

Wine
Australia
providing market
insights for
Australian
Wine

Market update:
The Nordics
September 2021

Foreword

The purpose of this report is to provide data and insights on key Nordic markets for Australian wine exporters. The markets included from 'the Nordics' in this report are Sweden, Norway, Finland, and Denmark.

About Wine Australia

Wine Australia supports a competitive wine sector by investing in research, development and adoption (RDA), growing domestic and international markets, and protecting the reputation of Australian wine.

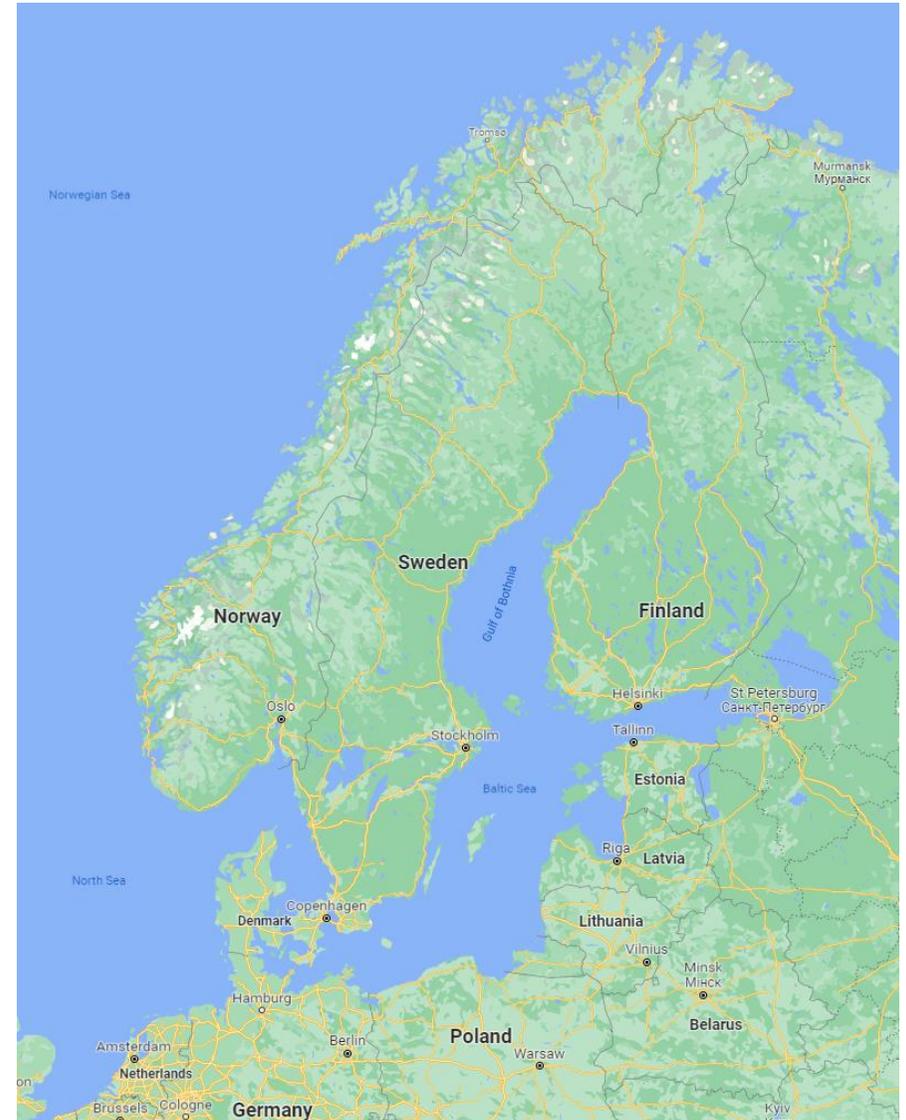
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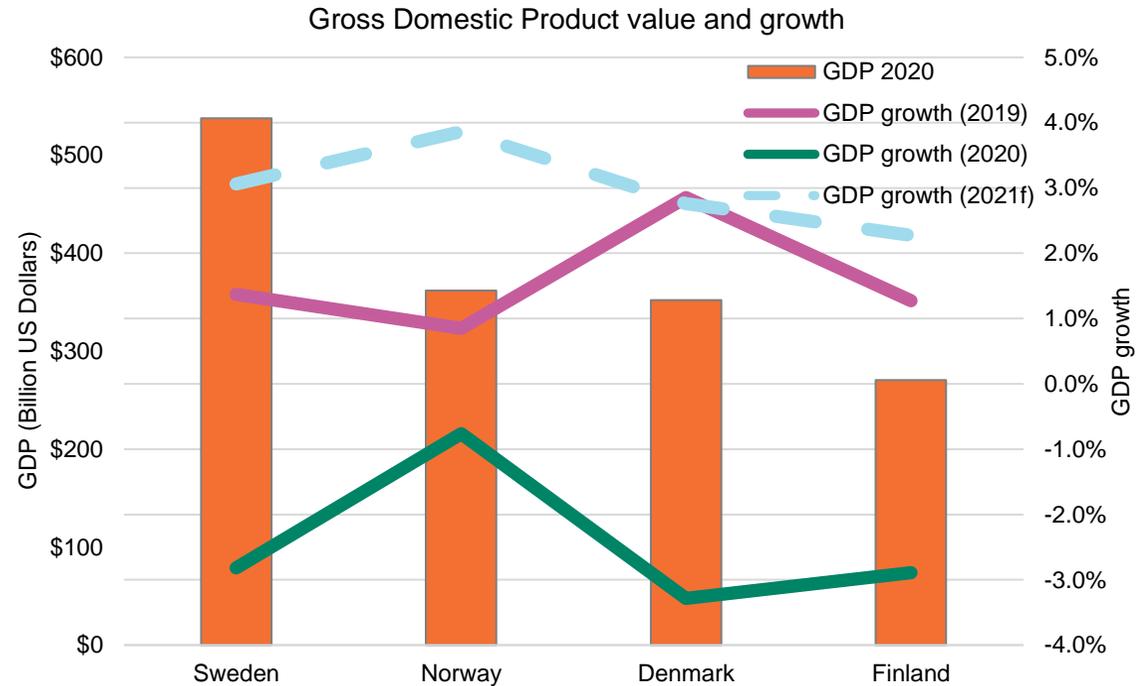


