USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 8/10/2016

GAIN Report Number: NZ1607

New Zealand

Post: Wellington

New Zealand Wine Sector Report for 2016

Report Categories:

Beverages

Wine

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Report Highlights:

For 2016 New Zealand grape production rebounded strongly, up by 34%, over 2015 to be 436,000 metric tons second only to the 2014 harvest of 445,000 metric tons. Off-shore demand for New Zealand wine is brisk. The 314 million liters of wine that should be generated from the 2016 harvest will only just be enough to satisfy demand increases in 2016 and restore stocks to healthy levels.

Executive Summary

Rippon Vineyard – Wanaka South Island

New Zealand vineyards, for CY2016, have just harvested 436,000 metric tons (MT) of grapes second only to the CY2014 harvest of 445,000MT. The CY2016 harvest is 34% ahead of the CY2015 harvest and should produce 314 million (m) liters of wine. The CY2015 wine production was 235m liters.

All the indications from the industry are that demand for New Zealand wine off-shore is robust. Wineries are looking for more grapes to produce extra wine to satisfy demand. The CY2015 total wine supply at 270m liters was not enough to satisfy total demand of 305m liters, which reduced stocks at year end by 16% to 181m liters. The CY2016 harvest should mean total supply outweighs demand by 26m liters and stocks are restored to a healthy level of 207m liters.

The sector is again in a significant growth phase. The multi-national beverage companies and the large domestic wineries are planting grapes at a quicker rate than early on in the decade. The total production area reached 36,575 hectares (ha) in CY2016, two percent up on CY2015, and is forecast to be between 39,500ha and 40,000ha by 2020.

Exports in CY2015 reached 215m liters 21m liters ahead of CY2014. It is expected this trend will continue and CY2016 exports will be 9% up at 235m liters. Given the production area increases and good average grape yields exports are forecast to continue increasing by five percent per year up to 2020.

Imports dipped by 9% in CY2015 to 35m liters but are expected go back up to the long term average of 37m liters in CY2016.

Note: All years referred to are calendar years (CY) unless explicitly noted otherwise.

Vineyard & Winery production

2016

The total grape harvest for CY2016 was 436,000MT. This is 34% greater than the CY2015 harvest as a result of generally benign weather right through the growing season from spring (September 2015) to harvest (March to April 2016). The ripening period February through April has been dry in the main growing regions with warm sunny days, close to ideal. In addition the grape producing area is two percent up on 2015, now estimated at 36,575 ha.

Nationally this harvest is the second highest ever after the 2014 harvest of 445,000MT. Often big harvests are thought to make slightly lower quality wine, however some industry participants believe the 2016 vintage will be of high quality. One clue could be that because the producing area is five percent greater than 2014 the average yield per hectare in 2016, at 11.9MT/ha, is actually lower than 2014 (12.5 MT/ha). This suggests this year's harvest is in the range of normal variation and will maintain New Zealand wine's high quality reputation.

The CY2016 grape crush should deliver 314 million liters of wine which would make it the second highest New Zealand vintage ever and 34% ahead of the CY2015 vintage.

NEW ZEALAND PRODUCING VINEYARD AREA BY GRAPE VARIETY										
(Hectares)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sauvignon Blanc	8,860	10,491	13,988	16,205	16,910	16,758	20,270	20,015	20,029	20,266
Chardonnay	3,779	3,918	3,881	3,911	3,865	3,823	3,229	3,202	3,346	3,361
Riesling	853	868	917	979	986	1,725	770	2,403	2,451	2,456
Pinot Gris	762	1,146	1,383	1,501	1,763	993	2,485	787	784	777
Other White Varieties						817	509	502	535	524
Sub-Total White Area							**27,263**	**26,909**	**27,145**	**27,384**
Pinot Noir	4,063	4,441	4,650	4,777	4,773	4,803	5,388	5,488	5,509	5,564
Merlot	1,420	1,447	1,383	1,369	1,371	1,386	1,234	1,255	1,290	1,320
Syrah						299	387	408	433	435
Cabernet Sauvignon	531	524	516	517	519	519	305	301	289	300
Other Red Varieties						392	309	299	286	291
Sub-Total Red Area							**7,623**	**7,751**	**7,807**	**7,910**
Other & Unknown	2,348	2,520	2,592	2,705	3,241	2,085	449	525	559	564
Total	**22,616**	**25,355**	**29,310**	**31,964**	**33,428**	**33,600**	**35,335**	**35,185**	**35,511**	**35,858**

Source : New Zealand Wine Growers

2015

Vineyard owners were challenged by the growing season 2014/2015 which wasn't conducive to high yields. The grape harvest for CY2015 came in at 326,000 MT, a 27% decrease on the CY2014 harvest. The grape crush generated 235 million liters of wine.

