



WINE INSTITUTE OF NEW ZEALAND
INCORPORATED

ELEVENTH
ANNUAL REPORT
FOR YEAR ENDING
30 JUNE 1986



Fine Wines From NEW ZEALAND

The Wine Institute has created a new logo for the generic identification of New Zealand wines exported to overseas markets. Created by Auckland graphic designer, Tom Folwell, the logo depicts a snow-capped mountain backdrop, stylised rows of vines, and a wine glass in reverse, surmounting the words "Fine Wines from New Zealand". The new logo seeks to express graphically the unique cool-climate, clean-air environment in which New Zealand wines are grown.

The new logo will be used only on export wines produced by members of the Wine Institute, and its use will be confined to wines which, having been exported, have been approved for export under the certification provisions of the Winemakers Act.

The adoption and use of this stylised new logo is another expression of the dedication of New Zealand winemakers to work together in promoting exports of New Zealand wine, which are now winning increasing recognition around the world as being of the highest international quality.



WINE INSTITUTE OF NEW ZEALAND

INCORPORATED

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1985/86

CATEGORY I:

(Representing members with annual sales of not more than 182,000 litres each):

ANTHONY F. SOLJAN
ANDREW D. HENDRY, C.M.A., A.C.A.,
JOHN BUCK (Alternate)

CATEGORY II:

(Representing members with annual sales between 182,000 and 1,250,000 litres):

PETER J. BABICH
NICK T. NOBILO
JAMES N. DELEGAT (Alternate)

CATEGORY III:

(Representing members with annual sales exceeding 1,250,000 litres):

BRYAN W. MOGRIDGE
GEORGE H. EXTON, C.M.A., A.C.A., A.C.I.S.
ALAN M. BERNACCHI, M.Com
PAUL R. TREACHER (Alternate)

INSTITUTE STAFF

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Administrative Assistant: LORRAINE I. RUDELJ
Research Officer: PHILIP G. GREGAN, M.A., (Hons)

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GEORGE MAZURAN, O.B.E., J.P. (1979-1980)
THOMAS B. McDONALD, O.B.E., J.P. (1980-1982)
MATE G. BRAJKOVICH, O.B.E. (1982-1985)
BRYAN W. MOGRIDGE (1985-)

PAST AND PRESENT EXECUTIVE COMMITTEE MEMBERS

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ROSS R. SPENCE	(1976-1984)	
MATE I. SELAK	(1975-1977)	(1983-)
STANLEY Y. CHAN	(1975-1976)	
ANTHONY F. SOLJAN	(1978-)	
ANTHONY M. IVICEVICH	(1977-1978)	
ANDREW D. HENDRY, C.M.A., A.C.A.	(1982-1983)	(1984-)
JOHN BUCK	(1985-)	

CATEGORY 2:

MATE G. BRAJKOVICH, O.B.E.	(1975-1985)	
PETER D. FREDATOVICH	(1975-1982)	(1983-1984)
PETER J. BABICH	(1975-1979)	(1983-)
MATE I. SELAK	(1979-1983)	
JAMES N. DELEGAT	(1984-)	
NICK T. NOBILO	(1985-1986)	
ROSS R. SPENCE	(1986-)	

CATEGORY 3:

ALEX A. CORBAN, O.B.E., B.Sc., R.D. Oen.	(1975-1981)	
THOMAS B. McDONALD, O.B.E., J.P.	(1975-1982)	
RUSSELL E. GIBBONS	(1975-1976)	
PAUL C. SCHAEFER	(1975-1977)	
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GEORGE V. FISTONICH	(1977-1979)	(1981-1983)
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WARWICK J. THOMPSON	(1982-1984)	
ROBERT H.A. BIRD	(1983-1985)	
BRUCE C. MUNRO, B.Sc., B.C.A., A.C.A.	(1983-1984)	
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PETER V. HUBSCHER	(1984-1985)	
ALAN M. BERNACCHI, M.Com.	(1985-)	
BRYAN W. MOGRIDGE	(1985-)	
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The Honourable Minister of Agriculture:

Pursuant to Section 14 of the Wine Makers Levy Act 1976, and Section 18 of the Rules of this Institute, I transmit to you, on behalf of the Executive Committee of the Institute, a report on the activities of the Institute for the year ending 30 June 1986.

OVERALL INDUSTRY PERSPECTIVE

The mood of the New Zealand wine industry remains one of apprehension after a year in which the accumulated problems of high taxation and over-supply came to a head.

The final day of the year under review coincided with the termination date of the Wine Industry Development Plan to 1986. This Plan, when implemented on 1 July 1981, held out hopes that winemaking would develop into the widely-supported, profitable, high export, quality-based industry, which had long been the expectation of so many in the Government, the public and wine people alike.

At the inception of the Plan, the closer economic relations arrangement with Australia (ANZCERTA) was just around the corner, and wider trade liberalisation was looming on the distant horizon. The Plan was to assist the industry to complete the voluntary restructuring which it had already begun, to strengthen it to meet the challenges from Australia and elsewhere after 1990.

Essential points in the Plan were cost containment measures, a reasonable and predictable tax regime, and reasonable frontier protection against countries other than Australia.

The Plan, and the sensible approach that it suggested, was taken to heart by the wine companies, and their resultant confidence encouraged substantial investment into the industry. To provide the grapes required to meet the volume and quality predictions of the Plan, meant long-term supply contracts had to be offered to farmers to change them from their previous activities to a perennial crop with a lead time of three to five years.

After the five-year duration of the Plan, many of its objectives were not only unattained, but in the two important areas of tax and tariff liberalisation, the industry was worse off.

Significant departures from the Plan's tax regime, initiated by the National Government, and continued by the new Labour Government in November 1984, directly contradicted the recommendations of the Industries Development Commission in its Report No. 11 (1980). IDC had found that the development of the wine industry would be constrained unless it could counter consumer price resistance to high retail prices. The industry, together with its suppliers and distributors, had made some progress toward reducing real costs of grapes, packaging materials and distribution costs, but these savings were appropriated by the Government in the November 1984 Budget in the form of increased taxation.

Stage Set for Financial Tragedy

For the first three years of the Plan, consumption remained virtually static. Grapes planted at the outset of the Plan, to meet the planned increase, and planted under contractual arrangements, began to come into

bearing. The first signs of a surplus became obvious. The Government declined to accept the industry's warnings about the consequences of a failure to reverse the steep increases in taxes imposed on wine in its inaugural 1984 Budget. By 1 July 1985, the stage was set for a financial tragedy.

A bountiful 1985 harvest and contractual obligations to take in grapes, left many wine companies with large wine inventories and a need for cash to meet grape payments, which were unreasonably high, and at a time of record interest rates. Wineries were required to borrow more money to pay for the same volume of grapes, and that money was costing twice as much as in the previous year. Price cutting began and erupted into a full-scale discount war with two substantial family companies being forced into receivership, and others left financially shaky. Urgent action was essential if the industry was to survive.

The Government became involved and was faced with three immediate options: first, reduce the wine tax; second, eliminate the grape surplus by pulling out excess vines; or third to allow the situation to continue.

The industry's clear preference was for an immediate tax reduction, with the savings in tax being applied against wine company losses. It seemed that the Government could not be certain that any tax savings would not be used simply to fuel even deeper price cutting, to the detriment of those elements of the industry lacking in adequate financial support.

The Government's preferred alternative was to subsidise the extraction of the excess vines. On 16 December 1985, the Ministers of Finance and Trade and Industry announced that the Government would offer \$6175 for every hectare of living vines pulled out, to a maximum of 1600 Ha, but with as a minimum of 1200 Ha. As part of the same package, the Ministers announced that there would be substantial liberalisation of imports of wine, and a review of the standard values applying to wine for taxation purposes.

It needs to be stressed that, as revealed in a New Zealand Institute of Economic Research document in 1982, wine has a high level of price sensitivity, or as the economists term it, price elasticity. To the extent that tax forces consumer prices upward, demand drops. So, when sales tax is increased, wine makers face the dilemma of accepting the reduced demand, or foregoing profit to reduce their ex-winery prices in order to sell the same volume as before. Given the contractual obligations to take in grapes from their growers, wine makers were left with only the second option, which clearly could only continue until financial reserves were depleted.

Wine Companies Real Subsidisers of Vinepull

This "vinepull" scheme, as it came to be known, was the subject of much criticism. Livestock farmers and others complained that the wine industry had been given favourable treatment which was denied to other rural interests. That criticism overlooked the fact that the \$10 million vinepull subsidy cost had been more than recouped in excess wine tax revenues from the increased sales caused by discounting wine companies. The real contributors of the \$10 million were not the taxpayers in general, but the shareholders of New Zealand wine companies who subsidised the 20 per cent increase in consumption.

The vinepull was criticised from within the wine industry itself. Some smaller wineries felt that they had made no contribution toward the over-planting, but were being penalised along with everyone else by the maintenance of the high tax rates, the review of the standard values system and the increased competition from imported wines.

What was generally overlooked by all the critics was that wine companies themselves received very little of the subsidy payout. Almost all of the subsidies went to contract growers, and in many cases wine companies made additional payments to encourage growers to terminate contracts. In addition, two large companies had compensated their contractors for vine extractions prior to the announcement of the Government subsidised scheme, and two others had removed sections of their own vineyards.

In the end, a total of 1515 Ha were extracted, reducing the overall national vineyard area to an estimated 4500 Ha, and there was general agreement that the vinepull had an immediate and positive effect in restoring a better balance between grape supply and wine demand.

High Cost of Discount War

But the discount war had not been without a substantial cost to the industry. A confidential survey undertaken by the Institute among the six largest companies for the period 1 July 1985 to 31 March 1986, revealed that their accumulated losses totalled \$24.4 million. The discounting resulted directly in an increase in domestic sales of New Zealand wine from 42.6 million litres in the year to 30 June 1985, to an estimated 51 million litres in the next 12-month period. In this period, it is estimated that New Zealand wine makers lost more than \$25 million in obtaining these extra sales, while the Government's volume-related wine tax revenue increased from \$63.3 million to \$73.7 million.

After the 1986 vintage, with overall grape tonnage down from a possible 86,000 tonnes to about 61,000 tonnes, wineries, and particularly the larger companies competing in the popular cask market, found themselves freed from the spectre of surplus wine and a consequent need to discount to maintain sales volume. Ex-winery prices began to rise closer to break-even point, until they encountered signs of resistance from a consuming public which had become accustomed to the low prices prevailing during summer and autumn.

In spite of its cost, the discount war did highlight four useful pointers to the future:

- (i) Wine is by far the most price sensitive of all alcohol beverages, with demand and consumption closely governed by price levels. The principal reason why Australia's consumption is 22 litres per capita against New Zealand's 13.5 at non-discounted pricing, is that until 1984 Australia imposed no tax at all on wine, and when imposed it was at the low rate of 10 per cent of wholesale value. A 4-litre cask of Australian wine can sell in that country for \$A4.99, because it has a tax content of only 38 cents or so. The same sized cask in New Zealand begins with a tax content of \$5.28. (N.B., the 1986 Australian Budget, announced since the drafting of this report, increased tax in that country to 20%, so that the tax content of a 4-litre cask is now about 76 cents).

