

# Food & Beverage Information Project 2011 Sector Stream – Beverages

Final Report  
October 2011; v1.8

[www.foodandbeverage.govt.nz](http://www.foodandbeverage.govt.nz)

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We work with organisations to help them grow. For corporations, that often means developing strategies for revenue growth. For governments, it means working on national economic development. For non-profits, it means helping to grow their social impact.

We address all the problems that are involved in growth: strategy, marketing, pricing, innovation, new product development, new markets, organisation, leadership, economic competitiveness.

We bring to our clients specialised industry and functional expertise. We invest significant resources in building knowledge. We see it as our mission to bring this knowledge to our clients and we publish much of it for the benefit of others.

A hallmark of our work is rigorous, fact-based analysis, grounded in proven methodologies. We rely on data because it provides clarity and aligns people.

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### The Coriolis name

The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere. *To us it means understanding the big picture before you get into the details.*

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The objective of this report is to provide a **factual** source of high quality **information** on the current situation in the New Zealand **beverage** sector for four audiences:

- **Investors** (domestic or international)
- **Industry** participants (firms & individuals)
- **Government** (across all roles and responsibilities)
- **Scientific researchers** (academic, government & firm)

It creates a common set of **facts** and **figures** on the current situation in the industry.

It draws conclusions on potential industry **strategic directions** and highlights **opportunities** for further **investment**.

It forms a part of the wider Food & Beverage Information Project and will be updated annually.



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## GLOSSARY OF TERMS

This report uses the following acronyms and abbreviations

<b>A\$/AUD</b>	Australian dollar	<b>N.H</b>	Northern Hemisphere
<b>ABS</b>	Absolute change	<b>NZ</b>	New Zealand
<b>ANZSIC</b>	AU/NZ Standard Industry Classification	<b>NZ\$/NZD</b>	New Zealand dollar
<b>AU</b>	Australia	<b>R&amp;D</b>	Research and Development
<b>Australasia</b>	Australia and New Zealand	<b>S Asia</b>	South Asia (Indian Subcontinent)
<b>b</b>	Billion	<b>SE Asia</b>	South East Asia
<b>CAGR</b>	Compound Annual Growth Rate	<b>S.H</b>	Southern Hemisphere
<b>C/S America</b>	Central & South America (Latin America)	<b>SS Africa</b>	Sub-Saharan Africa
<b>CRI</b>	Crown Research Institute	<b>T/O</b>	Turnover
<b>CY</b>	Calendar year (ending Dec 21)	<b>US/USA</b>	United States of America
<b>E Asia</b>	East Asia	<b>US\$/USD</b>	United States dollar
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization	<b>UK</b>	United Kingdom
<b>FAO</b>	Food and Agriculture Organisation of the UN	<b>YE</b>	Year ending
<b>FY</b>	Financial year (of firm in question)	<b>YTD</b>	Year to date
<b>£/GBP</b>	British pounds	<b>Sources</b>	
<b>JV</b>	Joint venture	<b>AR</b>	Annual report
<b>m</b>	Million	<b>Ce</b>	Coriolis estimate
<b>n/a</b>	Not available/not applicable	<b>Ci</b>	Coriolis interview
<b>NA/ME/CA</b>	North Africa / Middle East / Central Asia	<b>K</b>	Kompass
<b>Nec/nes</b>	Not elsewhere classified/not elsewhere specified	<b>Ke</b>	Kompass estimate

## METHODOLOGY & DATA SOURCES

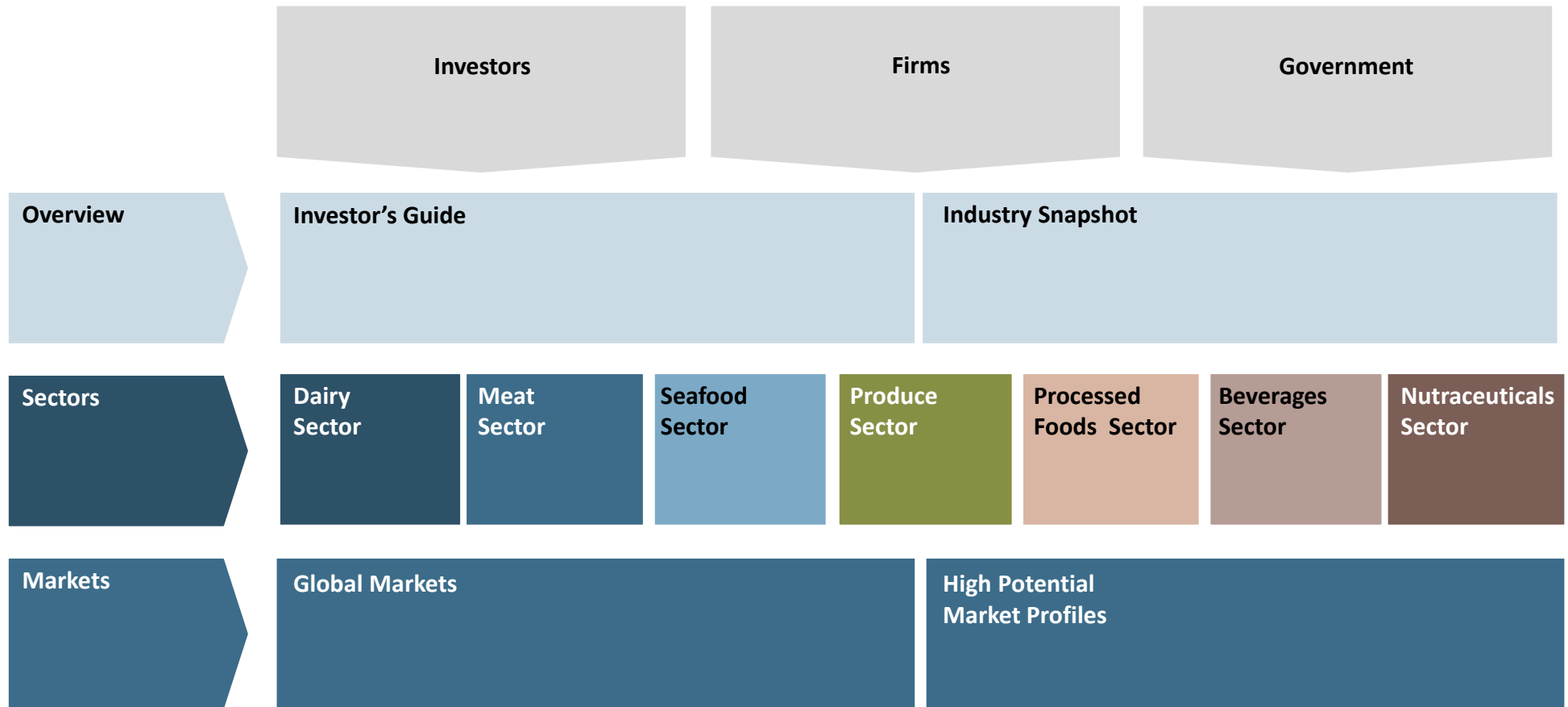
Data was from a variety of sources, and has a number of identified limitations

- This report uses a range of information sources, both qualitative and quantitative.
- The numbers in this report come from multiple sources. While we believe the data are directionally correct, we recognise the limitations in what information is available.
  - In many cases different data sources disagree (e.g. Statistics New Zealand vs. FAO vs. UN Comtrade).
  - Many data sources incorporate estimates of industry experts.
  - As one example, in many cases, the value and/or volume recorded as exported by one country does not match the amount recorded as being received as imports by the counterparty [for understood reasons].
- In addition, in some places, we have made our own clearly noted estimates.
- Coriolis has not been asked to independently verify or audit the information or material provided to it by or on behalf of the Client or any of the data sources used in the project.
  - The information contained in the report and any commentary has been compiled from information and material supplied by third party sources and publicly available information which may (in part) be inaccurate or incomplete.
- Coriolis makes no representation, warranty or guarantee, whether express or implied, as to the quality, accuracy, reliability, currency or completeness of the information provided in the report.
- All trade data analysed in all sections of the F&B Information project are calculated and displayed in US\$. This is done for a range of reasons:
  1. It is the currency most used in international trade
  2. It allows for cross country comparisons (e.g. vs. Denmark)
  3. It removes the impact of NZD exchange rate variability
  4. It is more comprehensible to non-NZ audiences (e.g. foreign investors)
  5. It is the currency in which the United Nations collects and tabulates global trade data
- The opinions expressed in this report represent those of the industry participants interviewed and the authors. These do not necessarily represent those of Coriolis Limited or the New Zealand Government.
- If you have any questions about the methodology, sources or accuracy of any part of this report, please contact Tim Morris, the report's lead author at Coriolis, on +64 9 623 1848

## F&B INFORMATION PROJECT

The New Zealand Food & Beverage Information Project is designed to be the foundation of facts and figures on which a range of audiences can build

Structure of the New Zealand Food & Beverage Information Project  
(2011)



## BEVERAGES SECTOR ANALYSIS

This analysis of the New Zealand beverages sector forms a part of the wider Food & Beverage Information Project

Structure of the New Zealand Food & Beverage Information Project  
(2011)







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## BEVERAGES – WINE – SITUATION

The wine industry has shown rapid growth driven by Marlborough Sauvignon Blanc; further diversification into new varieties and new regions should occur going forward

### New Zealand wine (exports US\$774m)

- Wine production is a fast growing industry for New Zealand with a number of large players
  - Many wineries are now foreign owned (Montana, Nobilo); ongoing acquisitions are occurring
  - Large group of small-to-medium sized New Zealand owned wineries who are capital constrained
- The New Zealand wine industry has achieved spectacular growth over the last 40 years
  - From NZ\$51 in exports in 1960 to NZ\$1b in 2009
  - Achieved premium price position in-market on par with France (*which has been producing wine for ~2,000 years*)
  - Competes successfully with major old world wine producers (*e.g. France, Germany*)
- Success to date almost exclusively Marlborough Sauvignon Blanc
  - A “must-have” wine for major wine players
  - Good Marlborough wine area is now almost all used
- Emergent secondary regions are 20 years behind Marlborough in terms of development
  - Hawkes Bay, Waipara and Central Otago stand out as the next best prospects
  - Other than Gimblett Gravels Syrah, most still to find “their” wine
- Foreign ownership plays a big part in the wine industry, with the

top three wineries foreign owned; New World wines are an important part of a global portfolio.

### Competitors

- New Zealand wine competes directly with other premium temperate climate countries
  - France, Germany, USA, South Africa, Chile

### Consumers/Markets

- Global Financial Crisis (GFC) depressed global demand, pushing down prices; this in turn triggered a decrease in global production
  - These falling prices have impacted New Zealand wines
- Wine consumption is declining in many EU markets (France, Italy, Spain) due to economic conditions; however, New Zealand’s key markets (AU, UK, USA) have been stable to increasing
- Wine sales success to date in wine has been primarily in Anglo-Saxon 4 (USA, Canada, UK & AU);
- China is an emerging growth market; now New Zealand’s #5 export destination
- Available market data suggests that the growth of New Zealand wine is at the expense of French wines (i.e. that the two are close substitutes to consumers)

## BEVERAGES – OTHER BEVERAGES – SITUATION

Outside wine, the New Zealand beverage sector is primarily focused on production for domestic consumption; however, exports are growing

### Beer (exports US\$26m)

- Beer brewing is a low growth duopoly controlled by two international companies brewing for domestic consumption
  - Lion, founded in New Zealand, owned by Kirin (Japan)
  - Dominion Breweries, founded in New Zealand, now owned by Asia-Pacific Breweries (Heineken/F&N)
  - There are a wide range of smaller/micro breweries
- New Zealand is a minor beer exporter<sup>1</sup>, and imports +50% more beer than it exports<sup>2</sup>, driven in part by the foreign ownership of its two key breweries; however beer export surged in the last year (driven by smaller microbreweries)

### Spirits (exports US\$58m)

- Independent Liquor, recently purchased by Asahi, is the largest player in spirits; Independent initially developed its business around flavoured RTD<sup>3</sup> drinks, however it is diversifying into other alcoholic beverages
- There are a range of smaller firms in spirits achieving strong growth and the sector is well positioned for further growth

### Soft-drinks (exports US\$67m)

- Non-alcoholic beverages are a duopoly controlled by two international companies that primarily manufacturing for domestic consumption
  - Coca-Cola Amatil, Australian-listed Asia-Pacific licensee of

