

## 【Article】

# Development and Changes in New Zealand Wine Industry

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## 1. Introduction

When Samuel Marsden planted the country's first vines in 1819, he chose a spot in the Bay of Islands that makes property developers salivate. He picked Kerikeri, with views down a tidal estuary towards one of the country's most picturesque collections of small islands. All over the country or so it feels, fifth generation farmers, bored doctors and cashed-up manufacturers are plunging into the wine industry. Selecting a great vineyard site is all about soil analysis and the careful observation of seasonal temperatures over past decades. Great wine is about art and technology. When New Zealand's modern winemaking era began in the late 1960's or early 1970's New Zealand wine and wineries lacked confidence and identity. New Zealand wine shamelessly borrowed European terms such as Claret, Chablis, Burgundy, Sauternes and Champagne, and built wineries that would look more at home in the Mediterranean〔1〕.

Confidence in the style and quality of New Zealand wines grew as they earned international recognition. Success in the competitive export market demands that a

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country's or region's wines be distinctive and that they offer value.

The wine industry has been one of the fastest growing segments of the New Zealand food sector. With a long term outlook of continued expansion, the wine industry, especially the winery sector, is confronted with the issue of future organization of the system in terms of number, size, and location of winery plants, which will optimum production.

The objective of this paper examines the development of the wine industry and an important aspect as to whether increased exports are beneficial to the New Zealand wine industry.

## **2. Historical Background of Wine Industry in New Zealand**

For over 160 years, vineyards have been cultivated and wine has flowed in New Zealand. *Vitis Vinifera*, the great northern hemisphere species of wine making was first carried south in the ships of the early colonists. Yet over a century passed before the New Zealand wine industry got off the ground, and only in the past 15 years has New Zealand emerged as an exciting new player on the international wine stage. When Charles Darwin called into the Bay of Islands in northern New Zealand in 1835 during the global voyage of the *Beagle*, he saw well-established grapevines.

Samuel Marsden, the Anglican missionary and chief chaplain to the Government of New South Wales, had decided to make a settlement at Kerikeri. The honour of being the first to produce wine in New Zealand belongs to James Busby, a Scot who is widely regarded as the father of Australian viticulture. Appointed in 1832 to the position of first British Resident in New Zealand, Busby planted a small vineyard at Waitangi, in the Bay of Islands in 1836.

The fledgling wine industry was soon further undermined. The regions of pioneering life made for hard drinking, often in squalid grog shops. The 1860s witnessed the foundation of a large number of temperance societies, which increasingly called for the total prohibition of liquor. The licensing Act of 1881, which severely restricted the conditions under which the movements new liquor licenses could be granted, was the prohibition movement's first major success, and from 1881 to 1918 there were more and more restrictions.

At the end of the century the future of the wine industry hung in the balance. On one hand, pressure mounted for the prohibition of alcohol, on the other, there were many

attempts to find new industries that could boost the country's economy. New vineyards appeared as several Hawke's Bay landowning families explored the economics of winemaking. Their interest was aroused by Wairarapa winemaker William Beetham, who planted his first vines in 1883 and by 1897 was producing about 8,41 litres of wine from Pinot Noir, Pinot Meunier.

During the 1890s New Zealand wines enjoyed a decade of unprecedented popularity, when they accounted for almost a quarter of all commercial wines sold in the country. At Te Mata Station, Bernard Chambers planted his first vines in 1892. By 1909 Te Mata was largest vineyard in the country, making 54, 552 litres of wine[ 2 ] .

By 1905, the viticulture research station at Te Kauwhata. South of Auckland, possessed 8-hectare vineyard and a small new winery. Vines from all over Europe were imported and tested for their suitability for grafting on phylloxera -resistant American rootstocks. The 1920s and 1930s witnessed a slow but definite expansion in the wine industry. The prohibition tide had been stemmed. There then came a long period of significant legislation on liquor.