- (ii) New Zealand is capable of sustaining a per capita consumption of 15 litres and more if the consumer price is sufficiently attractive. If the New Zealand table wine tax rate was 66 cents per litre, and the winemakers could retain the other 66c, the financial viability of the industry would be preserved. The industry would enjoy improved economies of scale which it needs to meet the challenge from Australia under ANZCERTA. The ramifications for Government revenue also deserve consideration. At existing tax rates, and especially after the superimposition of 10 per cent GST from 1 October next, the industry will decline. Government revenue long term will be better served by tax levels which allow the industry scope for continued growth.
- (iii) Increased consumption of wine poses no social problems for New Zealand. Discounting caused consumption of New Zealand wine to rise by nearly 20 per cent in the year under review. There is no evidence of any ensuing social problem; if anything the reverse.
- (iv) If New Zealand wine can be priced at a competitive level, it can more than hold its own with the imported product. During last year, imports of foreign wine fell by 1.2 million litres, from 3.9 million to 2.7 million. The industry has demonstrated its ability to reduce and absorb those costs directly under its control; it now remains for the Government to do its part by reducing tax.

The Institute makes no apology for continuing to emphasize the negative impact of tax. In the world of wine, New Zealand is a relative newcomer, seeking to become established on a very competitive and discriminating international market. It does not help to have to commence that task with the handicap of a weight of domestic tax which is higher than in any of the wine countries which we must compete. Logic would suggest that, at this early stage of our development in international terms, New Zealand should be at the lowest end of the tax scale, alongside other new areas like California and Australia, instead of being at the very top, and much higher than countries like France, Germany, Italy, Spain and Portugal.

Shortfall of Export Expectations

Last year, New Zealand wines made significant progress within international markets. The volume sold rose by 38 per cent to 1.091 million litres, topping the million mark for the first time. While this was a historic milestone, it fell well short of the objective in the Institute's own "Industry Study and Development Plan" (1979) completed as a prerequisite to the investigation by IDC. That study foresaw exports of between 1.7 and 2.1 million litres by 1986.

Those predictions were based on the attainment of profitable domestic sales levels of between 48.6 million and 52.4 million litres also in 1986, targets which in turn were based on a certain level of taxation.

It is a tragic commentary that, at a time when New Zealand wine is proving its acceptability overseas, the industry's productive capacity has been diminished by a vinepull. Tragic for the industry because, during the five year currency of the Plan, when there should have been more concentration on export promotion, the impact of high taxation turned

attention inward to survival on the domestic market. Tragic for the country's foreign exchange earning capability that the obsession of successive Governments with short-term revenue needs and illogical principles like alcohol equivalence imposed such handicaps on the potential of the wine industry.

Situation Can Yet Be Remedied

The situation can yet be remedied, if the Government is so inclined. In spite of the confirmation in the 1986 Budget that there is to be an excise on wine at rates equal to the present Sales Tax on wine, and that the 10 per cent GST is to be superimposed from 1 October 1986, there is still time for the Government to re-think the logic of selective taxation in the new GST environment.

The Institute will continue to remind the Government that additional selective taxation conflicts with the principles of neutrality, equity, non-distortion and fairness which are the proclaimed cornerstones of GST. Particular attention will be drawn to the violation of the non-"cascade" effect, that is, there should not be tax upon tax, as there will be when GST is applied to ex-winery prices which include the excise content.

The Institute will encourage the widest possible study, within Government and the community, of the recent publication by the New Zealand Institute of Economic Research, "A Review of the Policy and Economic of the Selective Taxation of Wine" (July, 1986).* Two passages make it clear that there are flaws in the present approach to the taxation of wine:

"The inability of Government to announce and to follow a clear, fully defined, long term policy objective and an agreed method for adjusting tax rates through time has not provided the wine industry with the stability it needs to adequately plan ahead. As the wine industry is essentially an agriculturally based industry with relatively long production lead times, greater policy consistency and provision of information goes a long way to reducing the information and adjustment costs faced by industry participants and provides a better environment for informed debate when conflicts arise." (page 11).

"It seems clear therefore that under present Government policy {GST} there is no revenue raising justification for the imposition of a selective tax on wine. An inability to meet revenue targets required simply implies that the overall rate of GST has been set too low. Even if Government decided to abandon its tax principles and for revenue purposes impose a selective tax on alcoholic beverages, there seems no good reason to impose that tax on the basis of alcoholic content." (pages 13/14).

In seeking an urgent review of the proposed wine excise to be imposed from 1 October next, the Institute emphasises that what the industry seeks is no more and no less than the same treatment as the products of other industries. The industry has never sought, and has never enjoyed, special favourable treatment, such as SMP's. The industry has benefitted

* Copies of the NZIER review are available without charge on application to the Wine Institute office.

from general assistance policies such as frontier protection, fertiliser subsidies, and investment allowances as a developing industry. But, all along, wine has been subject to a tax not imposed on other agricultural produce, apart from tobacco leaf, hops, and, indirectly, the barley used for malting and grain spirit. What the wine industry seeks is not handouts; but the lifting of a crippling burden.

We must regard the Government's attitude to tax as the real indicator of whether or not New Zealand wants a wine industry. For all the assurances from politicians and public in recent years that they value our presence and our products, the test of those assurances lies in the treatment accorded to the industry. If those who control our economic destinies do not grant immediate tax relief, their assurances mean nothing.

They must understand that the industry cannot survive under the existing high tax regime, the highest of any wine-producing nation in the world.

Opening the Gates to More Imported Wine

Another important area in which the industry feels that the Wine Industry Development Plan failed was in frontier protection.

From the outset, the industry accepted the reality of closer economic relations with Australia. When wine became a sticking point in the Government-to-Government negotiations between the two countries, the Wine Institute readily agreed to direct discussions with the Australian Wine & Brandy Corporation and reached an accord on an industry-to-industry basis, which was enshrined as an annex to the ANZCERTA treaty document. The New Zealand industry accepted, albeit with reluctance, that from 1 July 1990, Australian wines would have unrestricted, duty-free access to New Zealand, as indeed our wines would have to Australia.

It was envisaged that the special obligations to Australia under ANZCERTA would ensure the maintenance of frontier protection against wines of other countries. Frontier protection in New Zealand has been traditionally based on two legs, quantitative restrictions (import licensing and tariff quotas), and import duty rates. The policies of the previous and the present Governments have been to dismantle quantitative restrictions in the form of import licensing either by outright removal, or by transference to the tariff quota system. In 1981, wine became the first New Zealand commodity to transfer from import licensing to the tariff quota system.

More recently, the Government has sought to accelerate the dismantling process and to liberalise access to the New Zealand market for imported goods of all kinds. The wine industry had always expected to face up to a much higher level of competition from Australia. During last year, it has been confronted with an almost similar level of competition from the rest of the world.

From 1 July 1986, rates of duty on all imported wines have reduced and volume quotas have increased substantially, until, on 1 July 1990, there will be no restriction whatsoever on the amount or types of wines which may be imported into New Zealand; Australian wines will be free of duty, and wines from other countries will be subject to a duty rate of 25 per cent of their value free on board ship. (The full text of the Government's decisions on wine tariffs and quotas is attached as Appendix II)

The Institute has protested that this liberalisation is excessive and unrealistic in respect of countries other than Australia. The protests are based on three arguments:

- (i) In most of the countries with which we trade in wine, there is a wide disparity in the rates of duty. For instance, French or German wine, valued at \$NZ3.50 per litre f.o.b., will enter New Zealand paying duty of \$NZ7.87 a case. New Zealand wine on entry to U.K. or Europe, will pay duty equivalent to \$NZ27 per case. The Institute feels that there should be some reciprocity in duty rates.
- (ii) While supporting the Government's wish to develop higher levels of international competitiveness in New Zealand industries, there is a need for the Government to be more realistic in taking into account the myriad of hidden subsidies in areas like Europe, and the re-introduction of export bounties in Australia. The New Zealand Government needs to take greater care to ensure that New Zealand industries do not become relatively disadvantaged in their own home market.
- (ii) The removal of the effective minimum value of \$NZ2 per litre, contained in the existing wine tariff, opens the way for dumping of cheap wines from countries which have heavily subsidised industries, or which sell off extremely low quality products. The Institute doubts that the present New Zealand measures designed to counter dumping are adequate to deal with such a situation. The retention of the \$NZ2 threshold would have been an effective safeguard against the importation of dumped, subsidised or inferior quality wine, without depriving New Zealand consumers of access to low priced imports of genuine quality and value. Recent publicity to wine scandals in Austria and Italy are unfortunate examples of the need for relatively unsophisticated and distant countries like New Zealand to maintain some minimum safeguards.

OTHER AREAS OF CONCERN

Review of Standard Values

The Ministerial package of 16 December 1985 included a reference to a review of the standard values for wine allowed under Section 87 of the Income Tax Act, which permits wine makers to write down maturing wine for tax purposes to the following values: (per liquid litre): unfortified, 3.297 cents; fortified, 5.494 cents; (per proof litre): fortifying spirit, 13.187 cents. The rationale has been that this is simply a deferral of tax until the time of sale when its full realisation must be declared and tax paid at the sale value. The Minister of Finance stated that he considered the existence of the standard values concession, and its possible application to the whole of a winemaker's stock, was an encouragement to overstocking and therefore had contributed to the surplus of grapes.

Extreme concern has been expressed at the need to retain some form of standard values for premium quality wines required to be matured for quality enhancement or to assist in export saleability. There seems to be no difference of opinion on the question of quality enhancement for premium wines, and it is agreed that the proportion of wine in this category is not large. There is a clear preference among many overseas buyers for wines which show some years of age.

Although there is a vast difference in the principles underlying the standard values for livestock covered by Section 86, the Institute understands the wish of the Minister to relate changes in one section to changes in the other. For that reason, proposals in respect of standard values relating to wine were held over until final decisions emanating from the report of the Consultative Committee on Primary Sector Taxation, chaired by Dr Don Brash. It is expected that discussion on the standard values for wine will be resumed later this year.

"User-Pays" Recovery of Government Charges

The policy of the Government to extend the "user-pays" principle to a much wider range of departmental services has been well publicised.

The Institute has registered its objection of the extension of the principle to the wine industry, as long as wine is the subject of a separate, selective tax, in addition to GST. Our contention is that the wine industry is already being asked to contribute \$60 to \$70 million annually to the Consolidated Fund, not including receipts from GST, and this contribution is many times more than the value of the services the industry receives from a number of departments.

In addition, in the social field, the wine industry is required to contribute by way of statutory levy over \$1 million annually to the Alcoholic Liquor Advisory Council to meet the treatment, research, educational and general social activities of that Council.

Quite apart from the industry's inability to pay from an income restricted by the high taxation of wine, there is the question of equity in the implied "triple taxation" which "user-pays" charges represent when applied to an industry which is already selectively taxed in addition to GST.