Executive summary

- Economies expected to recover in 2021.....p.4
- Immigration drives population growth.....p.5
- COVID restrictions have impacted channel use.....p.6
- Beer is the largest alcohol category by volume.....p.7
- Majority of alcohol sold through monopolies.....p.8
- Large amount of alcohol sold in cross-border trade.....p.9
- Total wines sales volume like Australia – but higher value....p.10
- Wine sales boomed in 2020 – but it won't last.....p.11
- Denmark consumes most wine per capita.....p.12
- Denmark and Norway sell more premium wine.....p.13
- Italian and French imports increased the most in 2020.....p.14
- Finland differs in its profile in imported wine sources.....p.15
- Sweden and Denmark receive the most 'bulk' wine.....p.16
- Sweden imports the most wine from other Nordics.....p.17
- Denmark sells the most Australian wine.....p.18
- Nordics imports as much Australian wine as Germany.....p.19
- Finland and Norway drive recent growth in exports.....p.20
- Shiraz and Chardonnay are top varieties exported.....p.21
- Organic wine and alternative packaging are key categories...p.22
- Nordic markets rise in attractiveness.....p.23

Economies expected to recover in 2021

Compared to 2019, all Nordic economies took a dive in 2020, even though the nations took slightly different approaches to combatting COVID-19. In comparison with their European neighbours, they have all managed relatively well. Norway fared the best due to its rich oil industry and the funds it raises for the government through tax. Denmark, with the highest pre-COVID GDP growth, is expected to make a full recovery in 2021. Sweden has the largest economy (and largest population) and is also expected to recover well in 2021. Together, these 4 economies total US\$1.5 trillion in GDP and 27 million inhabitants, roughly the same value and population as Australia.



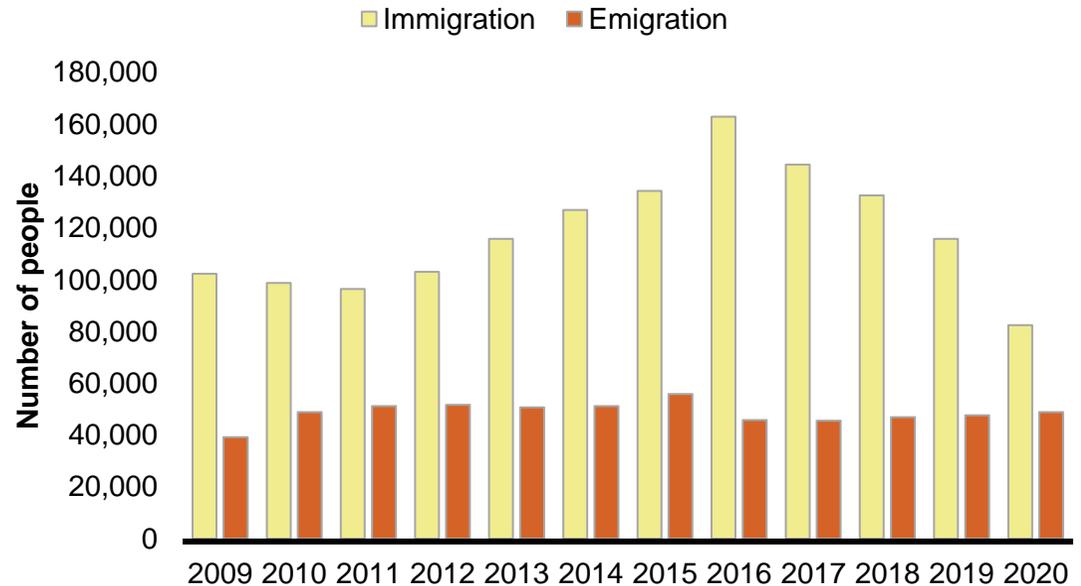
Source: IMF

Immigration drives population growth

Sweden has the largest population at just over 10 million inhabitants. Denmark, Finland, and Norway all have similar populations of around 5.5 million people. The population growth in all countries is driven by immigration. In Sweden and Denmark this is driven by refugees – mostly from Syria, Iraq, and Afghanistan. The increasing diversity in population is broadening the alcohol repertoire of consumers.

Immigration (and movement in general) has dipped in the last year. Also, Denmark, Norway, and Sweden have all introduced new laws to make gaining citizenship harder.

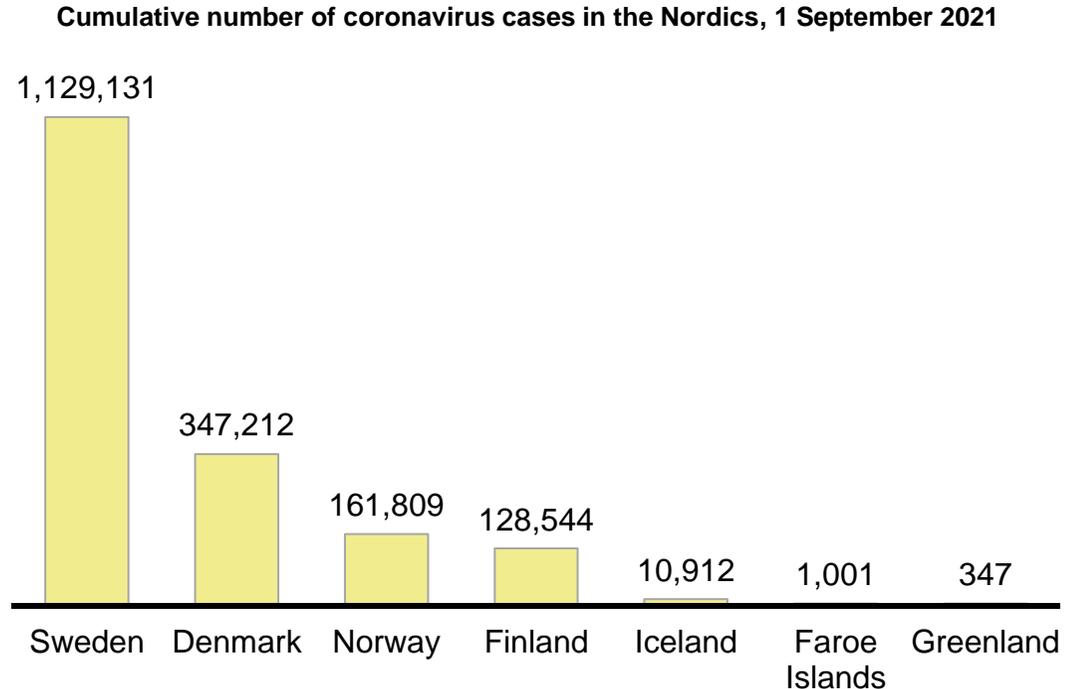
Migration flow of Sweden 2010-2020



Source: Statista

COVID restrictions have impacted channel use

As in most countries, COVID-19 has impacted on consumer habits in the Nordics. Denmark, Finland, and Norway all imposed similar restrictions on the movement of people – closing non-essential retail, workplaces, and borders. Sweden took a different approach to start with, opting to stay away from lockdowns and instead relying on voluntary recommendations of hand-washing and social distancing. Despite the differences in approaches, the on-trade suffered in all Nordic countries, with wine volume sold dropping by about 50% year-on-year. The restrictions on borders also meant that more alcohol was purchased within country outlets, rather than through cross-border purchasing – more on this later.



