

Australia Awakens

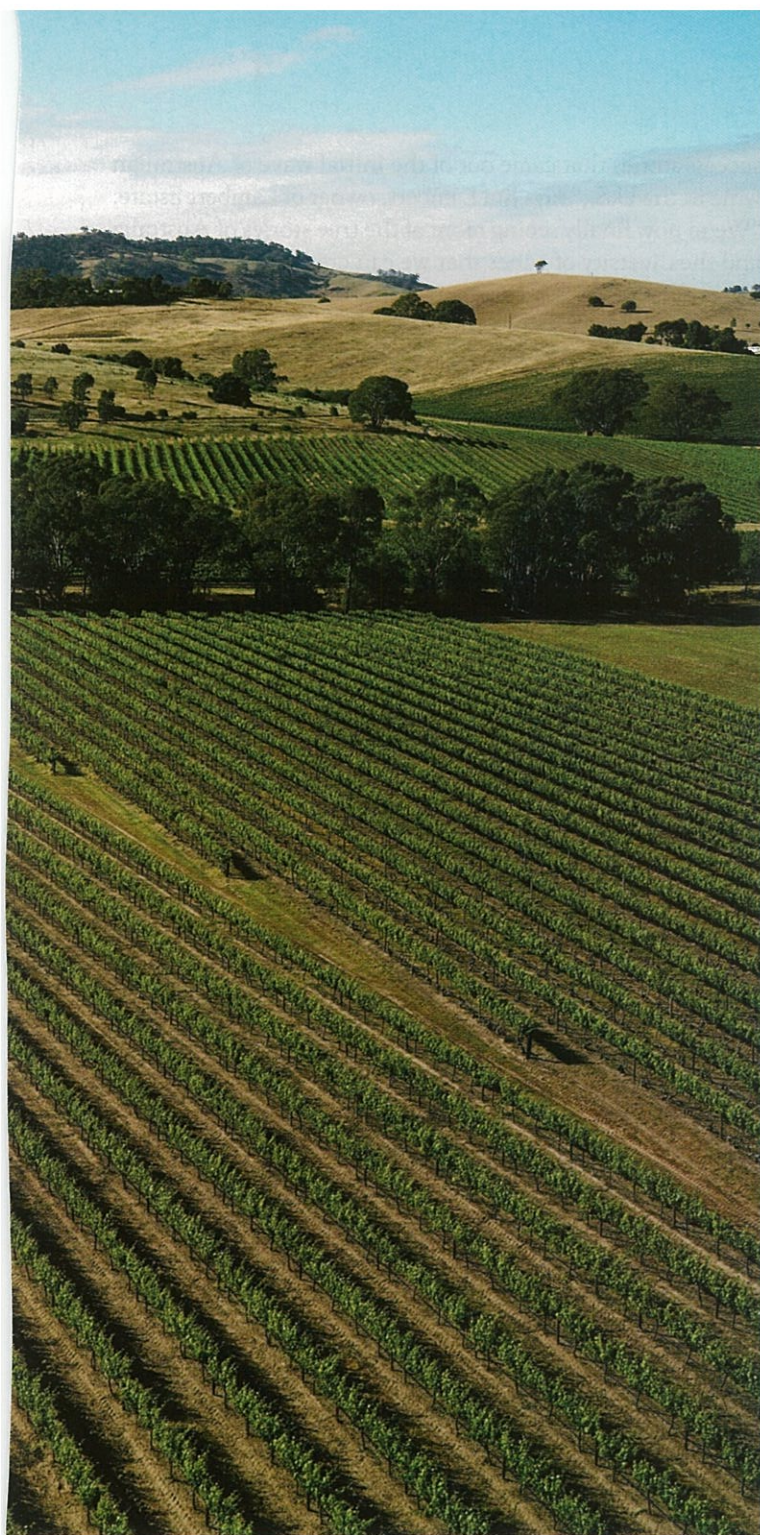
Australia recovers by pursuing a more upscale path

BY KIMBERLY THAREL

Nestled between Brooklyn's Williamsburg and Greenpoint neighborhoods, Northern Territory bar and restaurant has been bringing a variety of Australian wines to a new generation of wine drinkers since its debut in 2014. While many associate Australia with Shiraz, Northern Territory co-owner and beverage director Katie Bruce has made a point of broadening the selection to include a representation of classic varieties from Australian producers. "We make sure to check off all the heavy hitters—Sauvignon Blanc, rosé, Shiraz, Chardonnay, Pinot Noir, etc.—but then we try to sneak in more obscure or fun



Northern Territory (left) in Brooklyn, New York, offers a diverse array of Australian wines, including selections from the Barossa Valley region (Peter Lehmann Wines' vineyards at Lyndoch, Barossa, above).



blends,” Bruce says. “Everyone wants a Malbec once the weather changes, but the Hewitson Mourvèdre from the Barossa Valley (\$14 a glass; \$54 a 750-ml.) is exciting to introduce to someone who may err on the side of caution when ordering.”