### Coca-Cola

- Frucor, former Apple & Pear Marketing Board Juice Business, now a division of Suntory (Japan); maker of V energy drink and Pepsi licensee in New Zealand
- Smaller innovators emerging outside soft-drinks/water (e.g. Charlie's/Phoenix recently acquired by Asahi)

### Juice (exports US\$38m)

- New Zealand exports apple and kiwifruit juice, primarily as a secondary product of the fresh fruit industry; New Zealand imports +20% more juice than it exports<sup>2</sup>

### Water (exports US\$8m)

- New Zealand has excellent theoretical potential to produce and export premium bottled water; however to date it has realised very little of this potential despite 30 years of trying

## BEVERAGES – QUANTITATIVE SCORECARD

Most of the beverages produced in New Zealand are consumed in New Zealand; the wine industry is the key export success story to date

Key metrics	# (2010)	CAGR (00-10)	CAGR (09-10)	ABS (09-10)
Turnover (NZ\$)	\$4,240m	5%	7%	\$271m
Exports (US\$)	\$971m	18%	23%	\$182m
Enterprises <sup>1</sup>	519	6%	10%	49
Employment	8,900	3%	-4%	-410
Turnover per employee	\$476,404	-	-	-

Key markets	% (2010)	US\$m (2010)	CAGR (00-10)	CAGR (09-10)	ABS (09-10)
East Asia	5%	\$51	12%	20%	\$9m
SE Asia	3%	\$25	20%	36%	\$6m
Europe	28%	\$274	18%	23%	\$51m
North America	25%	\$241	22%	29%	\$54m
Australia/PI	38%	\$370	18%	19%	\$59m
Other	1%	\$10	15%	52%	\$4m
Total	100%	\$971	18%	23%	\$182m

Key products export value	US\$m (2010)	CAGR (00-10)	CAGR (09-10)	ABS (09-10)
Wine	\$774	24%	21%	\$137
Spirits	\$58	9%	46%	\$18
Beer	\$26	12%	64%	\$10
Soft drinks	\$67	7%	23%	\$13
Juice	\$38	7%	5%	\$2
Water	\$8	18%	51%	\$3
Total	\$971	18%	23%	\$182

Key firms	Employ (#; 10)	Turnover (NZ\$m; 10)
Lion	1,400	\$605m
Pernod Ricard	750	\$337m
Delegats Group	50	\$220m
Constellation Brands	270	\$215m
Villa Maria	250	\$141m
DB Breweries	500	\$461m
Independent Liquor	300	\$414m
Coca Cola Amatil	1,100	\$493m
Frucor	900	\$380m

Key competing countries	Key regions
France	- Loire Valley (Sancerre, Pouilly Furme) - Bordeaux Regions (Entre-Deux-Mers, Pessac-Leognan)
Germany	- Alsace, Mosel
USA	- Washington State, Oregon
Chile	- Valparaiso, Casablanca Valley

## BEVERAGES – WINE – SWOT ANALYSIS

The New Zealand wine industry is well positioned for further growth, but pressures will continue

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Islands in the middle of the South Pacific the size of Italy but with only the population of Singapore; therefore relatively unspoilt</li> <li>- Strong and growing success in premium/super-premium</li> <li>- Achieves a strong price premium in key markets (similar to France)</li> <li>- New Zealand Sauvignon Blanc now a “must have” for global wine companies</li> <li>- Growth in market share in key markets (e.g. USA)</li> <li>- Innovative and quality-focused winemakers</li> </ul>	<ul style="list-style-type: none"> <li>- Large number of small wineries with low/no economies of scale</li> <li>- High debt levels of many small and medium sized wineries</li> <li>- Highly dependant on four countries (AU, UK, USA and Canada)</li> <li>- Increasing exports of bulk wine</li> <li>- Lack strong super-premium heritage brands as demanded by brand and status conscious Asian consumers</li> </ul>
Opportunities	Issues/Threats/Risk
<ul style="list-style-type: none"> <li>- Continued income growth in Asian markets</li> <li>- Continued growth of New Zealand wine consumption in China</li> <li>- Low share in Europe (two thirds of global wine consumption) outside British Isles</li> <li>- Joint in-market activity spreading cost of marketing</li> <li>- Automated vineyard pruning technology reducing requirements for labour</li> <li>- Strong and growing demand in Asia for premium fortified wines/wine based spirits (e.g. cognac)</li> </ul>	<ul style="list-style-type: none"> <li>- Growing consolidation of the wine industry</li> <li>- Difficult finding good distributors to gain access into key markets</li> <li>- Continued growth of bulk wine trade reducing the value of wine</li> <li>- Continued impact of GFC, reducing wine spend</li> <li>- Oversupply of wine globally increasing pressure on price</li> <li>- Continued growth of retail brands/store brands in wine</li> </ul>

## BEVERAGES – NON-WINE – SWOT ANALYSIS

New Zealand is currently less well positioned outside wine; however the country is well positioned for further growth

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Islands in the middle of the South Pacific the size of Italy but with only the population of Singapore; therefore relatively unspoilt</li> <li>- Closer shipping distances to Asia compared to European competitors</li> <li>- Demonstrated capabilities in beverage production</li> <li>- On-going growth and success of Frucor/V, and Charlies/Phoenix in non-alcoholic drinks category</li> <li>- Emergent success in spirits (e.g VoC and 42Below)</li> </ul>	<ul style="list-style-type: none"> <li>- No deep cultural unique “spirits” associated with New Zealand</li> <li>- Long shipping distance to traditional western markets</li> <li>- No large New Zealand owned champion growing and driving New Zealand brand position in beverages</li> <li>- Limited culture or mentality of super-premium branding or positioning (e.g. relative to France)</li> <li>- Low levels of skills outside wine relative to peer group</li> <li>- Not a producer of many base ingredients of typical beverages</li> </ul>
Opportunities	Issues/Threats/Risk
<ul style="list-style-type: none"> <li>- Leverage success of New Zealand wine industry; build on awareness of New Zealand in wider premium beverages segments</li> <li>- Wide range of New Zealand unique plants available as flavouring (e.g. 42 Below Manuka honey)</li> <li>- Rapidly growing demand for premium alcoholic beverages in Asia</li> </ul>	<ul style="list-style-type: none"> <li>- Limited opportunity shipping “water” around the world if it isn’t a premium product</li> <li>- Changing consumer sentiment (e.g. bottled water backlash)</li> <li>- Failure to achieve large scale export traction outside wine</li> <li>- Hollowing out of management skills in New Zealand industry due to foreign ownership</li> </ul>

## BEVERAGES – POTENTIAL STRATEGIC DIRECTIONS

Five potential high potential strategic directions are identified for the beverages industry

Situation creating opportunity	Resulting potential strategic direction	Opportunity	Challenges
<ul style="list-style-type: none"> <li>- New Zealand has built a strong position in Sauvignon blanc</li> <li>- Competitors improving and pushing into variety (e.g. South Africa) often at lower price point</li> </ul>	1. Continuous improvement of Sauvignon Blanc from Marlborough	<ul style="list-style-type: none"> <li>- Build on existing position</li> <li>- Create upward price pressure through improvement in relative quality</li> <li>- “Vineyard-to-glass” approach</li> </ul>	<ul style="list-style-type: none"> <li>- Competitors improving as well</li> <li>- Spreading best practice across large number of industry participants</li> </ul>
<ul style="list-style-type: none"> <li>- NZ still a very young wine producer finding its way</li> <li>- Industry emerged from vision of handful of people, primarily EU/AU immigrants</li> <li>- Peers have much wider range of regions and wines</li> </ul>	2. Nurture emerging regions to Marlborough Sauvignon Blanc status	<ul style="list-style-type: none"> <li>- Marlborough accounted for 70% of NZ wine production</li> <li>- New Zealand over dependant on one variety/one region relative to peers</li> <li>- Discovering new varieties that suit New Zealand conditions</li> <li>- Expand immigration allowance of skilled wine industry participants</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate group-think and prevailing wisdom</li> <li>- Capital</li> <li>- Biosecurity limiting introduction of new genetics</li> <li>- Barriers to immigration</li> </ul>
<ul style="list-style-type: none"> <li>- The four large Anglo-Saxon countries account for 20% of global wine consumption but 86% of New Zealand’s wine export value</li> <li>- Northern Europe accounts for 32% of global wine imports but only 4% of NZ wine exports</li> </ul>	3. Diversifying away from traditional Anglo Saxon markets into wine drinking Northern Europe	<ul style="list-style-type: none"> <li>- Significant untapped potential for growth in Northern Europe, specifically Denmark, Netherlands and Sweden</li> </ul>	<ul style="list-style-type: none"> <li>- Language and cultural barriers</li> <li>- In-market legal structures (e.g. Sweden’s Systembolaget<sup>1</sup>)</li> <li>- Requires many years of hard work</li> <li>- Need to achieve minimum critical mass “tipping point”<sup>1</sup></li> </ul>
<ul style="list-style-type: none"> <li>- Asian consumers, particularly Chinese, favour smaller amounts of strong spirits</li> <li>- Asian consumer are clearly signalling with their wallets that they want fortified wine not table wine</li> </ul>	4. Move into fortified wines	<ul style="list-style-type: none"> <li>- Fortified wine gets high prices</li> <li>- Fortified wine can support unique positioning (e.g. Cognac, Armagnac, Pisco, Jerez)</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of experience or skills</li> <li>- No heritage in space (need to do “new world” approach)</li> </ul>
<ul style="list-style-type: none"> <li>- Many countries have a strong identity with a specific alcoholic spirit</li> <li>- Peer group countries suggest spirits a strong area for growth going forward</li> </ul>	5. Nurture development of a spirit industry	<ul style="list-style-type: none"> <li>- Find New Zealand “spirit” (e.g. Mexico=Tequila)</li> <li>- Build on existing premium position in wine</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of heritage or history</li> </ul>

## BEVERAGES – POTENTIAL AREAS FOR INVESTMENT

Alcoholic beverages is a major opportunity for investors; wine has shown rapid growth; opportunities exist in second tier wine regions and developing a premium spirits category

- **Wine**
  - New Zealand Sauvignon Blanc a “must-have” component of portfolio for major global wine companies
    - Three of the top five US wine companies in NZ
    - Three of the largest EU alcoholic beverage companies in NZ
    - Three of the top five Australian wine companies in NZ
  - Some opportunity in Marlborough
    - Due to lower price of wine (due to GFC)
    - Future area growth of Marlborough limited due to geological constraints
  - Large firms either foreign owned by majors or committed NZ family owners
    - Delegates and Villa Maria both committed owners
  - Opportunities for investment in next tier down layer of firms (e.g. Giesen, Lawsons Dry Hills, Chard Farm, Allan Scott, Coopers Creek, Kumeu River etc.)
  - Investors looking to unlock value in other regions; investigate emergent secondary regions (i.e. the next “Marlborough”)
- Peer group countries suggest strong future growth possible
- Limited entry vehicles; greenfields by global player with skill sets recommended

### Beer

- No revealed demand for New Zealand beer in world markets
  - Lion owned by Kirin
  - DB owned by Asia Pacific Breweries
  - Independent Liquor owned by Asahi
  - Microbreweries small and growing but primarily domestic focussed

### Soft drinks

- In Soft drinks, Frucor/V and Charlie’s/Phoenix are attractive but both recently changed hands for top dollars; both now Japanese owned

### Water

- Limited opportunities in export bottled water
- Best fit would be for investor with transferrable capability

### Premium alcoholic spirits

- Clear potential in premium alcoholic beverages
  - Building on New Zealand positioning in premium wine