Aside from the matter of equity, there are at least four particular areas in which the application of "user pays" needs examination:

- (i) Research: The Institute can understand in part the motives of the Government in seeking industry contributions toward the cost of research. It is the simplest way to ascertain the value which any industry places on research in general, or particular aspects of any research programme. The wine industry's attitude toward industry payment for research is related to its requirement to pay selective taxation. As long as any industry is already a "paying user" in that it contributes more to the Consolidated Fund than other industries, it ought to be entitled to get something in return for its money. In the case of wine, that selective tax has deprived the industry of any ability to pay, and the current attitude is that there are more pressing demands on the diminished revenue of wine companies than research. The Institute feels also that there has been no real attempt by upper echelons of Government to sound industry opinion on the need for, and the value of, some of the research projects in viticulture and oenology undertaken in recent years. Closer liaison, and active industry involvement in the planning and management of research, rather than simply an advisory or consultative role, may well have achieved the savings in Government expenditure now being sought by way of industry contribution. The industry has enjoyed close and co-operative association with scientists in the front line of research. What is required, and indeed what more recent discussions point toward, is similarly close relations at higher levels.
- (ii) Export Certification: There is presently a legal requirement on wine makers to obtain certification of wines proposed for sale outside New Zealand before they may be exported. There can be no justification for requiring payment for a service which is a legal obligation on the person from whom the payment is demanded. Even if that legal obligation is removed in respect of exports from New Zealand, it will continue to apply to New Zealand wines imported into some countries, notably the EEC, which requires certification by New Zealand Government departments before granting rights of entry for New Zealand wine. As long as our Government is unwilling or unable to obtain for New Zealand wines the same conditions of entry as are accorded EEC wines into New Zealand, it has an obligation to provide whatever service is required to maintain our access to the EEC market.
- (iii) Quarantine Fees: The Institute has been notified during the year that fees for the importation and quarantining of grape cultivars are to be increased from \$65 per year to \$500 per year. We have been able to have the increased charges removed from plants already in quarantine, but there remains the longer-term situation. Quarantine is a legal obligation on plant importers, and the Institute does not contest the need to guard against the importation of pests or diseases into a largely agricultural country like New Zealand. Nor does the Institute contest the fact that the Government maintains, through its Ministry of Agriculture and Fisheries in association with DSIR, a monopoly on the provision of the quarantine and inspection service. What we do object to is being forced to pay an exorbitant fee for such

service, and to the setting of the fee at a high level which is likely to encourage smuggling of plant imports, and so defeat the whole purpose of quarantining.

(iv) Access to Overseas Trade Posts:

The proposal to levy charges through the Department of Trade and Industry for access to trade commission posts overseas is fraught with potential complications which may well have adverse effects on New Zealand's export drive. It is likely that the exporters most able to meet the charges are those with the least need of them; while the other side of that coin is unfortunately obvious. Clarification is especially necessary about the position of industry organisations like this Institute, who are not themselves exporters but who act as a communications and co-ordinating link, which is often of as much value to overseas trade commissioners as it is to their exporter members.

The Institute feels that the Government has been unduly and unwisely hasty in imposing many of the "user-pays" charges, without discussing them with the "users". The objective of the Government is, understandably, savings in expenditure and achievement of greater efficiency. Closer involvement of affected industries may have been a more productive first step than the arbitrary imposition of financial charges.

Survey of Vineyard Plantings:

One of the serious shortcomings of the viticultural industry in recent years has been the lack of accurate, up-to-date statistics of grape vine plantings, by area, by variety and by age. In previous years, the Ministry of Agriculture used to carry out a five-yearly survey, which suffered from deficiencies in that it took about a year to process so that it was rather irrelevant by the time of its publication, and the five-year gap was too long in an industry with a five-year lead time and a rapid rate of expansion. The last definitive survey was carried out under the auspices of MAF Economic Division in 1983. Significant new plantings during 1984, and the vinepull at the beginning of 1986 leave the industry without an accurate assessment of its vine resources. The Government indicated initially that any further surveys would be the responsibility of the industry, until it was pointed out that the Government has statistical reporting responsibilities to international agencies which justify its participation in any such survey.

By agreement between MAF, the Institute and the New Zealand Grape Growers Council, a survey is about to be undertaken by Agricultural Economics Research Unit of Lincoln College, with MAF providing organisational and clerical assistance, and the two industry organisations dividing the cost of the survey processing by the Lincoln group. It is vital to sound future planning by viticulturists and winemakers alike that this survey be completed promptly, completely and accurately.

Working Party on Liquor:

It is to the credit of the present Minister of Justice, Right Hon. Geoffrey Palmer, that he had the political courage to instigate the first thorough review of the totality of the licensing laws for many decades.

The Institute made detailed private submissions to the Working Party. Those submissions reflected the attitude of the industry and most of its customers that wine should rightly be regarded as a food, and be released from many outmoded restrictions on its availability which are no longer practised in more mature countries. The Institute supports the view of the Minister that "our liquor laws are badly in need of thorough reform."

THE YEAR UNDER REVIEW

The portents of financial and structural difficulties within the wine industry which were emerging in 1984/85, came to unfortunate fruition in 1985/86. Wine makers' stocks at 30 June 1985 were 85.977 million litres (up 18.1 per cent over the previous year), against sales in the same year of 43.4 million litres, a stock to sales ratio of almost 2:1, an excessively high ratio. Tax-inflated consumer prices were continuing to depress demand, and wineries were faced with problems in generating cash to meet contractual grape purchase obligations. The situation was severely exacerbated by high grape prices, which imposed an unjustifiably high cost on wineries.

At the same time, competitiveness among licensed wholesalers and larger retailers increased, and the stage was set for a discount war between the large elements in both wine production and distribution. Discounting was most evident in the softpack winecask segment of the market which, at its peak, accounted for 72 per cent of total still table wine sales. The average price per litre ex-winery for cask table wines dropped from a high of \$2.35 in February 1985, to a low of \$1.13 in December 1985. But the discounting was not confined to winecasks. It extended in to a lesser degree to bottled varietal table wines, at which stage it began to impact on medium and smaller wineries. One large and one medium company went into receivership, and two others were reported to be close to the same fate.

The severity of the discount war was later revealed in a confidential survey of the six largest wine companies which comprise Category III of the Institute's membership, which showed that, in the nine months 1 July 1985 to 31 March 1986, they lost an accumulated total of \$24.4 million. The companies placed a large share of the responsibility on what they regarded as the excessive increase in wine tax imposed in the November 1984 Budget, which saw wine tax revenue in the year under review rise from \$63.3 million to \$73.7 million. As described earlier in this report, the Government declined to review the tax, and opted for a \$10 million subsidy for the removal of up to 1600 Ha of surplus grape vines prior to the 1986 harvest.

The removal of 1515 Ha of grapes reduced the 1986 harvest from a likely 86,000 tonnes to 61,000 tonnes, and wine production from a likely 66.2 million litres to 46.97 million litres. The estimated basic statistics for the year under review are shown below, alongside what they would have been without the vinepull:

	With vinepull	Without vinepull
Planted area (Ha)	4500	6000
Bearing area (Ha)	4300	5800
Tonnes harvested	61,000	86,000
Wine production (litres)	46,970,000	66,220,000
Domestic sales (litres)	50,950,000	50,950,000
Export sales (litres)	1,091,000	1,091,000
Stocks at 30/6/86(litres)	80,947,000	100,197,000

The domestic sale of almost 51 million litres during the year under review gives a false impression, because the increase of nearly 20 per cent over the previous year is due entirely to the greatly reduced consumer prices. It would have been financially impossible for those low prices to be maintained, and some companies would have been forced out of business. The vinepull reduced the pressure of surplus grapes and the need to fund the purchase of 25,000 tonnes of grapes, thus allowing for as much upward price revision as the market would accept. Without that pressure and those low prices, it is doubtful if total domestic sales for the year would have exceeded the previous year's 43.4 million litres. (An indication of Treasury's estimate of wine sales for the year 1986/87 can be gleaned from its forecast of receipts of \$60 million in wine tax, equivalent to sales for the year of 41 million litres).

1986 Vintage

After a distinctly unpromising beginning in Gisborne, the 1986 vintage turned out to be one of the best in recent years, in terms of both yield and quality. Later ripening varieties in all districts recorded high levels of natural grape sugar, and some excellent 1986 premium varietal wines are in prospect.

The 1986 quality will be important in maintaining the progress achieved by New Zealand wines on the export market. The elusive goal of a million litres in exports was finally achieved last year. Exports to the difficult and prestigious United Kingdom market more than doubled. Sales to Australia almost doubled (having grown more than 11-fold since 1982) and recorded the first time that more than \$1 million had been earned from a single export destination. Also emerging as a significant destination was Japan, where sales trebled in the past year, with promise of more to come this year. It must be stressed that the New Zealand wine industry's still largely unrealised export potential requires a stable and profitable domestic market. Export statistics appear in Appendix IX.

Notable Occurrences During the Year

The following other notable events occurred during the year under review:

Implementation by the Minister of Health of an amendment to Food Regulation 223 to make provision for a new class of wine-based beverage called "wine cooler", following a trend developed in California for the production of low-alcohol products based on blends of wine and natural fruit juices. The standard for the production of "wine coolers" in New Zealand is high, requiring a minimum wine content of 40 per cent, and clear labelling for the benefit of consumers. In view of the known interest of overseas producers of similar products in extending into the New Zealand market it is vital that New Zealand producers not be disadvantaged by allowing such imports lesser standards in matters such as composition, labelling, duty and tax levels.

Establishment of the New Zealand Food and Beverage Exporters Council (FBEC), a private sector initiative to facilitate joint promotion in overseas markets of New Zealand products. The Institute was one of the Council's founding partners, and several export-minded wine companies were among its first members. The Institute's Executive Officer, Terry Dunleavy, is an active member of the Board of FBEC.