Source: Statista

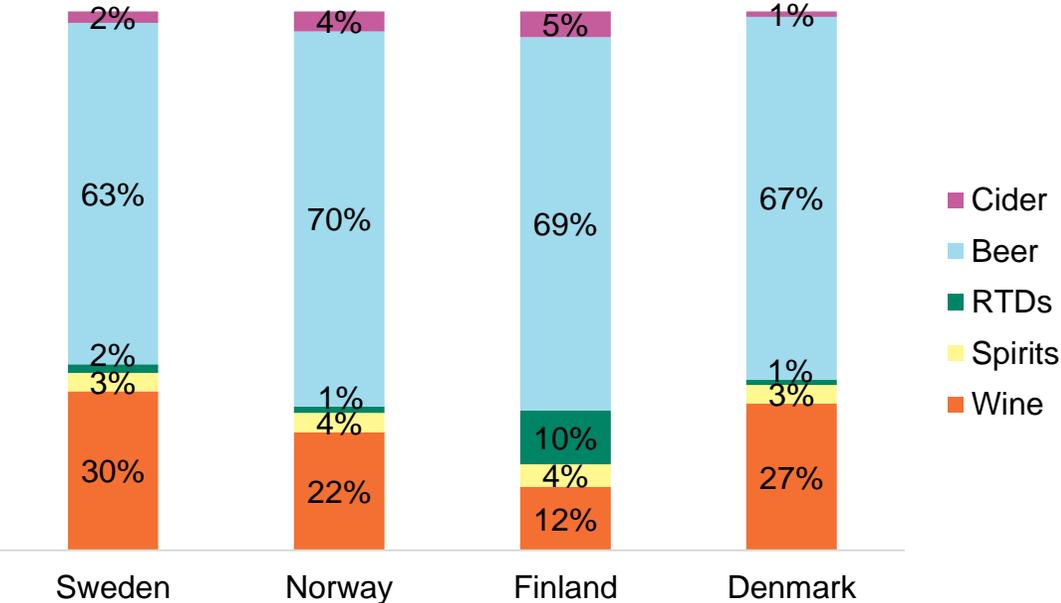
Beer is the largest alcohol category by volume

Beer has the largest volume share in all 4 markets and is in long-term decline in Finland and Denmark – although Denmark has just made favourable tax changes for beer which has stemmed some of the decline.

Finland is characterised by having a higher share of RTDs (usually vodka or gin mixed with a sparkling beverage) and also a high level of spirits and cider consumption.

Denmark and Sweden both consume more wine than the other markets.

Alcohol consumption by category, 2020 volume share



Source: IWSR

Majority of alcohol sold through monopolies

Finland, Sweden, and Norway's alcohol markets are all largely dominated by government-owned monopolies. Save for some lower alcohol products, which can be sold in supermarkets, nearly all alcohol is sold through these outlets. Denmark does not have a state-owned monopoly and as such the taxes, and prices, tend to be lower in Denmark than the other Nordic markets.

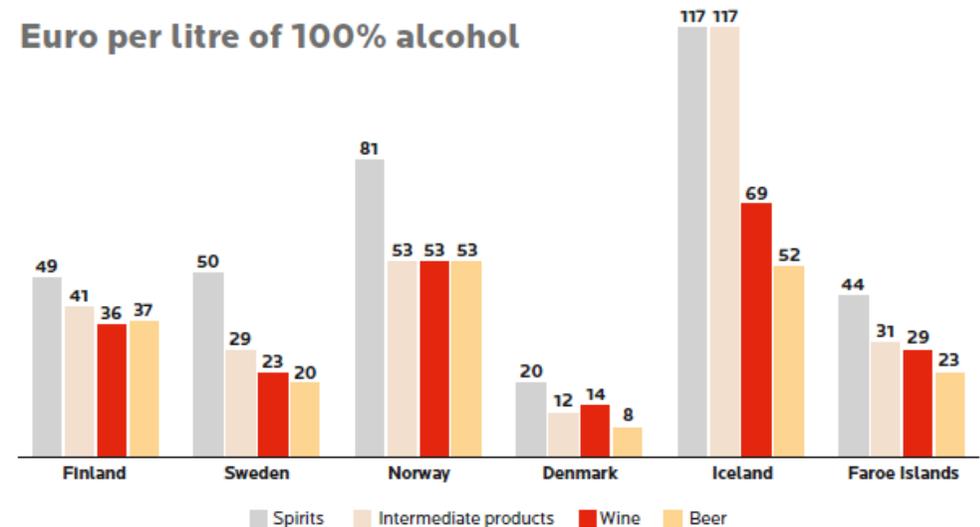
The on-trade is a very small part of these wine markets (less than 10 per cent of volume even in a pre-pandemic year).

Some of the monopolies have done well developing their online capabilities. For example, Systembolaget (Sweden) reached its 2023 ecommerce goals by 2020 and online sales through Vinmonopolet (Norway) also skyrocketed. However, Alko (Finland) does not deliver alcohol, which limits its convenience factor.

Alcohol excise duty rates and value-added tax rates in the Nordic countries

Situation as at 1st of January 2019

Euro per litre of 100% alcohol



Source: Nordic alcohol monopolies

Large amount of alcohol sold in cross-border trade

Due to the nature of open borders in Europe, the close proximity of the Nordic markets, and the discrepancies in prices, cross border sales (i.e. when consumers cross the border in order to purchase alcohol) are a large consideration when estimating the size of these markets. Typically, some Norwegians will buy their alcohol in Sweden, Swedes will go to Denmark, Danes to Germany, and Fins to Estonia or Latvia. While it was thought that the pandemic would decrease this trade, it did not decline as much as predicted – consumers simply bought more on fewer trips. For example, footfall by Fins in border outlets fell by two thirds, while volume only fell by a third. This decrease in volume has, however, had a significant effect on wine sales, as you will see in the next slides.

Direction of the majority of cross-border alcohol purchasing in Nordics



Total wine sales volume like Australia – but higher value

Not only is the combined population and GDP about the same as Australia, the volume of wine consumption in the Nordics is only slightly higher than Australia, at 60 million 9-litre case equivalents in 2020. However, the retail value of the wine sold is much higher - \$8 billion versus \$5.3 billion in Australia. Across the region the average price per bottle of wine is US\$11.10, while in Australia it is US\$7.87. The highest average price is in Norway, followed by Denmark, Finland, and then Sweden. Norway's high alcohol taxes and relatively high GDP per capita compared to the other markets are contributing factors to this.