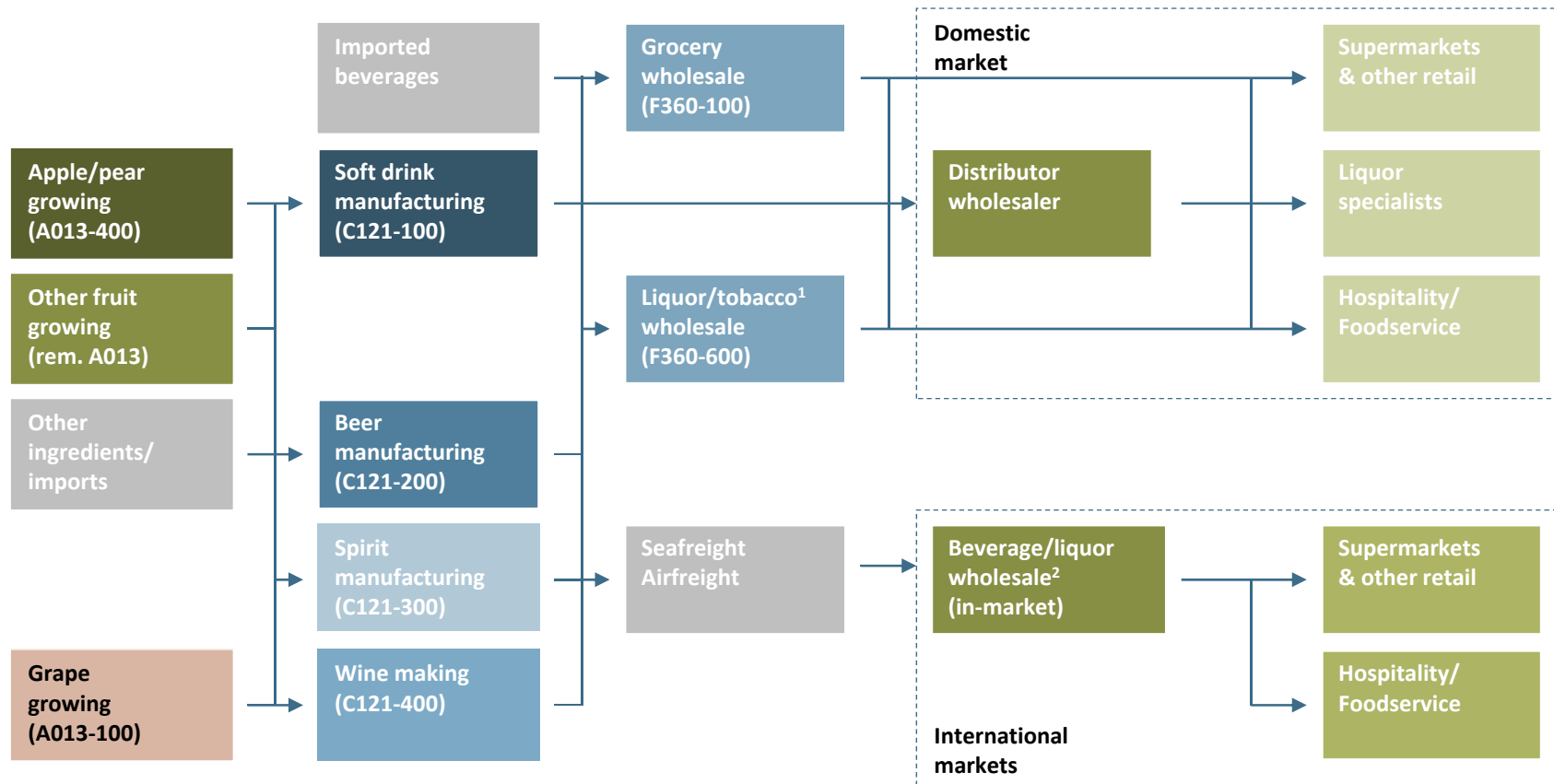
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# BEVERAGES – SUPPLY CHAIN

Beverages have a relatively simple supply chain

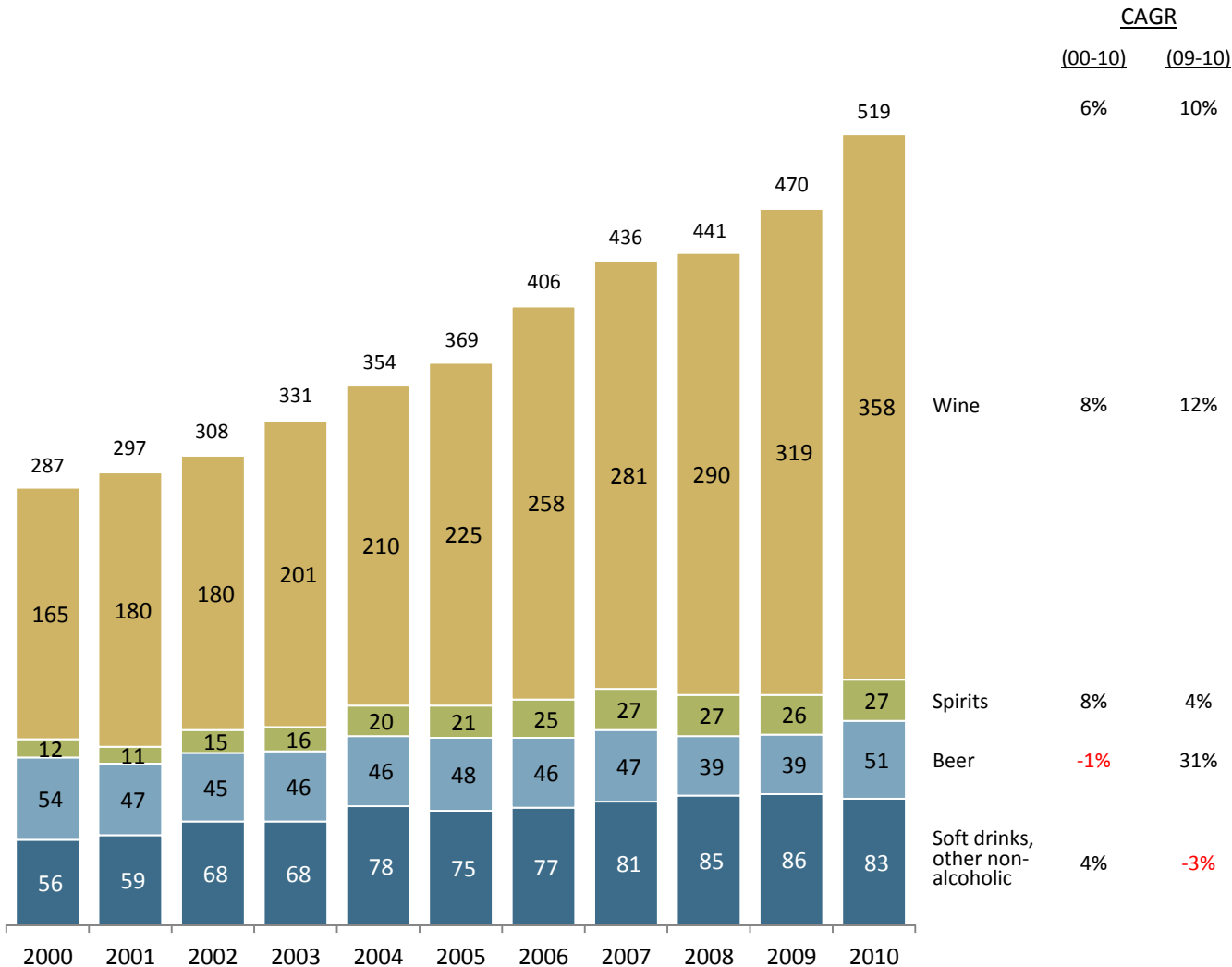
Simplified model of New Zealand beverage supply chain  
(model; ANZSIC codes as available)



## BEVERAGES – # OF ENTERPRISES

The number of enterprises involved in beverage manufacturing in New Zealand is growing strongly, driven by wine

Number of enterprise units in beverage manufacturing in New Zealand<sup>1</sup>  
(enterprises; 2000-2010)



### Comments

- Question: What does the experience of other countries tell us about the long term industry structure for wine? If we double production again, will we have ~700 wine manufacturers?

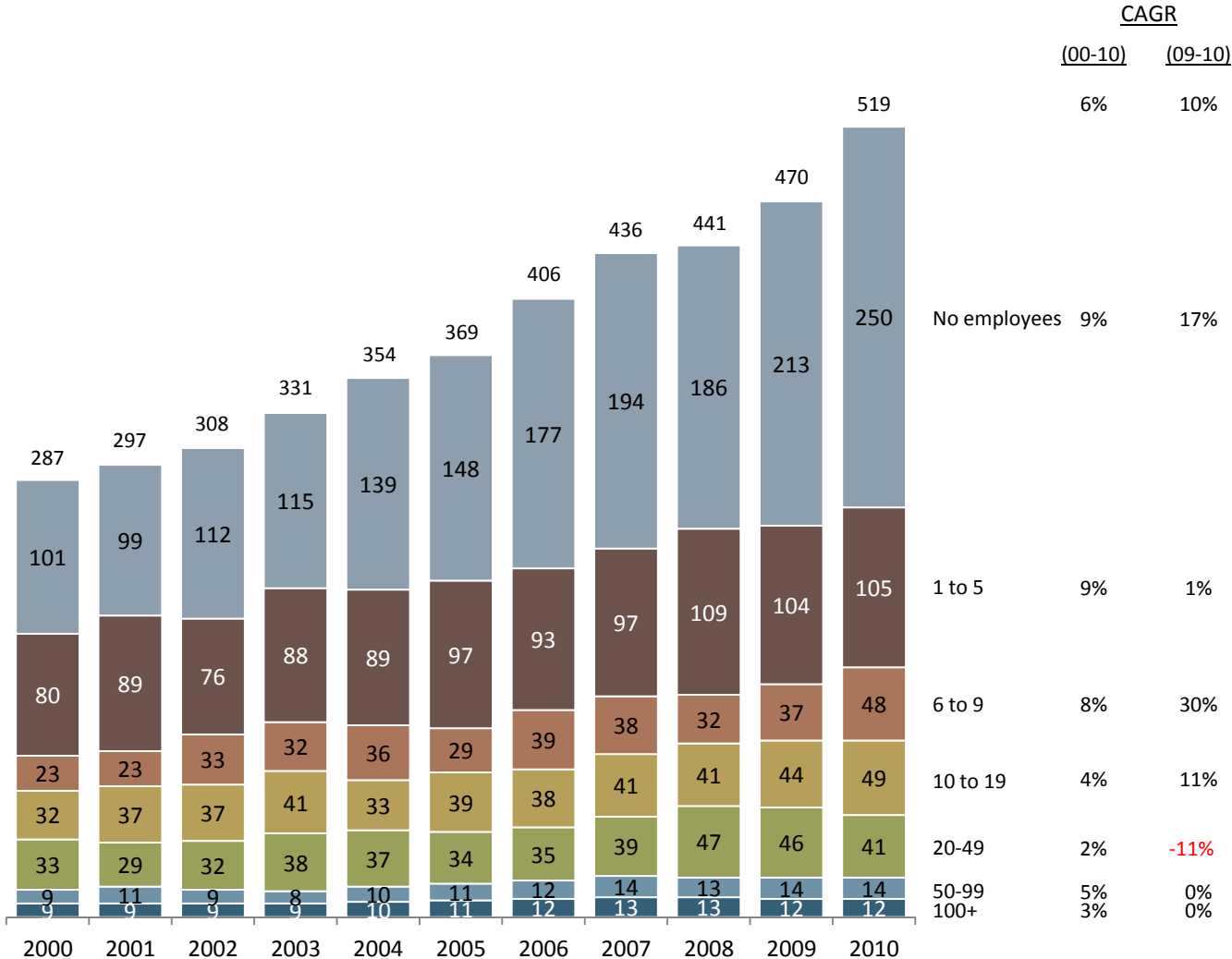
### Notes/Definitions

- Soft Drink, Cordial and Syrup Mnfg. (C121-100)
- Beer Manufacturing (C121-200)
- Spirit Manufacturing (C121-300)
- Wine and Other<sup>2</sup> Alcoholic Bev. Mnfg. (C121-400)

## BEVERAGES – # OF ENTERPRISES BY EMPLOYMENT SIZE

Looking at the same group split by employee size, we find growth is coming from an explosion of smaller beverage manufacturers

Number of enterprise units in beverage manufacturing in New Zealand by employment size<sup>1</sup>  
(enterprises; 2000-2010)



### Comments

- Question: Are the firms with no employees small family enterprises or something else?