NEW ZEALAND GRAPE PRODUCTION BY VARIETY - NZ WINEGROWERS VINEYARD SURVEY

(Metric Tons)

	2006	2007	2008	2009	2010 *	2011 *	2012	2013	2014	2015
Sauvignon Blanc	96,686	102,426	169,613	177,647	174,247	224,412	181,121	228,781	310,240	216,078
Chardonnay	26,944	38,792	33,346	34,393	26,322	25,580	22,855	27,184	28,985	27,015
Pinot Gris	3,675	6,053	12,417	11,410	12,810	17,787	15,347	22,042	23,880	19,707
Riesling	6,745	6,017	8,547	6,316	5,416	6,118	4,989	5,932	6,013	4,535
Other White Varieties	10,870	11,774	9,925	7,543	5,573	4,909	4,126	5,030	6,726	4,997
Total White Grape Tonnage	**144,920**	**165,062**	**233,848**	**237,309**	**224,368**	**278,806**	**228,438**	**288,969**	**375,844**	**272,332**
Pinot Noir	22,062	20,699	32,878	27,547	23,655	31,156	23,285	31,775	36,499	25,763
Merlot	11,206	11,714	10,166	11,723	8,885	9,092	8,046	10,076	10,756	9,397
Syrah	1,057	1,514	1,452	1,500	2,112	1,741	1,431	2,240	2,178	1,497
Cabernet Sauvignon	2,659	2,462	2,270	2,304	2,203	1,667	1,120	1,465	1,742	1,376
Other Red Varieties	2,891	3,022	2,734	2,663	2,382	2,284	1,707	1,908	2,679	2,022
Total Red Grape Tonnage	**39,875**	**39,411**	**49,500**	**45,737**	**39,237**	**45,940**	**35,589**	**47,464**	**53,854**	**40,055**
Total Survey Tonnage	**184,795**	**204,473**	**283,348**	**283,046**	**263,605**	**324,746**	**264,027**	**336,433**	**429,698**	**312,387**
Total Industry Tonnage	**185,000**	**205,000**	**285,000**	**285,000**	**266,000**	**328,000**	**269,000**	**345,000**	**445,000**	**326,000**

Source : New Zealand Wine Growers

Wine Stocks and Supply/ Demand Balance

All the indications from the industry are that demand for New Zealand wine off-shore is robust. Wineries are looking for more grapes to produce extra wine to satisfy demand. This situation got heightened in CY2015 when the total wine supply was reduced by 25% to 270 million liters compared with CY2014 but demand continued to rise. At 305 million liters, demand in CY2015 was up six percent over CY2014. It is estimated that stocks by CY2015 year-end were 35 million liters (16%) down at 181 million liters.

Stocks are likely to be built back up in CY2016 to 207 million liters. Total CY2016 wine supply increases to 351 million liters (30% up), which will be 26 million liters greater than forecast demand now put at 325 million liters (7% up). The chief assumption for CY2016 is the level of exports now forecast at 235 million liters. Over the last three years exports have risen at 20 million liters per year and it is expected there will be a similar increase in CY2016. Even though for the year-to-date May CY2016 exports are marginally behind the same period for CY2015 it is expected there will be a rapid catch up and pull ahead once the 2016 vintage of white wine is fermented. Export of wine in bulk will facilitate this.

Ending CY2016 stocks are forecast to be 59% of the next year's forecast demand, which is comfortably below the 77% of next year's demand recorded for closing stocks in CY2008 when there was a real over supply.