Wine Intelligence classifies Denmark, Norway, and Sweden as 'mature' wine markets – with stable/declining volume. Finland is classified as 'established', meaning recent growth is starting to tail off.

Volume and value of wine sales in 2020

Market	'000 cases	US\$M
Sweden	24,657	\$2,619
Denmark	18,016	\$2,546
Norway	10,614	\$1,898
Finland	6,932	\$958
Total	60,218	\$8,022

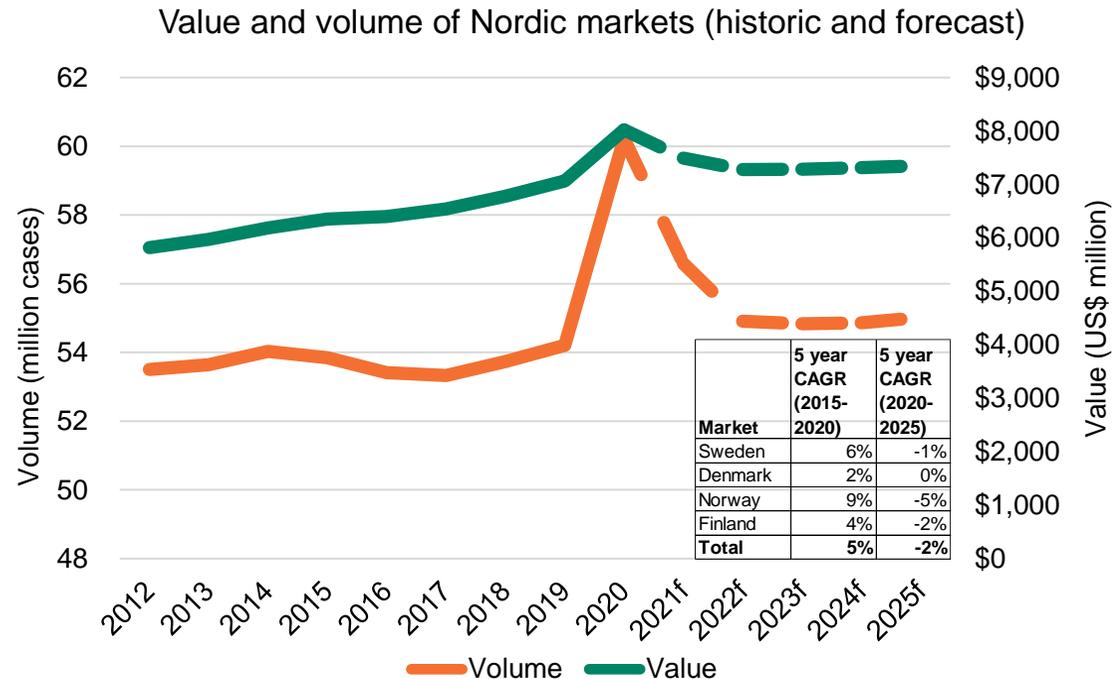
Source: IWSR

Wine sales boomed in 2020, but it won't last

2020 saw the combined volume of Nordic wine consumption increase by 11 per cent. While all markets grew, Norway was the biggest contributor to this jump, growing by 41 per cent. The driving factors behind this increase were the closure of borders and the on-trade. The Norwegian government insists that per capita consumption has not risen – rather it is a switching of channels. (It must be noted that Nordic sales figures are based solely on the off-trade figures, so they are artificially high.)

Sales grew in all markets due to on-trade closures, staying within the country for holidays, and wine benefitting from casual, at-home drinking occasions. But the biggest factor was the lack of cross-border shopping, which boosted the sales of the domestic monopolies.

Sales are expected to stabilise once the COVID-19 restrictions are lifted. Volume and value are expected to decline at an average rate of 2 per cent per year in 2020-25.

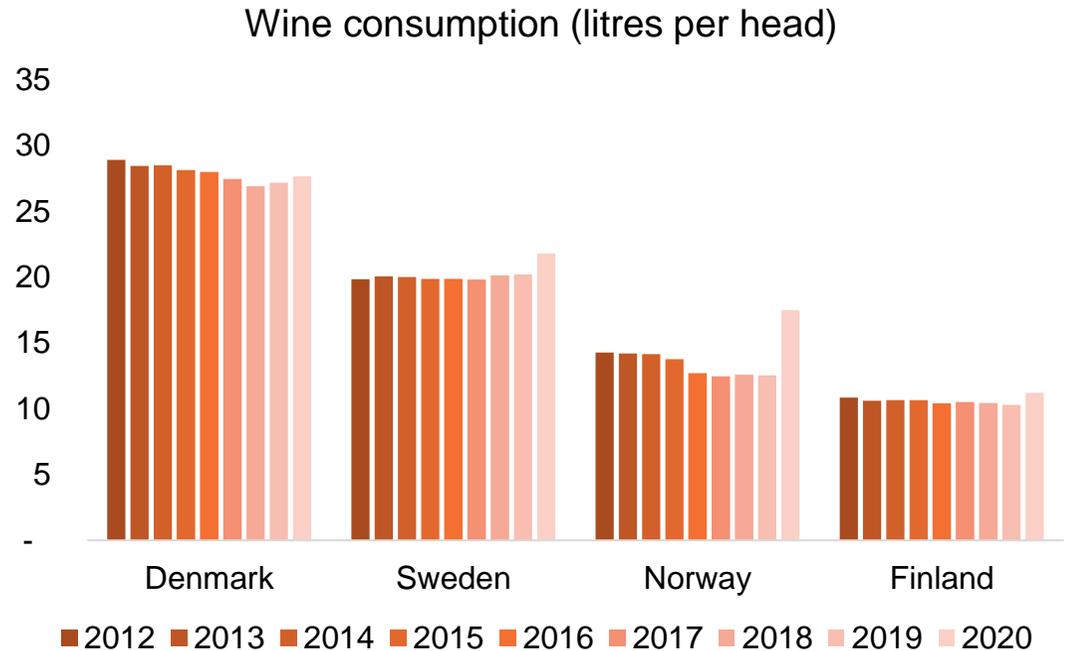


Source: IWSR

Denmark consumes most wine per capita

Denmark consumes much more wine per capita than its neighbours. According to Wine Intelligence 64 per cent of the adult population in 2019 was classified as monthly wine drinkers, compared to 46 per cent in Sweden in 2021

Prior to 2020, the Nordic markets were in a decline or stable trend in wine consumption per capita. However, as noted in previous slides, the wine sales in 2020 were over-inflated due to the channel shift towards monopolies. Therefore, wine consumption per capita is also affected by this channel shift.



