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New Zealand Wine Sector Report 2017

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Wine

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Report Highlights:

Post forecasts New Zealand's grape crop for 2017 at 418,000 metric tons with wine production estimated at 301 million liters, just 3 percent below the 310 million liters available from the 2016 harvest. This will provide a sound base for wine exports to increase by a forecasted 8 percent to reach 250 million liters in 2017. The United States, the United Kingdom, and Australia remain New Zealand's top export markets taking 82 percent by volume of the total exports. The Geographical Indications (Wine and Spirits) Registration Amendment Act was passed by the Government in December 2016 and will come into force on April 1, 2017. The legislation will give protection to products that are tied to distinct geographical regions, such as "Marlborough Savignon Blanc", once the wines are registered.

Executive Summary:



Rippon Vineyard – Wanaka South Island

New Zealand vineyards are looking forward to a grape harvest in 2017 forecasted at 418,000 metric tons (MT). This would be 4% less than the 436,000MT harvested in 2016. Even though the production area is estimated to be 2% greater at 37,000 hectares, less than ideal weather conditions over the growing season in Marlborough (over 66% of the total area) have restricted the yield potential. Consequently, the 2017 wine production forecasted at 301 million (m) liters will be just around 3% less than the production in 2016. The 2016 wine production has been reduced by 4m liters totaling 310m liters and reflects losses suffered by many Marlborough wineries after damage was caused by a significant earthquake in November 2016.

By the end of 2016, New Zealand wine stocks are estimated to be a healthy 208m liters. For 2017, total supply and total demand are forecast to be almost equal. Wine stocks for 2017 are forecast to be only marginally less than 2016 at 207m liters. This estimate is predicated on the forecast that wine exports in 2017 will reach 250m liters, 8% greater than the 231.1m liters shipped in 2016. All industry indications point to overseas demand continuing to be robust and wine exporters continuing to be in a growth mode. The top three export destinations continue to perform strongly taking 82% of the total volume exported in 2016, in line with the last three years.

Wine imports at 40.1m liters in 2016 were stronger than the expected 37m liters. However, imports are expected to level off very near the long run average of 38.5m liters in 2017.

The Geographical Indications (Wine and Spirits) Registration Amendment Act was passed by the Government in December 2016 and will come into force on April 1, 2017. The legislation will give protection to products that are tied to distinct geographical regions, such as “Marlborough Sauvignon Blanc”, once the wines are registered.

Note: The Market Year is the same as the Calendar Year. Because of this “2017” or “2016” is used in the narrative and refers to both the Market Year and the Calendar Year.

Vineyard & Winery Production

2017

Post forecasts the 2017 grape harvest at 418,000 metric tons (MT). This would be 18,000MT less than the harvest in 2016, representing a 4% reduction. The production area estimated at 37,000 hectares (ha) is 2.2% up from 2016. The additional area in 2017 consists of immature vines, which are not at full production yet.

The main driver behind the reduction in grape production for 2017 has been the less than ideal climatic conditions for most of the growing season throughout the main vineyard region of Marlborough (over 66% of the total area). Marlborough did not experience any single weather event to impact yield (i.e. storms, hail, or frost), but temperatures were cooler than normal with more wind and cloud cover than average. At present, Marlborough will need more sunshine from February to April for the final development and maturation of the grapes in order to achieve a high quality vintage. In contrast, the Hawkes Bay (13% of total area) has had a very good growing season with growers looking forward to a bigger harvest and high quality.

Reportedly there is very little thinning of the grape clusters going on in Marlborough, which is a sign that the harvest will not be a record breaker.

The significant earthquake (7.8 on seismic scale) that occurred in November 2016 was centered only approximately 100 kilometers to the south of the Marlborough region. It did not cause damage to the vineyards. However, many wineries in Marlborough experienced significant damage. Not only were stainless steel vats and tanks damaged, but also shelving, barrels and packaging goods were damaged or cosmetically ruined. Reportedly, approximately 4m liters of wine were lost from the 2016 vintage.

The damaged wineries are racing to get repair work completed before the 2017 harvest (March to May), but it is feared some repair work will not be finished in time. This will put a lot of pressure on the wineries at harvest time as they try to cope with the grape intake. There is speculation that some grape juice will be transported out of the region quickly after harvest and sent to wineries in Auckland and/or the Hawkes Bay if there is spare capacity. In addition, some vats may be provided by the dairy industry. Other innovative solutions may well emerge such as temporary plastic tanks or bladders to hold grape juice.

The 2017 grape harvest should produce 301m liters of wine, which will be just under 3% less than 2016.

2016

The total grape harvest for 2016 was 436,000MT, harvested from 36,192 ha. This was 34% greater than the 2015 harvest due to generally benign weather from spring (September 2015) to harvest (March to April 2016). The ripening period from February to April was dry in the main growing regions with warm sunny days being close to ideal. Nationally, this harvest was the second highest ever after the 2014 harvest of 445,000MT. The 2016 wine production is now estimated at 310m liters, accounting for

losses of approximately 4 million liters as a result of the November 2016 earthquake. This vintage would still be the second highest New Zealand vintage ever and 32% ahead of the 2015 vintage.