PRODUCTION TRENDS NEW ZEALAND VINEYARD AND WINE INDUSTRY

Year Ending December	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 Forecast**
Number of Wineries	543	585	643	672	698	703	698	699	673	675
Producing Area in hectares	25,355	29,310	31,964	33,428	33,400	35,335	35,182	35,510	35,859	36,575
Average Yield ((tons per hectare)	8.1	9.7	8.9	8	9.8	7.6	9.8	12.5	9.1	11.9
Average Grape Price (NZ$ per ton)	$1,981	$2,161	$1,629	$1,293	$1,239	$1,359	$1,688	$1,666	$1,732	$1,775
Tons Grapes Crushed (000's of Tons)	205	285	285	266	328	269	345	445	326	436
Total Production Wine (millions of liters)	147.6	205.2	205.2	190.0	235.0	194.0	248.4	320.4	234.7	313.9

WINE CONSUMPTION AND EXPORT TRENDS FOR NEW ZEALAND

Year Ending December	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 Forecast**
Domestic Sales of NZ Wine(million liters)	45.3	51.2	58.0	62.2	61.8	56.7	50.3	54.7	54.2	53.0
Imports of Wine (millions of liters)	42.7	38.6	31.9	33.2	28.1	34.6	39.9	39.0	35.3	37
Total NZ Domestic Consumption	87.9	89.7	89.9	95.4	89.9	91.3	90.3	93.7	89.5	90.0

Population estimate (millions)	4.25	4.28	4.33	4.37	4.40	4.43	4.48	4.55	4.65	4.75
NZ Consumption per Capita of NZ wine(L)	10.7	12.0	13.4	14.2	14.0	12.8	11.2	12.0	11.7	11.2
NZ Consumption per Capita of all wine(L)	20.7	21.0	20.7	21.8	20.4	20.6	20.2	20.6	19.2	18.9
Estimated Export Volume (millions liters)	84.1	98.7	128.5	157.2	168.1	176.6	175.8	194.1	215.3	235
Export Value(millions of NZ$ FOB)	759.9	903.3	1014.0	1088.7	1135.0	1216.2	1254.9	1351.3	1529.8	
Estimated Average Price NZD/L	$9.03	$9.15	$7.89	$6.93	$6.75	$6.89	$7.14	$6.96	$7.11	
Export Value(millions of $US FOB)	560.1	632.6	652.0	788.2	900.8	986.8	1028.5	1119.4	1063.3	
Estimated Average Price USD/L	$6.66	$6.41	$5.07	$5.02	$5.36	$5.59	$5.85	$5.77	$4.94	
Estimated Total Supply (Production + Imports) millions liters	190.3	243.8	237.1	223.2	263.1	228.6	288.3	359.4	270.0	350.9
Estimated Total Demand (exports+ consumption) millions liters	172.1	188.4	218.4	252.5	258.0	267.9	266.1	287.8	304.8	325.0
Interim balance of Supply less Demand	18.2	55.3	18.7	-29.4	5.1	-39.3	22.2	71.6	-34.8	25.9
Running Balance ie estimated stocks at end Dec	111.8	167.1	185.8	156.4	161.5	122.3	144.5	216.0	181.2	241.9

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

Future Planting Intentions –Industry Growth projections

Official NZ Winegrowers grape production area projections suggest the area will increase by two percent per annum from 2015 through 2018. If this is the case the producing area is likely to be between 39,500 and 40,000ha by 2020. As long as the FOB price for wine in NZ dollars remains generally the same as 2014 and 2015 (NZ$7/liter) through until 2020 a production area of 40,000ha could produce enough wine to accomplish NZ Winegrowers' goal of achieving NZ$2 billion of exports by 2020.

These planting intentions may turn out to be on the low side if reports coming out of Marlborough (the main growing region) are to be believed. In 2015 23,203ha or 65% of the total grape area was planted in Marlborough. It is estimated there is somewhere between 5,000 to 10,000ha of suitable land in the region that could still be planted. Reportedly Marlborough wine companies are intending to plant 6,800ha over the next five years which is approximately 3,000ha more than official estimates would have for the whole country.

The majority of the grape area is one variety Savignon Blanc, which in CY2015 comprised 20,266ha or 57% of the total. Because Savignon Blanc is a high yielder compared to most of the other varieties grown in NZ it has an even greater dominance in the volume of grapes harvested, at 69% in CY2015. In a high yielding year such as 2014 it was up at 72% of the total volume.

Bearing in mind that 89% of the Savignon Blanc area is located in the Marlborough region where most of the vineyard development is also located it would be safe to assume most of the grapes being planted will be Savignon Blanc. Savignon Blanc is New Zealand's flagship wine which its reputation relies upon. There is certainly still growing demand for the New Zealand style of Savignon Blanc.