- # The granting to the Institute of membership of the Wine & Spirit Association of Great Britain and Northern Ireland Inc., based in London, giving New Zealand wine exporters better access to information about market requirements not only in the U.K. but throughout the whole of the E.E.C. (The Institute remains a member of the United Kingdom Wine Development Board, an organisation devoted specifically to the promotion of greater interest in wine in the U.K.).
- # The judging of 662 entries in the 1985 New Zealand National Wine Competition at THC Chateau, using a new system of judging, with two panels operating simultaneously under the chairmanship of New Zealand's most senior judge, John Buck. The new system was agreed to be a successful innovation, and one which upheld the reputation of the National Wine Competition for efficiency and professionalism in its conduct. Two overseas judges participated, Mr Steven Spurrier, a wine merchant of London and Paris, and Mr John Beeston, an experienced Australian judge.
- # Another successful Wine Awards Dinner at the Kingsgate Convention Centre on 12 November 1985, at which the awards and trophies were presented by the Minister of Broadcasting, Hon Jonathan Hunt. Official guests included the chairman of T.H.C., Mr R. W. Stanndr, and his chief executive, Mr Michael Hoy, and the general manager marketing of Air New Zealand, Mr Norman Macfarlane.
- # The retirement, after a decade of loyal and efficient service as Director of the National Wine Competition of Mr J.C. (Jock) Graham, who had been assisted throughout by his wife Susan. Tributes to the invaluable contributions made by both Mr and Mrs Graham to the establishment of the reputation of the National Wine Competition were paid at the Wine Awards Dinner, when they were presented with an inscribed silver tray and set of wine glasses by Mr John Buck, chairman of the Institute's Winemaking Sub-Committee. (Mr Graham has been succeeded as Director by Mr R.O. (Bob) Knapstein, a long-serving former judge, who is retiring from the industry after a lifetime of service).
- # A well-attended tasting of top-scoring wines from the 1986 National Wine Competition for Ministers, M.P.s, senior Government officials, and representatives of the co-sponsors, THC and Air New Zealand in the State Banquet Hall of the Beehive, in Wellington. The host Minister for the occasion was the Prime Minister, Right Hon David Lange. Other speakers were the Chairman of the Institute, the Chief Executive of THC, Mr Michael Hoy, and the General Manager Marketing of Air New Zealand, Mr Norman Macfarlane.
- # Another successful Viticultural Dinner and Field Day on 4 and 5 February 1986. Guest speakers at the Dinner at the Leger Room, Ellerslie Racecourse were the Deputy-Prime Minister, Right Hon G.W.R. Palmer, for the Government, and the Chief Opposition Whip, Mr D.C. McKinnon, for the Opposition. The Field Day at Corbans Wines Ltd was well-attended and splendidly organised. The guest speakers were the Minister of Health, Hon Dr Michael Bassett, for the Government, and the then Leader of the Opposition, Hon J.K. McLay, for the Opposition.

The screening by Television New Zealand of its first major series on New Zealand wine. Entitled, "The Winemakers", the seven-part series covered small wineries, Te Mata, San Marino, Matawhero, Nobilo, Morton, Weingut Seifried and Cellier Le Brun. A preview of the series had been screened at the Viticultural Dinner.

Discussions during the year with the Chairman of the Alcoholic Liquor Advisory Council, Mr A.C. Shailles, and the Executive Director, Mr Keith Evans, aimed at reaching agreement on recognition of wine as a beverage of moderate people, and defining limits for its enjoyment in moderation. The Institute welcomed changes made during the year to the structure of ALAC and the membership of its Council to bring about a more balanced approach to its statutory functions, and to concentrate more on education in the benefits of moderation.

The award of the German-New Zealand wine technical scholarship to Mr Alan C. McCorkindale, of McWilliams Wines Ltd., Napier. The scholarship is a joint undertaking by the New Zealand-Federal Republic of Germany Scientific, Technical and Cultural organisation, established by the Governments of the two countries, and the Wine Institute, and is awarded every second year to enable a young New Zealander to study viticulture and winemaking in Germany and other regions of Europe.

A meeting between representatives of the Institute and the Chairman of the Australian Wine and Brandy Corporation, Mr R.W.C. Hesketh, held in Auckland on 29 April 1986, to review the inter-industry agreement which forms part of the ANZCERTA treaty document. Two major points to emerge from the meeting were:

- (i) Agreement to take steps to formalise recognition of the reference in Annex II of the inter-industry agreement about each country maximising its share of the imported wine consumption of the other country, "but not to an extent that it causes undue disruption to the domestic base of either of the two industries."
- (ii) Agreement to the establishment of a joint working party to seek harmonisation of the food regulations in the two countries as they relate to wine making, the initial meeting to take place in Adelaide on 18 July 1986. (This agreement between the wine industries of the two countries has been welcomed by both the Minister of Trade and Industry and the Minister of Health and has been recognised by the Food Legislation Overview Group, appointed by the Governments of Australia and New Zealand to consider the overall harmonisation of food regulations).

Termination on 30 June 1986 of the five-year Wine Industry Development Plan. As indicated at the start of this report, it has to be said that the Plan did not fulfil the hopes of the industry. The most illuminating commentary is probably that the Mid-Term Review, requested by the Institute late in 1983 to take account of progress to the half-way point of 31 December 1983, though begun early in

1984, remained not entirely completed at the termination date. For the Government representatives, the Review appeared to comprise principally matters relating to wine tariffs and quotas, and, given the unforeseen changes in the policy of the new Labour Government after its election later in 1984, the outcome in that area was as satisfactory as the industry could reasonably expect. Less satisfactory were the results in the fields of taxation and research, largely because the Overview Committee efforts were pre-empted by the departments responsible. Positive benefits from the Plan were in the areas of investment allowances, and the postponed phasing-in of the CER provisions. Throughout the long negotiations, and the many meetings, the moderating influence of the chairman, Mr G.R.Sanderson, of DTI, was greatly appreciated by the Institute representatives.

Discussions during the year with the president, Mr Ross Goodin, and other representatives of the New Zealand Grape Growers Council about the possibilities of closer co-operation and communication between our two organisations.

ADMINISTRATION, FINANCE AND GENERAL

To the outside observer, the past year for the wine industry would seem to have been dominated by discounted wine prices, receiverships, the vinepull scheme, rumours of mergers, and complaints about the effects of the high tax on wine. Of these, all but tax were outside the scope of the Institute's activities. The vinepull scheme was a Government initiative, while the others were matters of individual commercial prerogative.

Nevertheless, it was another busy year for the Institute administration, with the tax question always dominant, while the preparation of the Institute's submissions to the Working Party on Liquor was a major and time-consuming activity.

My accession to the position of Chairman followed the decision of the previous Chairman, Mr Mate Brajkovich, O.B.E., to step down after a decade of dedicated service to the Institute. Mr Brajkovich was a key figure in the negotiations which led to the agreement in September 1975 to establish the Institute. He was a member of the Executive Committee right through, Deputy-Chairman for two years, and Chairman for the last three years. The spirit of unity and general harmony which has prevailed in an industry which necessarily brings together a diversity of interests and backgrounds is a tribute to the outstanding work of Mr Brajkovich, especially during his term as Chairman.

I am pleased to report that spirit of unity and harmony remains intact, and, if anything, strengthened as the various members have come to a better understanding of the relative roles and objectives of industry members.

Members of the 1985/86 Executive Committee have worked hard for the best interests of the industry. The past year has not been easy for anyone in the wine industry in terms of safeguarding the interests of their respective establishments, but every committee member has willingly responded to every call for active participation in Institute affairs for the benefit of the whole industry. I am particularly grateful to Mr George Exton for his help and support during the year as Deputy-Chairman.

The industry remains fortunate that, in spite of well-documented differences of opinion in matters such as tax, there has been good communication between the Institute and the various branches of Government, from the Prime Minister to the departmental official.

We are especially grateful to the Prime Minister, Right Hon David Lange, and the Ministers of his Government actively associated with our industry, for their courtesy and their availability when we had a case to make. The latter stages of the Wine Industry Development Plan necessarily required us to negotiate most closely with the Minister of Trade and Industry, Hon David Caygill, whose courteous attention to our submissions was warmly appreciated. The Minister of Finance, Hon Roger Douglas, made himself available industry and Institute representatives to hear submissions about financial and fiscal problems. The Minister of Broadcasting, Hon Jonathan Hunt, has had a long association with the wine industry, and continues to provide assistance and valued advice.

The Institute is grateful for its ready access to Mr R.A. Bonifant, of the Prime Minister's Advisory Group, who was always ready to assist in

carrying out his important liaison role between the industry and the top people in Government, and did so with commendable professional ability.

Members of the secretarial staff of various Ministers were unfailingly courteous and helpful in facilitating appointments, often at short notice.

The activities of the Institute invariably brings our representatives into close contact with officials of Government departments. There are too many to thank them all by name, but we are extremely grateful for their prompt and cheerful assistance and advice.

The Institute has had the benefit of expert advice and guidance from our professional advisers and consultants, Mr Graeme Chandler, as Trustee, Returning Officer and financial adviser, Mr David McGregor, as honorary legal adviser, Mr Norman Laking, as our consultant on tariff and Customs matters, and Mr George Green, as our consultant on taxation and Government policy matters.

While the year has been an extremely busy and difficult one, it must be acknowledged that the Institute staff have handled the pressure well. The Executive Officer, Terry Dunleavy, Research Officer, Philip Gregan and Administrative Assistant, Lorraine Rudelj, have been bombarded with questions from media, Government officials and the public, as well as constant pleas for assistance from troubled wine makers. The Institute, while directed by the Executive Committee, must allow, and continue to allow, the staff reasonable freedom to act in the best interests of the industry at large, rather than be swayed by various sectorial interests.

The year ahead, indeed the years ahead, will be difficult for the wine industry. Firstly, in recovering from the losses of the past year, and the re-establishment of a sound financial base. Secondly, coping with the increasing challenge from our counterparts in Australia as the CER provisions make it easier and less costly to gain access to our market, and other wine-producing countries who will seek to take advantage of the tariff liberalisation as from 1 July 1986.

Those difficulties will be more quickly and surely overcome if: (i), the industry can retain its spirit of unity and mutual co-operation; (ii), New Zealand wine makers continue to develop international acceptance for their distinctive wine quality; (iii), the Government recognises that its existing tax policy is wrong and makes the necessary changes; (iv), the Government realises that the New Zealand wine industry is ready to accept the challenge to be internationally competitive, but also realises that our industry ought to be entitled in our own home market to equivalent treatment to that operative in the wine countries which seek to sell wine in New Zealand; and, (v), New Zealanders continue to share our pride in a level of wine quality which equals the world's best.

B.W.Mogridge,
Chairman of the Executive Committee

Auckland, 28 August 1986

WINEMAKING SUBCOMMITTEE

CHAIRMAN Mr John Buck (Te Mata Estate)

MEMBERS Messrs J. Babich (Babich Wines), B. Collard (Collard Bros.), R. Weaver (Coopers Creek), P. Hubscher (Montana), K. Hitchcock (Cooks/ McWilliams), J. Healy (Corbans), M. Brajkovich (San Marino), R. Spence (Matua Valley), J. Hancock (Morton Estate), J. Baruzzi (Penfolds)

Following the review of judging procedure undertaken by this subcommittee and implemented for the 1985 National Wine Competition, much effort has been applied to re-drafting classes and specifications, with the objective of encouraging winemakers to produce wines of internationally accepted style without restricting their opportunity to further develop the elegance and innovativeness which is giving N.Z. a reputation as a producer of unique, quality wines.

The 1985 National Wine Competition attracted a total of 662 entries, down a little on the 707 entered in the previous year but the trend it reveals is that exhibitors are entering lesser numbers of better quality wines. This is further reinforced by the fact that although total awards declined as follows:

Gold	31	(46)
Silver	136	(264)
Bronze	231	(276)

this was the year in which the award markings were raised as detailed below:

Bronze	15.0-16.49	previously 13.0-14.99
Silver	16.5-17.99	previously 15.0-16.99
Gold	18.0-20.0	previously 17.0-20.0

and even the most optimistic amongst us felt that total awards may have been reduced by a great deal more than was actually the case. The 1985-86 comparisons will be interesting.