NEW ZEALAND PRODUCING VINEYARD AREA BY GRAPE VARIETY										
(Hectares)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sauvignon Blanc	10,491	13,988	16,205	16,910	16,758	20,270	20,015	20,029	20,266	21,016
Chardonnay	3,918	3,881	3,911	3,865	3,823	3,229	3,202	3,346	3,361	3,211
Riesling	868	917	979	986	1,725	770	2,403	2,451	2,456	2,455
Pinot Gris	1,146	1,383	1,501	1,763	993	2,485	787	784	777	767
Other White Varieties					817	509	502	535	524	382
Sub-Total White Area						27,263	26,909	27,145	27,384	27,831
Pinot Noir	4,441	4,650	4,777	4,773	4,803	5,388	5,488	5,509	5,564	5,573
Merlot	1,447	1,383	1,369	1,371	1,386	1,234	1,255	1,290	1,320	1,271
Syrah					299	387	408	433	435	443
Cabernet Sauvignon	524	516	517	519	519	305	301	289	300	283
Other Red Varieties					392	309	299	286	291	273
Sub-Total Red Area						7,623	7,751	7,807	7,910	7,843
Other & Unknown	2,520	2,592	2,705	3,241	2,085	449	525	559	564	518
Total	25,355	29,310	31,964	33,428	33,600	35,335	35,185	35,511	35,858	36,192

Source : New Zealand Wine Growers

NEW ZEALAND GRAPE PRODUCTION BY VARIETY - NZ WINEGROWERS VINEYARD SURVEY										
(Metric Tons)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sauvignon Blanc	102,426	169,613	177,647	174,247	224,412	181,121	228,781	310,240	216,078	303,711
Chardonnay	38,792	33,346	34,393	26,322	25,580	22,855	27,184	28,985	27,015	29,162
Pinot Gris	6,053	12,417	11,410	12,810	17,787	15,347	22,042	23,880	19,707	24,892
Riesling	6,017	8,547	6,316	5,416	6,118	4,989	5,932	6,013	4,535	5,937
Other White	11,774	9,925	7,543	5,573	4,909	4,126	5,030	6,726	4,997	5,046

Varieties										
Total White Grape Tonnage	165,062	233,848	237,309	224,368	278,806	228,438	288,969	375,844	272,332	272,332
Pinot Noir	20,699	32,878	27,547	23,655	31,156	23,285	31,775	36,499	25,763	35,661
Merlot	11,714	10,166	11,723	8,885	9,092	8,046	10,076	10,756	9,397	9,321
Syrah	1,514	1,452	1,500	2,112	1,741	1,431	2,240	2,178	1,497	1,756
Cabernet Sauvignon	2,462	2,270	2,304	2,203	1,667	1,120	1,465	1,742	1,376	1,537
Other Red Varieties	3,022	2,734	2,663	2,382	2,284	1,707	1,908	2,679	2,022	2,150
Total Red Grape Tonnage	39,411	49,500	45,737	39,237	45,940	35,589	47,464	53,854	40,055	50,425
Total Survey Tonnage	204,473	283,348	283,046	263,605	324,746	264,027	336,433	429,698	312,387	420,356
Total Industry Tonnage	205,000	285,000	285,000	266,000	328,000	269,000	345,000	445,000	326,000	436,000

Source : New Zealand Wine Growers

Wine Stocks and Supply/ Demand Balance

PRODUCTION TRENDS NEW ZEALAND VINEYARD AND WINE INDUSTRY										
Year Ending December	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 forecast
Number of Wineries	585	643	672	698	703	698	699	673	675	675
Producing Area in hectares	29,310	31,964	33,428	33,400	35,335	35,182	35,510	35,859	36,192	37,000
Average Yield ((tons per hectare)	9.7	8.9	8	9.8	7.6	9.8	12.5	9.1	12.0	11.3
Average Grape Price (NZ\$ per metric ton)	\$2,161	\$1,629	\$1,293	\$1,239	\$1,359	\$1,688	\$1,666	\$1,732	\$1,800	\$1,800
Tons Grapes Crushed (000's of Tons)	285	285	266	328	269	345	445	326	436	418
Total Production Wine (millions of liters)	205.2	205.2	190.0	235.0	194.0	248.4	320.4	234.7	310.0	301.0
WINE CONSUMPTION AND EXPORT TRENDS FOR NEW ZEALAND										