### Notes/Definitions

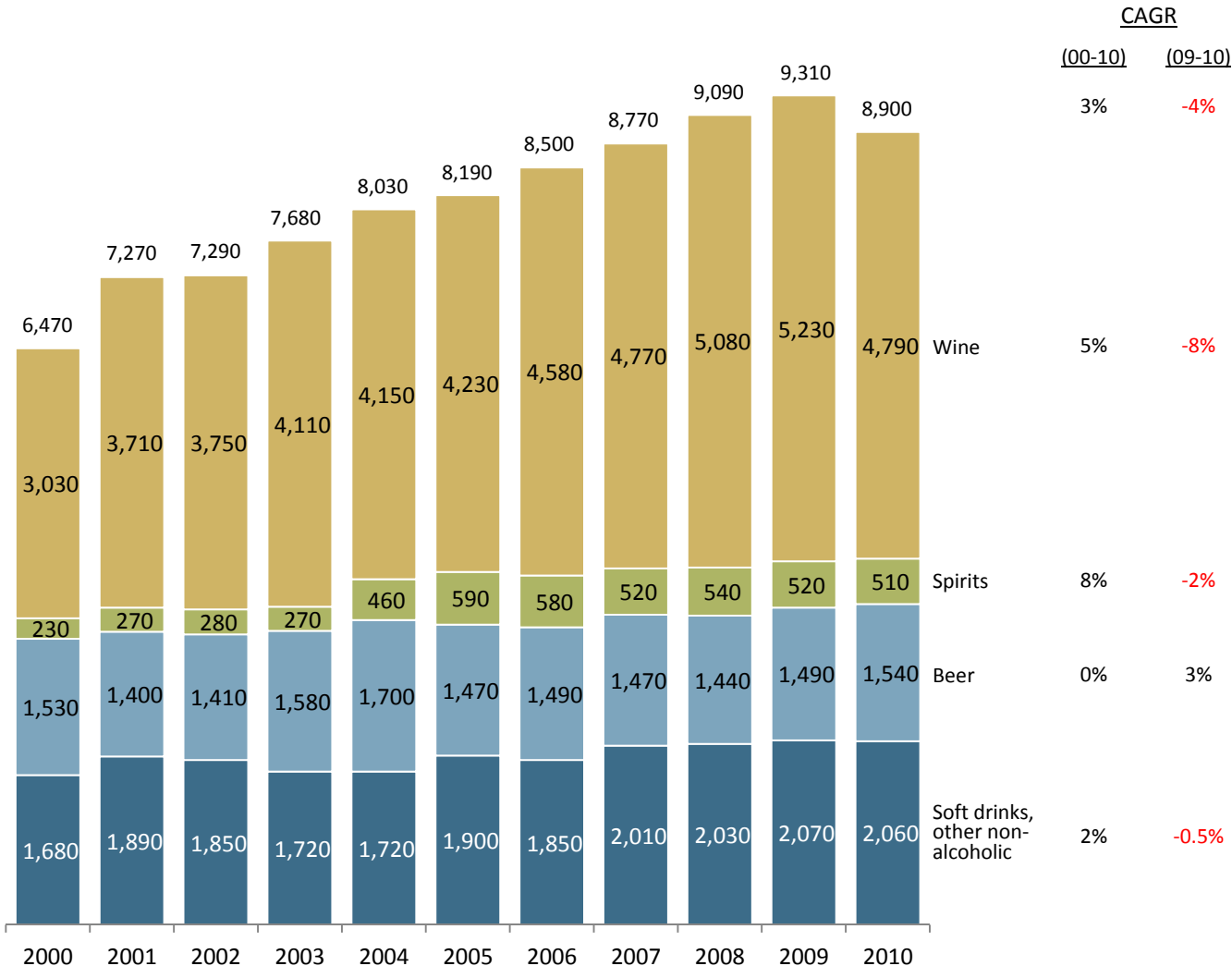
As sub-aggregate level data not available this aggregates:

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- Beer Manufacturing (C121-200)
- Spirit Manufacturing (C121-300)
- Wine and Other<sup>2</sup> Alcoholic Bev. Mnfg. (C121-400)

## BEVERAGES – EMPLOYMENT

The number of people employed in beverage manufacturing grew at 3%/per annum over the past decade; however sector employment rate was **-4%** in 2010

Number of persons employed in beverage manufacturing in New Zealand<sup>1</sup>  
(people; 2000-2010)



### Comments

- Employment not growing as fast as enterprise numbers; are we increasing efficiency or fragmenting?
- Almost all employment loss in 2010 in wine

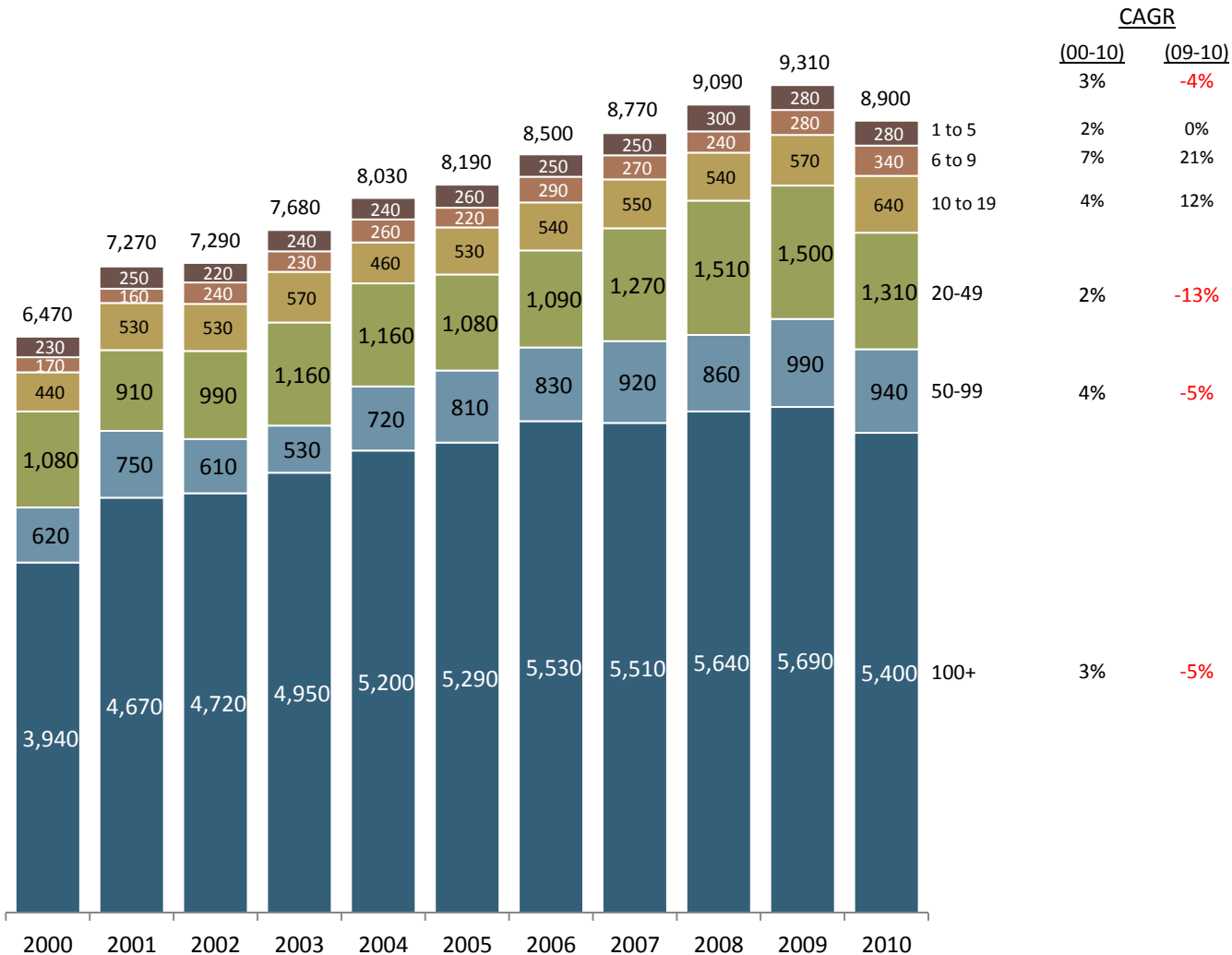
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## BEVERAGES – EMPLOYMENT BY ENTERPRISE SIZE

Looking at employment by employee size highlights (1) the importance of large firms and (2) that the larger firms have been more impacted in the last year

Number of persons employed in beverage manufacturing in New Zealand by employment size<sup>1</sup>  
(people; 2000-2010)



### Comments

- Larger firms more impacted than small

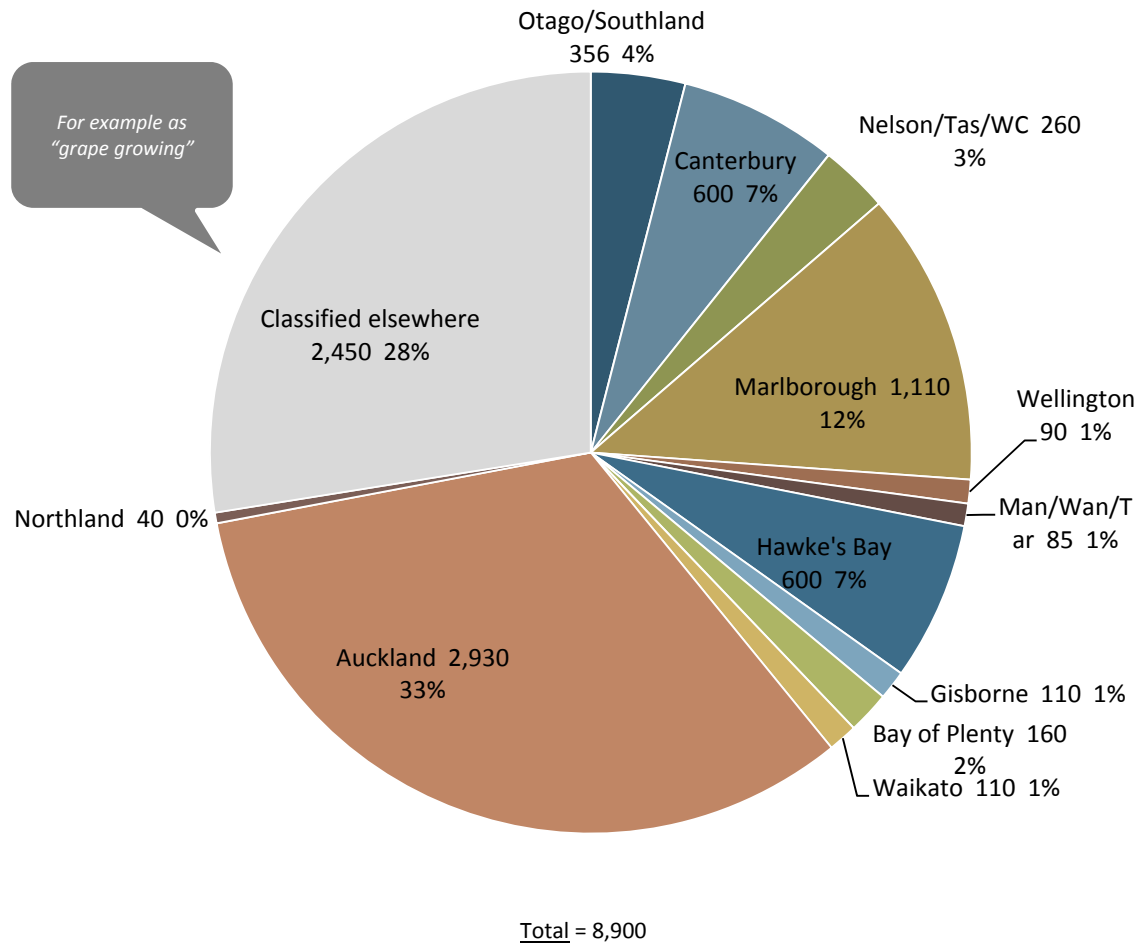
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## BEVERAGE – EMPLOYMENT BY REGION

Industry employment is concentrated in Auckland and the key wine producing regions

Number of persons employed in the beverage industry in New Zealand by region  
(people; 2010)