The Competition was held at the T.H.C. Chateau and the Chairman of Judges was Mr John Buck, supported by panels whose members were:

Panel A

Joe Babich (Panel Leader)
John Beeston (Overseas Guest)
Michael Morris
Geoff Kelly

Associates:

Michael Brajkovich
Larry McKenna

Panel B

Bruce Collard (Panel Leader)
Steven Spurrier (Overseas Guest)
Don Beaven
John Comerford

Associates:

John Pinder
Bob Campbell

Commenting on the conduct of the competition, overseas guest judge, Steven Spurrier said " The Competition was run impeccably " and " The judging was of a technical quality that I have not encountered in

France, Britain, or California ... ". And commenting on the wines themselves Mr Spurrier said " The top wines in the Cabernet Sauvignon class were exceptional and could stand amongst the finest Medocs. The dry Sauvignon 1985's were extremely fine as were the older Rieslings. I did not judge the Chardonnays, but found the award winners had an ambitious and successful use of oak and will age beautifully. The lighter Chardonnays and young Muller Thurgaus I found uncomplicated and delicious..."

1985 was the year when Mr Jock Graham completed 10 years as competition director, and was his last year in this role. The Institute wishes to acknowledge the long and valuable service of Jock and Susan Graham who announced their retirement at the end of the 1985 competition. Jock and Susan Graham have made an invaluable contribution to the New Zealand wine industry through their devotion to the National Wine Competition, their services are deeply appreciated. A presentation of an engraved silver tray and long-stemmed wineglasses was made to Mr and Mrs Graham at the Wine Awards Dinner.

Mr Graham's successor is to be Mr R.O.Knapstein, who has previously given lengthy support to the competition both as a senior judge and in selecting and training aspiring judges.

Other members of the administration team at the 1985 competition were Mesdames Lee Brown, Margaret Dunleavy, Messrs Willie Brown, Bob Knapstein, Keith Stewart, Brian Dennis, Terry Dunleavy, Andrew Frost, and Philip Gregan. The Institute records its thanks to all judges and administrative staff for their endeavours to ensure the successful operation of the 1985 National Wine Competition. The Institute also gratefully acknowledges the support of Air New Zealand and the Tourist Hotel Corporation of NZ, the co-sponsors of the Competition.

Mention should also be made of the appointment of Bruce Collard to be judge at the 1985 Australia National Wine Competition and his re-appointment for 1986, further recognition of the high regard in which senior N.Z. judges are held by their overseas counterparts.

The Wine Awards Dinner was held in the Kingsgate Convention Centre on 13 November 1986, where the guest of honour was the Minister of Broadcasting, Hon Jonathan Hunt.

The sub-committee set up a working party late in the year to meet with Australian representatives to discuss the possible harmonization of the New Zealand and Australian Food regulations as they pertain to wine. This meeting, which took place in July 1986, was arranged as under ANCERTA the two countries Health Departments have agreed to work towards harmonization of all the Food Regulations operating in the two countries.

During the following year it is planned to address the topic of the ongoing selection and training of judges.

In conclusion John Buck would like to record his thanks to all those, who generously assisted in the activities of this sub-committee during the year.

EXPORT SUB-COMMITTEE

CHAIRMAN Mr Alan Bernacchi (Penfolds)

MEMBERS Messrs B. Molloy (Montana), D.M. Maisey (Corbans),
W.J. McCormick (Cooks/McWilliams), A.D. Hendry
(Coopers Creek), I. Selak (Selaks), E. Hunter
(Hunters), W.J. Spence (Matua Valley).

Early in the year, the Executive Committee asked Mr Alan Bernacchi to bring down a report on the role of the Wine Institute in the exporting of wine. He recommended that a formal export sub-committee be reconstituted and that active exporters, defined as selling more than 500 cases per annum overseas, be invited to sit on that sub-committee. The role of the sub-committee should be to define policies and strategy. "It would seem, however, that most of the day-to-day work would necessarily be conducted by the Wine Institute staff. Their role in the collection and dissemination of information, arranging promotions, co-ordinating with other bodies, and generally representing New Zealand will be an important one." That recommendation was adopted, and the sub-committee has been formed.

Export activity is not appropriate for all members of the Institute, but the number of those engaged in exporting increases each year. Institute office records show that 22 members during the past year contributed to the record 1,091,977 litres sold abroad for total earnings of \$3,921,001.

In international terms, New Zealand is a relative newcomer to overseas markets. In spite of our country's reputation as a traditional producer of a variety of basic food commodities, including fruit, it has not been easy to persuade overseas buyers that New Zealand makes wine at all, let alone fine quality wine. Then again, the international wine market is dominated by older countries like France, Germany, Italy, Spain and Portugal, each of which has a multiplicity of varieties and styles. Market penetration is difficult for a relatively small and young newcomer like New Zealand. For this reason, the impending dismantling of the export market development tax incentive (EMDTI) is a disaster for New Zealand wine makers, especially when they see groups of Australian wine makers visiting New Zealand seeking to take advantage of the expanded opportunities offered by ANZCERTA, and doing so with direct financial assistance from their State Governments. New Zealand wineries, with their financial reserves depleted during the domestic market problems of the past year, are left with only limited resources to invest in the huge costs of export market exploration and development.

Nevertheless, there is a place in selected world markets for New Zealand wine, which is becoming increasingly recognised for its cool-climate characteristics of lightness of style, lower alcohol content and intensity of fruit and varietal flavours.

A major effort is being mounted in Australia, where sales doubled in the past year, by a wide cross-section of the industry. Niche markets such as Western Australia offer export opportunities for smaller wineries with small exportable surpluses of premium quality wines. The problem for them is the cost of market development relative to the value of the limited volumes of wine they have available.

Excellent progress was recorded in the United Kingdom market last year, with exports doubling to almost 300,000 litres, making it our largest export destination last year. The assistance of the New Zealand High Commission is staging the annual February tasting of New Zealand wines has played a valuable part in establishing the reputation of our wines. London remains the wine capital of the world, and the print coverage of New Zealand wines is read not only in the U.K., but in many other parts of the world.

Sales to U.S.A. remained at a steady level. Most of the sales so far have been on the West Coast, but a tasting at the New Zealand Consulate-General in New York during the year may prove a turning point in penetrating the rich East Coast markets.

Japan has emerged as potentially a volume buyer. Initial sales have been mostly in bulk varietal table wines for bottling by the Japanese importers. The Japanese wine import tariff structure provides a distinct duty advantage for bulk wines as against product bottled in the country of origin. The shipment of wine in bulk is an intermediate step necessary to acquaint the larger importers with the style and quality of New Zealand wines, and to give them confidence in acceptability to the Japanese palate.

The industry looks forward to greater export activity in the coming year with promotions planned for Perth, Sydney and Melbourne, and consideration being given to a combined New Zealand pavilion at the prestigious London Wine Fair at Kensington in May, 1987.

Confidence in the international acceptability of top New Zealand wines has led the Institute to accept the offer of Air New Zealand to sponsor a new competition for export wines to be judged in London by a panel of international wine experts. The category for export wines seeking to win the coveted Air New Zealand Export Trophy has been judged previously in conjunction with the National Wine Competition in New Zealand. From 1986 onward, those wines which have qualified by having been exported in sufficient volume will be transported to the New Zealand High Commission in London for judging, together with a new category of wines with export potential which will vie for a new trophy presented by the proprietors of the reputable international wine magazine, "Decanter." The Institute welcomes the initiative of Air New Zealand and Decanter magazine in pioneering this new export competition, which will be supervised by the Export Sub-Committee.

The close identification of Air New Zealand with the fine wines of New Zealand received a further boost during the past year when, in the second judging of wines served in business class of international airlines, Air New Zealand was placed first for the second successive time, against with two Montana wines, Gisborne Chardonnay and Marlborough Cabernet Sauvignon Blanc.

Other New Zealand wineries to win overseas acclaim during the year included:

Hunters Fume Blanc 1985, champion wine at the 1986 Sunday Times wine show in London.

Cooks Chardonnay 1983, winner of the Harry Waugh Trophy for the best chardonnay at the 17th International Wine and Spirit Competition in London earlier this year.

Villa Maria Reserve Gewurztraminer 1985, winner of the Industrial and Trade Fairs Trophy for best traminer at the International Wine & Spirit Competition in London.

Villa Maria Private Bin Sauvignon Blanc 1984 (white) and Villa Maria Private Bin Pinot Noir 1983 (red and overall champion) top New Zealand wines at the 1985 Australian National Wine Show in Canberra.

The involvement of the Institute office in export co-ordination and information necessarily brings us into contact with a number of people overseas, most notably New Zealand Government trade officials in many countries. Invariably, they have been most helpful, and their contribution to the growth in exports of New Zealand wine is greatly appreciated by the industry.

VITICULTURE SUB-COMMITTEE

CHAIRMAN
MEMBERS

Mr Peter Babich (Babich Wines)
Mrs J. Hunter (Montana), Messrs M. Nobilo (Nobilo), K. Crone (Cooks/McWilliams), J. Corban (Corbans), R. Knapstein (Cooks/McWilliams), L. Collard (Collards), J. Fredatovich (Lincoln), W. Thomas (Penfolds)

During 1986 New Zealand viticulture experienced a year of considerable change with 1515 hectares of grapes being removed under the auspices of the governments Vine Extraction Scheme. The vines extracted represented approximately 25% of the total area planted. Further 1986 saw the third largest vintage on record with some 61,000 tonnes of grapes being harvested.

On the 16 December 1985 the Government announced that it was to finance the removal of between 1200 and 1600 hectares of grapes by paying grants of \$6175 per hectare to growers of wine grapes. The response by the grapegrowing industry was such that eventually 1515 hectares of grapes were removed at a cost to the government of \$9,355,125. The location, area and types of grapes removed are summarized in the following table:

Variety	Auckland	Waikato	Gisborne	Hawkes Bay	South Is	Total
Muller Thurgau	6.51	8.48	215.61	222.04	56.58	507.22
Chardonnay	5.20	0.00	27.59	6.88	10.76	50.43
Sauvignon Blanc	1.40	0.00	19.85	12.45	0.50	34.20
Gewurztraminer	4.50	1.05	58.58	4.58	40.32	109.03
Chenin Blanc	0.70	1.00	28.40	53.19	14.97	98.26
Rhine Riesling	1.80	0.00	20.91	44.40	29.57	96.68
Palomino	45.89	2.64	37.87	50.01	0.24	136.65
Muscat Varieties	0.94	2.23	41.97	5.17	6.63	56.94
Sylvaner	5.60	0.00	1.21	28.64	10.27	45.72
Grey Riesling	1.72	0.00	1.52	22.23	0.00	25.47
Chasselas	0.00	0.00	32.51	20.78	0.00	53.29
Other White Vinif.	0.00	0.00	0.00	0.00	0.00	0.00
Cabernet Sauvignon	19.75	1.96	25.64	13.87	1.05	62.27
Pinot Noir	4.65	0.40	5.66	1.25	6.73	18.69
Pinotage	0.00	0.00	0.00	0.00	0.00	0.00
Other Red Vinifera	0.00	0.00	0.00	16.26	0.00	16.26
All Hybrids(W & R)	31.42	3.03	28.22	8.79	0.00	71.46
Other(Unspecified)	31.30	5.85	40.19	22.99	32.17	132.50
Total	161.38	26.64	585.73	531.53	209.79	1515.07

Prior to the implementation of the government's Vine Extraction Scheme the Viticultural Sub-committee had been considering instituting a survey of the New Zealand grape area, as the most recent data from 1983 was somewhat out of date by the end of 1985. With the advent of the Vine Extraction Scheme the requirement for a survey became more pressing as all previous data became invalid with the removal of 1583 hectares. To this end the sub-committee held negotiations with MAF, the Grapegrowers Council and other

parties to plan a survey of the New Zealand wine grape area in 1986. It is expected that the survey, to be undertaken by researchers from Lincoln College, will take place prior to the commencement of the 1986 growing season. The survey will cover matters such as total plantings, plantings by area, age of plantings and whether or not the vines are grafted. This survey when completed will provide important data upon which the industry will be able to plan for the future.