With its curated wine list, the Australian-themed venue offers such selections as the 2013 Stella Bella Cabernet Sauvignon from Margaret River (\$12 a glass; \$46 a 750-ml.); 2014 Wits End Luna Shiraz from McLaren Vale (\$12; \$46); 2012 Route du Van Chardonnay from Victoria (\$10; \$38); and 2013 Thomas Goss Riesling from Adelaide (\$12; \$46). “The excitement behind the region is electric,” Bruce says. “There’s a lot of new blood making waves in Australia.”

Australian wine has been making strides toward reinventing itself since its heyday prior to the 2008 recession. While shipments to the United States declined by 6.2 percent in 2016 to 10.8 million nine-liter cases (excluding bulk), according to Impact Databank, opportunities are rising at the premium end. The category’s largest labels by volume—value brands Yellow Tail, Lindeman’s and Fish Eye—all continued on a protracted volume decline in 2016. Super-premium Australian brands like 19 Crimes from Treasury Wine Estates, however, nearly doubled.

“Australian wine took a big hit after the financial crisis, and it’s been rebuilding slowly over the past 10 years,” says Aaron Ridgway, head of marketing for the Americas for trade group Wine Australia. “The perception of Australia as a solid purveyor of cheap and cheerful wines is definitely contracting, and the numbers are starting to show that, with volume declining but value increasing.” In the 12 months through September, the export value of Australian wine to the U.S. increased 3 percent to \$361 million, while exports valued at about \$15-and-above a 750-ml. at retail increased 11 percent to \$34 million, according to Wine Australia.

To spark renewed interest in the country’s fine wines, the Australian government has committed \$38 million over the next three years in the key export markets of the U.S. and China. At the category’s peak in 2007, there were about 400 Australian wineries selling in the United States. After a sharp decline, the number of wineries has risen to about 251 in 2017—up from 234 the year prior. “We’re working to create awareness and grow the appetite for Australian wine, which provides the route to market for companies that either were here and want to return, or see this as a good time to export,” Ridgway says.

Changing Landscape

Napa Valley-based marketer and importer Old Bridge Cellars has built its business over the past two decades around premium Australian wines. Representing a number of wineries across Australia—such as Cullen Wines, Leeuwin Estate, d’Arenberg, Yeringberg, Brokenwood and Maison L’Envoye—Old Bridge Cellars is seeing many positive indicators in the U.S. for the category’s high end. “Wine lists are now using the proper appellation and geographical indicators for Australia, which is a significant change in the mindset over just calling them Australian or Southern Hemisphere wines,” says Old Bridge president Rob Buono. “Australia’s regions are finding their way into the vocabulary much more than they did 10 years ago.”

The exchange rate has always been a major advantage for Australian exports to the U.S. market, with the current rate at about 81 Australian cents to the U.S. dollar following a period of record highs a few years ago. “The value proposition is there again; it’s just happening at a higher level in price and sophistication,” Buono says. Old Bridge sees consumers gradually



Old Bridge Cellars (VP of wine and marketing Gavin Speight on left with president Rob Buono) represents myriad Australian wine regions.

growing more comfortable with paying a premium for Australian wines, with \$20 a 750-ml. being the sweet spot across the portfolio. Overall, its brands are nearly evenly split between on-premise and off-premise accounts, with fine wine retailers and specialty shops comprising most of its off-premise activity and national upscale chains like Morton's The Steakhouse playing a key role on-premise.

