



Department of
Primary Industries and
Regional Development

*We're working for
Western Australia.*

Western Australian beverages industry snapshot

A summary of the Western Australian Beverages Industry –
Overview for potential investors and other stakeholders



There are different types of investors

All are needed and welcome in the Western Australian beverages industry

Important notice: The recent COVID-19 pandemic has affected the community and aspects of the global economy. Disruptions to supply chains, air freight and other business activities are acknowledged. Collaborative efforts by governments, industries and communities will chart the way forward knowing global demand for food and the supply of the many products from Western Australia's primary industries will continue. The information presented in this Industry Snapshot as at February 2020 serves as a reference point for continued industry innovation and growth.



Larger firms and multinational corporations constantly invest in Western Australian beverage companies across manufacturing, processing, packaging, selling, exporting, and retailing beverages.



Regional leaders constantly invest across the supply chain in production, research and development, processing, logistics, sales and marketing.



Innovative and emerging Western Australian beverage companies drive innovation, new product development and marketing.



Industry bodies and various research organisations all invest in the Western Australian beverage sector, providing innovative solutions across the whole value chain, from farm to consumer.

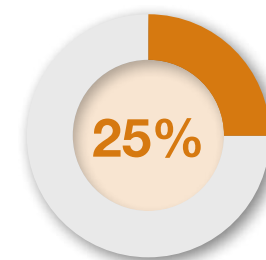


State and Federal Government – across multiple agencies and departments – invests heavily in the industry through research, grants, education and support.

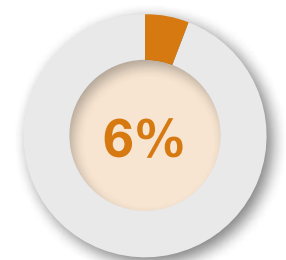


Twenty year growth rate of beverages import volume

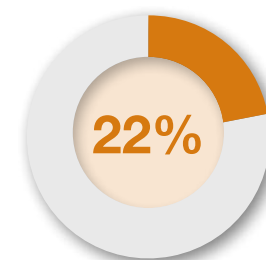
CAGR; US\$; import value



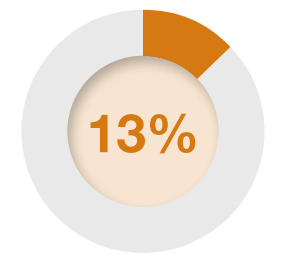
China



South Korea



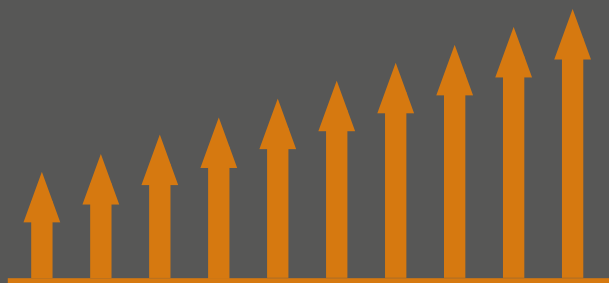
Vietnam



UAE

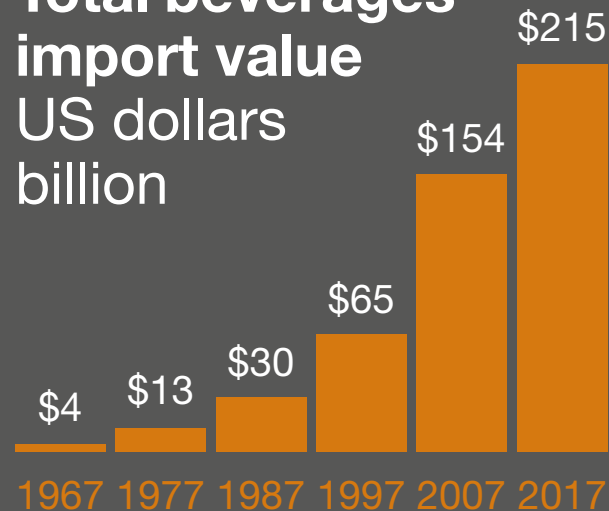
CAGR = Compound annual growth rate
UAE = United Arab Emirates

Growing global demand from all countries



US \$61 billion growth in demand over the last decade

Total beverages import value US dollars billion



World trade

Western Australia is well positioned to deliver



Shipping times and time zones from Perth



Western Australia is the closest, most accessible Western region to Asia; it is in the same, or adjacent, time zone as Beijing, Manila, Hong Kong, Tokyo, Singapore, Kuala Lumpur and other regional centres.



