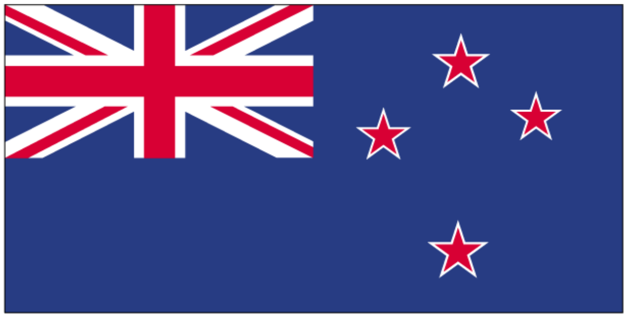

New Zealand

Country Profile

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BACKGROUND

The Polynesian Maori reached New Zealand sometime between A.D. 1250 and 1300. In 1840, their chieftains entered into a compact with Britain, the Treaty of Waitangi, in which they ceded sovereignty to Queen Victoria while retaining territorial rights. That same year, the British began the first organized colonial settlement. A series of land wars between 1843 and 1872 ended with the defeat of the native peoples. The British colony of New Zealand became an independent dominion in 1907 and supported the UK militarily in both world wars. New Zealand's full participation in a number of defense alliances lapsed by the 1980s. In recent years, the government has sought to address longstanding Maori grievances.

Geography: Consists of two main islands and a number of smaller islands southeast of Australia. South Island, the larger main island, is the 12th largest island in the world and is divided along its length by the Southern Alps. North Island is the 14th largest island in the world and is not as mountainous, but it is marked by volcanism. Almost 90% of the population lives in cities and over three-quarters on North Island. Wellington is the southernmost national capital in the world. Land area of 268,838 sq km.

Economy and Infrastructure: Over the past 40 years, the government has transformed New Zealand from an agrarian economy, dependent on concessionary British market access, to a more industrialized, free market economy that can compete globally. Expanding New Zealand's network of free trade agreements remains a top foreign policy priority. Member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In November 2016, New Zealand opened negotiations to upgrade its FTA with China; China is one of New Zealand's most important trading partners.

People: Total population is 4,510,327 and median age is 37.9 years.

Agriculture: Mainly dairy products, sheep, beef, poultry, fruit, vegetables, wine, seafood, wheat and barley.

Environment: deforestation; soil erosion; native flora and fauna hard-hit by invasive species.

THE WINE INDUSTRY

1. WINE REGIONS

Source: Wines of New Zealand

Auckland, Kumeu & Matakana Wine Regions - Auckland wine region is a large and diverse region, with around 100 vineyards and wineries. Auckland's soils are mainly shallow clays over hard silty-clay sub soils or sandy loams. Vineyards are mostly planted in pockets of flat land on the drier east coast or in the shelter of Waitakere ranges. The region is home to some of New Zealand's oldest established vineyards and is best known for its Bordeaux style wines - Cabernet Sauvignons and Chardonnays.

Gisborne Wine Region - Located on the most easterly point of the north island, Gisborne is New Zealand's 4th largest grape growing region. Soils tend to alluvial loams on sandy or volcanic sub soils of moderate fertility. Gisborne vineyards concentrate on Chardonnay, with other white varieties including Chenin blanc, Gewürztraminer and Riesling being widely planted.

Northland Wine Region - New Zealand's first vines were planted in Northland in 1819 and surprisingly it's still one of the smallest wine producing regions. The soils are mainly clay-rich loam soils over a sub soil of compact clay. The Northland wine region has an almost sub-tropical climate and typically experiences the country's warmest ripening conditions, hence the popularity of the region's three most widely grown grape varieties, Cabernet Sauvignon, Merlot and Chardonnay.

Wairarapa Wine Region - While small in terms of total wine production, Wairarapa's boutique wineries have big international reputations for the quality of their Pinot Noir wines. The region's vineyards tend to be planted on high alluvial terraces in deep stony and free draining soils. Climatically the area is similar to Marlborough, with low rainfall, high sunshine hours and cool nights.