Year Ending December	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 forecast
Domestic Sales of NZ Wine(million liters)	51.2	58.0	62.2	61.8	56.7	50.3	54.7	54.2	52.1	52.5
Imports of Wine (millions of liters)	38.6	31.9	33.2	28.1	34.6	39.9	39.0	35.3	40.6	38.5
Total NZ Domestic Consumption	89.7	89.9	95.4	89.9	91.3	90.3	93.7	89.5	92.7	91.0
Population estimate (millions)	4.28	4.33	4.37	4.40	4.43	4.48	4.55	4.65	4.75	4.80
NZ Consumption per Capita of NZ wine(L)	12.0	13.4	14.2	14.0	12.8	11.2	12.0	11.7	11.0	10.9
NZ Consumption per Capita of all wine(L)	21.0	20.7	21.8	20.4	20.6	20.2	20.6	19.2	19.5	19.0
Estimated Export Volume (millions liters)	98.7	128.5	157.2	168.1	176.6	175.8	194.1	215.3	231.1	250
Export Value(millions of NZ\$ FOB)	903.3	1014.0	1088.7	1135.0	1216.2	1254.9	1351.3	1529.8	1,606.7	
Estimated Average Price NZD/L	\$9.15	\$7.89	\$6.93	\$6.75	\$6.89	\$7.14	\$6.96	\$7.11	\$6.96	
Export Value(millions of \$US FOB)	632.6	652.0	788.2	900.8	986.8	1028.5	1119.4	1063.3	1,125.2	
Estimated Average Price USD/L	\$6.41	\$5.07	\$5.02	\$5.36	\$5.59	\$5.85	\$5.77	\$4.94	\$4.87	
Estimated Total Supply (Production + Imports) millions liters	243.8	237.1	223.2	263.1	228.6	288.3	359.4	270.0	350.6	339.5
Estimated Total Demand (exports+ consumption) millions liters	188.4	218.4	252.5	258.0	267.9	266.1	287.8	304.8	323.8	341.0
Interim balance of Supply less Demand	55.3	18.7	-29.4	5.1	39.3	22.2	71.6	34.8	26.8	-1.5
Running Balance ie estimated stocks at end Dec	167.1	185.8	156.4	161.5	122.3	144.5	216.0	181.2	208.0	206.6

Sources: NZ Wine Growers, StatisticsNZ, Global Trade Atlas, Post Estimates

Note: For the Producing Area from 2012 on this estimate is based on October registrations by the Vineyards

Total supply (wine production plus imports) for 2016 is now expected to exceed demand (wine exports plus domestic consumption) by 30.2 million liters, which would put ending stocks (December 31, 2016) at 208m liters. This is only marginally higher than the previous forecast of 207.2m liters and is due to

the slightly slower rate of export shipments currently estimated at 231m liters versus the previous forecast of 235m liters.

The other changes that affect the overall supply and demand picture for 2016 are that wine production was reduced by 4m liters to account for earthquake losses; and domestic consumption was increased by 2.7m liters, which was amply covered by increased imports.

These changes do not alter the strong picture for the New Zealand wine sector going into 2017. The opening stocks estimated at 208m liters are healthy but not extreme at an estimated 61% of the forecast 2017 export volume. There is a sense at the moment that the wineries need as much wine as they can get to satisfy demand from their overseas customers. Post's current projections for 2017 total supply will fall just short of total demand, and year end stocks will be slightly reduced compared to 2016.

Future Planting Intentions –Industry Growth Projections

Anecdotal reports suggest that around 1000ha are currently being planted annually. Official New Zealand Winegrower Inc. area projections for grape production suggest area will increase by two percent per annum from 2015 through 2018, which equates to 700 to 800ha annually. It appears that actual planting is running ahead of forecasts, which coincides with reports out of Marlborough (the main growing region with over 66% of total grape area) that 6,800ha would be planted by 2021. This would be approximately 3,000ha more than official estimates would have for the whole country by 2021.

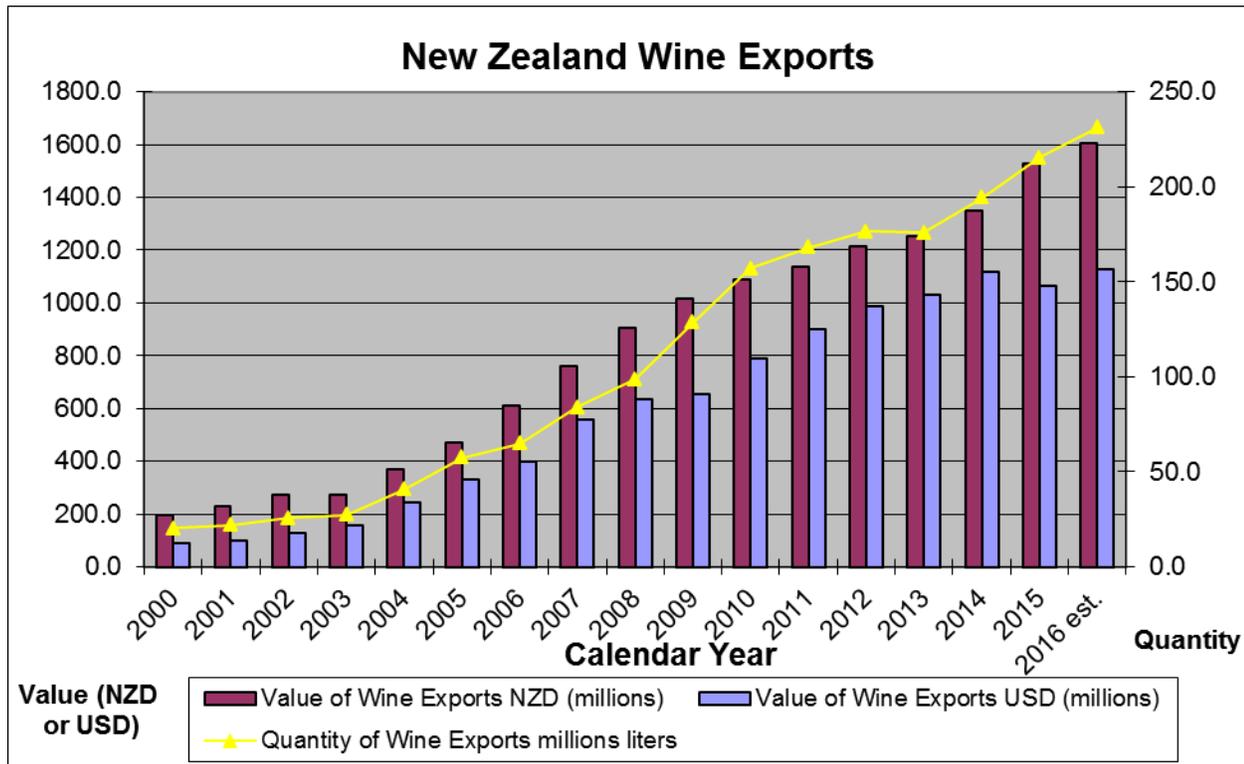
It is now estimated there is somewhere between 5,000 to 10,000ha of suitable land in the Marlborough region that could still be planted. It is quite conceivable that within the next five to ten years the Marlborough region will be fully planted.