Flights from Perth

Western Australia has regular flights out of Perth to Asia and the Middle East and global destinations. In addition, the Busselton Margaret River Airport (225 km south west of Perth) has completed a runway upgrade, providing an international alternative for the South West.

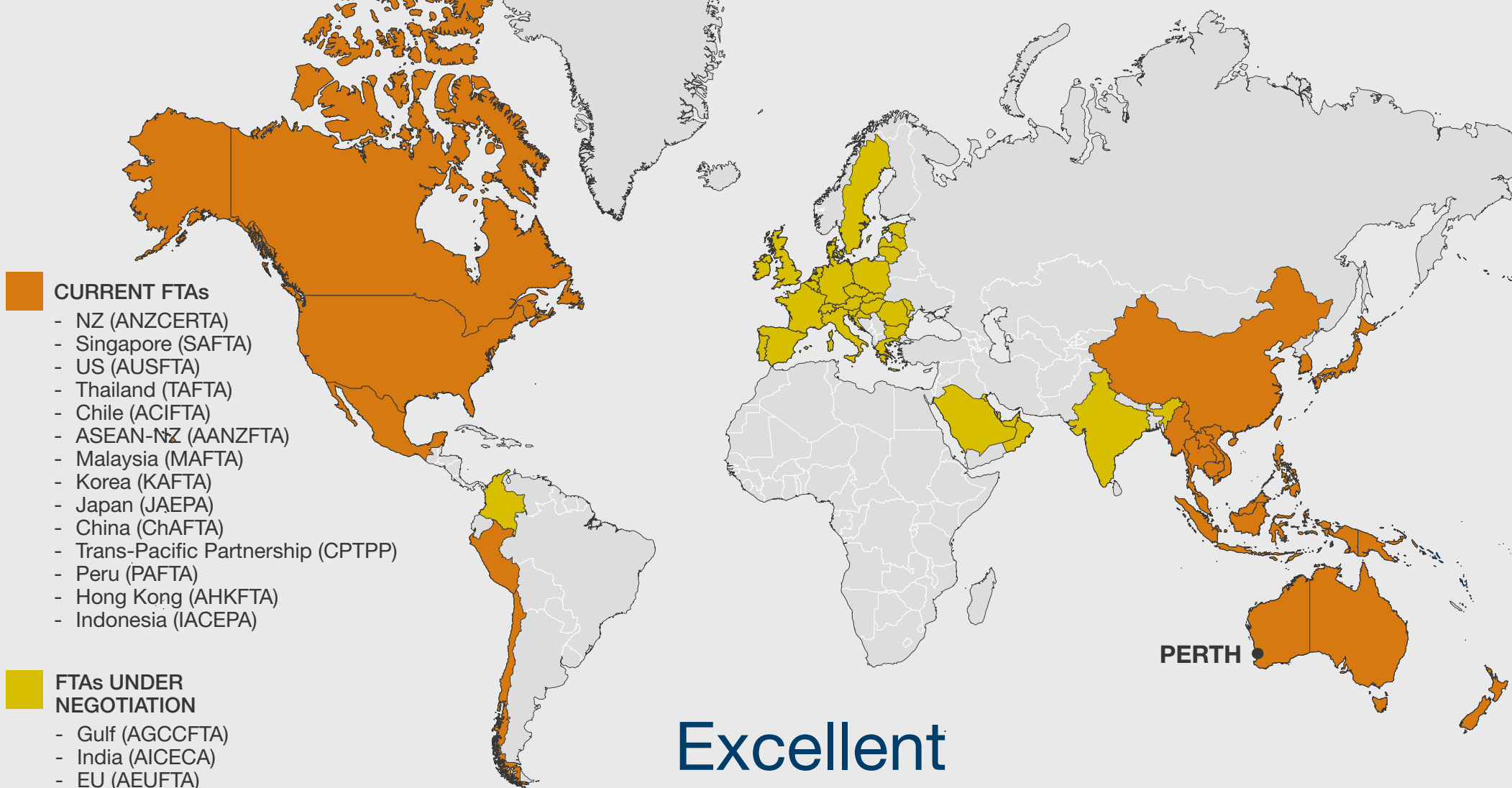


As at April 2020, the COVID-19 pandemic has reduced air freight carried on passenger aircraft due to fewer flights. Until resumption of regular flights, chartered air-freighters will serve export supply chains.