The Laborer Party's ascension to power in 1935 and long tenure in office proved of great benefit to the winegrowers. Sales of local wine soared during the Second World War and an influx of American servicemen in 1942 on leave and in search of liquor further excited the demand. With wine selling easily and at top prices, the financial position of winegrowers rapidly improved. Brick wineries supplanted tin sheds, concrete vats replaced wooden, and many part-time winemaking operations emerged as profitable small businesses.

The wine industry also derived great benefit from a proliferation of new forms of liquor licenses. From the 1960's the trend towards liberalization of the licensing laws, evident since 1948, grew much more decisive. Restaurants were licensed in 1960. And the creation of permit system in 1976 gave belated legislative recognition to the BYO(bring your own)wine phenomenon by allowing the consumption of wine in unlicensed restaurants.

After the sustained prosperity of the 1960's and 1970's, heavy overplanting of vineyards in the early 1980s created a wine glut of record proportions. Simultaneously, demand for wine was slashed by the Labor Government's 1984 Budget, which almost doubled the sales tax on table wines from 54 cents to 99 cents per bottle. In February 1986 the Government intervened with an offer of up to \$10 million to fund a vine-uprooting

program. A quarter of the national vineyard-1517 hectares of vines was destroyed.

The Government although funding the vine-removal scheme, also moved in 1985 to speed up the removal of barriers against overseas wines. By mid-1990, the government had entirely abolished trans Tasmanian tariff on wine, allowing Australian wineries to contest the New Zealand market on an equal footing with local producers. In the year 2000, imported wines commanded over 40 percent of the total New Zealand market and were deeply entrenched in both the cheap cask and bottled wine markets.

Wine making and vine growing go back to colonial times in New Zealand. British Resident and keen oenologist James Busby was, as early as 1836, attempting to produce wine on his land in Waitangi. In 1851 New Zealand's oldest existing vineyard was established by French Roman Catholic missionaries at Mission Estate in Hawke's Bay. Due to economic (the importance of animal agriculture and the protein export industry), legislative (prohibition and the temperance) and cultural factors (the overwhelming predominance of beer and spirit drinking British immigrants), wine was for many years a marginal activity in terms of economic importance. Much of the wine produced was made by Croatian immigrants who brought the art of winemaking and wine drinking culture from their homeland.

The three factors that held back the development of the industry simultaneously underwent subtle but historic changes in the late 1960's and early 1970's. In 1973, Britain entered the European Economic Community, which required the ending of historic trade terms for New Zealand meat and dairy products. This led ultimately to a dramatic restructuring of the agricultural economy. Before this restructuring was fully implemented, diversification away from traditional protein products to products with potentially higher economic returns was explored. Vines, which produce best in low moisture and low soil fertility environments, were seen as suitable for areas that had previously been used for marginal pasture. The end of the 1960's saw the end of the New Zealand institution of the "six o'clock swill", where pubs were open for only an hour after the end of the working day and closed all Sunday. The same legislative reform saw the introduction of BYO (bring your own) licenses for restaurants. This had a profound and unexpected effect on New Zealanders' cultural approach to wine. Finally the late 1960's and early 1970's noted the rise of the "overseas experience," where young New Zealanders traveled and lived and worked overseas, predominantly in Europe. As a cultural phenomenon, the overseas

experience predates the rise of New Zealand's premium wine industry, but by the 1960's a distinctly Kiwi(New Zealand)identity had developed and the passenger jet made the overseas experience possible for a large numbers of New Zealanders who experienced first-hand the premium wine cultures of Europe[ 3 ] .

When people are talking about wine, they usually use the “Old World Wine” and “New World Wine”. What dose Old World Wine and New World Wine mean? Find out differences between New World Wine and Old World Wine and how winemaking style greatly affects what you taste.

The Old World Wine generally refers to wine made in Europe. The Old World Wine style is based on traditional and sometimes antiquated winemaking practices that have been passed down through the generations. Many of these practices are now regulated by strict laws to preserve an area's authenticity. Old World Wine styles are not limited to Old World regions, winemakers sometimes create wine in New World regions with an Old Wine style. However, its cultural roots go back to the Roman Empire where the first techniques to produce, store and distribute wine were developed. Since this time, Old World Wine has evolved through generations of family winemaking.