Virtually all the new plantings now are being carried out by multi-national beverage companies such as Constellation, Pernod Ricard and the large domestic wine businesses such as Indevin, Marisco, and Delegates.

Exports, Trade, and Marketing

Exports

Wine exports from New Zealand during 2016 were 231m liters, which was not quite as brisk as was previously anticipated when a total of 235m liters looked realistic. However with stocks presently built up and the 2017 vintage volume likely to be similar to 2016, the export pace should step up significantly. Post is forecasting that 2017 wine exports from New Zealand will be 250m liters, which is an 8% increase over 2016.



Export Destinations and Marketing

Even though New Zealand wine exporters are currently growing overseas consumer demand at quality and price points which encourages sector growth while also achieving profit, there is an air of uncertainty for the future. For example, the effect of Brexit and possible political change in the EU means there is a possible downside risk due to new trade policies or market access changes.

From 2013 to 2015, the top three destinations (US, UK, Australia) have consumed 81% to 83% of New Zealand’s total wine exports and returned on average 77% of the total export receipts. For 2016 there has been no change to this formula.

Shipments of New Zealand wine to the United States have continued to be the most valuable wine export market based on export receipts for 2016. Between 2012 and 2015, the volume of wine shipped to the United States increased by 42%, and the value of New Zealand's wine exports increased by a mighty 97%. For 2016, there has been a further 9.4% increase in volume and 13% increase in value. Even though New Zealand wine exporters have had considerable success in the US market they believe there is considerable further potential. They cite the low overall New Zealand wine consumption per capita in the US compared with that of the UK and Australia. In addition, New Zealand's generic wine promotions in the United States will continue at current levels. One message which seemed to resonate well with US wine drinkers was the sustainability story. The following excerpt from the NZ Winegrowers Inc. 2016 Annual report explains one nationwide US promotion:

“A promotion in the U.S. with mail-order wine giant Wine.com saw New Zealand Wine sustainability brochures inserted into 20,000 boxes of wine sent to customers. New Zealand Winegrowers also ran a three month user-pays promotion with Wine.com. Email and banner advertising from Wine.com linked customers to a page of sustainable New Zealand wine, with a discount code to use when purchasing. Wine.com indicated that the campaign increased the volume of sales by 113% and the value by 114% (year-on-year). The number of unique customers who purchased New Zealand wines during that period grew by 97%. The New Zealand Winegrowers ‘Sustainable Because’ video link was added to Wine.com.”

Sustainable Winegrowing New Zealand is a voluntary set of standards that cover: soil, water, air, energy use, pests and diseases, bio-diversity, by-products, human resources, and business. Over 98% of New Zealand's vineyard area is certified under the standards, and it is virtually mandatory to be certified if a vineyard/winery wants to export. The standards have been based on adherence to the International Organisation of Vine and Wine standards and guidelines and involve continuous improvement. For further information on Sustainable Winegrowing New Zealand go to: <http://www.nzwine.com/sustainability/sustainable-winegrowing-new-zealand/>.

In the United Kingdom, sales are still growing for New Zealand wine, and the industry is confident they can continue to achieve increased levels of penetration into this market. In addition, the current level of generic promotion by NZ Winegrowers Inc. is set to continue. Often this done by bringing wine experts and writers to New Zealand to get the full New Zealand wine, food, and scenic experience.

Exports to Australia are now at a mature volume equivalent to nearly 2 liters per capita. NZ Winegrowers does not target Australia specifically with generic promotions anymore. Now advertising and marketing is left up to the individual wine exporters.

With regard the second tier export markets, NZ Winegrowers Inc. is concentrating its efforts to develop the New Zealand brand in: Canada; some specific EU destinations; the Nordic countries, the Netherlands, and China. Specific Chinese cities will be targeted as well.

One of the strengths of the wine sector in New Zealand is its unified approach to promoting the “New Zealand brand” first and individual winery brands second to that. For example, the International Sauvignon Blanc Celebration in February 2016 hosted 300 delegates from 18 countries and involved 70 wine producers from throughout New Zealand. Likewise the Pinot Noir 2017 three day conference held

in Wellington during February 2017 was attended by 600 delegates from 20 countries. These events are supported by the whole industry. There are important roles in the sector for both the big multi-national beverage companies and the small boutique wine producers.