“There is continuing evidence of premium brands performing well in China with over half of the overall growth being achieved by wines ... in particular the A\$20–A\$30 price range.”

David Lucas, Wine Australia's Regional General Manager North Asia, Jan 2019



- CURRENT FTAs**
- NZ (ANZCERTA)
 - Singapore (SAFTA)
 - US (AUSFTA)
 - Thailand (TAFTA)
 - Chile (ACIFTA)
 - ASEAN-NZ (AANZFTA)
 - Malaysia (MAFTA)
 - Korea (KAFTA)
 - Japan (JAEPA)
 - China (ChAFTA)
 - Trans-Pacific Partnership (CPTPP)
 - Peru (PAFTA)
 - Hong Kong (AHKFTA)
 - Indonesia (IACEPA)

- FTAs UNDER NEGOTIATION**
- Gulf (AGCCFTA)
 - India (AICECA)
 - EU (AEUFTA)
 - Pacific Alliance (PAFTA)
 - Regional (RCEP)

- FTAs CONCLUDED NOT YET IN FORCE**
- Pacific Islands (PACER Plus)

FTAs = Free trade agreements
 As at 21 February 2020
 Source: Department of Foreign Affairs and Trade

Excellent trade access

“Australia has excellent trade access with low to no tariffs with many regional partners.”
 CEO, Diversified Agrifood Company



Western Australia is well positioned to supply South East and East Asia with trusted, high quality products consistently

Trusted

“Customers trust they get a quality product from Western Australia. It will be authentic.”

Executive, Wine Company

Reliable quality

“Western Australia has a good reputation as a reliable supplier, with high quality product performance.”

Sales and Marketing Manager,
Wine Company

Clean and green

“Western Australia is a clean, fresh, unspoiled environment for growing grapes. Tourists come to the wine regions and have a strong affinity with the area.”

General Manager, Exporter

Western Australia can produce more



Resources

- Large land area for beverages inputs
- Opportunities for productivity increases
- Small local population to feed (2.6 million people)
- Readily available inputs



Skills and systems

- Educated population
- Modern farming systems
- High productivity
- Established service industries
- Well organised sector
- Advanced traceability and food safety systems



Reputation

- Brand Western Australia
- Clean and green
- Strict biosecurity standards – low level of animal and plant disease
- High levels of food safety
- Modern handling and processing facilities

Comparative advantages

Close to key markets

- Capable producers with a history of production for export to Asia and beyond
- Western Australia is well positioned to supply ambient and chilled beverages into Asia
- Ease of business and competitive cost to Asia compared to Australian east coast

Readily available materials

- High quality inputs (grapes, apples, hops, barley)
- Large variety of inputs (fruit, vegetables, etc.)
- Huge diversity of ingredients
- Large range of unique bushfoods to use as products and flavourings
- Competitively priced ingredients (hops, barley, grapes, apples)
- Often vertically integrated supply chain

Variety of climates and terroir

- Large variety of areas for wine production
- Vast areas of land supply inputs into industry
- Range of soil types
- Range of climates

Culture of innovation

- Continuous stream of new suppliers and firms
- Constant emergence of new categories
- Extensive new product development
- Strongly aligned with new product development trends

What do we have?