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

Research & Development

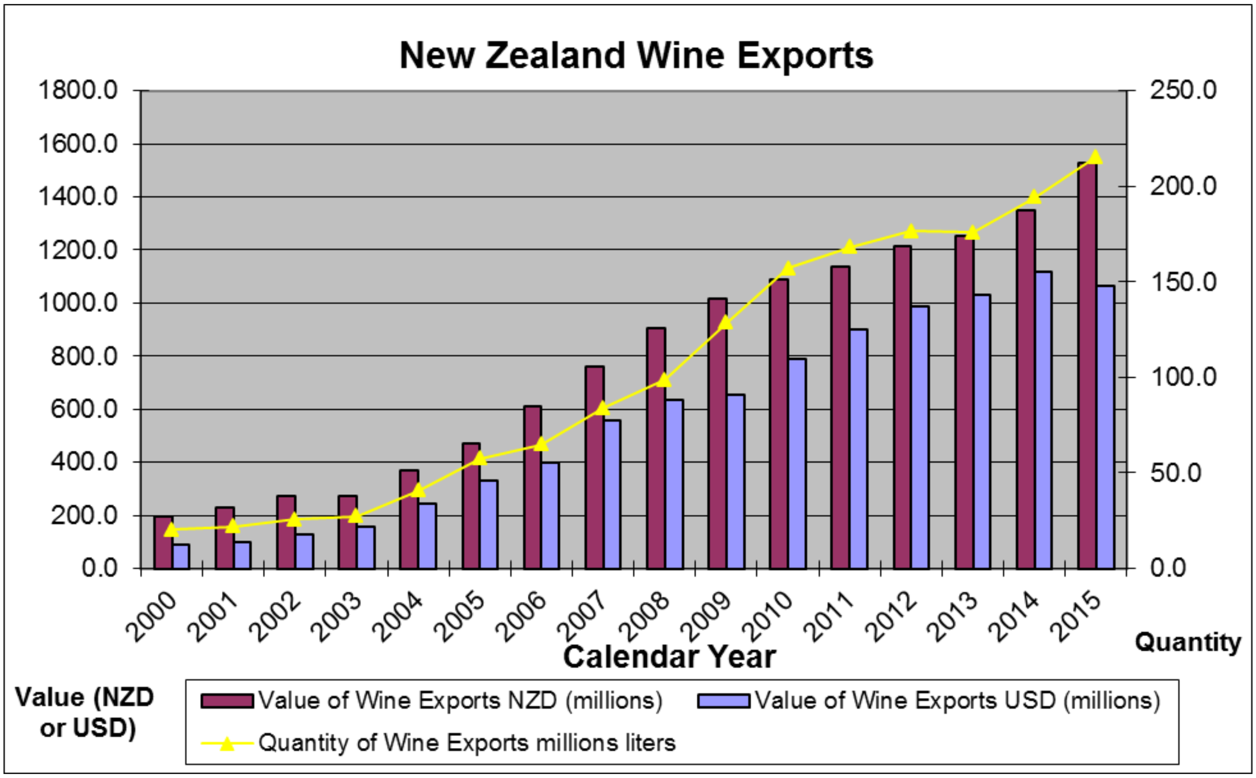
A key research focus is the development of lifestyle wines: lower calorie, lower alcohol alternatives to traditional wine produced through new growing and production techniques. The work is being carried out under the Government Primary Growth Partnership program. This project, started in 2014, will carry on to 2022 and is co-funded by 18 industry partners and the Government. This wine style has been identified as an emerging category which is potentially able to contribute substantially to overall growth in wine sales.

Elsewhere there is ongoing research and extension work being carried out in the: pest and diseases; reducing vineyard costs and increasing profitability; and sustainable and organic systems areas. An example are trials that showed that mechanical shaking plus fungicide sprays reduced botrytis by 50% over sprays alone.

Exports, Trade, & Marketing

Exports 2016

As indicated earlier in the report wine exports are forecast to reach 235 million liters in CY2016, which will be nine percent ahead of the 215 million liters shipped in CY2015. If the planting forecasts and present prices hold, exports will continue to increase at 5.5% per year up to 2020. This would put the volume of exports at between 290 to 300 million liters annually.



Source: GTA

Current Export Destinations

Consistently over the last three years the three top destinations (US, UK, Australia) have taken 82% of the volume exported and provided 77% of the export receipts. For New Zealand the US has now become the most valuable wine export market both by volume and value overtaking both the UK and Australia after the volume of exports surged up 18% in CY2015. Primarily growth in the USD8-15/bottle price category is driving sales.