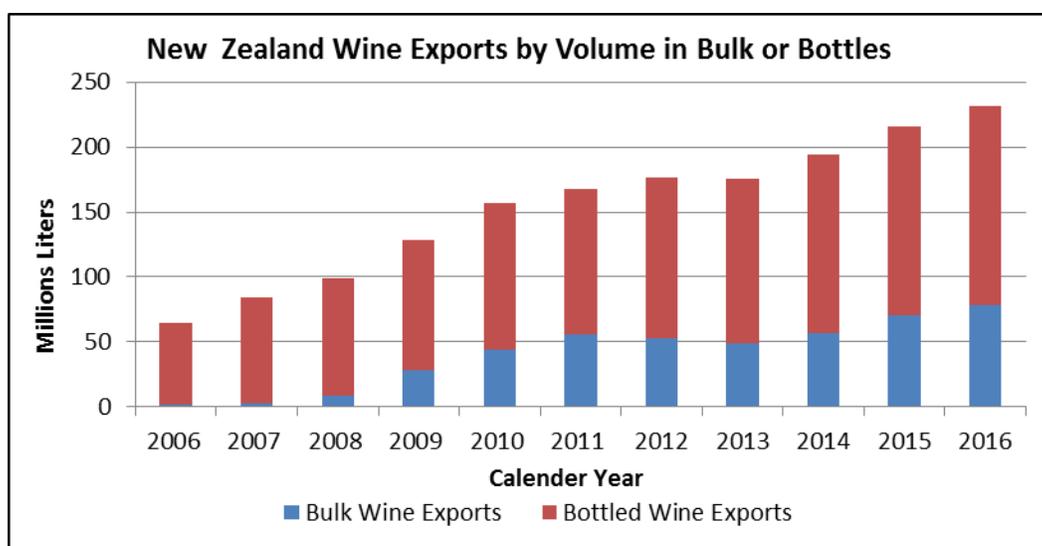
New Zealand Wine Export Statistics by Country (HS Code 2204)									
For Calendar Years 2014 to 2016									
Destination Country	2014			2015			2016		
	FOB Value NZD (millions)	Quantity (1000's Liters)	Price \$/L	FOB Value NZD (millions)	Quantity (1000's Liters)	Price \$/L	FOB Value NZD (millions)	Quantity (1000's Liters)	Price \$/L
United States Total	343.7	51,419	\$6.69	432.3	60,423	\$7.15	487.9	66,112	\$7.38
United Kingdom Total	339.0	55,750	\$6.08	380.0	59,797	\$6.35	379.4	66,324	\$5.72
Australia Total	357.7	52,851	\$6.77	359.2	54,749	\$6.56	369.5	56,795	\$6.51
Canada Total	85.1	8,580	\$9.92	100.1	10,038	\$9.97	109.7	11,273	\$9.73
Netherlands Total	35.1	5,304	\$6.61	47.3	7,566	\$6.25	42.0	6,859	\$6.13
China Total	28.0	1,918	\$14.58	28.1	1,864	\$15.05	26.9	2,040	\$13.19
Ireland Total	14.9	2,085	\$7.17	19.1	2,698	\$7.08	22.7	3,108	\$7.32
France Total	12.5	1,054	\$11.91	16.5	1,358	\$12.13	20.0	1,610	\$12.42
Singapore Total	20.5	1,560	\$13.13	21.5	1,597	\$13.46	19.2	1,393	\$13.77
Hong Kong Total	16.7	1,387	\$12.04	18.1	1,338	\$13.56	16.2	1,246	\$13.02
Sweden Total	12.8	1,579	\$8.09	14.1	1,753	\$8.06	15.2	1,857	\$8.17
Japan Total	12.7	1,163	\$10.95	14.6	1,189	\$12.27	14.5	1,283	\$11.32
Germany Total	11.9	2,148	\$5.52	13.3	2,668	\$5.00	13.8	2,363	\$5.84
Belgium Total	7.8	1,254	\$6.22	11.7	2,040	\$5.73	13.6	2,614	\$5.19
Denmark Total	7.4	1,032	\$7.16	6.7	974	\$6.91	7.9	1,093	\$7.19
Latvia Total	4.0	438	\$9.22	4.6	631	\$7.30	5.9	716	\$8.18
Rest of the World	41.4	4,537	\$9.12	42.6	4,645	\$9.17	43.4	4,424	\$9.80
Total for all	1,351.	194,0	\$6.9	1,529.	215,3	\$7.1	1,607.	231,1	\$6.9

Exports	2	58	6	8	28	0	7	11	6
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Source: Global Trade Atlas

The Role of Bulk Wine Exports

In 2016, 33.7% of New Zealand wine exported was shipped in bulk, up from 32.5% in 2015. This amounted to 78 million liters, which was 11% above the previous year's 70 million liters. Back in 2009 to 2011, discounted wine was exported in bulk to clear excess stocks. However that practice has diminished and been replaced by the large wineries exporting a proportion of their wine in bulk and then bottling it in destination countries under their premium brands/labels to take advantage of cheaper bottling costs.



Source: Global Trade Atlas

Government Policy

The Geographical Indications (Wine and Spirits) Registration Amendment Act was passed by the Government in December 2016 and will come into force on April 1, 2017. The chair of NZ Winegrowers, Steve Green, said this was the biggest project the organization was currently handling. The Geographical Indications (Wine and Spirits) Registration Amendment Act has been on the government books to be implemented since April 2015.