The Western Australian beverage industry is extensive



Still Wine



Sparkling Wine



Gin



Vodka



Rum



Whisky



Cider



Craft Beer



Kombucha



Health Tonics



Flavoured Waters



Spring Waters



Coffee Flavoured Beverages



Fruit Juices

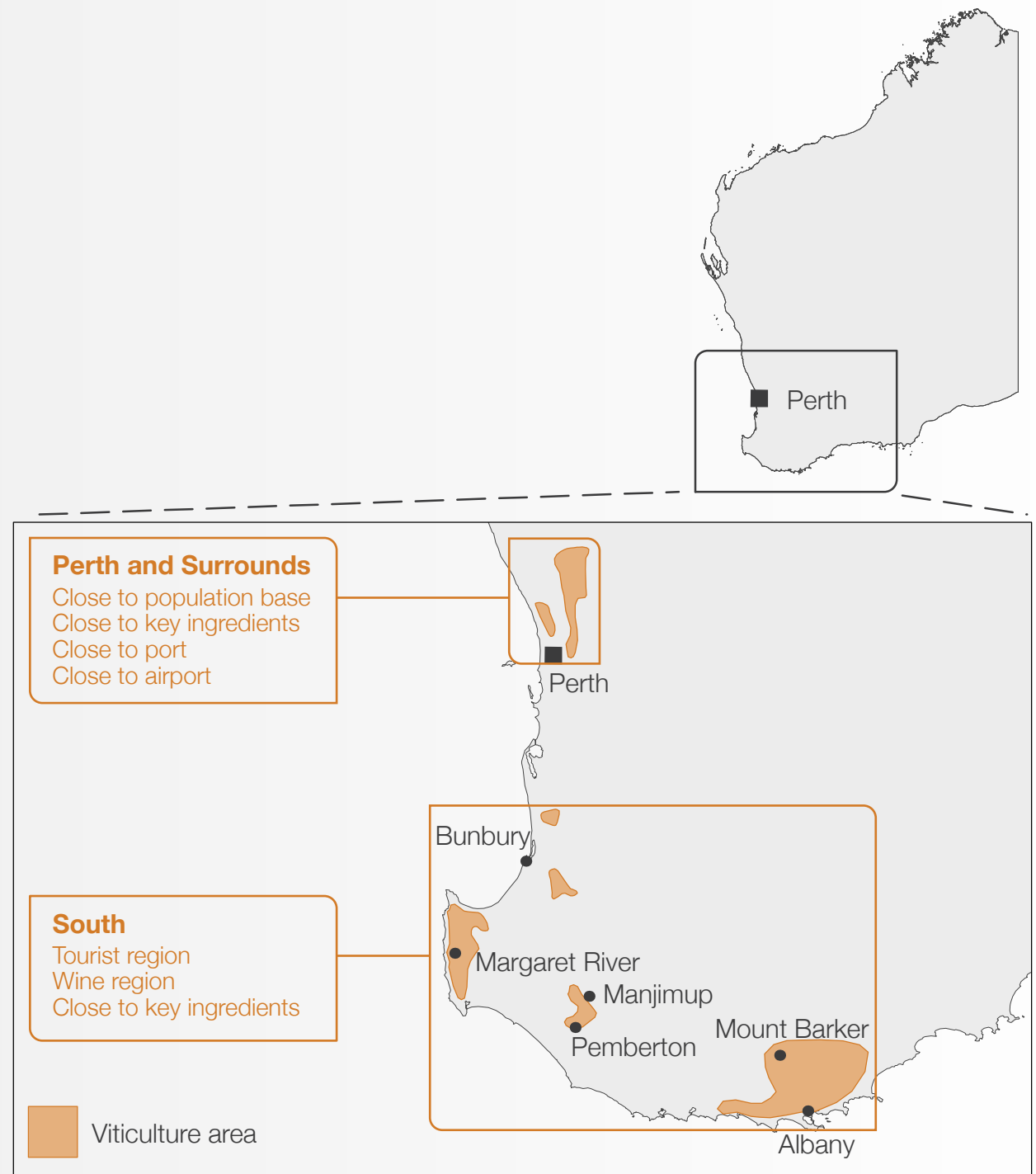


Smoothies

Western Australia's beverages industry is spread across the State

“We have been developing our regional stories and developing an International Wine and Tourism Strategy for the State so we have clear messaging in our markets.”