The subcommittee held a meeting during the year with Government officials involved with viticultural research. The meeting attended by Frank Wood (Director, Soil and Plant Division) and Richard Smart (Scientist, Viticulture) of MAF examined the past and future direction of viticultural research as well as the future funding of research. Due to policy changes it appears that future work undertaken by MAF, will be funded, to some extent at least, on a "user-pay" basis. MAF currently estimates the cost of its viticultural research effort at between \$300,000 and \$400,000 per year. As to the future direction of viticultural research the wine industry has identified a need for research on leaf plucking, fruit quality assessment, varieties requiring reduced chemical applications, and the production of low cost bulk wine grapes. The Institute acknowledges the valuable viticultural research that has been carried out by MAF on issues such as canopy shading, trellis design, and different pruning systems. The development of the MAF extension programme has brought the results of its work to the attention of industry personnel through industry conferences such as the Pre-Vintage and the Winter Pruning seminars.

During 1986 a number of cultivars which had previously been imported were released to the industry for trialling purposes. At the same time a vigorous programme of importations has continued sponsored by Allan Clarke and Richard Smart of MAF. Importations in the future will have to take account of the rise in quarantine charges, which under the governments "user-pay" policy are now \$500 per cultivar per year.

The Institute was pleased to note during the year the formation of the New Zealand Society of Viticulture and Oenology. The Institute extends its congratulations to the Society and hopes that its plans for an international conference in January 1988 in Auckland are successful.

The 1986 vintage saw an estimated 61,000 tonnes of grapes harvested. Although the weather was not the best for early ripening varieties a fine, dry autumn produced almost ideal conditions for later ripening grapes.

The Government has decided:

- (a) That the tariff threshold incorporated in Tariff Items 22.05.012 and 22.06.012 for wine having an FOB value of less than \$2.00 per litre will be abolished no later than 1 July 1990;
- (b) That the rates of duty applicable to wine of Tariff Items 22.05.012 and 22.06.012 will be reduced on 1 July 1986 to \$2.85 plus 10 percent per litre for products of Australian or DC origin, and to \$2.85 plus 20 percent per litre for products originating from other sources. The rate for Pacific Islands sources will remain Free;
- (c) That the rates of duty applicable to wine of Australian origin classified within Tariff Items 22.05.012 and 22.06.012 will be phased out by 1 July 1990 in accordance with the following programme:
- | | |
|-------------|----------------------------------|
| 1 July 1986 | \$2.85 per litre plus 10 percent |
| 1 July 1987 | \$2.14 per litre plus 5 percent |
| 1 July 1988 | \$1.43 per litre plus 5 percent |
| 1 July 1989 | \$0.72 per litre |
| 1 July 1990 | Free; |
- (d) That the Normal rate of duty applicable to wine of Tariff Items 22.05.012 and 22.06.012 will remain at \$2.85 plus 20 percent per litre until those tariff items are withdrawn on 1 July 1990;
- (e) That the global quota for wines of Tariff Items 22.05.017 and 22.06.017 for the year beginning 1 July 1986 will be equivalent to 200 percent of the global quota issued in the 1985-86 year;
- (f) That the global quota for the year beginning 1 July 1987 and for each subsequent year will be equivalent to 150 percent of the global quota available in the previous year;
- (g) That the existing holders of global quota will receive for the year beginning 1 July 1986 and for each subsequent year global quotas equivalent to 100 percent of the value allocated in 1985-86;
- (h) That incremental amounts of global quota (as detailed in recommendations (e) and (f) above) will be offered for tender on the same basis as import licences subject to the Global Import Licence Tendering Scheme;
- (i) That tariff quotas for wines of Tariff Items 22.05.017 and 22.06.017 from all sources including Australia will be abolished no later than 1 July 1990 or when the average successful tender premium over two annual rounds falls to 7.5 percent or less, whichever is the earlier;
- (j) That Australian quota for wines of Tariff Items 22.05.017 and 22.06.017 will continue to be determined in accordance with ANZCERTA Article 5, Paragraphs 5 to 7, as modified by Annex C, Part II, Paragraph 7, subject to confirmation by the Australian Government;

- (k) That quotas for wines of Tariff Items 22.05.012 and 22.06.012 will be available within existing global and Australian quotas from 1 July 1986;
- (l) That in the year beginning 1 July 1986 the global quota for wines having an FOB value of less than \$2.00 per litre will be increased annually in accordance with the following programme, the amounts being indexed to 1986 values:
- | | |
|-------------|-------------------------|
| 1 July 1986 | \$0.3 million |
| 1 July 1987 | \$0.6 million |
| 1 July 1988 | \$1.0 million |
| 1 July 1989 | \$1.5 million |
| 1 July 1990 | Global quota abolished; |
- (m) That the Normal rates of duty applicable to wines of Tariff Items 22.05.017 and 22.06.017 will be phased down to 25 percent ad valorem by 1 July 1990 in accordance with the following programme:
- | | |
|-------------|---------------------------------------|
| 1 July 1986 | 68 cents per litre plus 20 percent |
| 1 July 1987 | 51 cents per litre plus 21.25 percent |
| 1 July 1988 | 34 cents per litre plus 22.5 percent |
| 1 July 1989 | 17 cents per litre plus 23.75 percent |
| 1 July 1990 | 25 percent ad valorem; |
- (n) That the rates of duty applicable to Australian wines of Tariff Items 22.05.017 and 22.06.017 will be phased down to Free by 1 July 1990 in accordance with the programme set out in ANZCERTA Annex C, Part II, Paragraph 3 (b);
- (o) That the rates of duty applicable to wines of Tariff Items 22.05.022 and 22.06.022 will remain at \$2.85 per litre plus 10 percent on Australian wines and \$2.85 per litre plus 20 percent on wines from Normal sources until 1 July 1990 or such earlier time as the tariff quotas may be abolished;
- (p) That the tariff and quota phasing programmes will be reviewed in 1988 in accordance with the Government's tariff liberalisation programme, and in any case the medium-term target of 25 percent ad valorem by 1990 will be subject to the longer-term criteria to be adopted for tariff liberalisation.

1985 TROPHY LIST - from 1985 National Wine Competition

The trophies presented were:

Wine Resellers Trophy, presented by the New Zealand Wine Resellers Association Inc., for the best sherry.

Winner Montana Pale Dry Sherry

Wine Institute Trophy, presented by the Wine Institute of New Zealand Inc., for the best sparkling wine.

Winner Montana Lindauer Brut

Vintners Trophy, presented by the Young Winemakers Club, for the best dry white table wine, current vintage.

Winner Babich Chardonnay Selected Reserve 1985

Connoisseurs Club Trophy, presented by the Connoisseurs Club for the best dry white table wine, older vintages.

Winner Cooks Chardonnay 1984

Air New Zealand Export Trophy, presented by Air New Zealand for the best wine entered in the Export Category.

Winner Babich Dry Riesling Sylvaner 1984

Hospitality Trophy, presented by Hospitality Newspaper, for the best medium white table wine, current vintage.

Winner Matua Valley Muller-Thurgau 1985

Director's Trophy, presented by the Wine Institute of New Zealand Inc., to mark the service of Competition Directors (J.C. Graham, 1976-1985), for the best medium white table wine, older vintages.

Winner Villa Maria Reserve Gewurztraminer

Trade and Industry Trophy, presented by the Department of Trade and Industry, for the best blended red wine.

Winner McWilliam Cabernet/Merlot 1984

Wine & Food Trophy, presented by the Auckland Wine & Food Society Inc., for the best varietal red wine, any vintage.

Winner McWilliams Cabernet Sauvignon 1983

New Zealand Glass Trophy, presented by New Zealand Glass Manufacturers Co., for the best sweet white table wine, any vintage.

Winner Cooks Late Pick Muller-Thurgau 1983

Fellows Shield, presented by the Wine Institute of New Zealand Inc., to mark the service to the industry of Fellows of the Institute, Alex Corban, O.B.E., Tom McDonald, O.B.E., George Mazuran, O.B.E., (deceased), and Bob Sokolich, for the best port.

Winner Lincoln Old Tawny Port

Wine & Spirit Merchants' Trophy, presented by the New Zealand Wine & Spirit Merchants' Federation, to the entrant with the highest results in Commercial Categories A. or B.

Winner Cooks New Zealand Wine Co. Ltd.

THC Trophy (Fortified Wine), presented by the Tourist Hotel Corporation of New Zealand for the Champion New Zealand fortified wine, plus a tastevin presented to the winemaker who produced the Champion wine.

Winner Lincoln Old Tawny Port

THC Cup (Table Wine), presented by the Tourist Hotel Corporation of New Zealand for the Champion New Zealand table wine, plus a tastevin presented to the winemaker who produced the Champion wine.

Winner McWilliams Cabernet Sauvignon 1983

Appendix IV

ORIGIN OF WINE IMPORTS

Country	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
			(Litres)		
Australia	1,233,740	957,614	1,026,627	1,030,209	855,965
France	427,457	467,425	851,977	1,265,458	839,415
West Germany	626,097	498,076	532,171	600,476	401,968
Spain	115,825	158,864	190,703	304,136	110,735
U.S.A.	77,326	47,090	12,382	36,306	24,237
Italy	286,929	186,712	187,956	210,606	153,079
South Africa	227,297	57,348	134,208	138,884	102,443
Portugal			171,973	212,460	246,271
Other	374,488	131,117	74,256	53,574	58,142
Total	3,369,159	2,504,246	3,182,253	3,852,109	2,792,255

All figures from Department of Statistics

Appendix V

WINE TYPES IMPORTED

	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
White	1,347,717	950,041	1,128,448	1,295,166	824,166
Red	967,129	873,500	1,093,460	1,255,452	738,435
Champagne	188,416	156,552	301,643	488,009	490,480
Other Sparkling	647,465	371,573	491,555	600,769	599,409
Fortified	218,432	152,580	167,147	212,713	139,765
Total	3,369,159	2,504,246	3,182,253	3,852,109	2,792,255

All figures from Department of Statistics

TOTAL SALES OF NEW ZEALAND WINE (inc exports)

Appendix VI

<u>YEAR</u>	<u>WHITE</u>	<u>RED</u>	<u>000's Litres SPARKLING</u>	<u>TABLE</u>	<u>FORTIFIED</u>	<u>TOTAL</u>
1960				651	3,552	4,177
1965				1,838	6,258	8,096
1970				3,726	10,176	13,902
1975		(N/A)		11,711	11,853	23,564
1980				23,384	13,616	37,000
1981				25,724	13,075	38,800
1982	20,538	2,767	4,745	28,049	10,662	38,711
1983	21,075	2,779	4,850	28,704	10,085	38,789
1984	24,050	2,848	5,859	32,757	9,845	42,602
1985	26,256	3,057	5,480	34,793	8,629	43,425
1986	32,520	3,690	7,980	44,190	7,850	52,040

Source: Department of Statistics; 1986 Wine Institute estimate.