The legislation will give protection to the brands, once registered, that are tied to distinct geographical regions such as “Marlborough Sauvignon Blanc”. Up to 14.99% by volume of New Zealand wine from another region may be blended into a regional wine, and it can still use a registered geographical indicator. Reportedly there are already over 20 groups getting ready to register geographical indicators under the Act.

Market Access – Trade Policy

South Korea FTA

After nine formal rounds of negotiations which commenced in 2009, South Korea and New Zealand (NZ) concluded negotiations on a free trade agreement in November 2014. The agreement was ratified and came into force on December 20, 2015.

The New Zealand wine sector has fared well under this agreement. The 15% tariff on New Zealand wine exports was eliminated when the FTA came into force. Total NZ wine exports to South Korea in 2015 were relatively small, at approximately NZ\$1.9 million (USD1.37 million). However in 2016--the first year of the FTA, the quantity shipped to South Korea increased 29.4% to 214,173 liters and the value of wine exports increased by 31% to NZ\$2.5 million (USD1.8 million).

EU and Britain

Prior to the “Brexit” referendum, the European Union agreed to start the free trade negotiations process with New Zealand. However with Britain now intending to leave the EU it may mean New Zealand will negotiate on two fronts aiming to securing free trade agreements with both Britain and the European Union.

Other General Market Access Efforts

NZ Winegrowers works on behalf of the whole sector on market access issues such as: labelling definitions, wine additives, and wine processing aids. NZ Winegrowers often works collaboratively with international groupings or forums such as the World Wine Trade Group and the APEC Wine Regulatory Forum.

Imports

Total wine imports to New Zealand for 2016 were 40.6 million liters, 15% up from 2015. This was 3m liters greater than the total forecast and ahead of the long term average (37m liters) for imports. Competitive pricing for imports and good demand for New Zealand wines overseas means the wineries have not discounted their product domestically to increase sales. As a result, imports have filled the demand gap. Post forecasts imports in 2017 to be between 37 million liters and a maximum of 40 million liters.

New Zealand Wine Import Statistics by Country of Origin									
For Calendar Years showing Value in USD and Quantity in Liter Equivalents									
Origin Country	2014			2015			2016		
	Value for Duty in USD	Quantity (L)	Price/L	Value for Duty in USD	Quantity (L)	Price/L	Value for Duty in USD	Quantity (L)	Price/L

Australia Total	66,955,226	29,129,950	\$2.30	56,768,651	27,040,856	\$2.10	61,076,207	30,200,838	\$2.02
France Total	41,081,933	2,385,902	\$17.22	40,048,418	2,567,068	\$15.60	42,959,389	2,980,103	\$14.42
Italy Total	5,620,927	1,081,384	\$5.20	4,953,766	1,171,158	\$4.23	6,432,859	1,352,362	\$4.76
Spain Total	2,784,735	699,870	\$3.98	2,377,980	633,175	\$3.76	2,408,832	643,636	\$3.74
New Zealand Total	1,549,508	887,057	\$1.75	1,411,242	258,765	\$5.45	2,303,934	824,528	\$2.79
Chile Total	2,397,847	2,054,514	\$1.17	1,945,026	1,660,450	\$1.17	2,244,407	2,228,488	\$1.01
South Africa Total	5,093,694	1,884,064	\$2.70	2,537,122	1,182,352	\$2.15	1,935,227	1,407,549	\$1.37
United States Total	915,367	127,188	\$7.20	1,386,980	164,066	\$8.45	1,292,580	180,731	\$7.15
Portugal Total	1,407,066	279,836	\$5.03	1,119,546	245,768	\$4.56	1,177,072	272,307	\$4.32
Germany Total	628,220	133,220	\$4.72	564,780	125,464	\$4.50	864,759	191,321	\$4.52
All Other Origins	1,401,343	309,482	\$4.53	1,119,345	238,908	\$4.69	1,310,355	350,472	\$3.74
Total Imports	129,835,866	38,972,467	\$3.33	114,232,856	35,288,031	\$3.24	124,005,621	40,632,334	\$3.05

Source: GTA

New Zealand Wine Import Analysis						
by Calendar Year for Quantity in Liters and Average Price in USD/Liter						
Description	2014		2015		2016	
	Quantity	Av Price/L	Quantity	Av Price/L	Quantity	Av Price/L
Sub Total Fortified Wine in bulk	10,663	\$7.56	51,724	\$1.28	49,042	\$1.42
Sub Total Fortified Wine bottled	434,360	\$5.20	439,782	\$4.44	414,418	\$4.52
Total Fortified Wine	445,022	\$5.26	491,506	\$4.11	463,459	\$4.19
Sub Total Red in bulk	8,958,857	\$1.05	6,831,938	\$0.80	7,418,142	\$0.81
Sub Total Red bottled	12,172,978	\$4.80	12,105,898	\$4.18	12,012,699	\$4.22
Total Red Wine	21,131,835	\$3.21	18,937,836	\$2.96	19,430,841	\$2.92
Sub Total Sparkling Wine in bulk			266	\$3.68		
Sub Total Sparkling Wine bottled	2,847,951	\$13.85	3,693,096	\$10.86	4,276,472	\$10.39
Total for Sparkling Wine	2,847,951	\$13.85	3,693,362	\$10.86	4,276,472	\$10.39