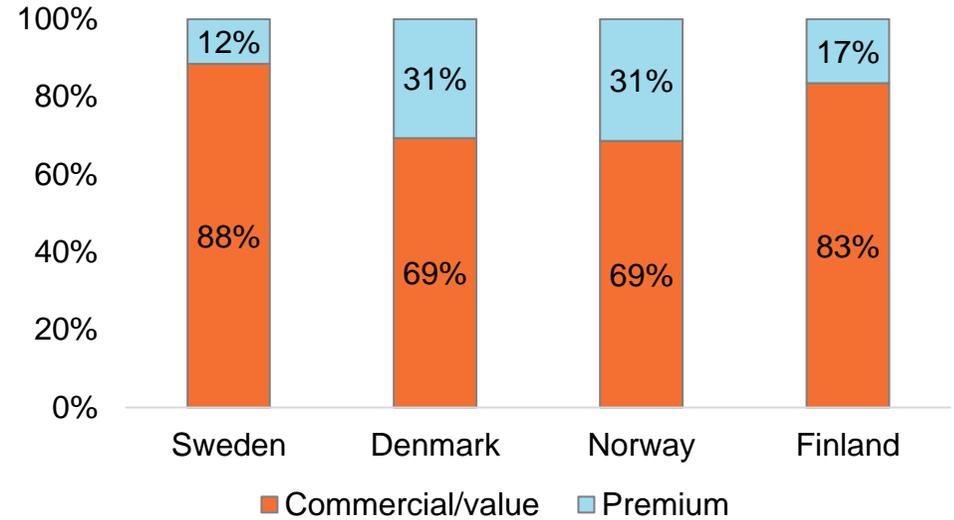
Source: IWSR

Denmark and Norway sell more premium wine

Although Sweden is the largest wine market, both Denmark and Norway sell more volume of premium wine (defined as US\$10/bottle equivalent). As previously discussed, Norway has high taxes and high incomes, which drives its prices higher. Denmark, however, is not a monopoly market, and has relatively lower taxes. A strong independent wine shop scene and on-trade drive the premium wines sales in Denmark, and even though low priced wines at supermarkets is a large part of the market they also have an extensive offering of premium wines.

While both sides of the Nordic market are expected to decline over the next 5 years (due to the over-inflated sales in 2020), premium is expected to decline less than commercial wine.

Volume by price segment in 2020

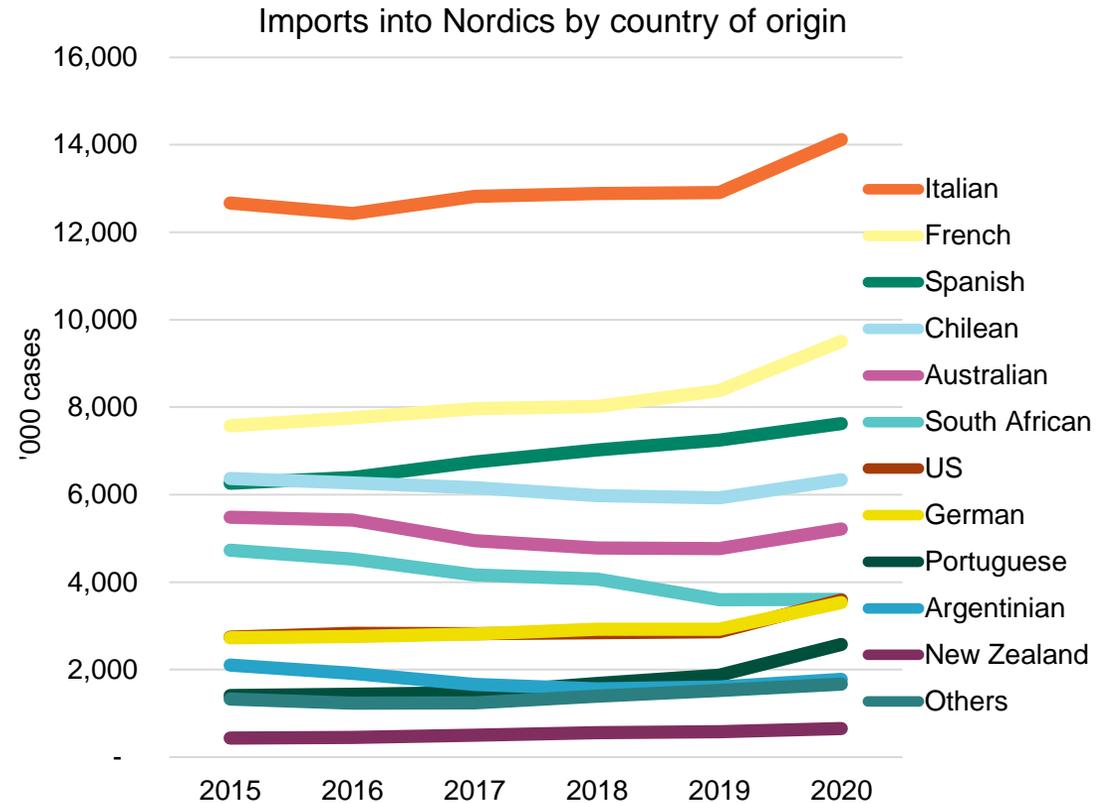


Market	Commerical/Value		Premium	
	Historical 5 year CAGR (2015-2020)	Forecast 5 year CAGR (2020-2025)	Historical 5 year CAGR (2015-2020)	Forecast 5 year CAGR (2020-2025)
Denmark	0%	-1%	0%	0%
Finland	1%	-2%	5%	-1%
Norway	5%	-6%	8%	-5%
Sweden	2%	-1%	4%	0%
Total	2%	-2%	3%	-1%

Source: IWSR

Italian and French imports increased the most in 2020

With very little wine production in the Nordics, the markets depend on imported wine. Not surprisingly the Old World countries of Italy, France, and Spain are the top sources. Chile and Australia follow closely behind. Nearly all sources saw growth in the last year, except South African wine. Until recently, South Africa has followed a similar trend to Australia but supply and export issues due to COVID-19 have hurt the category.



Source: IWSR

Finland differs in its profile of imported wine sources

Sweden consumes the most Italian wine – more than double the next largest Nordic market. Italy is number one in all but one market – Finland. Chile over indexes in Finland, where it is the number one source of wine, while it is fourth when the markets are combined. In fact, Finland has a very different market profile to the others – for example, German wine is the fourth largest source of wine, while it doesn't even fall in the top seven overall. This is helped by the fact that the number one white variety in Finland is Riesling, of which Germany is a large producer.

Australia is the 5th largest source overall (which is on-par with its rank in worldwide wine production), but does better than that in Denmark, where it is 4th.