CEO, Industry Association



Western Australian wine productivity is increasing

1.5%
5yr CAGR



Grape volume per winery
2013-2018

-1.8%
10yr CAGR

(increased
consolidation)

Number of wine producers
2013-2018

The Western Australian beverages sector is expanding

2.9%
9yr CAGR



Employment
2009-2018

1.6%
9yr CAGR



Employees per firm
2009-2018

CAGR = Compound annual growth rate
Source: ABS, Wine Australia, Project analysis

Export focused beverages

Key export



Wine

- Global reputation for quality
- Diverse range of varieties
- Strong premium position
- Well awarded
- Strong wine tourism linkages

Secondary



Spirits

- Well awarded
- Strong wine tourism linkages
- Significant innovative craft producers
- Strong identity and positioning
- Leveraging unique local botanicals



Cider and beer

- Pioneers in craft brewing movement
- Utilising local arable crop capabilities (targeted barley varieties)
- Large creative, diverse industry

Major opportunity



Non-alcoholic

- Leading in alternative and adult focused drinks (e.g. kombucha)
- Strengths in packaging innovation
- Proven capability at building scale

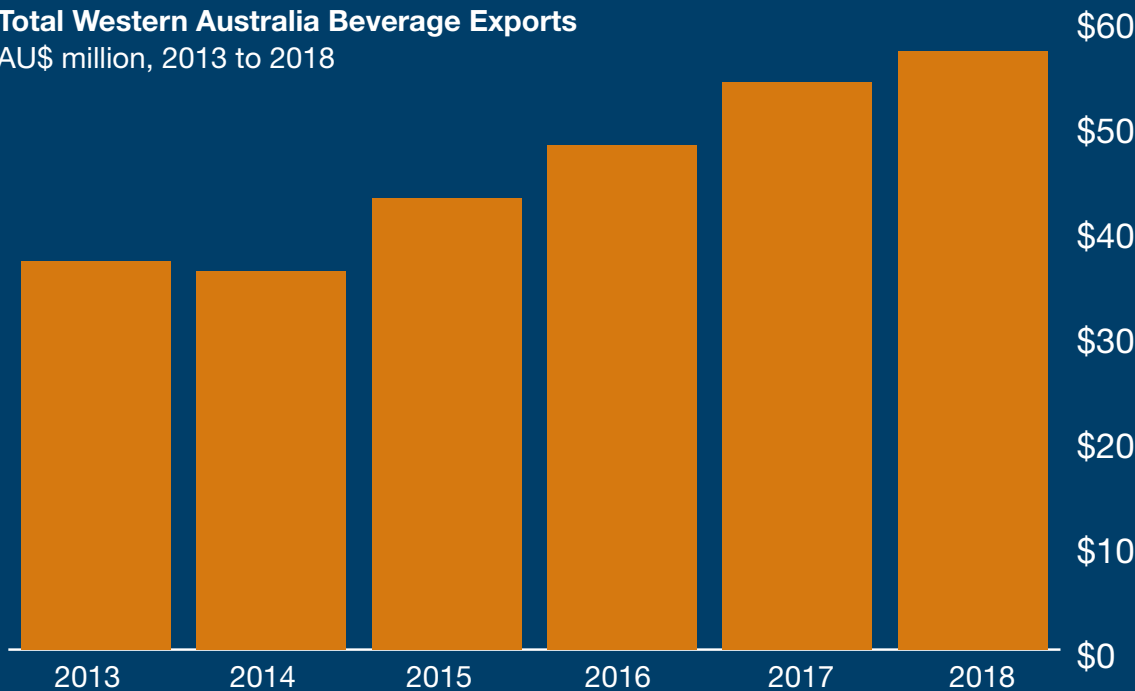
Western Australian beverages exports are growing


9%
5yr CAGR



CAGR = Compound annual growth rate

Total Western Australia Beverage Exports
AU\$ million, 2013 to 2018





3 different production systems

Fruit processing

- Wine and fruit juices
- Requires strong relationships with primary producers and suppliers
- Often vertically integrated
- Leverages regional and local comparative advantage
- High food safety requirements due to fresh nature of input
- Often a tourist destination
- Many onsite food services and venues
- Strong provenance story

Grain processing

- Sources local and regional ingredients e.g. barley, chia
- Arms length relationship with raw material supplier
- Located in population centres rather than producing areas
- Respected food safety standards
- Smaller producers generate significant sales on-site