### Comments

- Soft drinks and beer more location neutral; wine more place specific

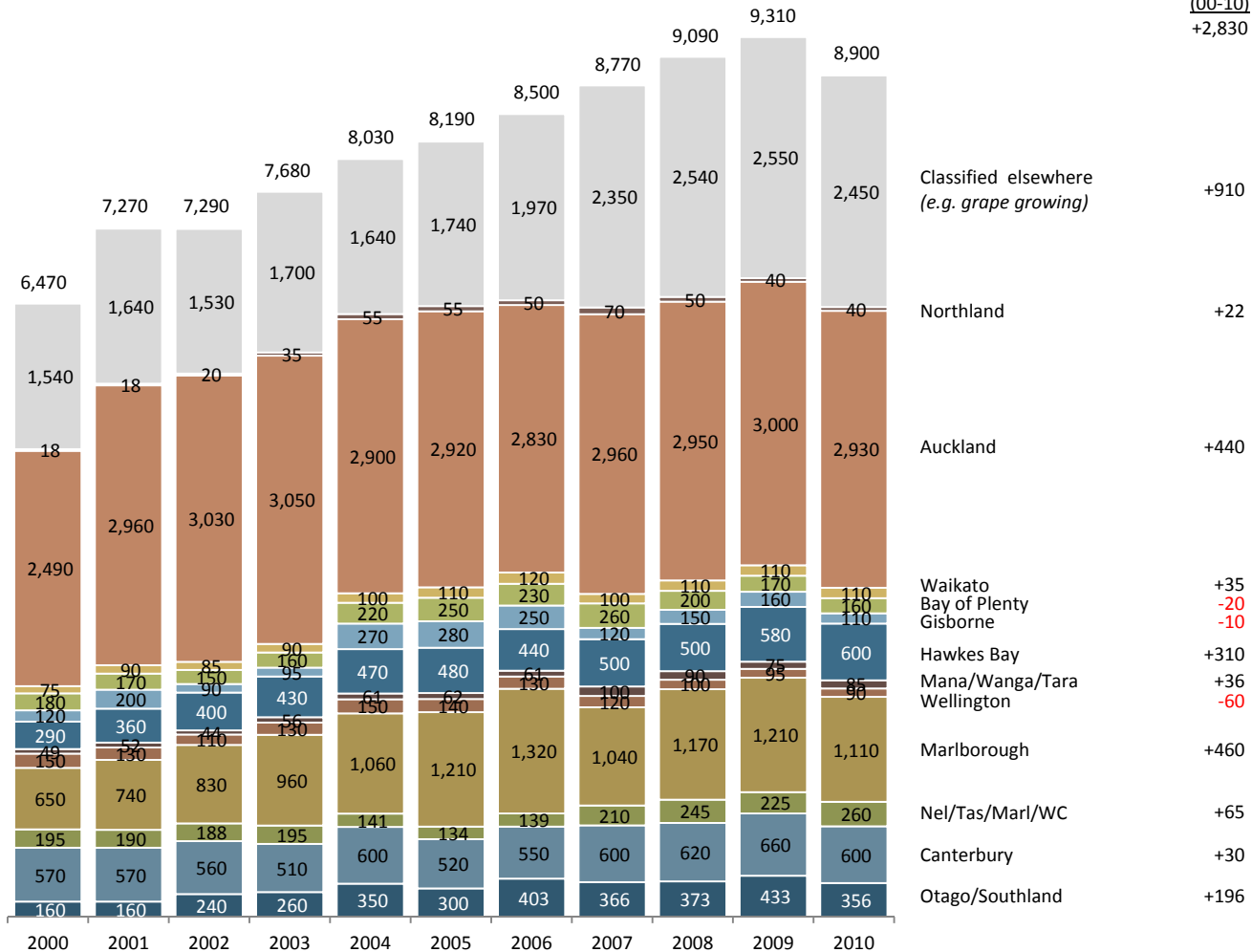
### Notes/Definitions

- Statistics New Zealand calculates its statistics based on the predominant business activity of the enterprise
- A firm that is defined as "beverage manufacturing" at the enterprise level may have a subsidiary at the geographic level that is classified as "grape growing"
- Data here is "geographic" units not "enterprise" units (pages prior)
- "Classified elsewhere" is the difference between geographic unit employees and enterprise unit employees; it represents firm subsidiaries not involved in "beverage manufacturing," for example those classified as "grape growing" or "beverage wholesaling"
- Man/Wan/T = Manawatu, Wanganui, Taranaki
- Wellington includes Martinborough and other Wairarapa wineries

# BEVERAGE – EMPLOYMENT BY REGION

Auckland and major wine growing regions only areas creating large scale employment growth

Number of persons employed in the beverage industry in New Zealand  
(people; 2000-2010)



### Comments

- Auckland and major wine growing regions only areas creating large scale

### Notes/Definitions

- Statistics New Zealand calculates its statistics based on predominant business activity; firms are classified by their predominant activity.
- Data here is “geographic” units not “enterprise” units (pages prior)
- “Classified elsewhere” is difference between geographic unit employees and enterprise unit employees; it represents firm subsidiaries not involved in “beverage manufacturing,” for example those classified as “grape growing” or “beverage wholesaling”
- So a firm that is defined as “beverage manufacturing” at the enterprise level may have a subsidiary at the geographic level that is classified as “grape growing”
- Wellington includes Martinborough and other Wairarapa wineries
- Mana/Wanga/Tara = Manawatu, Wanganui, Taranaki
- Nel/Tas/Marl/WC = Nelson, Tasman, Marlborough, West Coast

10 year  
Absolute  
Change  
(00-10)  
+2,830

+910

+22

+440

+35

-20

-10

+310

+36

-60

+460

+65

+30

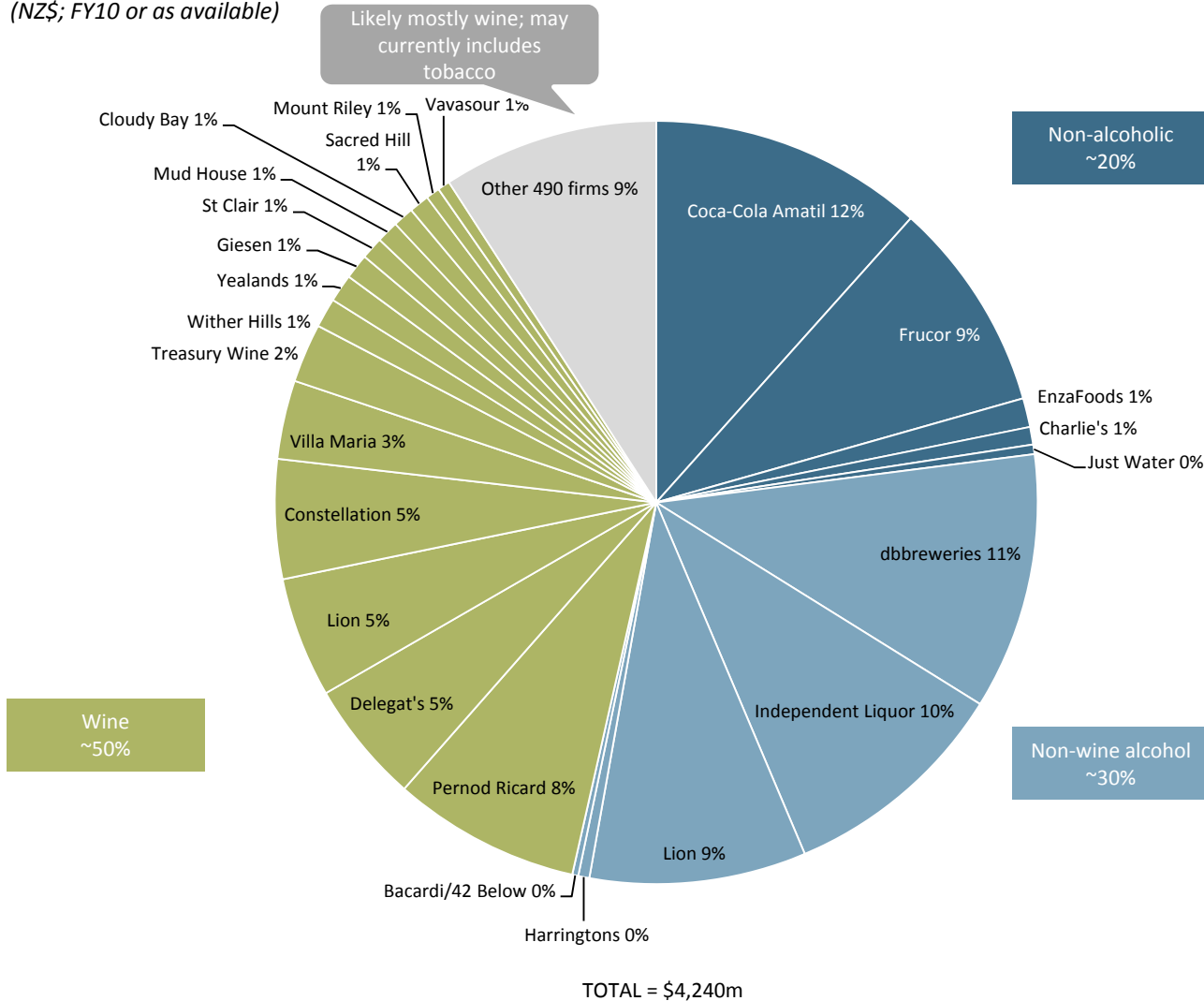
+196



# BEVERAGE – INDUSTRY AGGREGATE TURNOVER

The New Zealand beverage industry has a wide range of firms

Aggregate beverage (and tobacco) industry turnover/total income  
(NZ\$; FY10 or as available)



## Comments

- Lion split into Lion Nathan Wine & Spirits and NZ Breweries and Maltexo
- Data includes tobacco, inseparable at source
- Suggest Statistics New Zealand remove tobacco from data as this does not help industry

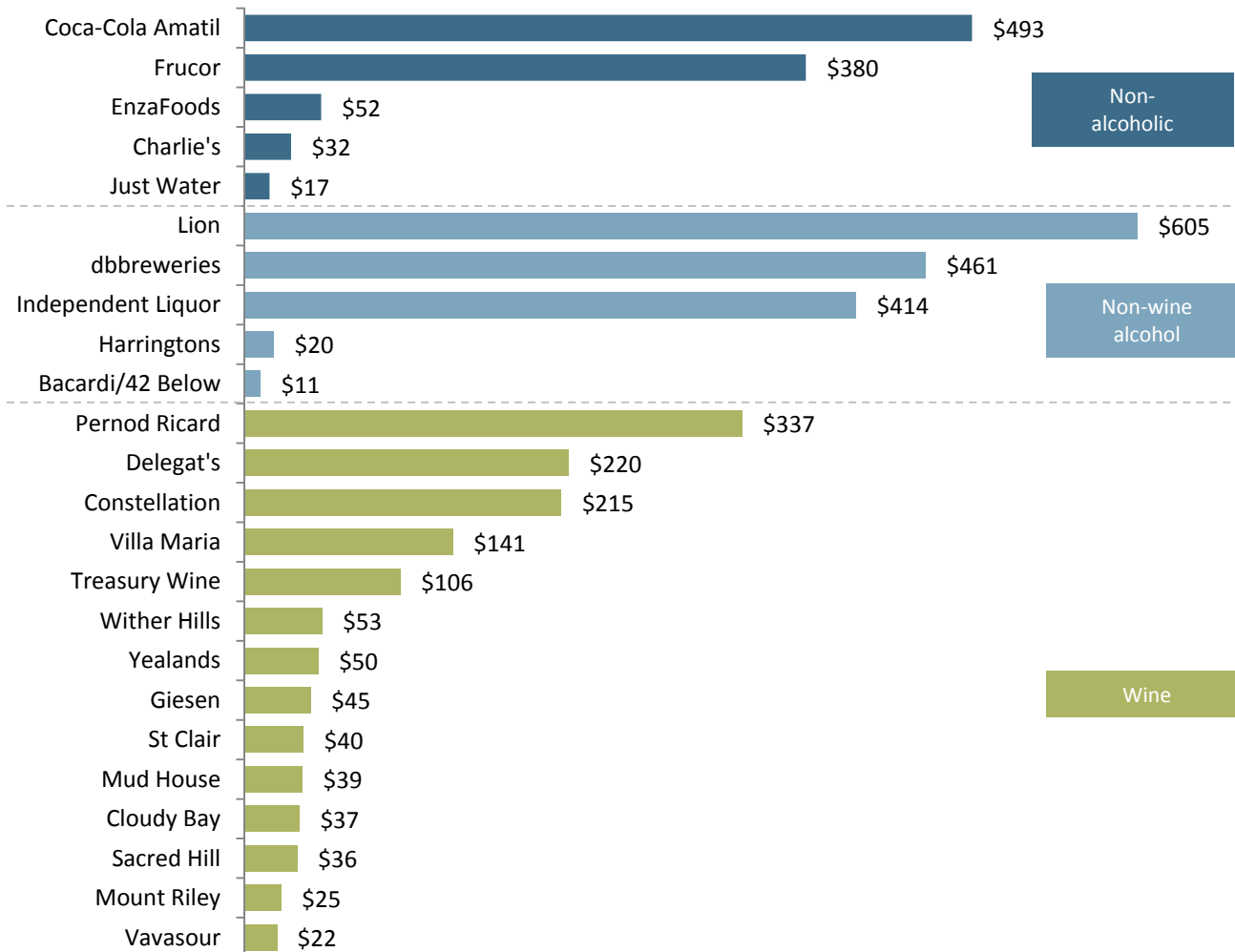
## Notes/Definitions

- Wine growing aggregated into fruit/horticulture
- Table reference MFG001AA

## BEVERAGE – TURNOVER OF KEY FIRMS

While non-alcoholic and beer/spirits are relatively consolidated, the wine sector is more fragmented