Since resetting its portfolio with a focus toward the high end, Treasury Wine Estates has seen a dramatic rebound in the United States. That reset has included heavy investment behind its Penfolds and 19 Crimes brands. In May 2017, the company released Penfolds Max's, a super-premium range that includes a Cabernet Sauvignon and Shiraz-Cabernet (both \$25 a 750-ml.), with a Chardonnay set to launch in March. 19 Crimes (\$12 to \$25), meanwhile, has grown to more than a half-million cases in the U.S. and now includes its first white wine, Hard Chard. "Consumers are looking for authenticity and brands they can trust to deliver a great experience," says Michelle Terry, chief marketing officer for the Americas at Treasury Wine Estates. "19 Crimes is a great example of how storytelling is resonating with both millennials and a wider set of wine drinkers alike."

Barossa Valley winery Lambert Estate made its debut in the U.S. market in 2016 and produces a number of wines, including Black Sheep Red Blend and Mustang Sally Shiraz (both \$17 a 750-ml.), Thoroughbred Cabernet Sauvignon (\$33) and The Family Tree Shiraz (\$65). "There were a lot of big

success stories that came out of the initial wave of Australian wine in the U.S.," says Jim Lambert, owner of Lambert Estate. "We're now finally seeing more of the true stories of Australia and the diversity of wines that we can create, as well as more wines from small estate wineries like ourselves." While the company initially sought to create wines that appealed to a broad palate, it's now focusing on creating wines that show a sense of place and uniqueness.

Raising awareness about Australia's winemaking history and traditions is key to combating lingering misconceptions about the country's wine and its signature Shiraz grape. "In the past, the perception was that Australia delivered sunshine in a bottle—good for a barbecue, but not a sophisticated dinner accompaniment," says Colin Kay, owner of Australian winemaker Kay Brothers. "But trade and consumer education has put a lot more emphasis on where and how Australia is crafting its wines, along with exploring new varieties like Tempranillo, Sangiovese and Nero d'Avola, to name a few." Situated in McLaren Vale in South Australia for more than 125 years, Kay Brothers produces three tiers of Shiraz that are available in the U.S. through Quintessential Wines—2014 Block 6 Shiraz (\$120 a 750-ml.), 2014 Hillside Shiraz (\$60) and 2014 Basket Pressed Shiraz (\$40), as well as the 2015 Basket Pressed Grenache (\$40).

Combating entrenched assumptions about the quality of Australian wine may seem like a steep challenge, but some, like Northern Territory's Bruce, see excitement intensifying with renewed efforts from the trade. "Winemakers and salespeople have to work twice as hard to sell a New World wine from literally the other side of the planet," she says. "As a result, though, everyone is better trained, more prepared and more enthusiastic."

Discovering New Regions

Because of Australia's expansive territory, winemakers are able to showcase wide-ranging grape varieties and styles across many diverse regions. During Australia's soaring popularity in the early 2000s, U.S. consumers became familiar with South Australian regions such as the Barossa Valley, McLaren Vale and Clare Valley. "There's a lot that's still undiscovered for the average U.S. consumer inside Barossa Valley and McLaren Vale," says Wine Australia's Ridgway. "We're trying to highlight the diversity within those regions. Yes, the Barossa Valley makes full-bodied Shiraz, but it also runs the gamut from cooler areas to warmer areas, lower alcohols to higher alcohols, and wines to drink now versus wines to age. And that's just talking about Shiraz from one region."

Barossa Valley's Peter Lehmann Wines made its return to the U.S. market in 2016, led by Clancy's Red Blend (\$15 a 750-ml.), which includes Cabernet, Shiraz and Merlot. The portfolio also features Portrait Shiraz and Portrait Cabernet Sauvignon (\$19) and The Barossan Shiraz (\$20), which is anticipated to play a major role in the portfolio after its national launch in April. Peter Lehmann works with 130 growers across the Barossa Valley's diverse territory—which includes lower valley regions with warm Mediterranean climates and dry summers suited for growing full-bodied Shiraz—as well as the higher-altitude Eden Valley, which has a cooler climate and

TOP FIVE AUSTRALIAN TABLE WINE BRANDS IN THE U.S.