The term New World Wine refers to countries colonized by Western Europe and regions that are new to wine production. New World Wine regions adopted the successful ideas from the Old World Wine and expanded on them. Most of the New World Wine regions were started within the last 100 years and benefit from modern agriculture, such as vineyards designed to fit tractors and industrial irrigation.

New Zealand winemaking have emerged, and their products should vie for attention in any wine drinker's house. Some of the finest cabernets, merlots, chardonnays, Riesling and other varietals are produced by New Word Wine style. New Zealand wines are technically defined as wines produced in regions established by colonies of European exploration, which began with some of the longer voyages in the 15<sup>th</sup> century. In other words, New Zealand wines are all those produced in regions other than Europe and the Mediterranean countries[4] .

### **3. Wine Regions of New Zealand**

New Zealand extends 1,600km(1000 miles)from sub-tropical Northland(36°S)to the world's most southerly grape growing region Central Otago(47°S). Vineyards benefit

from the moderating effect of the maritime climate (no vineyard is more than 120km, or 80 miles, from the ocean) with long sunshine hours and nights cooled by sea breezes. New Zealand wine is distinctive for its purity, vibrancy and intensity. The long ripening period - a result of cool temperatures - allows flavor development whilst retaining fresh acidity, a balance for which New Zealand wines are renowned.

There are a number of distinct major wine-growing regions spread throughout New Zealand, with the majority on the East coast of the Islands in the rain shadow of the mountains. Within these diverse regions, sub-regional characteristics are beginning to show through and wines are now being distinguished as being not just from a wine region, but from a sub-region and a place.

#### (1) Northland

A trickle of bold, rich red wines has recently started to rekindle interest in New Zealand's oldest and northern most wine region. With just seven licensed wine-makers in 2000, Northland is one of New Zealand's smallest wine regions. Here Samuel Marsden planted the first vines and here, too, James Busby made New Zealand's first recorded wine. But the region's almost subtropical climate-heavy rainfall high humidity and relatively warm winters has not attracted many winemakers of late.

For much of the twentieth century, the quiet Northland wine scene consisted of scattered small-scale enterprises of Croatian origin, focusing on the production of sweet, fortified wines. As demand for such wines slumped, the ranks of Northland winemakers plummeted from nineteen in 1976 to just four in 2000. Now, encouraged by the flow of distinguished claret-style reds from the Matakana, just north of Auckland, several winemakers are endeavoring to unravel Northland's wine potential. Continental Wines, established south of the city of Whangarei by Mate Vuletich in 1964, has changed its name to Longview Estate and since the 1993 vintage has produced several chunky Cabernet Sauvignon and Merlot-based red wines〔5〕.

#### (2) Matakana

Matakana, on the east coast about one hour's drive north of Auckland city is also producing some classy wines, including Chardonnay and Pinot Gris, plus reds based on Merlot, Cabernet Sauvignon and Syrah.

## (3) Auckland

Auckland's vineyards have more recently spread beyond Northwest Auckland into Waiheke Island, Matakana and Clevedon. Auckland's most recent premium wine district, Clevedon has established small pockets of vines in the rolling farmlands about half an hour south of the city. A wide range of varieties is cultivated - including Merlot, Cabernet Sauvignon, Syrah and Chardonnay, plus more unexpected varieties such as Nebbiolo, Sangiovese and Montepulciano.

Climatically, Auckland enjoys warm, primarily frost-free conditions with relatively high rainfall. Auckland vineyards are established on clay soils of volcanic, greywacke or mixed alluvial origin.