Turnover of select large beverage industry firms  
(NZ\$m; FY10 or as available)



### Comments

- Lion is aggregated business revenue, which includes significant wine and spirits
- Includes significant estimates

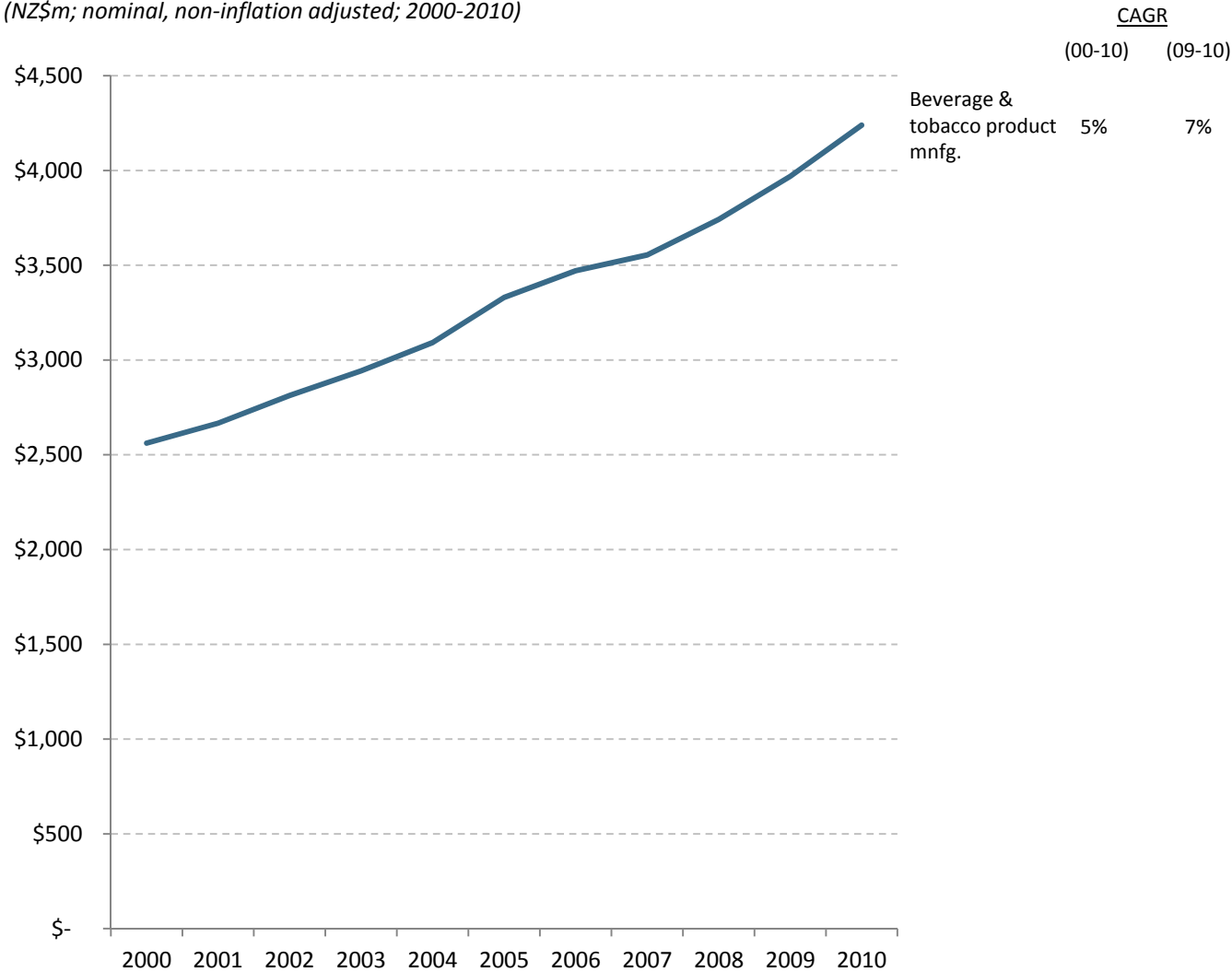
### Notes/Definitions

- Excludes importer wholesalers (e.g. firms the wholesale imported spirits)
- Consolidated group revenue for all companies

## BEVERAGE – INDUSTRY AGGREGATE TURNOVER

The beverage industry has been showing constant growth

Aggregate beverage industry turnover/total income  
(NZ\$m; nominal, non-inflation adjusted; 2000-2010)



### Comments

- Data includes tobacco, inseparable at source
- Suggest Statistics New Zealand remove tobacco from data as this does not help industry

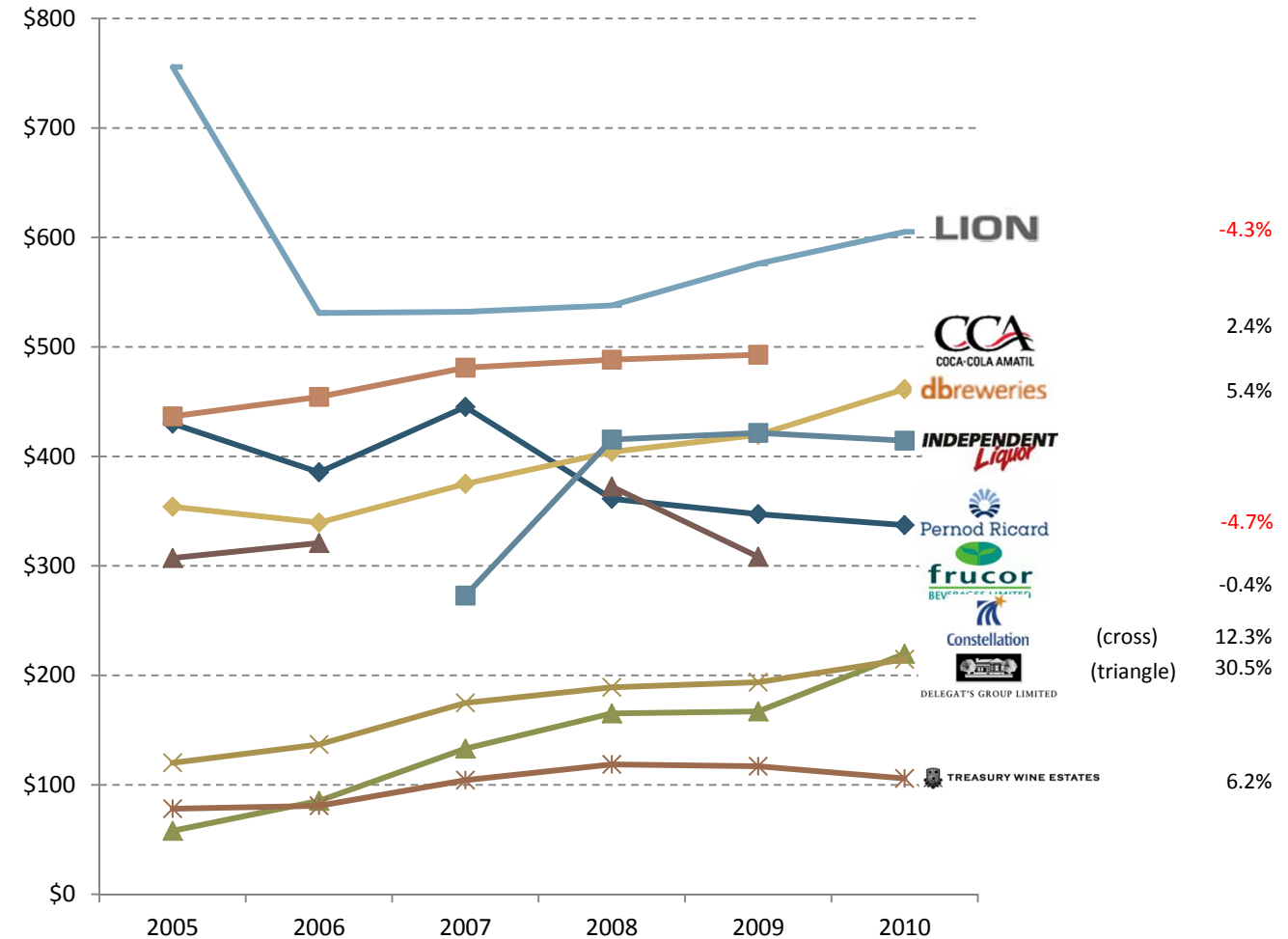
### Notes/Definitions

- Wine growing aggregated into fruit/horticulture
- Table reference MFG001AA

## BEVERAGE – TURNOVER OF KEY FIRMS

Companies are driving growth through both acquisition and organic growth

Turnover of select large beverage industry firms  
(NZ\$m; FY2005-2010 as available)



### Comments

- Question: Why is Pernod Ricard 's (Montana) revenue shrinking during a period of New Zealand wine industry growth? Will recent sale of some assets to Lion accelerate this process?
- Lions figures supplied by Lion (not taken from yearly annual reports as per the other companies)

### Notes/Definitions

- Consolidated group revenue for all companies
- CCA & Frucor CAGR = (04-09)

## BEVERAGE– KEY FIRMS

There are two key groups in non-alcoholic beverages – Coca-Cola Amatil and Suntory/Frucor








Key firms in the New Zealand beverage sector  
(2010 or as available)

	Turnover	% Export	Employees	Ownership	Year founded	Notes
	\$492.9m (2009)		1,100 (2010)	Australia; listed (ASX: CCL)	1939	www.coke.co.nz; ccamatil.com; www.cokecareers.co.nz CCA is licensed bottler by US brand owner
	\$380.4m (2009)		900	Japan; private (Suntory Holdings; 90% Kotobuki Realty; Torii family; others)	1965	www.frucor.co.nz; www.vrepublic.co.nz; www.suntory.com Originally NZ Apple & Pear marketing board; listed; acquired by PEP, then Danone, now Suntory Brands: V, Just Juice, H2GO, McCoy, Pepsi (licensed), Simply Squeezed, Mizone, Frank, others
	\$45m Enza Foods only (Ce; 2010)		85 (FT) + 200 seasonal (Ce)	New Zealand; listed (NZX: TUR)	1962	www.enzafoods.cco.nz; www.turnersandgrowers.com Parent company is Turners & Growers Ltd Concentrated apple juice, apple sauce
	\$31.6m (2010)	~40% (Ce)	80 (K)	Japan; listed (Asahi; TYO: 2502)	1999	www.charliesgroup.co.nz Increasing presence in AU market; winning distribution through Coles and WWX; (sales increased 95% in first half of 2011) Acquired by Asahi (Japan) August 2011
	\$17.1m (Ke)		60(K)	NZ; listed (NZX:JWI)	1987	www.justwater.co.nz In office water coolers

## BEER/OTHER ALCOHOL – KEY FIRMS

There are three large firms manufacturing beer and spirits in New Zealand







Key firms in the New Zealand other alcohol sector  
(2010 or as available)