It has been a core strategy by NZ Winegrowers for the last three years to boost sales into the US and Canada and this has been achieved. The industry continues to see potential for further growth in North America especially as the US economy looks to be stronger than the other advanced economies; and the greater tourism connectivity now available between New Zealand and the US familiarizes more people with NZ wine.

China, the sixth most valuable market, with only NZ$28 million in FOB receipts still represents a long term market opportunity.

New Zealand Wine Export Statistics by Country (HS Code 2204)									
For Calendar Years 2013 - 2015									
	2013			2014			2015		
Destination Country	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	302.7	45,04	$6.7	343.7	51,41	$6.6	432.3	60,42	$7.1

Total		8	2		9	9		3	5
United Kingdom Total	279.4	47,020	$5.94	339.0	55,750	$6.08	380.0	59,797	$6.35
Australia Total	386.7	53,297	$7.26	357.7	52,851	$6.77	359.2	54,749	$6.56
Canada Total	79.5	7,416	$10.73	85.1	8,580	$9.92	100.1	10,038	$9.97
Netherlands Total	30.6	4,571	$6.69	35.1	5,304	$6.61	47.3	7,566	$6.25
China Total	21.0	1,753	$11.97	28.0	1,918	$14.58	28.1	1,864	$15.05
Singapore Total	19.7	1,490	$13.21	20.5	1,560	$13.13	21.5	1,597	$13.46
Ireland Total	16.5	2,259	$7.30	14.9	2,085	$7.17	19.1	2,698	$7.08
Hong Kong Total	19.0	1,441	$13.16	16.7	1,387	$12.04	18.1	1,338	$13.56
France Total	9.2	894	$10.33	12.5	1,054	$11.91	16.5	1,358	$12.13
Japan Total	14.2	1,180	$12.01	12.7	1,163	$10.95	14.6	1,189	$12.27
Sweden Total	13.9	1,819	$7.67	12.8	1,579	$8.09	14.1	1,753	$8.06
Germany Total	11.3	2,066	$5.49	11.9	2,148	$5.52	13.3	2,668	$5.00
Belgium Total	6.7	964	$6.90	7.8	1,254	$6.22	11.7	2,040	$5.73
Denmark Total	6.2	824	$7.57	7.4	1,032	$7.16	6.7	974	$6.91
UAE Total	5.0	486	$10.19	6.9	630	$11.03	5.5	527	$10.43
Rest of the World	33.4	3,314	$10.07	38.5	4,346	$8.85	41.7	4,749	$8.78
Total for all Exports	**1,254.9**	**175,842**	**$7.14**	**1,351.2**	**194,058**	**$6.96**	**1,529.8**	**215,328**	**$7.10**

Source: Global Trade Atlas

Marketing - Distribution

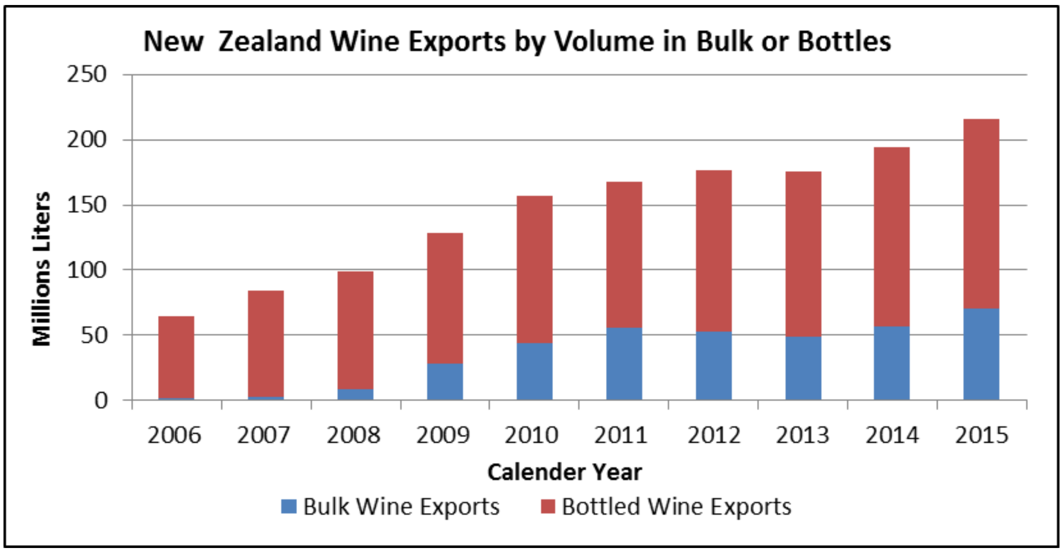
In the international markets, most of New Zealand's wine is generally still sold through retail channels, but this is changing. The fastest growing international sales channel is online – either direct, or through a third party website/distributor.