**Table 1 New Zealand Wineries by Region**

Wineries by Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12/03
Northland	7	8	10	10	11	14	14	14	15	16	2.28
Auckland	89	88	90	91	92	103	109	111	117	118	1.32
Waikato	13	13	17	18	17	19	20	21	17	15	1.15
Gisborne	16	17	19	22	19	22	24	26	24	24	1.50
Hawke's Bay	56	58	62	66	67	71	79	85	91	84	1.50
Wairarapa	44	49	54	56	57	58	61	63	64	64	1.45
Nelson	26	24	29	29	28	32	34	36	38	36	1.38
Marlborough	74	84	101	106	104	109	130	137	142	148	2.00
Canterbury	42	46	50	48	52	54	62	61	66	68	1.61
Central Otago	52	75	82	82	89	95	103	111	115	120	2.30
Others Areas	2	1	2	2	7	8	7	7	9	10	5.00
Total	421	463	516	530	543	585	643	672	698	703	1.66

Source: New Zealand Winegrower Vintage Surveys.

## (4) Waiheke Island

Waiheke Island, in the Hauraki Gulf, a short ferry ride from downtown Auckland, was established from the early 1980's as a premium district for the production of high quality red wines based on Cabernet Sauvignon, Merlot and Cabernet Franc. It has since expanded to include Syrah, Chardonnay and other varietals that perform particularly well in the warm, dry summer climate of Waiheke.

## (5) Waikato-Bay of Plenty

The Waikato-Bay of Plenty regions south of Auckland represent small but steadily expanding vineyard plantings that occupy scattered pockets of land amidst rolling farmland. Wine production is focused mainly on Chardonnay with Cabernet Sauvignon

and Sauvignon Blanc occupying second and third place. Both regions enjoy a moderately warm climate by New Zealand standards with soils of heavy loams over clay sub-soils. Main grape varieties include Chardonnay, Merlot & Cabernet Sauvignon Blends, and Sauvignon Blanc.

(6) Gisborne

Gisborne is the first city in the world to greet each new day. It started back in the 1800's with the missionaries, who interestingly thought they had landed in Hawke's Bay and happily started planting their grapes. It took a little time for their mistake to be realized but by then a fledgling wine industry was born. Known for producing incredible Chardonnay, Gisborne also produces a wide range of other exceptional wines varieties - Gewürztraminer, Viognier, Pinot Gris, Merlot and a raft of other reds. Gisborne wines are renowned the world over for their distinctive, intense fruit flavors and easy drinking style.

(7) Hawke's Bay

Hawke's Bay is New Zealand's oldest and second largest wine region with beginnings in 1851. It is the largest premium red wine producing region in the country with over 80% of the national vintage for both Cabernet Merlot and Syrah. Chardonnay and Cabernet Merlot varieties make up 50% of the total annual vintage. A maritime climate, free draining soil types with natural low fertility, prevailing hot dry north westerly winds, low rainfall and a long growing season provide for a range of vineyard sites suitable for a diversity of varieties. Over 25 different soil types make up the 4,947 wine producing hectares in Hawke's Bay. Hawke's Bay red wines are unique and elegant. Competitive in quality to world class red wines everywhere and competitive in price against the premium wines of the world. Hawke's Bay has grown to be the home of over 80 wineries and 170 wine grape growers. History, consistency, diversity and innovation continue to provide the foundation for Hawke's Bay's reputation as a quality producer of world class wines.

(8) Wairarapa

The Wairarapa is located at the lower right-hand corner of New Zealand's North

Island, approximately an hour north-east of Wellington. The winemaking area is divided into three main sub-regions: Masterton to the north, Gladstone in the middle and Martinborough to the south. The distance from Masterton to Martinborough it is about 35km. Pinot Noir is the region's most planted and certainly most acclaimed grape variety. Climatically Wairarapa is more aligned to Marlborough than to any of the North Island regions. The success and style of its Sauvignon Blanc is evidence of this alliance.