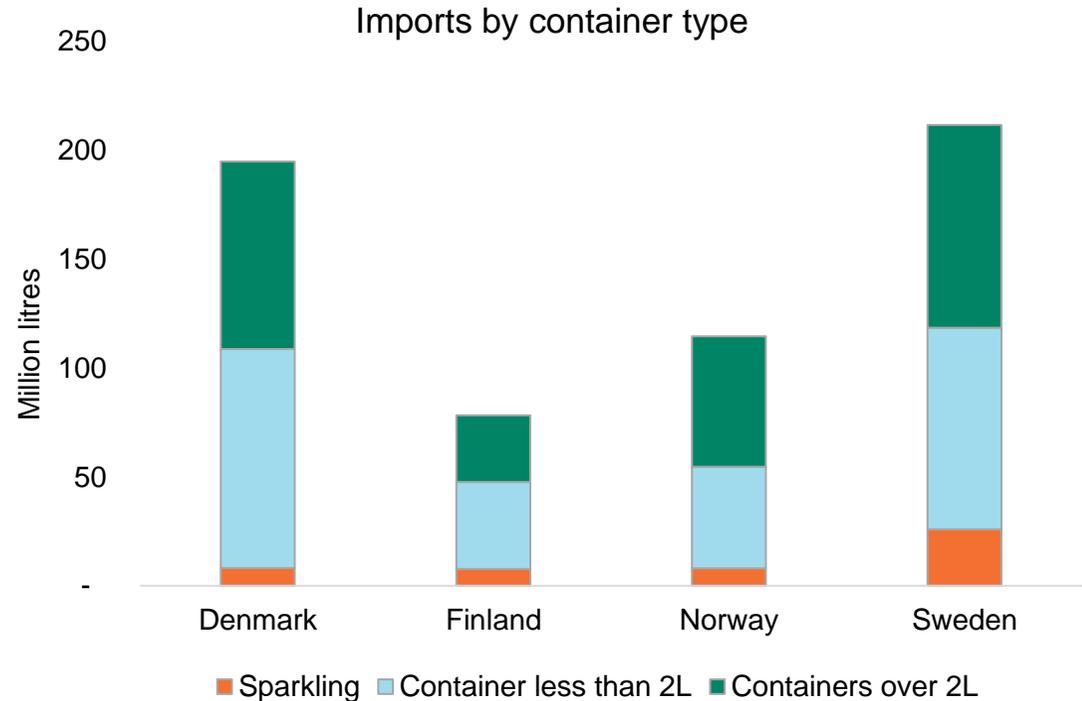
Wine sales by origin, 2020

Country of origin	Sweden			Denmark			Norway			Finland			Total		
	Volume ('000 cases)	Rank	Share												
Italian	6,620	1	27%	3,225	1	18%	3,080	1	29%	1,197	2	17%	14,121	1	23%
French	3,668	2	15%	3,127	2	17%	2,123	2	20%	589	5	8%	9,507	2	16%
Spanish	3,077	3	12%	2,375	5	13%	1,130	3	11%	1,040	3	15%	7,623	3	13%
Chilean	1,599	6	6%	2,477	3	14%	846	5	8%	1,417	1	20%	6,340	4	11%
Australian	1,711	5	7%	2,411	4	13%	565	7	5%	534	6	8%	5,220	5	9%
South African	2,258	4	9%	758	9	4%	177	9	2%	416	8	6%	3,609	6	6%
US	1,425	7	6%	1,300	6	7%	631	6	6%	233	9	3%	3,589	7	6%
Others	4,299	-	17%	2,343	-	13%	2,062	-	19%	1,506	-	22%	10,210	-	17%
Total	24,657	-	100%	18,016	-	100%	10,614	-	100%	6,932	-	100%	60,218	-	100%

Source: IWSR

Sweden and Denmark receive the most 'bulk' wine

As with many developed wine markets in the world, the Nordic countries import wine both in bottle and in larger bulk packaging. Denmark and Sweden are the largest destinations for wine in containers over 2 litres. It should be noted here that for Sweden, a large part of these imports are between 2 and 10 litres (i.e. Bag in Box). For Denmark most of the imports are in containers above 10 litres – meaning the wine is most likely imported to be packaged (in glass bottles, Bag in Box, etc.) in market and then sold in either Denmark or other European markets.



Source: GTA (year ended May 2021)

Sweden imports the most wine from other Nordics

An added complication when analysing the Nordic markets, aside from cross-border trade, is the fact that wine is imported and then re-exported to other markets. Sweden imports the most wine – but most of it stays within the country. Denmark – the second largest importer – re-exports 18% of that wine to other markets. Sweden is the top destination of Nordic re-exports – receiving 43% of the volume. Germany is the second largest destination.

Nordic imports and re-exports by destination, 2020

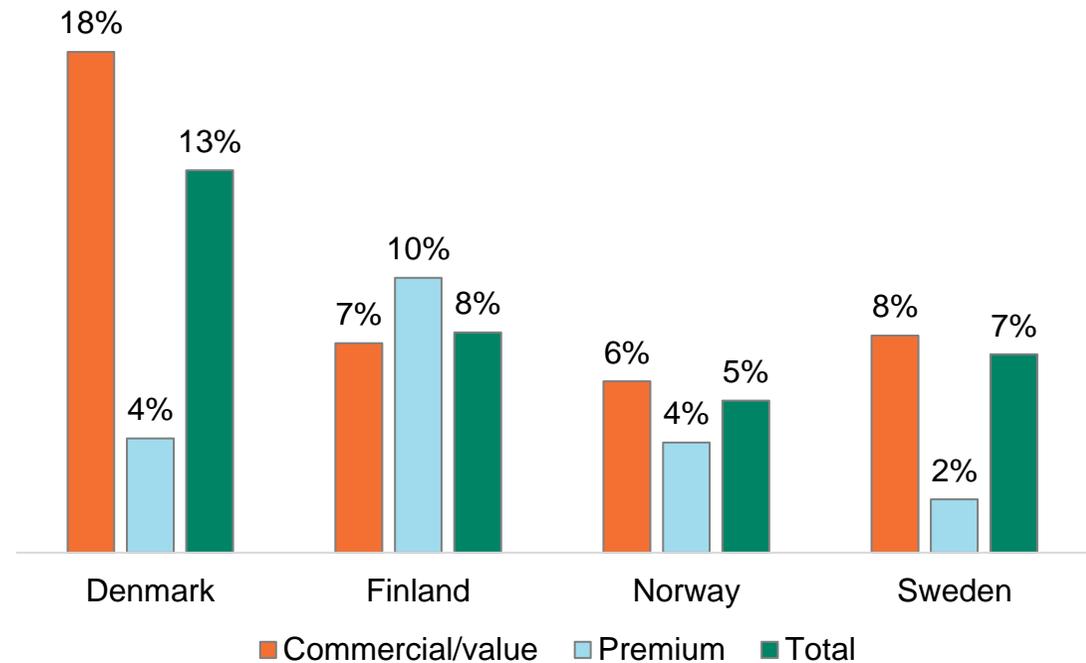
Market	Imports (ML)	Exports (ML)	% re-exported	Top destinations of re-exports (% share)							
				Denmark	Finland	Norway	Sweden	Germany	Estonia	Lithuania	Others
Denmark	186	33	18%	X	3%	2%	48%	31%	2%	2%	12%
Finland	80	10	12%	15%	X	14%	57%	3%	6%	0%	5%
Norway	111	3	3%	27%	2%	X	62%	4%	0%	0%	5%
Sweden	218	7	3%	8%	52%	18%	X	5%	3%	2%	12%
Total	595	53	9%	5%	9%	7%	43%	21%	3%	2%	11%