PRODUCTION OF NEW ZEALAND WINE

Appendix VII

<u>YEAR</u>	<u>TOTAL CRUSH (t)</u>	<u>WHITE</u>	<u>(000's Litres)</u>		<u>TABLE</u>	<u>FORTIFIED</u>	<u>TOTAL</u>
			<u>RED</u>	<u>SPARKLING</u>			
1980/81	35,059	N/A	N/A	N/A	N/A	N/A	44,000
1981/82	49,173	27,388	3,396	5,640	36,424	10,577	47,002
1982/83	67,849	35,081	4,748	4,837	44,666	13,077	57,743
1983/84	49,209	22,944	2,321	5,483	30,748	10,936	41,684
1984/85	78,000	41,799	4,277	7,887	53,963	5,663	59,626
1985/86	61,000	N/A	N/A	N/A	N/A	N/A	46,970

Source: Department of Statistics; 1986 Wine Institute estimate.

NEW ZEALAND WINE SALES BY PACKAGING TYPE (includes exports)

Packaging Type	White		Red		Sparkling		Table		Fortified		Total	
	Litres (000's)	%	Litres (000's)	%	Litres (000's)	%	Litres (000's)	%	Litres (000's)	%	Litres (000's)	%
Glass	1984 8,802	36.6	1,635	57.4	5,859	100	16,296	49.8	5,257	53.4	21,553	50.6
	1985 8,600	32.7	1,650	54.0	5,480	100	15,730	45.2	4,709	54.6	20,439	47.1
	1986 8,200	25.2	1,790	48.5	7,980	100	17,970	40.7	4,450	56.7	22,420	43.1
Softpack & Bulk	1984 15,248	63.4	1,213	42.6	-	-	16,461	50.2	4,588	46.6	21,049	49.4
	1985 17,656	67.2	1,407	46.0	-	-	19,063	54.8	3,920	45.4	22,983	52.9
	1986 24,320	74.8	1,900	51.5	-	-	26,220	59.3	3,400	43.3	29,620	56.9

Source: Wine Institute estimates based on Department of Statistics figures

EXPORTS OF NZ WINE

Appendix IX

COUNTRY	1982		1983		1984		1985		1986	
	Litres	\$	Litres	\$	Litres	\$	Litres	\$	Litres	\$
Australia	23,995	69,720	29,093	112,424	169,607	590,071	142,152	782,044	279,454	1,332,867
Canada	238,000	511,783	184,897	378,856	184,860	460,313	209,638	616,703	131,876	323,342
U.S.A.	30,410	134,489	149,993	362,229	91,468	284,254	140,391	723,425	120,192	454,265
West Germany	23,900	76,671	2,170	5,004	31,842	95,561	14,038	42,292	10,783	36,131
U.K.	106,677	253,491	47,327	104,206	117,534	363,364	143,770	398,891	298,240	964,007
Cook Islands	18,957	43,336	55,606	89,073	60,614	167,121	44,661	131,630	41,237	153,835
Japan	20,082	47,444	23,217	60,862	18,916	53,452	44,803	139,792	147,928	413,678
Other Pacific Islands	28,292	68,405	38,099	97,365	33,344	96,598	38,981	109,516	25,594	104,946
Other Europe	460	1,684	383	1,759	2,000	10,501	118	842	13,044	29,918
Other	33,165	46,289	19,908	31,228	12,133	46,915	11,209	57,352	23,629	108,012
Total	522,938	1,253,312	550,693	1,243,006	721,772	2,168,150	789,761	3,002,487	1,091,977	3,921,001

Source: Department of Statistics.

NZ WINE INDUSTRY : TRENDS IN PRODUCTION & SALES

	<u>79/80</u>	<u>80/81</u>	<u>81/82</u>	<u>82/83</u>	<u>83/84</u>	<u>84/85</u>	<u>85/86*</u>
Total Area Planted in Vines	4853	5417	5901	5927	5998	6000	4500
Total Area in Bearing Vines (Ha)	2378	2600*	4700*	5000*	5500*	5900	4300
Average Yield (tonnes per Ha)	15.4	13.5	10.5	13.4	8.9	13.2	14.2
Total tonnage of Wine Grapes Crushed (t)	36,700	35,059	49,173	67,849	49,209	78,000	61,000
Conversion Rate (litres per (t))	1265	1255	955	860	847	764	770
Total NZ Wine Produced (millions of litres)	46.6	44.0	47.0	57.743	41.684	59.6	46.97
Total NZ Wine Sold (millions of litres)	37.0*	38.8*	38.7	38.8	42.602	43.42	52.0
Consumption Per Capita (NZ Wine) (litres)	11.7	12.2	12.1	12.0	13.0	13.1	15.5
Export Volume (millions of litres)	0.4	0.6	0.5	0.6	0.72	0.78	1.1
Export Value (\$m)	\$0.655	\$1.092	\$1.253	\$1.243	\$2.168	\$3.0	\$3.9

Sources: Department of Statistics except:

* denotes Wine Institute of NZ/MAF Viticulture specialist estimates.

** 1986 are Wine Institute estimates except those concerning exports which are Department of Statistics figures.

TOTAL ANNUAL WINE CONSUMPTION IN NZ (excludes exports)

Appendix XI

Year	NZ Wines	000's of Litres		Litres Per Capita
		Imports	Total all Wines	
1970	13,903	1,515	15,418	5.5
1975	23,564	2,657	26,221	8.5
1980	36,556	1,885	38,441	12.2
1981	38,210	2,288	40,498	12.9
1982	38,188	3,369	41,557	13.2
1983	38,238	2,500	40,738	12.8
1984	41,880	3,182	45,062	14.0
1985	42,633	3,852	46,485	14.3
1986	50,950	2,792	53,742	16.3

Sources: Wine Institute estimates for 1980, 1981 and 1986
 Department of Statistics for all other years.

NEW ZEALAND GRAPE AREAS BY DISTRICT,
 1970-1986 (in hectares)

Appendix XII

	1970	1975	1980	1981	1982	1983(a) Stats Dept	1983(b) MAF	1986
Northland	16	22	18	18	18	14)		
Auckland/Franklin	658	750	603	545	455	802)	753 ¹	
Waikato	182	247	326	336	336	204)		
Poverty Bay	278	612	1572	1772	1922	1782	2089	
Hawkes Bay	327	537	1490	1670	1891	1870	1937 ²	N/A
Nelson	3	6	39	39	39	42)		
Marlborough	-	175	777	1009	1175	1188)	1218 ³	
Others:								
Bay of Plenty	-	-	9	9	9	11 ¹		
Taranaki/Wellington	4	2	7	7	7	18 ²		
Canterbury	-	-	12	12	49	40 ³		
TOTALS:	1468	2351	4853	5417	5901	5972	5997	4500

Sources: 1970-1983 M.A.F. Vineyards Surveys
 1983 (a) Dept of Statistics - Selected Commercial Crops (Outdoor Grapes) by Statistical Area & County as at June 1983.
 1983 (b) Special Survey undertaken by Statistics Section. Economics Division, MAF, as at 31 October 1983. (Recording anomalies are apparent as between areas covered by the two 1983 sets of statistics).
 NOTES: 1. Bay of Plenty included in MAF Northland-Auckland.
 2. Taranaki/Wellington assumed included in MAF Hawkes Bay.
 3. Canterbury included in MAF South Island.

1986 - Wine Institute estimate. A survey is underway to assess the vineyard area in 1986.

LIST OF WINE INSTITUTE MEMBERS AS AT AUGUST 1986

<u>Licence or Trading Name</u>	<u>Address and Contacts</u>	<u>Category</u>
ABEL & CO.	Pomona Rd, RD1, Kumeu	I
AMBERLEY ESTATE VINEYARDS LTD	Mr J.G. Prater, Reserve Rd, RD1, Amberley, P.O. Box 81, Phone Amberley Canterbury 48-409	I
ANTONS VINEYARDS	A.L. Hendriks, Runciman Rd, RD2, Drury Phone 83-65739	I
ANTUNOVICH: D.A.	80 Edmonton Rd, Henderson Phone 83-69332	I
ASPEN RIDGE ESTATE WINES	A. McKissock, Waeranga Rd, RD1, Te Kauwhata Phone 63595	I
ATARANGI PARTNERSHIP	Mr C.M. Paton, RD1, Featherston Phone 69570	I
BABICH WINES LTD	Peter & Joe Babich, Babich Rd, Henderson Phone 83-37859	II
BALIC ESTATE WINES LTD	Diana Balic, 111 Sturges Rd, Henderson Phone 83-68355	II
BALMORAL WINES	Mr A.M. Ivicovich, P.O. Box 21-443, Henderson Phone 687-921 or 412-9050	I
BLITVIC: M.	P.O. Box 261, Dargaville Phone 7026	I
BRAJKOVICH: I.	P.O. Box 106, Kaikohe Phone 92	I
BROOKFIELDS VINEYARDS (1977) LTD	Mr Peter Robertson, RD3, Napier Phone 442-471	I
BRYLADD VINEYARDS	Mr Owen G. Birss, Main South Rd, Pampauria, RD1 Kaitaia Phone 15448	I
BUNCUGA: J.M.	c/- Flat 1, 69 Church St, Northcote Phone 488557	I
CAPE MENDELLE NZ LTD	Mr David Hohnen, P.O. Box 376, Blenheim Phone 057-28802	I
CEDAR WINES LTD	P.O. Box 77, Kumeu Phone 412-8615	I
CELLIER LE BRUN	Mr Daniel Le Brun, 28 Gee St, Renwick P.O. Box 33, Marlborough Phone 28859	I
CHIFNEY WINES	Mr Stan Chifney, Huangarua Rd, Martinborough Phone 69495	I
COLLARD BROTHERS LTD	Mr L. Collard, Sutton Baron Vineyards, 303 Lincoln Rd, Henderson Phone 83-68341	I
CONTINENTAL WINES	M. Vuletich & Sons Ltd, P.O. Box 6041, Ruamanga, Whangarei Phone 87-227	I