Millennials, 18-27yr olds, have become a target demographic with online sales channels and lifestyle wines being key strategies to attract this age group.

The domestic distribution systems are more diverse. It has five key distribution channels: supermarkets, liquor stores, hospitality & foodservice, cellar door and online. Of these, off-trade sales (i.e. supermarkets, liquor stores and online) account for around 80% of total sales and on-trade and cellar door sales make up the remaining 20%.

Smaller wineries are more reliant on cellar door sales and tourism. This often involves other products/services too, such as a dining experience, special occasion entertainment (e.g. weddings) and accommodation in some cases. Currently 18-20% of international tourists visit wineries. Wine tourists spend NZ$5000/visit to NZ vs NZ$3500 for the average visitor primarily because they stay longer. The top five sources of international visitors to wineries are Australia, the US, China, England, and Germany.

The Role of Bulk Wine Exports



Source: Global Trade Atlas

In CY2015 33% of New Zealand wine exported was shipped in bulk, up from 29% in CY2014. This amounted to 70 million liters which was 24% above the previous year's 57 million liters. Back in 2009 through 2011 discounted wine was exported in bulk to clear excess stocks. However that practice has declined in favor of the large wineries exporting a proportion of their wine in bulk, which will be sold under their premium brands/labels, and bottling in the destination country to take advantage of cheaper bottling costs.

Government Policy

In April 2015 the Government announced that it will implement the Geographical Indicators Registration Act. The chair of NZ Winegrowers, Steve Green, said this was the biggest project the organization was currently handling. The proposed legislation will give protection to the brands, once registered, that are tied to distinct geographical regions such as "Marlborough Savignon Blanc". The Geographical Indications (Wine and Spirits) Registration Amendment Bill has passed its first reading in Parliament and was referred to the Primary Production Select Committee for consideration and submissions. The Select Committee is due to report back by September 17, 2016. It is not known whether the Bill will make it into law this year or sometime next year.

In the future once the supply of Savignon Blanc from the Marlborough region becomes limited because there is very little land left to plant having a registered Geographical Indication will help stop other labels falsely claiming their wine is Marlborough sourced and perhaps add a premium to the registered Marlborough wine.

Market Access

Trans Pacific Partnership (TPP) – Trade Agreement

After seven years of negotiations the 12 Pacific rim countries: US, Canada, Japan, Mexico, Malaysia, Australia, Peru, Vietnam, Chile, Singapore, Brunei, and NZ concluded an agreement on trade, services, investment, and labor in October 2015 which was signed in February 2016. Implementation is still waiting on all countries to ratify, most notably the US has still to ratify. Among the TPP members all tariffs on wines will be eliminated either at entry into force or over a period of three to fifteen years.

At entry into force of the TPP New Zealand will gain:

- tariff-free access to the US for bottled still wine;
- tariff-free access to Canada for all wine;
- tariff-free access to Peru for bottled still wine; and
- tariff-free access to Mexico for sparkling wine.

In addition there will phased elimination of tariffs for:

- bulk wine entering the US over three years and over five years for all other wine;
- entry into Mexico over three years for all other wines not covered at entry into force;
- entry into Peru for all wines over five years;
- Japan, a 33% tariff cut at entry into force and total elimination after seven years; and
- Malaysia and Viet Nam after 15 years.

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. Currently total NZ wine exports to South Korea are relatively small, at approximately NZ$1.9 million per year. The 15% tariff on NZ wine exports were eliminated when the FTA came into force.

EU & Britain

Prior to the "Brexit" referendum the E.U. had agreed to start the process for Free Trade negotiations with New Zealand. However with Britain now intending to leave the E.U it may mean New Zealand will negotiate on two fronts aiming to achieve FTA's with both Britain and the E.U.