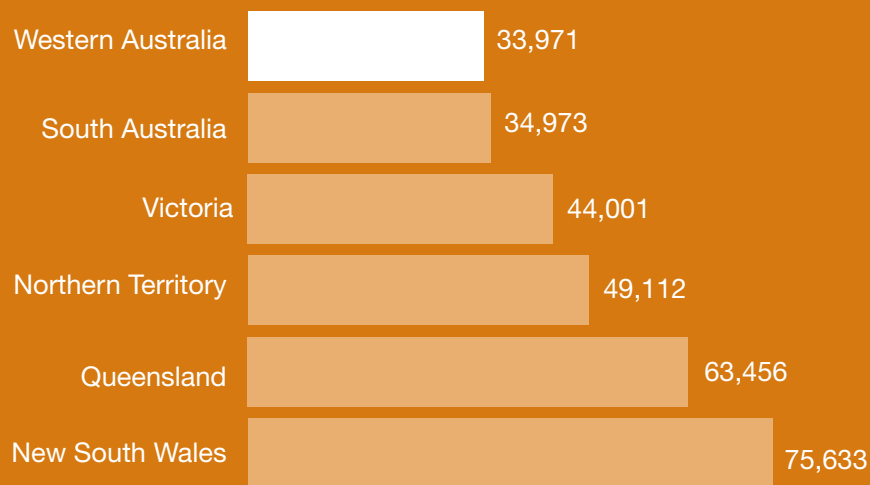
Water and flavoured water processing

- Occasionally leverage specific spring source
- Typically located in major population centre
- Highly automated production systems
- Market penetration and efficiency a key driver for success

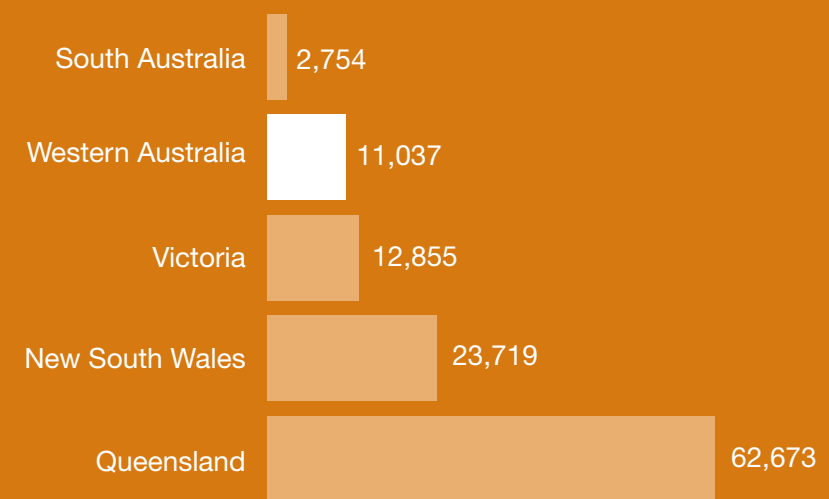
Western Australia has more breweries and wineries than competitors

Western Australia has many breweries and wineries relative to its population

Population per brewery



Population per winery



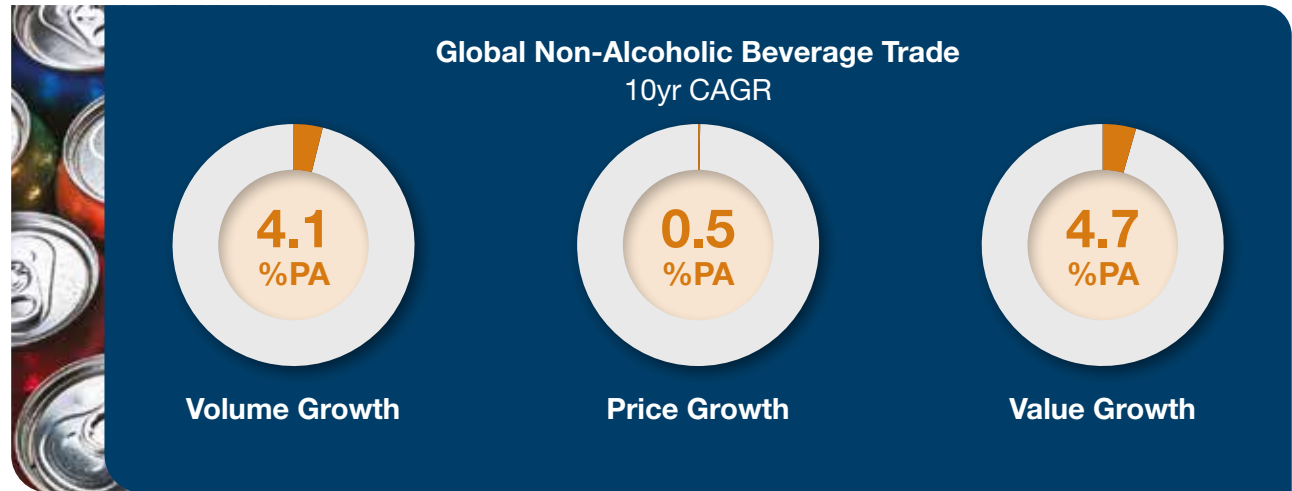
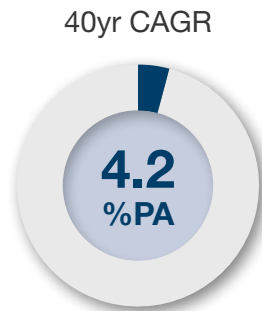
There will be **solid demand** for premium beverages in the future

