

News Release

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Full bodied growth for NZ wine industry

New Zealand's wine industry is showing full bodied growth as consumers at home and abroad seek out quality beverages, according to a new report in the latest ANZ Agri Focus.

The report points to a doubling of wine sector earnings over the past 10 years, with average annual growth of 8.4% lifting annual sales to around \$2 billion.

The growth is being led by New Zealand's internationally fashionable Sauvignon Blanc, which accounts for over 50% of planted area, close to 70% of production and over 80% of exports.

In order to meet growing demand, vineyard area is set to increase significantly over the next five years, with new plantings dominated by Sauvignon Blanc in Marlborough. Planting of other varieties such as Chardonnay, Pinot Gris, Pinot Noir and Merlot are also on the rise, albeit on a smaller scale.

"Will there be further upside for New Zealand wine? The answer appears to be yes," says the report's author, ANZ Agri Economist Con Williams.

"As with many goods, fashion has a role to play and Sauvignon Blanc remains 'in' as a wine preference in established markets and is finding favour with new consumers in developed and developing markets.

"There is scope for more growth with consumers increasingly seeking sophisticated food and beverages, a new generation of younger consumers coming through and a trend towards more premium products.

"Health concerns around the amount of alcohol being consumed are having an impact. However, many consumers appear to have opted for a 'quality over quantity' attitude. All of these trends suit New Zealand's market positioning.

"Globally New Zealand is a small player, accounting for just 1% of global production and 3% of the value of global wine trade. The higher value earned by our producers is underpinned by the premium that quality New Zealand wine is able to command in global markets."

New Zealand's domestic market and top three export markets of Australia, the US and UK account for 86% of sales and 83% of revenue. While the potential of other markets such as Germany, the Netherlands and Canada is slowly increasing, the top four markets are expected to continue to dominate sales into the 2020s.

The report points to changing distribution channels, with tasting rooms, wine clubs, online marketing and other direct sales channels that reach consumers through the internet, and mobile apps and social media growing strongly.

It also highlights the growing contribution of wine tourism, with close to one in five international tourists visiting wineries, spending more and staying longer in New Zealand than other tourists.

Mr Williams said cash returns of 5.6% for grape growers and development returns of 120-125% of cost were high enough to stimulate investment. "However, land suitable for further development is limited in the likes of Marlborough. So we could see scarcity if market demand continues to grow as expected."

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