	Turnover	% Export	Employees	Ownership	Year founded	Notes
	\$461.4m (2010)		500 (K)	Singapore; listed (Asia Pacific Breweries; SGX:A46)	1930	www.dbbreweries.co.nz; http://www.apb.com.sg www.heinekeninternational.com www.fraserandneave.com Asia Pacific is 42.5% owned by Heineken; 40% by F&N Previously NZ company, moved listing to Australia; acquired Brands: DB, Tui, Export, Monteith's, Heineken, others
	\$414.4m (2010)	60% (Ce)	300	Japan; listed (Asahi; TYO: 2502)	1987	www.independentliquor.co.nz; www.pep.com.au Originally winery; moved into RTDs & spirits Brands: Woodstock, Cruiser, Cody's, Canterbury Cream, others Acquired by PEP following death of founder (M. Erceg) Acquired by Asahi (Japan) August 2011
	\$605m (2010)		1400 (NZ) 1800 (Au)	Japan; listed (Kirin; TYO: 2503)	1968	www.lionco.com; lion-nathan.com.au; www.kirin.com; www.kirinholdings.co.jp Lion, Beer Spirits Wine (NZ) trading at Lion (as of Jul 2011) Previously NZ company, moved listing to Australia; acquired Brands: Steinlager, Speight's, Lion, Mac's, Waikato Draught, Canterbury Draught, others
	\$20.0m (Ke)	0%	70 (K)	NZ; private (Harrington family)	1991	www.harringtonsbreweries.co.nz Beer and RTD
	\$10.8m (2010)	65%	TBD	Bermuda; private (Bacardi family)	2000	www.42below.com; www.bacardi.com www.bacardilimited.com Formerly listed in NZ; acquired
	\$1.9m (2010) (Ke)	90%	25 (NZ) 20-25 (Int'l)	NZ; private (McKillen, Couillaut & others)	2007	www.vnccocktails.com VNC Cocktails Limited established by ex founder 42 Below
	\$1-5m (Ce)		10-50 (Ce)	29% Scott Family (of Allan Scott), rest is Business Bakery and Pioneer Capital Partners	2003	www.moabeer.com Largest NZ beer exporter to US (still very small) Super premium, boutique beer from Marlborough Investors include Geoff Ross (42 Below)

## WINE – KEY FIRMS

There are five large companies in New Zealand with sales over \$100m











Key firms in the New Zealand wine sector  
(2010 or as available)

	Turnover	% Export	Employees	Ownership	Year founded	Notes
	\$337.2m (2010)		750	France; listed (Euronext: RI)	[1797] 1936	www.pernod-ricard-nz.com; www.pernod-ricard.com Purchased Montana in 2005
	\$605m (2010)	1400 (NZ) 1800 (Au)		Japan; listed (Kirin; TYO: 2503)	1968	www.lionco.com; lion-nathan.com.au; www.kirin.com; www.kirinholdings.co.jp #2 wine player in NZ; brands include Lindauer, Saints, Corbans, Wither Hills etc. Recent acquisition of 12 Pernod Ricard brands Lion, Beer Spirits Wine (NZ) trading at Lion (as of Jul 2011)
 DELEGAT'S GROUP LIMITED	\$219.7m (2010)	88% (2008)	50(K)	New Zealand; publicly listed (NZX:DLG) (Delegat family 66%)	1947	www.delegatsgroup.co.nz; www.delegatwines.com Owns Oyster Bay Publicly listed 1991 Marlborough and Hawke's Bay vineyards 11% of total NZ wine exports
	\$214.6m (2010)		270 (K)	USA; listed (NYSE:STZ & STZ:B)	1943	www.cbrands.com Largest wine company in the world Owns Nobile, Kim Crawford, Drylands, Monkey Bay, Selaks
	\$141.3m (Ke)		250 (K)	New Zealand; private (Fistonich family)	1961	www.villamaria.co.nz Brands: Villa Maria, Esk Valley, Vidal Estate Marlborough, Hawke's Bay, Auckland vineyards
	\$105.8m (2010) \$46.8m (2010; AR; Fosters Matua only)		70	Australia; listed (ASX: TWE)	2011	<a href="http://www.fostersgroup.com">www.fostersgroup.com</a> ; www.treasurywineestates.com Brands AU include Beringer & Penfolds Recently (April 2011) demerged from Fosters Group Owns Matua; also distributors of international wines 2009 Fosters NZ Matua merged with Shingle Peak & Waikoukou Vineyards

## WINE – KEY FIRMS

There is also a strong group of mid-to-large size wineries

Key firms in the New Zealand wine sector  
(2010 or as available)

	Turnover	% Export	Employees	Ownership	Year founded	Notes
 <b>KIRIN</b> <i>Wither Hills</i> <small>MARLBOROUGH NEW ZEALAND</small>	\$52.7m (2010)		55 (K)	Japan; listed (Kirin/Lion Nathan)	1994	www.witherhills.co.nz; lion-nathan.com.au; www.kirin.com; www.kirinholdings.co.jp; Marlborough vineyards
 <b>Yealands</b> <small>ESTATE</small> <i>For the love of the land</i>	\$50m (2008; K)		34 (K)	New Zealand; private (Yealand family)	2002	www.yealands.com Environmentally conscious wines Marlborough winery
 <b>GIESEN</b>	\$40-50m (Ce)	95%	30 (K)	New Zealand; private (Giesen family)	1981	www.giesen.co.nz; Marlborough winery Exports primarily to Australia
 <b>SAINT CLAIR</b> <small>FAMILY ESTATE</small>	\$30-40m (Ce) \$3m (Ke)	66% (K)	17 (K)	New Zealand; private (Ibbotson family)	1978/ 1994	www.saintclair.co.nz Marlborough winery
 <b>MUD HOUSE</b> <small>WINES</small> <i>from New Zealand</i>	\$39.4m (2010)		30 (K)	New Zealand; public (unlisted)	2001	www.mudhouse.co.nz Marlborough, Central Otago, Waipara
 <b>LVMH</b> <small>MOËT HENNESSY, LOUIS VUITTON</small>  <b>CLOUDY BAY</b>	\$37.3m (2009)		50 (K)	France; listed (Euronext:MC)	1985	www.cloudybay.co.nz Purchased Cloudy Bay 1990 Marlborough-based vineyards
 <b>SACRED HILL</b>	\$36.0m (2010)	50%	36 (K)	New Zealand; private (Mason family 63%; Jebsen & Co (China) 29%)	1985	www.sacredhill.com Hawke's Bay winery
 <b>CRAGGY RANGE</b>	\$30.8m (2009)		120 (K)	Australia; private (Peabody family)	1998	www.craggyrange.com Vineyards in Marlborough, Martinborough, Hawke's Bay, Central Otago
 <b>MOUNT RILEY</b> <small>MARLBOROUGH WINEMAKERS</small>	\$20-30m (Ce)	70% (NZTE)	20 (K)	New Zealand; private (Buchanan family)	1992	www.mountriley.co.nz Marlborough winery



## WINE – KEY FIRMS

... continued

Key firms in the New Zealand wine sector  
(2010 or as available)

There are likely additional firms \$10-15m+ that can not be identified from the available data

	Turnover	% Export	Employees	Ownership	Year founded	Notes
 	\$22.0m (2009)	70%	15 (K)	USA; private (Foley Family Wines/Foley family)	1989	www.vavasour.com; www.cliffordbay.co.nz www.foleyfamilywines.com Brands: Clifford Bay, Vavasour Marlborough winery 70% of grapes are from contract growers
	\$15-25m (Ce)		25 (K)	New Zealand; private (Scott family)	1993	www.allanscott.com Marlborough-based winery
	\$17.1m (Ke)		60	New Zealand; private (Darby family; others)	1999	www.amisfield.co.nz Central Otago winery 60 ha of vineyards
	\$14.3m (Ke)		50 (K)	New Zealand; private (Preston family)	1989	Also a restaurant; Hawke's Bay vineyards www.millsreef.co.nz
	\$14.3m (Ke)		50 (K)	New Zealand; private (Soljan family)	1937	www.soljans.co.nz Auckland region based winery
	\$9m (Ke)	57%	30 (K)	New Zealand; private (Babich family)	1916/ 1959	www.babichwines.co.nz Vineyards in Auckland, Hawke's Bay, Marlborough

## BEVERAGE – KEY FIRMS - WHOLESALERS

There are a range of larger importer/wholesalers in beverages

Key firms in the New Zealand wholesale sector  
(2010 or as available)

	Turnover	% Export	Employees	Ownership	Year founded	Notes
	\$163.9m (2010)		150 (K)	Australia; listed (Metcash; ASX:MTS)		www.tasmanliquor.co.nz; www.metcash.com Importer/distributor/wholesaler of wine, spirits, beer
	\$77.1m (2001; K)		100 (K)	New Zealand; private (Jakicevich family)	1859	www.hancocks.co.nz Importer/distributor/wholesaler of wine, spirits, beer Also retail stores Parent is The Booze Borthers
	\$102.4m (2009)		60 (K)	USA; listed (NYSE: FO)	1999	www.jimbeam.co.nz; www.beamglobal.co.nz; www.fortunebrands.com Importer/distributor/wholesaler of wine, spirits, beer
	\$30.3m (2010)		50	Austria; private (Mateschlit; Yoovidhya)	[1984] 2001	www.redbull.co.nz; www.redbull.com Parent company Red Bull (Austria) Importer/distributor/wholesaler of soft drinks
	\$44.5m (2010)		20 (K)	Australia; private (Smith family)	1985	www.negotiantsnz.com; www.negotiantsaustralia.com Wine, spirits and beverages distributor

## BEVERAGES – WINE TRANSACTIONS

There has been a constant stream of transactions in the New Zealand wine industry, particular foreign investment in NZ wines...

### Recent major wine industry transactions (2005-2011)

Date	Acquirer	Target	Price	Details
2011	Starborough Farming Co	Clansman's Marlborough	\$2.02m	30 ha vineyard sold in Awatere Valley
2011	Foley Family Wines (USA)	Te Kairanga Wines	\$11m	127 ha freehold land in Wairarapa, including 6.6 ha of McLeod Vineyard
2011	Foster's (Australia) and Babich Wines	Rapaura Vintners	N/A	Based in Marlborough – make wines for Babich and Matua and contract winemaking Was 1/3 owned by Goldwater Estate, Foster's and Babich, now 50:50 Foster's and Babich
2011	Foley Family Wines (USA)	34% of Te Kairanga Wines	~NZ\$1-2m	Te Karainga Wines has been in financial troubles; 70,000 cases produced per year
2010	Lion Nathan (Australia/Japan) Indevin	12 Pernod Ricard brands from NZ	NZ\$88m	Sale includes Lindauer, Corbans, Saints and other sparkling wine/still wines from Hawkes Bay and Gisborne region, Pernod Ricard retains significant NZ investment elsewhere Partner Indevin will take ownership of the Gisborne Winery, some vineyards in the Gisborne region
Oct 2010	Delegat's	Remainder of Oyster Bay	TBD	takeover bid for grape grower Oyster Bay, of which it already owned 54.9%
2010	Delegat's	Gravitas	N/A	Gravitas was founded 1993 and recently placed in receivership sale
2010	Foley Family Wines/ Vintage Wines & Spirits	Eurowine	N/A	Eurowine taken over as a JV; renamed Eurovintage; company distributes many top NZ wines to restaurants; Vintage Wines & Spirits distributes to supermarkets
2009	Foley Family Wines (USA)	New Zealand Wine Fund	N/A	New Zealand Wine fund includes Vavasour, Goldwater, Clifford Bay; deal includes 100 hectares of mostly sauvignon blanc, brands produce 280,000 cases per year
2009	Saint James Company (USA)	Waimea Estate	NZ\$9m	Saint James is involved in several wineries in Australia and California; previously involved in waste disposal and known as Radiation Disposal Systems; unsuccessfully bid for Lawson's Dry Hills in 2009
2006	Waipara Hills	Canterbury House	N/A	One Canterbury winery acquires another
2006	New Zealand Wine Fund	Goldwater Estate	NZ\$10m	Production in Waiheke and Marlborough
2006	Mud House Wines	Waipara Winery	N/A	Winery has crush capacity of 1,200 tonnes
2005	Pernod Ricard (France)	Allied Domecq (France)	NZ\$814m	Montana Wines passed on to another French company
2005	Ager Sectus	The Crossings	NZ\$21.4m	Winery and vineyard including 225.2ha
2005	Delegat's	25.98% of Oyster Bay	N/A	Already controlled 32.58% of company taking to 50.1% 400,000 cases (05)
2005	Villa Maria Estate	Thornbury Wine	N/A	3 vineyards in Marlborough; 11 contract growers 560t; 46,000 cases