Central North Island Wine Region - The vineyards of the Waikato, Manawatu-Wanganui and Taranaki are small, but steadily expanding, with soils of heavy loams over clay sub-soils. With its moderately warm summers and cool frosty winters, the regions produce mainly Chardonnay, Sauvignon blanc and Cabernet Sauvignon & Merlot Blends.

Hawkes Bay Wine Region - Located on the east coast of New Zealand's North Island, south of Gisborne, Hawkes Bay is New Zealand's second largest wine growing region and since the 19th century one of its oldest. It is also the leading wine and food tourism destination. Many of New Zealand's best wineries are located in Hawkes Bay. High sunshine hours and variety of soil types make the region ideally suited to the growing of fruit and wine. Chardonnay is the most widely planted grape variety, but a long ripening season attracts a high percentage of later-ripening red grape varieties including Cabernet Sauvignon, Merlot, Cabernet Franc and Syrah.

Waiheke Island Wine Region - Vine growing was introduced in the early 1980's as a premium wine region for the production of high quality red wines based on Cabernet Sauvignon, Cabernet Franc and Merlot. Over the years, Waiheke Island has expanded its varietals to include Chardonnay, Syrah, Montepulciano, Pinot Gris, Sauvignon blanc, Malbec, Petit Verdot, Semillon and Viognier.

Canterbury Wine Region - While a relatively new wine region – the first vineyard was planted in 1977 – Canterbury is becoming well known and appreciated for its Riesling and Pinot Noir wines. The soils of the region are stony and alluvial. The climate is hot and dry in summer, and often cool, clear and frosty in winter. The Canterbury wine region is New Zealand's fourth largest with Chardonnay and Pinot Noir grape varieties making up nearly 60% of the region's vineyards, Riesling comes in third as the most popular grown variety with Sauvignon blanc in fourth place.

Marlborough Wine Region - Marlborough is New Zealand's largest wine growing region. It has an enviable international reputation for producing the best Sauvignon blanc in the world. It also makes very good Chardonnay, Riesling and high-quality Pinot Noir. At over twenty thousand hectares of grapes the region accounts for approximately 2/3 of New Zealand's wine plantings, of which Sauvignon blanc vines dominate.

Waipara Wine Region – Waipara wine region is one New Zealand's fastest growing wine regions with over 75 vineyards in the Waipara Valley covering more than 1,200 hectares of plantings. It is renowned for producing unique richer, spicier Pinot Noirs and Rieslings. This terroir, combined with a long hot autumn, provides each vineyard with unique characters that contribute to a range of wine styles including Pinot Gris, Chardonnay and Sauvignon blanc.

Central Otago Wine Region - Central Otago is New Zealand's most scenic wine region seventh largest and is the world's southernmost wine producing region. It is New Zealand's only true "continental" region with greater extremes of daily and seasonal temperatures than those found in any of the country's maritime regions. The summers are hot and dry, and the winters crisp and snowy. Soil structures are very different to those of New Zealand's other regions with heavy mineral deposits in silt loams. Pinot Noir is the dominant grape variety and some of New Zealand's very best Pinot Noir wines are produced in this region. Chardonnay comes in at number two with Sauvignon blanc and Riesling taking up distant third and fourth places.

Nelson Wine Region - Nelson is amongst the countries smaller wine regions. Soil structure tends to clay loams over hard clay subsoil and climatically the region is sheltered from rain by mountains to the west. Nelson vineyards concentrate on grape varieties suited to cooler conditions, with Chardonnay, Sauvignon blanc, Riesling and Pinot Noir accounting for most of the grapes grown.

Waitaki Valley Wine Region - Located on the East Coast of the South Island, it is New Zealand's newest wine region. Grape vines were first planted in 2001. The wine region has mostly small, intensively managed vineyards producing a range of distinctive cool climate wines such as Pinot Noir, Pinot Gris, Riesling and Gewurztraminer, with a small quantity of Arneis.

2. AREA UNDER VINES

79% white cultivars and 2005 vineyards. Average area of vineyard is 18.5 ha.

