the world – Weilong organic vineyard
 - Free of Agrochemical, Chemical fertilizer, no Contamination
 - 6 international wine masters working at Weilong
 - 5 from Australia (specialise in Grape plantation, Vineyard management, Organic fertilizer, Wine making, Wine blending)

Case Study 2. Grace Vineyard, Shanxi

- Ken Murchison from Portree Vineyard, Lancefield Victoria responsible for viticulture and winemaking for Grace Vineyard
- Grace Vineyard, Shanxi – 90% Red – Cabernet Sauvignon; Merlot, Cabernet franc; Chardonnay and Chenin blanc
- 4 tiers of branded wine, high quality cabernet and chardonnay

Challenges

- working with so many growers (over 500)
- Shanxi – high rainfall 450mm just on harvest time, Season change quite quickly with summer/winter change over fast
- training grape growers - heavy irrigators; over use of fertiliser
- vines - low to ground so can be protected from cold in winter

China Wine Industry Study Tour to China in July 2011

- Potential Participants:
 - Viticulture (Vine nursery, Vineyard Management)
 - Wine Making Technology (New processing Technology, Training, Consulting)
 - Wine related equipment and ingredient suppliers
 - Wine Educational Institutions (Wine Tourism)
 - Bulk wine export and consulting on wine making via the bulk wine from Australia

Wine-tech Study Tour to China, 3-8 July 2011

- Visit to wineries in Yinchuan, Helan Mountain (Ningxia) and Penglai (Shandong)
- Workshop with the representatives of Chinese wineries in Yinchuan
- Participate in Vinitech (Austrade booth)
- Workshop and networking dinner function with Chinese industry representatives in Penglai

Wine-tech Study Tour to China, 3-8 July 2011

Sunday 3 July	Yinchuan	Arrive in Yinchuan Austrade briefing at the conference room of the hotel Group dinner
Monday 4 July	Yinchuan	Visit five local wineries Dinner with local government authorities and industry bodies
Tuesday 5 July	Yinchuan	Workshop with local industry and winery representatives Depart to Yantai
	Yantai	Group transport from Yantai airport to Penglai (one hour drive)
Wednesday 6 July	Penglai	Attend Vinitech opening ceremony and exhibition Mission leader to speak at the China Vinitech Viticulture and Vineyard Management Technical Forum
Thursday 7 July	Penglai	Site visit to local wineries Austrade workshop and networking function
Friday 8 July	Penglai	Site visits to local wineries

Penglai Vineyard



Yinchuan Vineyard



China Wine Industry

Q&A

China Wine Industry

Thanks for your participation !!

We look forward to working with you !!

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China Agribusiness Team