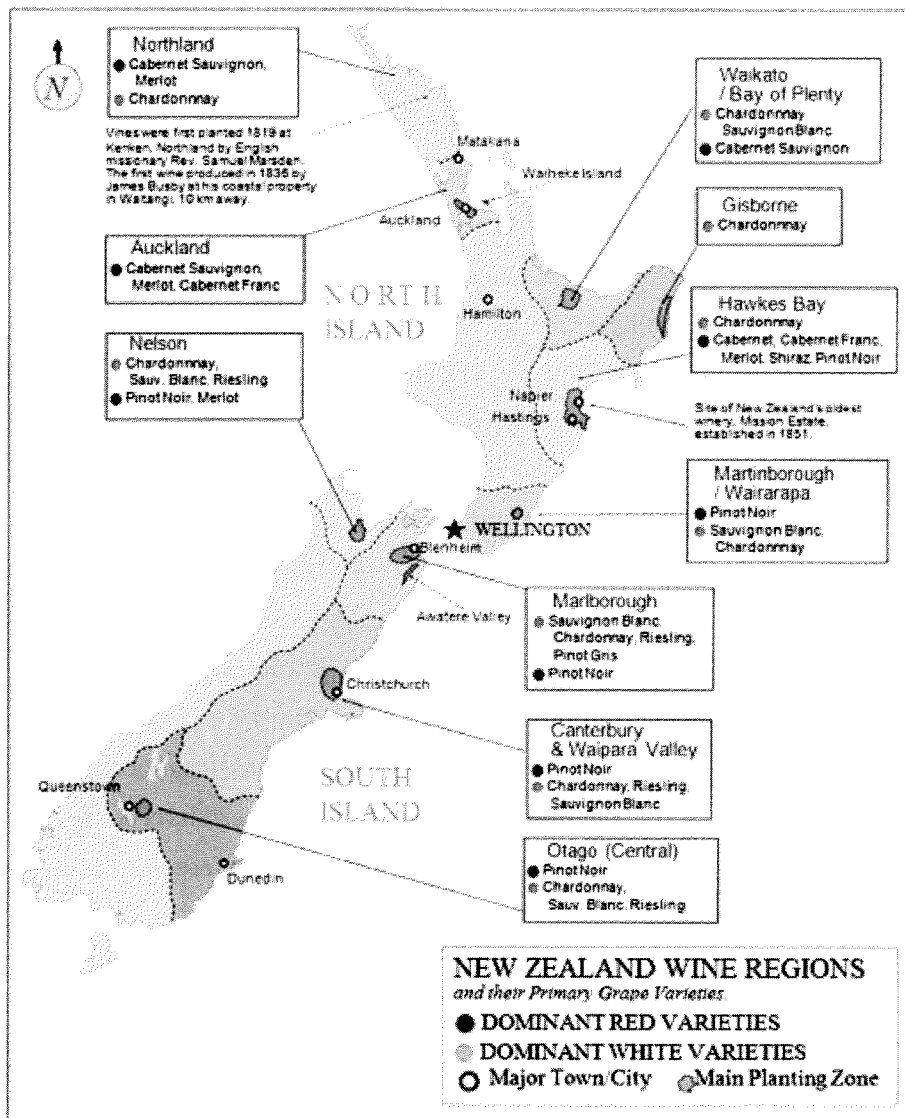


Figure 1 New Zealand Wine Region

(9) Nelson

Nelson Wine region is planted on gravel-threaded clay soils are renowned for producing wines of richness and texture. The Pinot Noir is deeply flavored with fine tannins and elegance. The Chardonnay is complex and multi-faceted with excellent structure. Winemakers also produce excellent Sauvignon Blanc, Riesling and Pinot Gris. Per hectare of vines planted, Nelson consistently wins more awards than the other regions in New Zealand. The region has a great reputation for the aromatic varieties - Riesling, Pinot Gris and Gewürztraminer. It also has its own distinctive take on Sauvignon Blanc, some exquisite examples of Chardonnay and Pinot Noir.

(10) Marlborough

It has been said that there is no wine anywhere in the world that tastes like the wine of Marlborough - the balance of extraordinary purity and intensity of flavours set around impressive aroma, distinctive fruit characteristics and appealing balanced acidity is superb. These are stylish, exciting wines that surprise and delight. What is it that makes the wines of Marlborough so distinctively exquisite? As with any of the great wine making regions of the world, the answer lies in a magical synergy of climate and soil, underpinned by our desire to express this unique terror.