Sub Total White in bulk	11,310,323	\$0.69	9,251,065	\$0.60	12,981,902	\$0.66
Sub Total White bottled	3,237,336	\$3.82	2,914,262	\$3.61	3,479,660	\$3.52
Total White Wine	14,547,659	\$1.39	12,165,327	\$1.32	16,461,562	\$1.27
Sub Total All Wine in Bulk	20,279,843	\$0.85	16,134,993	\$0.69	20,449,086	\$0.72
Sub Total All Wine Bottled	18,692,625	\$6.02	19,153,038	\$5.39	20,183,249	\$5.42
Total For All Wine	38,972,467	\$3.33	35,288,031	\$3.24	40,632,334	\$3.05

Source: GTA

Import Regulations

Policy

The new “Sale and Supply of Liquor Act” came into being during 2013. For most wine sellers and winery cellar door operations there will be no change, and the fees payable to operate will remain the same.

The Government of New Zealand has indicated it is starting a review of the “Customs and Excise Act”. However, there are no definite timelines as to when this will happen. Excise tax is applied to all wine produced and sold in New Zealand, so any changes may affect wine sellers costs sometime in the future.

Composition and Labeling Requirements

All wine sold in New Zealand, including imported wine, must meet the labeling and composition requirements set out in the Australia New Zealand Food Standards Code, commonly referred to as “the Code”. (Click here for information on the code:

<http://www.foodstandards.gov.au/foodstandards/foodstandardscode/>)

In addition to the regulations in the Code, New Zealand has rules for grape wine label statements about variety, vintage, or country or area of origin. These rules are collectively known as the “85% rule”. If a label states the wine is from a particular grape variety, vintage, or area, then at least 85% of that wine must be from that variety, vintage, or area. The 85% rule applies to wine labeled for retail sale. It does not apply to wine sold in bulk. As statements about grape variety, vintage or area of origin are not mandatory on a wine label in New Zealand, any label that does not have this information is not subject to the 85% rule.

While there are no specific requirements for information that goes on the front or back wine labels in New Zealand, front labels tend to be reasonably simple. They typically contain the name of the winery, the region, the varietal, and the vintage year. This universal approach affords New Zealand’s export-

oriented wine sector with the flexibility and cost-advantage of printing up back labels with the specific information required by the competent authority in New Zealand’s many export markets.

New Zealand and the United States have an agreement in place that recognizes the respective wine making practices of the two countries. However, there are some differences in labeling requirements. For instance, New Zealand regulations require specific information on the label regarding how many “standard drinks” are contained in the wine bottle. There is also a requirement for allergen labeling, which does not exist in the United States (for example if the wine was fined with egg whites that must be printed on the label.) New Zealand also requires the “supplier” to be printed on the label, which could be the manufacturer, importer or distributor. Most exporting companies tend to put the name of the importer on the back label. Unlike the United States, New Zealand does not require a government health warning on the label.

For a list of composition and labeling requirements, please see Appendix II of this report.

Tariffs and Taxes

Description	HS Code	Tariff as of January 2011	Excise Equivalent	HPA Levy*
Sparkling Wine	2204.10	5%	\$2.8438 per liter	3.8043 cents per liter
Wine of Fresh Grapes	2204.10	5%	\$2.8438 per liter	3.8043 cents per liter
Wine for Further Manufacture	2204.29	5%	\$0	3.8043 cents per liter

Source: New Zealand Customs Working Tariff Document
<http://www.customs.govt.nz/news/resources/tariff/theworkingtarriffdocument/Documents/Section%20IV.pdf>

Note: The excise equivalent for imports is equal to the tax levied on domestically produced wine. Taxes listed here are a guide only. See Appendix II for the New Zealand Customs website. Product for further manufacture has an excise tax placed on it when the final product is sold to retailers.

* Health Promotion Levy (HPA) has superseded the Alcoholic and Liquor Advisory Council (ALAC) Levy

Excise Equivalent: The excise equivalent is charged to the importer or wholesaler when the product is sold to the retailer. Imported product that is moved to a licensed manufacturing area for further manufacture is not assessed the excise tax until after the manufacturing process is completed, and it is sold to the retailer in a consumer packaged form.

Goods and Services Tax (GST): With few exceptions, goods imported and sold in New Zealand are liable for a Goods and Services Tax (GST) of 15%. GST is payable on the sum of the Customs value of the goods, the import duty, the ALAC levy, and freight and insurance costs.

Indicative Fees and Charges: An import transaction fee of NZ\$25.30 is payable on every import entry and import declaration for goods. A biosecurity risk screening levy of \$12.77 is also collected by Customs on behalf of MPI Biosecurity New Zealand.

There would also usually be a multiple release permit (MRP) form to be completed, which has a fee of \$210.45, in order to commence imports.