(thousands of nine-liter case depletions)

Rank	Brand	Importer	2005	2010	2015	2016	Average Annual Compound Growth Rate 2005-2010	2010-2015	Percent Change ¹ 2015-2016
1	Yellow Tail	Deutsch Family Wine & Spirits	7,500	8,300	8,000	7,840	2.0%	-0.7%	-2.0%
2	Lindeman's	Treasury Wine Estates Americas	1,960	1,799	1,705	1,536	-1.7	-1.1	-9.9
3	Fish Eye	The Wine Group	300	1,150	1,100	1,040	30.8	-0.9	-5.5
4	Jacob's Creek	Pernod Ricard USA	860	890	595	559	0.7	-7.8	-6.0
5	19 Crimes	Treasury Wine Estates Americas	-	-	262	517	-	+	97.4
Total Top Five²			10,620	12,139	11,661	11,491	2.7%	-0.8%	-1.5%

¹ Based on unrounded data

² Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2018

winter rainfall befitting Riesling. "Barossa Valley is one of the world's most unique wine regions due to its diversity of terroir, topography and mesoclimates," says Tom Steffanci, president of Peter Lehmann importer Deutsch Family Wine & Spirits. "The rolling hills, valleys and ridges are home to some of the world's oldest vines, dating back to the 1840s and known for producing many iconic world-class wines."

With a warm climate that's ideal for full-bodied wines, wine-makers have been making their name in South Australia's McLaren Vale for more than a century. "The mild weather conditions allow full flavor and tannin development in the grapes," says Kay of Kay Brothers. "The geology and soil is also ancient and extremely complex." Those conditions allow grape varieties like Shiraz, Grenache and Cabernet Sauvignon to flourish, with 90 percent of the region planted to red grape varieties.

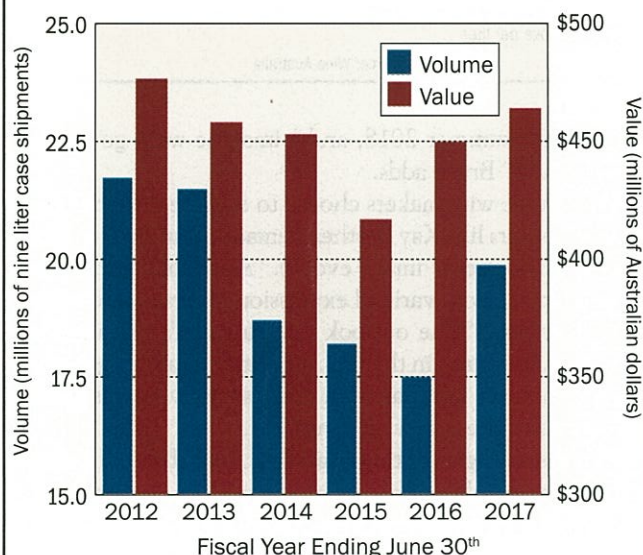
Australia's winegrowing regions tend to have deep historical roots, with some dating back to the 1800s, but many areas remain relatively unfamiliar to American consumers. Wine Australia points to regions like Adelaide Hills, Margaret River, Tasmania, Yarra Valley in Victoria and Hunter Valley in New South Wales as generating newfound excitement from both local winemakers and knowledgeable U.S. consumers alike. While Tasmania and Margaret River have developed somewhat newer winemaking traditions over the past 50 years, they are now coming into prominence. "Margaret River has incredibly exciting Chardonnay and Cabernet Sauvignon," Ridgway says. "Tasmania has beautiful sparkling wine, as well as Pinot Noir and Chardonnay. Those are great stories for people to learn about."

Margaret River in western Australia is home to two of Old Bridge Cellars' key brands, Leeuwin Estates and Cullen Wines. While Leeuwin has made a name for itself with its Chardonnay, the winery is now focusing on its Cabernet program, which has benefited from the region's maritime climate. The company's Australian portfolio also showcases several other regions. "We're certainly seeing a lot of interest in cooler-climate Pinot Noir and Chardonnay from places like the Yarra Valley with Yeringberg and Tasmania with the Maison L'Envoie winery," says Gavin Speight, vice president of winemaking and marketing for Old Bridge Cellars. "The wines we represent are the benchmark wines in Australia."

Growing Sophistication

As Australia's star rises with consumers seeking more premium options, the country's winemakers are refining their approach and branching out with some innovative offerings. "We're seeing winemakers make more intelligent decisions about what to plant in each region, as well as more confidence in their style," says Ridgway of Wine Australia. "There's a commitment to trying new things and experimenting." While 26 percent of the country's wine grape plantings are Shiraz, Wine Australia notes that Pinot Noir and Chardonnay are taking off, in line with trends in the United States. Winemakers producing more restrained styles of Shiraz have also seen renewed interest from American drinkers seeking fruit-driven red wines.