In 1873, long before the modern day vintners recognized the extraordinary potential to produce great wine in this region, pioneering Scottish farmer and grape grower David Herd planted Marlborough's first vineyard. It was to be another 100 years before that vision took root with the development of viticulture in Marlborough on a commercial scale. Today Marlborough is recognized as one of the premium wine regions of the world. New Zealand's leading wine region, Marlborough draws international acclaim that far outweighs its size. In the span of just a few decades, winemakers have embraced this small, yet geographically diverse region, exploring the nuances offered by its landscape to craft exhilarating flavour in many different wine styles.

(11) Canterbury

Canterbury consists of two major wine areas; the plains(including Banks Peninsula) around the city of Christchurch, and the more recently developed valley area of Waipara, an hour's drive north of Christchurch. While grapes were first planted in Akaroa in 1855,

and original Lincoln plantings started in the 1960's, the first commercial plantings in Canterbury were planted in late 1970's. Chardonnay and Pinot Noir are the most widely planted grape varieties, together making up nearly 60% of the region's vineyards. Riesling is the third most popular variety with Sauvignon Blanc in fourth place. Canterbury is New Zealand's fourth largest wine region.

#### (12) Central Otago

Central Otago is New Zealand's highest and the world's most southerly wine region situated at latitude 45° south. Ringed by mountains and interlaced with lakes and deep river gorges, this is New Zealand's most spectacular vineyard setting. The inland mountainous location provides a semi-continental climate with very cold winters, hot summers, cool night time temperatures and very low rainfall. This unique climate combined with the mostly glacially derived soils, with rich deposits of mica and schist, is ideally suited to Pinot Noir (80% of the plantings), producing expressive and elegant wines. The region also successfully produces a variety of white wines including Riesling, Pinot Gris and Chardonnay. The wines of Central Otago have a purity, intensity and vibrancy reflective of the region's terrain and pure mountain air [6].

### 4. Changes in Wine Production, Distribution, Consumption and Export Sales

There were 703 wineries in the country in 2012, these wineries licensed by Bureau of Commodity Inspection and Quarantine as to specific standards qualified for export. The large and medium wineries are considered relatively large units with modern equipment and apply more modern management techniques. However, small wineries are usually traditional family-type businesses.

The 2012 New Zealand wine grower survey, indicates more than 800 vineyards. The majority are registered vineyards and mostly family owned by two or more families. The record New Zealand grape harvests of 2008 and 2009 (285,000 tonnes) were followed by a reduced harvest of 265,000 tonnes in 2010 and a record vintage of 328,000 tonnes in 2011. However, 2012 saw an 18% decline to 269,000 tonnes due to poor weather conditions during the 2011-2012 summer. An example of the impact of the reduced harvest was through the final price of NZ\$1,315 per tonne that growers expected for the 2012 crop of Marlborough Sauvignon Blanc, representing an 11% increase from 2011 and the first

increase in four years〔7〕〔8〕.

During the past decade, wine production increased from 55.0 million liters in the 2003 season to 194.0 million liters in the 2012 season. In 2012, 703 bonded winery premises shipped over 240 million liters of wine an average of 340,000 liters per premise〔9〕.

The consumption of wine in New Zealand has increased by more than 178% during the last 10 years. This smooth and steady increase in aggregate is the result of slight decline in consumption of red wine and a significant increase in the demand for white wine. In 2012, table wine consumption was equally partitioned between red and white wine. Currently, white wines accounts for 75% of table wine consumption.

**Table 2 Key Indicators of New Zealand Wine Industry : 2003-2012**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12/03
Wine Companies	421	463	516	530	543	585	643	672	698	703	1.66
Growers	625	589	818	866	1,003	1,060	1,171	851	791	824	1.31
Producing Area (Hectares)	15,800	18,112	21,002	22,616	25,335	29,310	31,964	33,428	33,400	33,400	2.11
Average Yield (Tonnes per Hectare)	4.8	9.1	6.9	8.2	8.1	9.7	8.9	8.0	9.8	8.1	1.68
Average Grape Price (NZ\$ per Tonne)	1,929	1,876	1,792	2,002	1,981	2,161	1,629	1,293	1,239	1,315	0.68
Tonnes Crushed	76,400	165,500	142,000	185,000	205,000	285,000	285,000	266,000	328,000	269,000	3.52
Total Production (Millions of Litres)	55.0	119.2	102.0	133.2	147.6	205.2	205.2	190.0	235.0	194.0	3.52

Source : New Zealand Winegrower Association.