Appendix I. Other Useful websites for Wine Importation

These websites will also be of use to ascertain the actual fees and charges payable:

MRP

<http://www.foodsafety.govt.nz/elibrary/industry/nzfsa-application-multiple-release-permit/application-form-multiple-release-permit.pdf>

Guide Fees & Charges under the Food Act

http://www.legislation.govt.nz/regulation/public/1997/0100/latest/DLM232791.html?search=ts_all%40act%40bill%40regulation_food+regulations_resel&p=1

General Information on Importing:

<http://www.foodsafety.govt.nz/industry/sectors/wine/importing/index.htm>

More specific information on wine labeling and composition requirements:

<http://www.foodsafety.govt.nz/industry/sectors/wine/labelling-composition/>

Appendix II. Mandatory Requirements for Wine Imported into New Zealand

MANDATORY REQUIREMENTS (Standards 1.2.1, 1.2.2, 1.2.3, 1.2.5, 1.2.9, 2.7.1)	
The following requirements apply to all wine for sale in New Zealand. Different requirements may apply in export markets.	
Legibility (Standard 1.2.9)	Any mandatory items must be set out legibly and prominently such as to afford a distinct contrast to the background, and in the English language.
Name of Food (Standard 1.2.2)	All wine must bear a name or description sufficient to indicate the true nature of the food (e.g. “sparkling wine”, “white wine” etc., a grape variety name, or a generic name such as Port).
Lot identification (Standard 1.2.2)	All wine must bear lot identification on the package. If there is just one bottling of a particular wine then there is no need for a separate lot number, as the lot is self-defined.
Name and address of supplier (Standard 1.2.2)	All wine must bear the name and business address in New Zealand or Australia of the supplier. The “supplier” may be the producing winery, packer, vendor or importer. The address should be a physical address.
Alcohol declaration (Standard 2.7.1)	All wine must bear an alcohol declaration. The acceptable form for the declaration is ‘million liters/100g’ or ‘million liters/100 million liters’ or ‘x% alcohol by volume’ or words or expressions of the same or similar meaning – i.e. “% vol” will suffice. Tolerances of the declared alcohol content from that actual alcohol content are: fortified wine: + or – 0.5%; wine and sparkling wine: + or – 1.5%
Net contents (Weights and measures regulations 1999 and amendments)	All wine must bear a statement of net contents (e.g. 750million liters).
Standard drinks (Standard 2.7.1)	All wine must bear a standard drink declaration The form of the standard drink statement is: “contains approx. x.x standard drinks”. The formula for calculating the number of standard drinks is: 0.789 x the actual alcohol content x the volume of the container (in liters).
Country of Origin (Wine Regulations 2006 Reg#7)	All wine must bear a country of origin declaration (e.g. “New Zealand wine”, “Product of New Zealand”). This is essentially a 100% standard – if any of the grapes, grape juice, concentrated grape juice or spirit used in a wine originates in another country, then that must also be included on the label
Date of Labelling (Standard 1.2.5)	Date labelling is not required for bottled wine, but may be for wines with a shorter shelf life, such as bag-in-box.
Allergens (Standard 1.2.3)	All wine must bear a sulphite declaration if it contains more than 10 mg/kg of sulphur dioxide. The form of the statement is: “contains preservative 220” (or 221, 222, 223, 224, 225, 228), “contains sulphites”, or “contains sulphur dioxide”. A wine label must include an allergen declaration if egg, fish or milk products are present. Isinglass is now exempt from allergen labelling, although other fish collagen products still need to be declared.
Prohibited Labelling on	Wines are prohibited from bearing health claims, or making representations as to being low in alcohol

Wine (Standard 2.7.1 and 1.1.A.2)	or non-intoxicating etc.
GRAPE VARIETY, VINTAGE AND AREA OF ORIGIN (Wine (Specifications) Notice) 2006)	
Statements about grape variety, vintage or area of origin are not mandatory on a wine label. When they are used on wines made from 2007 onwards all wines must comply with these rules whether they are destined for export or not. The only exception is when an overseas market has a less strict requirement and the NZFSA has given specific permission for exporters to use the less strict requirement applying in that market, as is currently the case for the USA.	
A label that states the wine is a single grape variety, vintage or area must be at least 85% from the stated variety, vintage or area. For example a '2007' wine must contain at least 85% of vintage 2007 wine.	
A label that states the wine is a blend of grape varieties, vintages or areas, at least 85% of the blend must be from the stated varieties, vintages or areas. For example 'Chardonnay Chenin Blanc' must contain at least 85% from Chardonnay and Chenin Blanc grapes.	
A label that states the wine is a combination of grape variety, vintage, and area of origin, the combination must be at least 85% of that wine. For example '2008 Marlborough Pinot Noir' must contain a minimum of 85% Pinot Noir from Marlborough that was harvested in 2008.	
A label that states more than one grape variety, vintage, or area, must present that information in descending order from the greatest to the least proportion in the blend. For example 'Chardonnay Chenin Blanc' must contain more Chardonnay than Chenin Blanc in the blend.	
A label must not include a claim about grape variety, vintage or area if that wine contains a greater percentage of wine from another grape variety, vintage or area that is not referred to by that label. For example a wine that contains 75% Cabernet Sauvignon, 15% Pinotage and 10% Merlot could be referred to as a 'Cabernet Pinotage' or a 'Cabernet Pinotage Merlot' but not a 'Cabernet Merlot'.	
Cultures of micro-organisms used to make wine may be excluded from the minimum content calculations (up to a maximum of 50million liters/L) as can brandy or other spirit used for fortifying wine.	
Wines made from the 2006 and earlier vintages are exempt from the 85% rules, but remain subject to the current 75% requirement for statements about grape variety and the Fair Trading Act. If a blended wine contains more than 50% wine from the 2006 vintage or earlier, and that wine is blended before 1 July 2008, then the old rules continue to apply.	

Source: New Zealand Winegrowers