AUSTRALIAN WINE EXPORTS TO THE UNITED STATES—2012-2017*



*Includes bulk

Source: Wine Australia



Australia's Kay Brothers (owner Colin Kay above) offers three tiers of Shiraz to illustrate the quality potential of Australian wine.

"Shiraz is the major grape variety in Australia, but it's still one of the toughest sells in the United States because of a misperception of what it is," says Old Bridge Cellars' Speight. Buono, however, sees many winemakers refining their techniques when making Shiraz for sophisticated drinkers. "You still see folks making a lot of Shiraz," he says. "Some are definitely bringing the alcohol down by at least a point, focusing on balance and having the wines taste more like where they come from." Still, the U.S. market remains a challenging landscape even for ultra-premium Shiraz expressions.

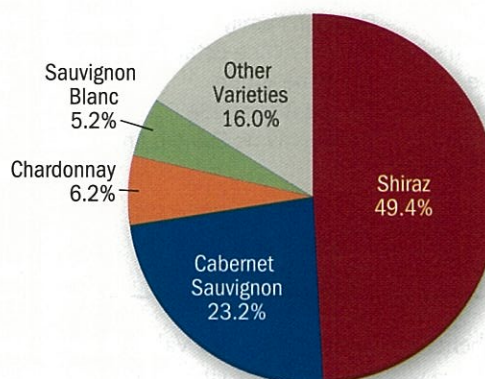
Beyond Chardonnay, new styles of white wine are starting to emerge. While Sauvignon Blanc tends to be popular, competition from New Zealand has created a challenging landscape for Australian versions of the wine. But a number of producers, such as Leeuwin Estate and Cullen Wines, are creating popular Sauvignon Blanc-Sémillon blends that are finding success. Old Bridge notes that some of its best-selling whites are from outside the popular Chardonnay category, including the d'Arenberg Hermit Crab Viognier Marsanne (\$17 a 750-ml.) from McLaren Vale. One of Australia's specialties, dry Riesling, has yet to truly take off in the United States, although some notable options in the portfolio include Kilikanoon Mort's Reserve Riesling (\$35) from Clare Valley and Leeuwin Estate Art Series Riesling (\$22) from Margaret River.

At Northern Territory, Australian whites have performed well, and the restaurant's Chardonnay sales tripled in 2017. "While Sauvignon Blanc-Sémillon blends are always strong, Chardonnay is having a renaissance," Bruce says. "The stainless steel finish especially seems to be more accessible to younger crowds—it's crisper, more fruit-forward and with a slight buttery note." In line with broader market trends, Australian rosés like Alkoomi Rosé from Frankland River (\$10 a glass; \$36 a 750-ml.) and Taltarni Brut Rosé Tache from Victoria (\$14; \$52) are wildly popular with the restaurant's clientele. "We've already pre-ordered 250 cases from

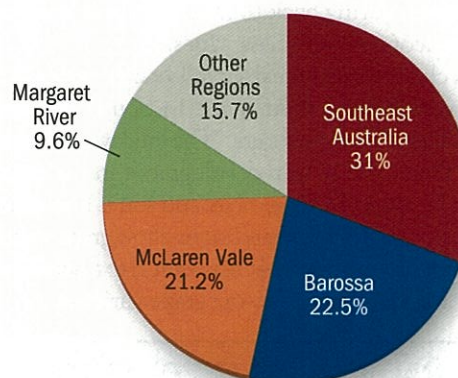
PREMIUM AUSTRALIAN WINE EXPORTS TO THE UNITED STATES*

(share of fiscal 2017 shipments)

By Varietal



By Region



(301,361 nine-liter cases = 100%)

*\$10 & above per liter

Source: Wine Australia

Alkoomi for summer 2018, and I imagine we'll go through those by July," Bruce adds.

While some winemakers choose to explore different grape varieties, others like Kay Brothers remain committed to Shiraz and expect to see its image evolve. "Australia's winemakers are embracing more varietal expression diversity and regionality," Kay says. "The outlook for Australia's premium and ultra-premium wines in the U.S. is positive as a younger demographic, not yet familiar with Australian wines, is getting introduced to these new offerings."

With the spotlight shifting away from Australia's value-driven brands to a new class of higher-end wines, the country is once again open for exploration from adventurous consumers. "As the U.S. wine market has grown so quickly with the number of brands and SKUs out there today, Australia remains untouched as a resource," says Wine Australia's Ridgway. "The country is still undiscovered."

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