**Table 3 Market Size of New Zealand Wine**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12/03
Domestic Sales of NZ Wine (Millions of Litres NZ Wine)	35.3	35.5	45.0	50.0	51.0	46.5	59.3	56.7	66.3	63.5	1.79
Consumption per Capita NZ Wine (Litres NZ Wine)	8.8	8.8	11.2	12.1	12.2	11.1	13.9	13.0	15.2	14.3	1.62
Consumption per Capita All Wines (Litres)	18.6	19.6	19.8	20.6	21.7	20.8	21.5	21.1	21.3	20.6	1.10
Total Sales of All Wines (Millions of Litres)	74.5	79.7	81.7	86.0	91.8	87.4	92.7	92.1	93.9	91.3	1.22
Export Volume (Millions of Litres)	27.1	31.1	51.4	57.8	76.0	88.6	112.6	142.0	154.7	178.9	6.60
Export Value (Millions of NZ\$ FOB)	281.9	302.6	434.9	512.4	698.3	797.8	991.7	1,041	1,094	1,177	4.17

Source : New Zealand Winegrower Association.

**Table 4 Wine Imports into New Zealand by Country of Origin : 2003-2012**

(Millions of Litres)											
By Country of Origin	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12/03
Australia	32.363	27.636	24.340	27.25	36.497	22.412	20.019	26.502	22.512	21.897	0.67
France	1.241	1.220	0.903	1.132	1.157	1.990	1.872	0.984	1.095	1.449	1.16
Others	10.769	13.169	10.629	7.512	4.724	16.547	11.453	7.573	3.680	3.985	0.37
Total	44.373	42.025	35.872	35.894	42.378	40.949	33.344	35.059	27.287	27.331	0.61

Source : New Zealand Winegrower Association.

**Table 5 Wine Exports by Market : 2003-2012**

(NZ\$ Millions)											
Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12/03
Australia	51.621	56.285	88.033	122.441	179.933	246.696	323.312	327.098	337.740	380.473	7.37
United Kingdom	113.729	119.786	162.120	166.937	227.418	240.730	267.913	298.656	293.631	284.021	2.49
USA	67.390	80.026	113.237	138.441	175.515	159.787	223.666	211.613	231.922	251.329	3.72
Others	49.098	46.502	71.466	84.543	115.437	150.584	176.830	203.162	230.680	261.024	5.31
Total	281.838	302.599	434.856	512.362	698.303	797.797	991.721	1,040.529	1,093.973	1,176.847	4.17

Source : Statistics New Zealand.

Consumption patterns vary tremendously when wines are classified according to their country origin. In 2012, domestic wines were the most popular wines in New Zealand. Australia, French and other wines account for less than 20% of table wines consumed in New Zealand. The consumption of foreign wines has increased until beginning of 2000 but has been declining since 2004. Sales of Australian wines increased from 1989 to 2007 but have consistently fallen after 2009[10].

The consumption of French wines also decreased 2008 to 2012 period while the consumption of Wine from other countries declined steadily between 2003 to 2012(as shown as table4). Among the top major imports are red wine, white wine, sparkling wine, champagne, fortified wine. The major sources of supply for imported wine are Australia, South Africa, Chile, France, Italy, Spain, Argentina[11].

On the export sales of New Zealand wines registered a negative growth. Based on the New Zealand Trade Statistics the total export in 2003 which was valued at \$281.838 million got up to \$1,176.847 million in 2012(as shown as table5). Export volumes increased dramatically between 1980 and 2007. The export of wines has played an important role in the New Zealand Economy. In the 1950s to 1980s, dairy products and meat were the two major earners of foreign exchange. Thereafter, wines developed into sizeable industries. Among the country top export products are wines[12].