“The demand for alcoholic drinks is growing at a faster rate in emerging countries, like India, China, Indonesia and Singapore. This is driving the demand for the alcoholic drinks industry. The growing demand for premium alcoholic beverages is considered to be one of the primary drivers for this market.”

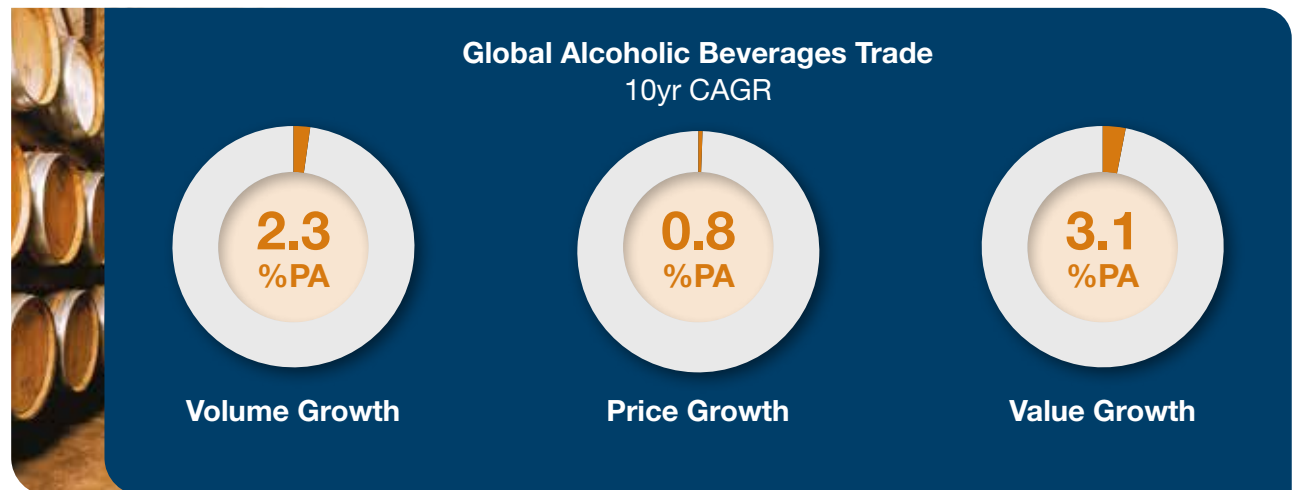
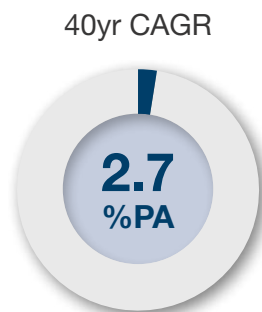
Global Alcoholic Beverage Market – Growth, Trends, and Forecast (2018-2023); Research & Markets, 2018

High level macro drivers support **solid export demand** for beverage products

Aggregate Global Beverages Production Growth



Beverages Consumption Growth per Person



Attracting global investment



Global beverages
company

KIRIN

Global beverages
company owns Lion
(Little Creatures)

CCA
COCA-COLA AMATIL

Australian based
beverages company

HBIS
河北钢铁集团

Chinese Steel company

SAN MIGUEL YAMAMURA
AUSTRALASIA GROUP

JV between San Miguel
and Nihon Yamamura
(Portavin, WA)

 LAGUNA BAY

Investment Fund investing
across AU and NZ



TREASURY
WINE ESTATES

Leading Australasian
wine company

XINGFA MA

Chinese billionaire

LVMH

Leading global
beverage company

**HOWARD
MILSTEI**

Owner, New York
Real Estate co.