Source: GTA

Denmark sells the most Australian wine

Australia has a 9 per cent market share across the Nordic markets - which is higher than its share of global wine production (4 per cent). It has the highest market share in Denmark and the lowest in Norway. However, it is a much larger player in the Finnish premium wine market with a 10 per cent market share.

Australian market share (volume) in 2020



Source: IWSR

Nordics import as much Australian wine as Germany

Together these markets make up 5 per cent of Australian wine exports by volume. Denmark is the largest destination of Australian wine exports in the Nordics. About 91 per cent of the exports are unpackaged, meaning that they are bottled in market. Therefore, the exports to Denmark have a lower average value because packaging costs are not included. Finland also has a low average value due to 79 per cent of shipments being unpackaged.

Although Sweden receives around the same amount of total volume as Finland, there are more than twice as many exporters shipping to Sweden – meaning there are many more small exporters shipping to Sweden at this stage. Norway has the same number of exporters as Finland, but less of the volume is unpackaged – meaning there are smaller shipments of wine and less total volume.

Australian wine exports to Nordics, MAT June 2021

Market	Volume ('000 cases)	Value (Million AUD)	\$ per case FOB	Volume share	Value share	# of exporters
Denmark	2,156	\$36,266	\$17	2.8%	1.4%	132
Finland	647	\$14,051	\$22	0.8%	0.5%	41
Sweden	633	\$22,837	\$36	0.8%	0.9%	86
Norway	333	\$9,430	\$28	0.4%	0.4%	41
Total	3,768	\$82,584	\$22	4.9%	3.2%	207

Source: Wine Australia, 12 months ended June 2021

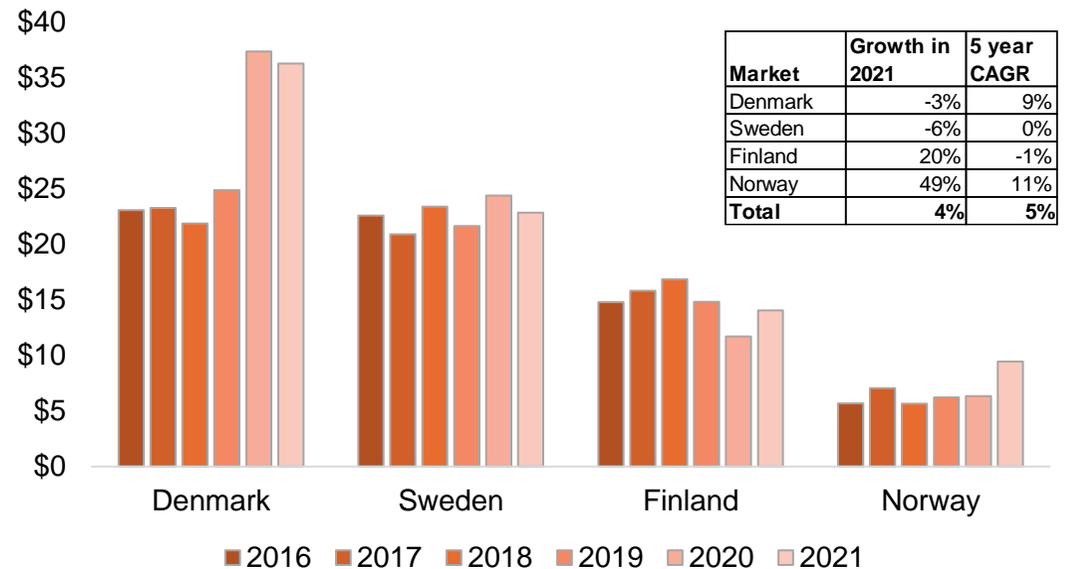
Finland and Norway drive recent growth in exports

In the year ended June 2021 exports to Finland and Norway increased by 20 and 49 per cent, respectively.

The last two years has seen exports to Denmark increase significantly. However it must be noted that a lot of this is unpackaged wine and may not necessarily be consumed within Denmark. As noted in previous pages, some wine imported into Denmark is then re-exported to other countries such as Sweden and Germany.

Direct exports to Sweden have remained relatively stable over the last 5 years.

Value of exports over time (A\$ million FOB)



Source: Wine Australia, 12 months ended June 2021

Shiraz and Chardonnay are top varieties exported

Looking at exports by variety, Shiraz blends (where Shiraz is the leading variety) and Chardonnay have equal shares across the markets combined. Shiraz blends are over-indexing in these markets – they only have an 8 per cent volume share in overall exports. Exports to Norway are heavily weighted towards this variety (and towards red wine in general).

Finland is more weighted towards white wines, with Chardonnay being the most exported variety. Cabernet Sauvignon also has a much larger share of exports to Finland than the other markets.

Denmark has the largest number of varieties being imported (84), but volume is heavily weighted towards the most popular varieties. Sweden, however, has a much more even distribution of volume between varieties shipped.