Although the share of wines products dropped from 5.8% of the total export volume

in 1970 to 20.5% in 2012. More than 70% of the New Zealand wines that year were exported, mainly Australia, Asian countries, the U.S, and European Countries. Main Countries of destination are: Australia, United Kingdom, U.S.A. About 77% of New Zealand wines are exported to Australia, United Kingdom, United States(as shown as Figure1)[13]. The export sales clearly illustrates the \$0-\$1.25m categories dependence on exports to Australia, with around 50% of their exports entering this market, significantly more than the other categories. The relative ease of entering the Australian market, compared to the other major export markets, together with the incentives available through the WET rebate scheme, make this an attractive destination for selling, particularly for the smaller wineries[14].

Consistent with last year, every category has a presence in the China and Asian market, generally in the line with the trends exhibited last year with the wider Asian market being more prominent than China. When both regions are taken into account we have witnessed an increase in the amount of exports entering these markets compared to last year, which is completely in line with expectations, 8% to 20% this year compares to 6% to 11% last year and indicates quite an increase in the importance of these markets to the New Zealand wine industry. The general perception is that this will grow further in the future.

## 5. Conversion to the Competitive Wine Production

Base on the study in this paper it provides indication that development of wine industry in New Zealand has a bright prospect, however, it is also accompanied by big challenge. Effort in developing of wine industry and increasing export sales must be based on steps changes of strategy and policy. These changes cover the following issues: Policy and strategy must be market oriented which previously was production oriented. This will pull the wine production to meet consumer and overseas demands.

The processed wine industry in the New Zealand offers great potential for growth and development. The 4-million population of the New Zealand is a ready market for the industry considering its growing preference for varied processed wines. Definitely, changes in the wine industry performance in the past decade of 2000s have affected on the wine consuming patterns of New Zealand in various ways and export sales to overseas market. Among the various fact findings in this study, it would be interesting to refer

**Table 6 Key Financial Data : 2006-2012**

	(revenue in \$ millions)							
	2006	2007	2008	2009	2010	2011	2012	2012/2006
Case sold	—	—	—	195,479.8	197,420.2	190,951.8	145,289.6	74.0 (12/06)
Revenues and expenses per case								
Revenue per case	150.25	159.18	125.97	102.00	110.67	101.01	103.44	68.8
Gross margin per case	61.82	77.37	59.58	54.78	45.27	52.07	51.09	82.6
Profit / (loss) per case	11.53	19.49	12.83	11.88	15.99	14.17	11.96	103.7
Selling expenses per case	32.65	4.37	4.99	3.06	21.65	24.79	26.03	79.7
Overhead expenses per case	16.49	15.34	13.35	8.57	14.35	5.68	16.55	100.4
Packaging cost per case	12.39	17.71	14.97	15.06	19.66	12.24	18.20	146.9

Source : Deloitte, Vintage New Zealand wine industry benchmarking survey 2006-2012.

here that New Zealand wine industry and people's wine consuming pattern in the past decade has been influenced by two dominant factors: the first is a sustained trend of modernization for life-style, including food consuming habits, of New Zealand people, and the second is household income increased due to the macro Economic changes in the Asian developing countries, particularly affected by high economic growth in these countries.

The expanding New Zealand wine requirements of importing countries like Japan, U.S.A, Australia, UK, China, Singapore, Hong Kong, Taiwan etc.. All of these are potential opportunities that have to be given priority attention in order to strengthen the position of the wine industry.

However, wines exports from New Zealand have met keen competition from exports of other countries. Australia, California(U.S.A.), South Africa, Chile produce a large quantity of wines with cheaper raw materials and labor, these countries have been trying hard to export more wines. The cost of wine production has been a major problem plaguing in New Zealand wine industry(As shown as table 6).

Wine industry have been trying to reduce of the packaging cost and cut down the cost of selling expenses and containers and to ensure the safety of the products. The weather, big yields, high cost of interest rates, and unavailability of appropriate technology is also a big problem in wine industry.

Thus, the increased product quality and productivity improvement of the existing firms call for automation and high speed operations in order to make the industry more competitive.

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