Investment is occurring



Vasse Felix acquired Watershed Premium Wines – 80 hectare vineyard, winery cellar door and restaurant for \$20 million in 2018



Acquired control of Evans & Tate from the McWilliam's Wine Group (making Fogarty the largest wine producer in State and largest processor) for \$60 million in 2017



Yukich family acquires Swan Valley based Houghton's and changes name to Nikola Estate in 2019



Acquired Matso's Broome Brewing for \$13 million in 2017

Invests \$8 million in canning, 2019

Opening shop and microbrewery in Sydney in 2019



Acquired vineyards in 2019



Acquiring Franklin Tate vineyards in Jindong in 2020



Opening "Pirate Life" brewery in Perth (to supply venue) in 2020

**JOHN
STREICKER**

Acquired Clairault vineyard (adding to existing 150 hectares) for approximately \$12 million in 2012



ROK Kombucha invested in new automated bottling plant and cool room in 2019



Kommunity Brew relocated to Canning Vale Industrial Park, increased contract manufacturing in 2019



Wilson Brewing Co. in Albany invests in increasing production by four times in 2019



Invested in new facility to increase production, moved to fourth largest beer producer in Western Australia



Invested in three distilleries in Porongurup (utilising local rye, corn and malted barley)



Acquired Feral Brewing (Swan Valley) in 2017

Sells 24,000 m² manufacturing and bottling facility (lease back) for \$45 million and builds distribution centre adjacent site in 2019



Invested in Bevy Brewing Co, new microbrewery in Perth



Invested in new brewery, venue and distillery in South Fremantle, Perth

The Western Australian beverages sector has a strong group of thriving companies

| Wine | Spirits | Cider and Beer | Non-alcoholic |
|------|---------|----------------|---------------|
| | | | |

Returns across the supply chain

Western Australia's **beverage sectors** are showing **strong returns¹** across the supply chain.

“The good Western Australian wineries are more profitable than the Australian average. When firms move away from less profitable parts of their business and develop high margin markets, the EBIT will increase 30 to 40%.”

Executive, Wine Company

Manufacturing

Spirits

12.5%

Beer

12.1%

Wine

6.3%

Soft drinks

13.1%

Water

8.2%

Fruit Juice

7.5%

Liquor Wholesaling

19%

Liquor Retailing

10%

1. Australian industry average profit margins (EBIT/Revenue), 2018-19. EBIT = Earnings before interest and tax
Source: IBISWorld, Project analysis

Four investment themes

Four investment themes exist to create growth in the Western Australian beverages industry

Investing in **scaling up** for export

Opportunities exist to support regional firms in scaling up their production to address export opportunities

1

Investing in **new product innovation**

Opportunities exist to continue to develop new products targeting new and emerging sectors that are growing

2

Investing in **packaging technology**

Opportunities exist to further diversify the range of packing technologies available for new product development

3

Investing in **industry infrastructure**

Opportunities exist to develop additional common-use infrastructure to support industry development

4

Value propositions exist that promote **opportunities for investment**



Leverage local botanicals

- Western Australia has many unique botanicals and bush foods
- Botanicals can be used across most beverage categories
- Develop bush foods production systems
- Growing demand for provenance and story base branding



Shared supply chain distribution infrastructure

- Subsegment between ambient and chilled
- Full containers to Asia
- Shared domestic and distribution infrastructure
- Pooled purchasing



Innovative packaging

- Product packing drives innovation
- Opportunity for unique packaging
- Opportunity for light weight and sustainable packaging
- Opportunity for glass production

The Department of Primary Industries and Regional Development is ready to assist you

For further information please contact:

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p +61 (0)8 9368 3590

w agric.wa.gov.au/agribusiness-food-trade

The Department of Primary Industries and Regional Development commissioned Coriolis Australia Pty Ltd to provide the information in this publication in consultation with selected industry stakeholders.

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