Variety label claims by volume share of exports

Variety	Denmark	Finland	Norway	Sweden	Total
Shiraz Blend	35%	3%	56%	16%	28%
Chardonnay	30%	45%	7%	18%	28%
Shiraz	19%	11%	7%	19%	16%
Cabernet Sauvignon	4%	26%	3%	8%	8%
Riesling	0%	2%	4%	6%	2%
Gewurztraminer Blend	0%	1%	4%	3%	1%
Moscato	1%	2%	3%	0%	1%
Colombard Blend	0%	0%	0%	5%	1%
Sauvignon Blanc	1%	0%	0%	0%	1%
Chardonnay Blend	1%	0%	2%	0%	1%
Other	8%	10%	12%	25%	12%

Source: Wine Australia, 12 months ended June 2021

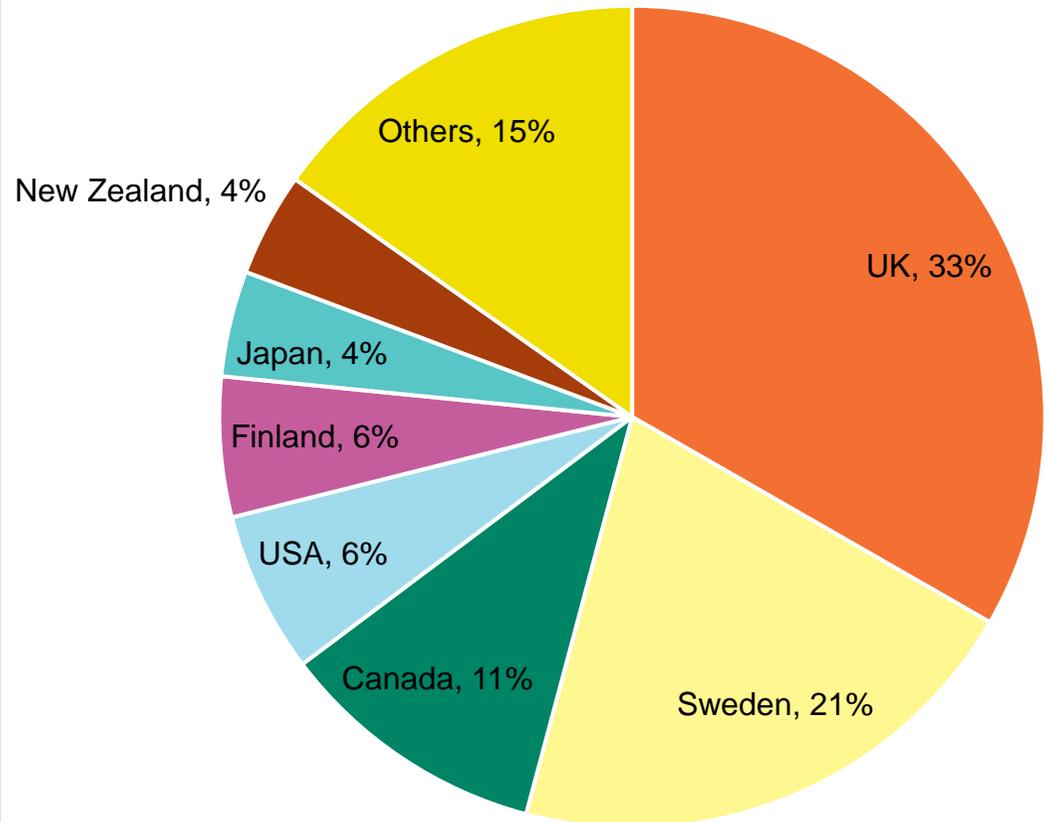
Organic wine and alternative packaging are key categories

Organic wine is a major player in the Nordic markets. For example, 26 per cent of Systembolaget's 2020 wines sales were organic. This is well above the targets Systembolaget set for itself a few years back and the category keeps growing. 26 per cent of Australia's organic and biodynamic wine exports end up in the Nordic markets, well over-indexing when compared to regular wine.

Another factor that makes the Nordics unique is their favouring of alternative packaging – especially Bag In Box (BIB). 53 per cent of 2020 wine sales in Sweden were in BIB. PET-bottle also managed to get a 2 per cent market share. In Norway, about 60 per cent of wine was sold in BIB format.

Over 40 per cent of products sold in Finland in 2020 were of 'sustainable' nature (i.e. organic, light-weight packaging, etc.).

Volume share of organic and biodynamic exports



Source: Wine Australia, 12 months ended June 2021

Nordic markets rise in attractiveness

According to the latest Global Compass report produced by Wine Intelligence, 3 of the Nordic markets are ranked in the top 10 when it comes to market attractiveness (Norway, Sweden, and Denmark). Market attractiveness is based on general economic and wine market indicators. 3 of the Nordic markets also rose considerably in the rankings this year – Norway (up 25 spots), Finland (up 14) and Sweden (up 11).

These jumps in rankings are due to the large growth of wine sales in the monopolies during the COVID-19 pandemic, which is likely to subside once restrictions ease.

Top markets by 'market attractiveness'

Market (1 to 25)	Score (1 to 10)	Tracking 2020 - 2021	
		Rank difference	Score difference
1 United States	6.80	=	0.15
2 South Korea	6.72	=	0.32
3 United Kingdom	6.68	↑ 5	0.45
4 Ireland	6.63	↑ 11	0.60
5 Germany	6.59	↓ -2	0.24
6 Norway	6.47	↑ 25	1.21
7 Canada	6.46	↑ 3	0.34
8 Sweden	6.33	↑ 11	0.49
9 Denmark	6.28	↓ -3	0.04
10 Switzerland	6.27	↓ -4	0.03
11 Singapore	6.26	↑ 1	0.14
12 Poland	6.21	↓ -7	-0.04
13 Netherlands	6.18	=	0.09
14 Brazil	6.18	↑ 12	0.70
15 Romania	6.11	↑ 1	0.17
16 France	5.96	↓ -7	-0.25
17 China	5.81	↓ -13	-0.47
18 Belgium and Luxembourg	5.79	↓ -1	-0.12
18 Australia	5.79	↑ 2	0.02
18 Finland	5.79	↑ 14	0.54
21 Japan	5.73	↓ -3	-0.15
22 Russia	5.69	↓ -12	-0.44
23 New Zealand	5.61	↑ 7	0.32
24 Austria	5.36	↓ -1	-0.22
25 Spain	5.26	↓ -11	-0.77
25 Italy	5.26	↓ -1	-0.29

Source: Wine Intelligence

Summary of essential points

Sweden, being a large country, ranks highly when it comes to GDP size and total wine consumption. However, Australia's performance in the market has not been strong lately.

Denmark, however, is a smaller country – but makes up for it by consuming more wine per capita. It has low tax rates, high premium wine sales, and Australian wine has a good market share.

Finland is the smallest country in this group by GDP and consumes the least wine. However, Australian exports more wine there than Norway and Sweden.

Norway has the highest tax rates in the Nordics, but wine consumption (and Australian exports) have grown at high rates recently.

Rank by key indicator

Indicator	Denmark	Finland	Norway	Sweden
GDP size	3	4	2	1
Tax rates (highest to lowest)	4	3	1	2
Total wine consumption	2	4	3	1
Growth in wine consumption	4	3	1	2
Premium wine consumption	1	4	2	3
Most imports	2	4	3	1
Australian market share	1	2	4	3
Australian exports (volume)	1	2	4	3
Australian export growth	2	4	1	3
Wine Intelligence market rank	3	4	1	2