COOKS/McWILLIAMS	Mr George Exton, P.O. Box 26-019, Epsom Phone 504-729	III
COOPERS CREEK VINEYARD LTD	Mr Andrew Hendry & Mr Randy Weaver, P.O. Box 140, Kumeu Phone 412-8560 or 606-899	I
CORBANS WINES LTD	Mr Paul Treacher, P.O. Box 21-183, Henderson Phone 83-66189 or 83-60059	III
DELEGATS VINEYARDS LTD	Mr Jim Delegat, Hepburn Rd, Henderson Phone 83-60129	II
DELUXE WINES LTD	G. Vlasich, 587 West Coast Rd, Oratia Phone 818-5435	I
DE REDCLIFFE ESTATES LTD	Mr Chris Canning, RDI, Pokeno P.O. Box 159, Papakura Phone 085-66196 or Papakura 298-4069	I
THE DISTILLERS CO (NZ) LTD	P.O. Box 5279, Auckland Phone 500-166	I
DOMINEY & CO. LTD	60 The Mall, Onehunga Phone 668-351	I
DRY-RIVER VINEYARD	Dr N.K. McCallum, P.O. Box 72, Martinborough Phone 69388	I
EDEN VALLEY WINES	Lovrich & Wall Investments Ltd, 346 Dominion Rd, Auckland Phone 607-853	I
ESKDALE WINEGROWERS LTD	Mr Kim Salenius, Main Rd, Eskdale Hawkes Bay Phone 266-302	I
FAIRHAVEN WINES (1983) LTD	Mr F.M. Tocker, 322 West Coast Rd, Glen Eden Phone 818-6282	I
FINO VALLEY WINES LTD	I. Tvrdeich, 283 Valley Rd, Henderson Phone 83-65886	I
FULLERS VINEYARD	R.L. & D.E. Allen, Candia Rd, Henderson Phone 83-37026	I
GIESEN WINE ESTATE CANTERBURY LTD	Mr Alex Giesen, Burnham School Rd, Burnham, Canterbury Phone 03256-729	I
GLENGARRY WINES	Jakicevich Bros. Ltd, 54 Jervois Rd, Ponsonby Phone 818-5293 or 760-210	I
GLENVALE VINEYARDS LTD	Mr R. Bird, P.O. Box 2, Bayview, Hawkes Bay Phone 070-266411	III
GOLDEN GATE VINEYARDS	Z.A.M. Antunovich, Forest Hill Rd, Henderson Phone 83-65634	I

GOLDWATER ESTATE	Mr Kim Goldwater, 18 Causeway Rd, Putiki Bay, Waiheke Island Phone 7493 Waiheke Island	I
GRAHAM: A.C.J. & LORENZ: A.	Papaura Rd, RD3, Blenheim. Phone 28902	I
GRANDVIEW ESTATE	Mr I. Farac, 172A Don Bucks Rd, Henderson Phone 83-37176	I
GREENMEADOWS MISSION TRUST BOARD	Mr Maurice Joblin, P.O. Box 43, Taradale Phone 070-442259	I
HEGINBOTHAM: P.K.	5th Floor, South British Building, 326 Lambton Quay, Wellington Phone Wgtn 04-721982 or 04-729342	I
HILLSIDE WINES	Mr C.N. Groot, Maunu, RD9, Whangarei Phone Maungatapere 654	I
HOLLY LODGE WINERIES	New Windsor Supermarket (1967) Ltd, Upper Aramoho, Wanganui Phone Wanganui 39344	I
HUAPAI WINEGROWERS LTD	c/- Mr Andrew Hendry, 4 Cecil Rd, Epsom Phone 606-899	I
HUNTERS WINES LTD	Mr Ernie Hunter, Papaura Rd, Blenheim, P.O. Box 839 Phone Blenheim 28489	I
KARAKA VINEYARDS	Mr A. Erceg, 118 Beach Rd, Papakura Phone 2984301	I
KARAMEA WINES	Mr W.D. Timbrell, Pirongia Rd, RD10, Frankton Phone 292805	I
KITCHENER WINES LTD	Mr Tony Levien, P.O. Box 37-156, Parnell Phone 31088	I
KOREPO WINES	B.C. & B.D. Gass, Korepo Rd, RD1, Upper Moutere Phone Mapua 825	I
KURTE'S WINES	Mr F. Kurte, 240 Lincoln Rd, Henderson Phone 83-68171	I
K.V. WINES	K. & J. Vitasovich, Riverhead Rd, Kumeu Phone 412-9613	I
LARCOMB WINES	Mr J.A. Thom, Larcombs Rd, 5 R.D., Christchurch Phone Rolleston 478-909	I
LINCOLN COLLEGE	P.O. Box 94, Canterbury Phone Christchurch 252-811	I
LINCOLN VINEYARDS LTD	Mr P.D. Fredatovich, 130 Lincoln Rd, Henderson Phone 83-66944	II
LOCHBUIE WINES	Mr W.D. Turner, 543 Main Rd, Belfast, Christchurch Phone 8866	I

LOMBARDI WINES LTD	Mr A.A. Green, P.O. Box 201, Havelock North, Hawkes Bay Phone Hawkes Bay 777-985	I
MARKOVINA VINEYARDS LTD	Mr Ivan Markovina, P.O. Box 86, Kumeu Phone 412-8608	I
MARTINBOROUGH VINEYARDS LTD	Mr Duncan Milne, P.O. Box 85, Martinborough Phone 0553-69955	I
MATANGI VILLAGE VINEYARD	R.W. & R.V. Gallagher, P.O. Box 113, Matangi, Waikato Phone 635	I
MATAWHERO WINES	Mr D.A. Irwin, Riverpoint Rd, RD, Gisborne Phone Gisborne 88-366	I
MATUA VALLEY WINES LTD	Ross and Bill Spence, P.O. Box 100, Kumeu Phone 411-8301	II
MAYFAIR VINEYARDS LTD	192 Sturges Rd, Henderson Phone 83-68579	I
MAZURAN'S VINEYARDS	Mr & Mrs R. Hladilo, 255 Lincoln Rd, Henderson Phone 83-66945	I
THE MILLTON VINEYARD	Mr J.G. Millton, P.O. Box 66, Manutuke Phone Manutuke 680	I
MONTANA WINES LTD	Mr Bryan Mogridge, P.O. Box 18-293, Auckland 6 Phone 575-549 or 575-563	III
MORTON ESTATE WINES	Mr Morton Brown, RD2, Katikati Phone Tauranga 075-20795	I
MOTHERS CELLAR LTD	Mr M. Farac, 329 Lincoln Rd, Henderson Phone 83-68362	I
NEUDORF VINEYARDS	Mr T.P. Finn, RD2, Upper Moutere Phone Upper Moutere 643	I
NGATARAWA WINES	Mr A.A. Corban, Private Bag, Washpool, Hastings Phone 797-603	I
NOBILO VINTNERS LTD	Nick, Steve and Mark Nobile, Station Rd, Huapai Phone 412-9148	II
OLD RAILWAY VINEYARDS	Mr S. Pecar, P.O. Box 21-294, Henderson Phone 83-68865	I
ORBROSSA VINEYARDS	Mr B.N. Vlasich, West Coast Rd, Oratia Phone 818-7191	I
M. OZICH & SONS	219 Metcalfe Rd, Henderson Phone 83-36205	I
PACIFIC VINEYARDS LTD	Michael Erceg, McLeod Rd, Henderson Phone 83-69578 or 83-65183	II

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PANORAMA VINEYARDS	Mr T. Ivicovich, 34 Awaroa Rd, Henderson Phone 83-68746	I
PAPA: D.	Station Rd, Huapai Phone 412-9524 or 412-8310	I
PENFOLDS WINES (NZ) LTD	P.O. Box 21-081, Henderson Phone 83-65139	III
PLEASANT VALLEY WINES LTD	Henderson Valley Rd, RD1, Henderson (c/- Tucker Chaplin & Taylor, P.O. Box 68-121, Newton Phone 83-68857	I
L.I. POSINKOVICH	RD1, Kaitaia Phone Herekino 590	I
PUBLIC VINEYARDS	S. Vitasovich & Sons Ltd, 132 Bruce McLaren Rd, Henderson Phone 83-68452	I
RANZAU VINEYARDS	T.J. & R.E. Lewis, Patons Rd, RD, Hope, Nelson Phone Brightwater 868	I
RONGOPAI WINES	Mr T.G.J. van Dam & R. Eschenbruch 71 Waerenga Rd, Te Kauwhata Phone 63981	I
ST GEORGE ESTATE WINERY	Mr M. Bennett, P.O. Box 167, Havelock North Phone 775-356	I
ST HELENA WINE ESTATE	R.J. & M.A. Mundy, P.O. Box 1, Belfast, Christchurch Phone 23-8202	I
ST NESBIT WINERY	Dr A.P. Molloy QC, Hingaia Rd, RD1, Papakura Phone 2997596	I
SAN MARINO VINEYARDS LTD	Mr Mate Brajkovich, P.O. Box 24, Kumeu Phone 412-8415 or 412-8390	I
SAPICH BROS LTD	Forest Hill Rd, Henderson Phone 814-9655	I
SEA VIEW WINES	Mr T.L. Erceg, Simpsons Rd, Henderson Phone 83-37080	I
SELAKS WINES (KUMEU) LTD	Mr Mate Selak, P.O. Box 34, Kumeu Phone 412-8609 or 412-9423	I
A.R. & R.J. SOLJAN	Mr Tony Soljan, 263 Lincoln Rd, Henderson Phone 83-68365	I
TE HANA WINES LTD	Mr Ron Beecroft, Te Hana, Near Wellsford Phone 8659 or 8050	I

TE MATA ESTATE WINERY	Mr John Buck, P.O. Box 335, Havelock North Phone 775-980	I
TE WHARE RA WINES	Mr A.V. Hogan, Anglesea St, Renwick Phone Blenheim 057-28581	I
TOTARA VINEYARDS LTD	Mr Ken Chan, RD1, Thames Phone 0843-86798	II
B. & F. VELA	313 Lincoln Rd, Henderson Phone 83-68166	I
VICTORY GRAPE WINES	Mr R.L. Neill, Main Rd South, Stoke Phone Nelson 76-391	I
VILAGRAD WINES	Mr & Mrs P. Nooyen, RD, Ohaupo Phone Hamilton 292-893	I
VILLA MARIA WINES LTD	Mr George Fistonich, P.O. Box 43-046, Mangere Phone 27-56119	III
VINIFERA VENTURES LTD	Mr M. Mason, RD6, Napier	I
VODANOVICH: T.A.	229 Lincoln Rd, Henderson Phone 83-66683	I
WEINGUT SEIFRIED LTD	Mr H. Seifried, P.O. Box 18, Upper Moutere, Nelson Phone 05421-795	I
WINDY HILL WINERY	Mr M. Erceg, Simpsons Rd, RD, Henderson Phone 83-37079	I
ZIVKOVICH: M.F.	State Highway 10, RD2, Kerikeri Phone Kaikohe 518	I

CATEGORY I:	not exceeding 182,000 litres
CATEGORY II:	not less than 182,000 and not more than 1.25 million litres
CATEGORY III:	over 1.25 million litres