YEAR	HECTARES
2013	38 000
2014	38 000
2015	39 000
2016	39 000
2017	40 000
2018*	39 000

Provisional
Source: OIV

3. CULTIVARS

White cultivars: Sauvignon blanc (76%), Chardonnay (11%), Pinot Gris (8%), Riesling (2%), Gewurztraminer (1%) Semillon, Viognier, Chenin blanc and Arneis.
Red cultivars: Pinot Noir (72%), Merlot (15%), Syrah (5%), Cabernet Sauvignon (3%), Malbec (2%), Cabernet Franc (1%), Montepulciano and Petit Verdot.

4. PRODUCTION

Domestic Wine Production

YEAR	'000 litres
2011	240 000
2012	190 000
2013	250 000

2014	320 000
2015	230 000
2016	310 000
2017	290 000
2018*	300 000

**Provisional*
Source: OIV

5. CONSUMPTION

Consumption is currently at 22.20 litres per capita.

YEAR	‘000 litres
2013	92 500
2014	90 600
2015	96 000
2016	93 400
2017	93 800
2018*	90 000

**Provisional*
Source: OIV

Per capita consumption

YEAR	LITRES PER CAPITA
2011	23.30
2012	22.70
2013	22.90
2014	22.30
2015	23.00
2016	22.20
2017	22.20

Source: 2018 Euromonitor International

6. INTERNATIONAL TRADE

Total exports

Exports represent 86% of total wine production. Main exports countries are the USA (29%), the UK (27%), Australia (22%), Canada, The Netherlands and Belgium.

YEAR	'000 LITRES
2011	154 000
2012	178 900
2013	169 000
2014	190 000
2015	210 000
2016	213 000
2017	250 000
2018	260 000

Source: OIV WofNZ

Total imports

Imports mainly from Australia (69%), France (9%), Italy, Chile and South Africa.

YEAR	'000 LITRES
2011	27 700
2012	34 200
2013	39 600
2014	38 600
2015	34 900
2016	40 300
2017	39 500
2018	41 700

Source: Comtrade

7. INTERNATIONAL POSITION (2017)

16th in global wine production.

8. TRENDS & FORECASTS

- Supply levels stabilised
- Champagne registers the strongest total volume growth of 15%
- Average unit price rises by 1% in current terms
- Over the forecast period wine is expected to post a total volume CAGR of 2% in 2022

Wine volume sales recover in 2017

Total wine volume sales recovered in 2017 following a decline in 2016. The good reputation of local wines, particularly Sauvignon Blanc and Pinot Noir, helped to drive consumer demand, with New Zealanders embracing the wine culture.

Champagne remains the best performer but still white wine the largest category

While not a big category in value or volume terms, strong promotional and marketing activities saw champagne remain the best performing category in 2017, particularly in the off-trade. Strong promotional activities from supermarkets, the dominant distribution channel in wine, also helped drive sales during key periods such as Christmas, Valentine’s Day and Mother’s Day. Nonetheless, New Zealand’s status as one of the main producers of white wine, particularly Sauvignon Blanc, saw still white wine remain the leading category by some way, with its performance playing a key role in that of the wider wine category. Another noticeable trend influencing the category, and one which is expected to help drive value and volume growth over the forecast period, has been the development of low alcohol wines to cater for lose looking to reduce their alcohol consumption.

Environmental disruptions to local production

An environmental factor affecting wine production in 2017, which will be felt more during the forecast period, was the unseasonably warm weather during the summer, with some of the hottest temperatures ever recorded in New Zealand influencing the grape harvest. Previous years have seen record grape harvests in New Zealand, leading to surplus stock and increasing levels of discounting in the category. As such, the hot weather in 2017 is expected to relieve some of the pressures brought on by oversupply, leading to a stronger outlook for value sales growth over the forecast period.

Category remains hugely fragmented

New Zealand’s status as a major wine producing nation, with 677 different wineries according to Wine New Zealand, has helped drive consumer demand for wine, but also led to a heavily fragmented category. This is readily apparent in supermarkets, where the number of different brands on offer far exceeds that in any other FMCG category. Additionally, barriers to entry have been significantly reduced over the last 10 years, with a number of specialist wine retailers in operation, as well as direct sales to consumers from wineries. As such, “others” held a significant volume share in wine in 2017, particularly in still light grape wine owing to the large number of local and international brands available.

Source: Euromonitor International