Imports

Total wine imports to New Zealand for CY2015 were 35.3m liters, 9% down on CY2014. Brisk demand for New Zealand wines off-shore means the wineries won't be as tempted to discount their product domestically to increase sales leaving the way open for an increase in imported wine to fill the demand gap. It is expected imports in CY2016 will go back up to the long run average of 37m liters per annum.

New Zealand Wine Import Statistics by Country of Origin									
For Calendar Years showing Value in USD and Quantity in Liter Equivalents									
Origin Country	2013			2014			2015		
	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	71,699,766	31,052,265	$2.31	66,955,226	29,129,950	$2.30	56,768,651	27,040,856	$2.10
France Total	35,271,903	2,059,820	$17.12	41,081,933	2,385,902	$17.22	40,048,418	2,567,068	$15.60
Italy Total	4,538,970	868,438	$5.23	5,620,927	1,081,384	$5.20	4,953,766	1,171,158	$4.23
South Africa Total	5,969,092	2,186,609	$2.73	5,093,694	1,884,064	$2.70	2,537,122	1,182,352	$2.15
Spain Total	2,118,246	513,401	$4.13	2,784,735	699,870	$3.98	2,377,980	633,175	$3.76
Chile Total	2,558,461	1,948,627	$1.31	2,397,847	2,054,514	$1.17	1,945,026	1,660,450	$1.17
New Zealand Total	1,219,978	738,276	$1.65	1,549,508	887,057	$1.75	1,411,242	258,765	$5.45
United States Total	563,178	68,638	$8.21	915,367	127,188	$7.20	1,386,980	164,066	$8.45
Portugal Total	1,064,981	187,804	$5.67	1,407,066	279,836	$5.03	1,119,546	245,768	$4.56
Argentina Total	595,511	137,355	$4.34	1,014,683	254,786	$3.98	811,000	194,323	$4.17
All Other Origins	780,971	154,603	$5.05	1,014,879	187,916	$5.40	873,122	170,049	$5.13
Total Imports	**126,381,057**	**39,915,836**	$3.17	**129,835,865**	**38,972,467**	$3.33	**114,232,853**	**35,288,031**	**$3.24**

Source: GTA

New Zealand Wine Import Analysis						
by Calendar Year for Quantity in Liters and Average Price in USD/Liter						
Description	2013		2014		2015	
	Quantity	Av Price/L	Quantity	Av Price/L	Quantity	Av Price/L
Sub Total Fortified Wine in bulk	25,002	$1.94	10,663	$7.56	51,724	$1.28
Sub Total Fortified Wine bottled	396,666	$5.26	434,360	$5.20	439,782	$4.44
Total Fortified Wine	**421,668**	**$5.06**	**445,022**	**$5.26**	**491,506**	**$4.11**
Sub Total Red in bulk	7,533,508	$1.16	8,958,857	$1.05	6,831,938	$0.80
Sub Total Red bottled	11,993,666	$4.84	12,172,978	$4.80	12,105,898	$4.18

Total Red Wine	**19,527,174**	**$3.42**	**21,131,835**	**$3.21**	**18,937,836**	**$2.96**
Sub Total Sparkling Wine in bulk					266	$3.68
Sub Total Sparkling Wine bottled	2,923,718	$11.64	2,847,951	$13.85	3,693,096	$10.86
Total for Sparkling Wine	**2,923,718**	**$11.64**	**2,847,951**	**$13.85**	**3,693,362**	**$10.86**
Sub Total White in bulk	13,423,531	$0.75	11,310,323	$0.69	9,251,065	$0.60
Sub Total White bottled	3,619,745	$3.71	3,237,336	$3.82	2,914,262	$3.61
Total White Wine	**17,043,276**	**$1.37**	**14,547,659**	**$1.39**	**12,165,327**	**$1.32**
Sub Total All Wine in Bulk	20,982,041	$0.90	20,279,843	$0.85	16,134,993	$0.69
Sub Total All Wine Bottled	18,933,795	$5.68	18,692,625	$6.02	19,153,038	$5.39
Total For All Wine	**39,915,836**	**$3.17**	**38,972,467**	**$3.33**	**35,288,031**	**$3.24**

Source: GTA

Importing Regulations

Policy Settings

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 NZ 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 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 instance, 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/theworkingtariffdocument/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 Wine (Standard 2.7.1 and 1.1.A.2)	Wines are prohibited from bearing health claims, or making representations as to being low in alcohol 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