## BEVERAGES – WINE TRANSACTIONS

...continued

### Recent major wine industry transactions (1998-2003)

Date	Acquirer	Target	Price	Details
2004	Pernod Ricard (France)	Framingham Wines	NZ\$6.67m	Established 1991; 10.7ha freehold land; 5.94ha leasehold land; includes Tylers Stream brand 270,000l; 30,000 cases
2003	Constellation Brands (USA)	BRL Hardy (Australia)	Au\$1.9b	Part of a series of acquisitions worldwide
2003	Vincor (Canada)	Kim Crawford	NZ\$14.8	Part of a series of acquisitions worldwide; Vincor encountered financial troubles and was bought by Constellation Brands (USA) for US\$1.09 billion in 2006
2003	LVMH (France)	Cloudy Bay	N/A	LVMH has invested in wineries in Argentina, California, Australia and a distillery in China
2002	Aster Family	De Redcliffe Winery	N/A	Aster family of Oregon purchases De Redcliffe and Firstland brand as well as Hotel du Vin luxury hotel; 40,000 cases
2002	Rangitira	25% of Te Kairanga	N/A	Rangitira (JR Mckenzie Trust) acquires 25% share of Te Kairanga Wines
2002	Lion Nathan (Australia/Japan)	Wither Hill Wines	NZ\$52m	From founder John and Brent Maris
2002	Foster's (Australia)	Ponder Estate Wines	NZ\$11.1m	Winery purchased to provide fruit for Matua Valley wines
2002	Foster's (Australia)	Hawkesbridge	NZ\$3.5m	House/cellar door; brand; plant & equipment 10,000 cases (02)
2002	Rangitira	Te Kairanga	N/A	Rangitira (JR Mckenzie Trust) acquires 25% share of Te Kairanga Wines
2001	Sacred Hill	Cairnbrae Wines	N/A	Allows company access to Marlborough grapes
2001	Allied Domecq	Montana Wines	N/A	Allied purchases Montana Wines the largest wine company in New Zealand
2001	Jebsen & Co (China)	30% of Sacred Hill Winery Ltd	\$3m	Jebsen & Co is a diversified company importing products into China
2001-04	Foster's (Australia)	Matua Valley Wines	~NZ\$25m	Large Australian investment in NZ wine industry
2000	Montana Wines	Corbans Wines	NZ\$151m	Montana buys Corbans, then a subsidiary of DB Breweries; including 623ha in Gisborne/Hawkes Bay, 130ha Marlborough and 87ha leasehold in Marlborough; was NZ's 3 <sup>rd</sup> largest winery
2000	BRL Hardy (Australia)	Nobilo Wine Group	~NZ\$50m	Acquires remaining 75.32% shareholding; 167ha including 142ha in Marlborough
1998	Nobilo Vintners	Selaks Wines	N/A	Selaks produced 100,000 cases

## BEVERAGES – NON-WINE ALCOHOL TRANSACTIONS

There have been limited transactions recently in beer and spirits

Recent major non-wine alcohol industry transactions  
(1993-2011)

Date	Acquirer	Target	Price	Details
Aug 2011	Asahi (Japan)	Independent Liquor	NZ\$1.5b	Major Japanese brewer acquires #3 player in beverages in New Zealand
2010	Warren Couillault	Former Pinto (beverages) factory	N/A	Warren Couillault invests in VnC - current supply of 200,000 cases Purchased the former Pinto (beverage) factory to secure bottling facility
2009	Kirin (Jp)	Lion	N/A	Kirin (Japans #1 beer company) acquires the remaining 54% share of Lion
2008	Foodstuffs (NZ)	Liquorland (DB Breweries)	N/A	DB Breweries sold Liquorland to Foodstuffs
2006	Bacardi	42 Below	NZ\$138m	Bacardi global spirits player purchased NZ owned 42 Below
2006	Pacific Equity Partners (Australia)	Independent Liquors (NZ)	NZ\$1.25b	Independent Liquors is #1 (NZ) and #2 (Australia) premixed drink manufacturer
2004	Asia Pacific Breweries (JV between Heineken (Dutch) and Fraser & Neave (Singapore))	DB Breweries	N/A	APB completed purchase of DB Breweries, DB Breweries de-listed in NZ
2002	Tasman Liquor Company	Allied Liquor	N/A	Tasman Liquor Company, a subsidiary of Metcash (Australia), bought Allied Liquor to increase turnover
1998	Kirin (Japan)	46% of Lion Nathan		Kirin Japan (Japan #1 beer company); acquires 45% (later 46%) of Lion Nathan
1993	Asia Pacific Breweries (JV Heineken and Fraser & Neave(Singapore))	50% of DB Breweries	N/A	Part of regional consolidations

## BEVERAGES – NON-ALCOHOLIC TRANSACTIONS

There has been a range of transactions in the non-alcoholic sector

Recent major non-alcoholic beverage industry transactions  
(2002-2011)

Date	Acquirer	Target	Price	Details
Aug 2011	Asahi (Japan)	Charlie's Beverages	NZ\$129.3m	Major Japanese brewer acquires NZX listed juice firm with \$31.6m turnover for \$129m
2009	Frucor	Simply Squeezed from Crescent Capital Partners (AU; PE)	N/A	Frucor purchases Simply Squeezed fresh juice (orange) company, adds Simply Squeezed, Supreme, Allganics and Bay Harvest brands to its stable
2009	Suntory (Japan)	Frucor from Danone (France)	NZ\$1.3 b	Frucor sold by Groupe Danone to Japanese international beverage company Suntory
2007	Frucor	Arano	N/A	Frucor purchases Arano fresh juice (orange) company
2006	Charlie's	Phoenix Organics	NZ\$10m	Charlies purchased Phoenix Organics and moved to plant in West Auckland
2006	Crescent Capital Partners (AU Private Equity)	Simply Squeezed	N/A	Purchased 60% of SS from Brownlie (based in the Hawkes Bay)
2006	Just Water International (NZ)	Clearwater International	NZ\$14.7	Clearwater is a water dispenser company, purchase was move to expand into Australia Australian company is proving to be massively unprofitable
Apr 2004	Just Water	Aqua-Cool	N/A	Water delivery business
July 2002	Coca-Cola Amatil	Rio Beverages from Thexton Family Trust and Cerebos Gregg's	NZ\$40m	include Rio Gold, Keri and Thexton fruit juice drinks; also makes e2 lifestyle beverage, Ikon energy drinks and Kiwi Blue mineral water; 220 employees; \$100m sales; 2 bottling plants (AKL & CHC)
2002	Danone	Frucor	N/A	French based Danone purchases Frucor juice and beverage company

## BEVERAGES – ACTIVITY

Other alcoholic industries have had limited activity in NZ

Recent major beverage industry activity  
(2006-2010)

Date	Company	Activity	Cost	Details
<b>Non-alcoholic</b>				
2011	Coca Cola Amatil	New bottling plant in Christchurch	\$15m	Coca-Cola Amatil is to build a NZ\$15m bottle manufacturing and filling facility at its Woolston site in Christchurch, New Zealand
2010	Charlie's	Overseas expansion		Expanding into Australia, selling juice at Coles and Woolworths Trialling juice at 60 ParknShop supermarkets in Hong Kong Exports to 14 countries
2009	Coca Cola Amatil	New automated plant in Auckland	\$90m	In 2008 CCA Announced investment of NZ\$80m in automated distribution centre in Auckland
2008	Charlie's	Built juice factory in South Australia	Au\$2m	Limited supply of citrus in NZ and exports to Australia meant investment in Australian plant
<b>Beer/spirits</b>				
2011	Monteith's	Brewery makeoever	\$4m	\$4m redevelopment of Greymouth facility to increase tourism to area
2010	Lion	New brewery	\$250m	New manufacturing and warehousing facility in East Tamaki, Auckland. Central location for brewing and distributing beer and Contract Bottling; floor space of 23,000 sq m and storage capacity for 26,000 pallets Fully automated bottling plant
<b>Wine</b>				
2006	Giesen Wines	Winery upgrade, new bottling plant	\$3.5m	Established new bottling and packaging plant in Chch, expanded capacity in Marlborough vineyard

## BEVERAGES – THEMES (NON-WINE)

There has been a recent growth in microbreweries and craft beer and growing foreign investment in the non-wine beverages sector

Identified firm level activity or investment themes  
(2010)

Theme	Details	Examples
Growth		
Growth of microbreweries	Microbreweries are increasing in number	- Three Boys Brewery, Dux de Lux, Moa Brewing Company, Harringtons, Green Man, Epic Beer, Green Fern, Peak Brewery, Tuatara Brewery
Foreign Investment		
Asian companies buying NZ breweries and distillers	Foreign investment in NZ alcohol to increase presence, not for exporting. No signs of beer production moving overseas	- APB purchasing DB Breweries - Kirin Investing in Lion Nathan - Asahi buying Independent Liquor & Charlie's
Supply chain		
Vertical integration	Investing downstream	- VnC purchased the Pinto (beverage) former factory to secure bottling facility, with expected growth, important to secure the supply chain (previously been contract bottling)

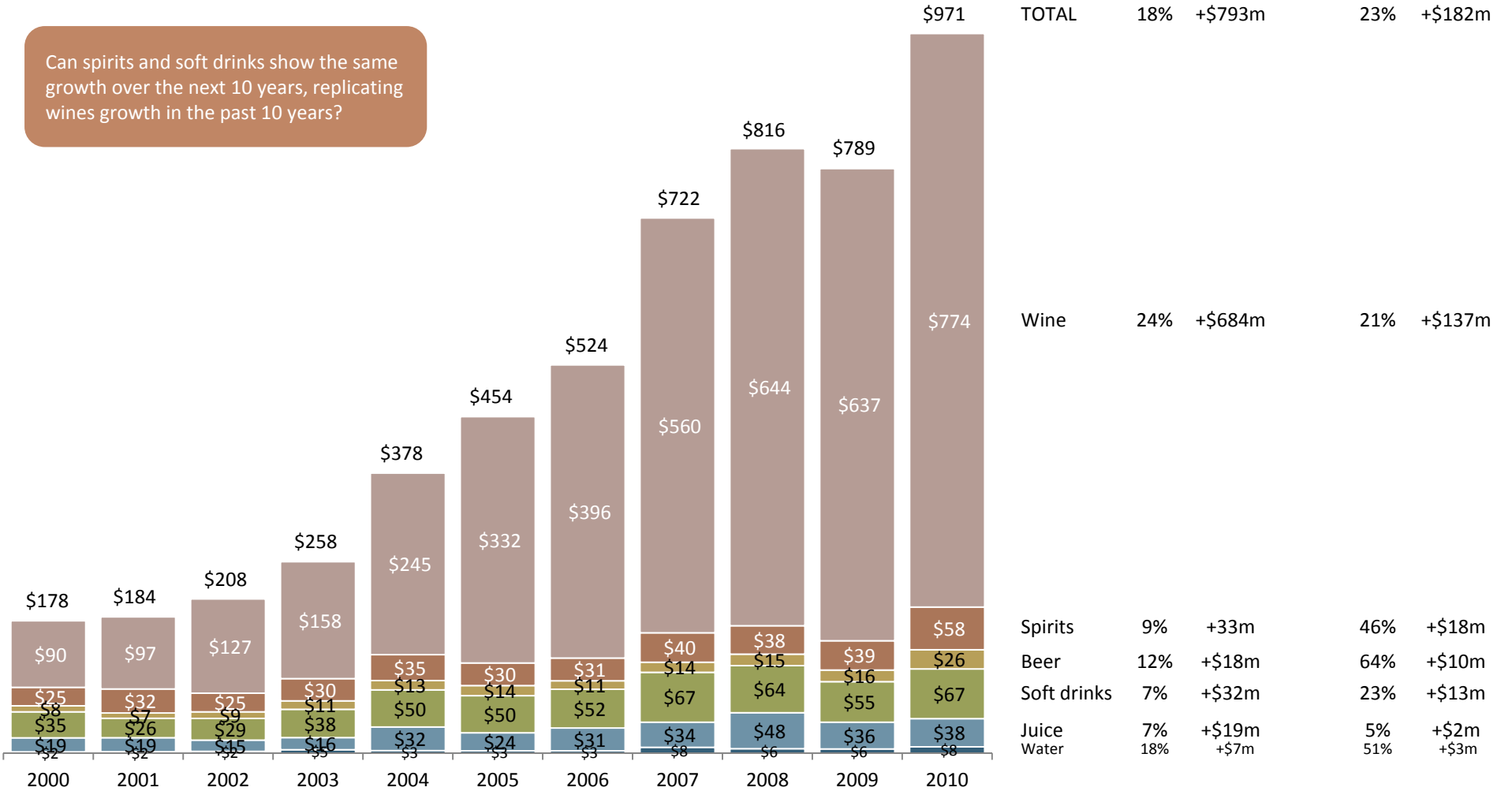


# BEVERAGES – EXPORTS BY TYPE

New Zealand beverage exports have shown strong growth driven by wine

New Zealand beverage export by form  
(US\$m; 2000-2010)

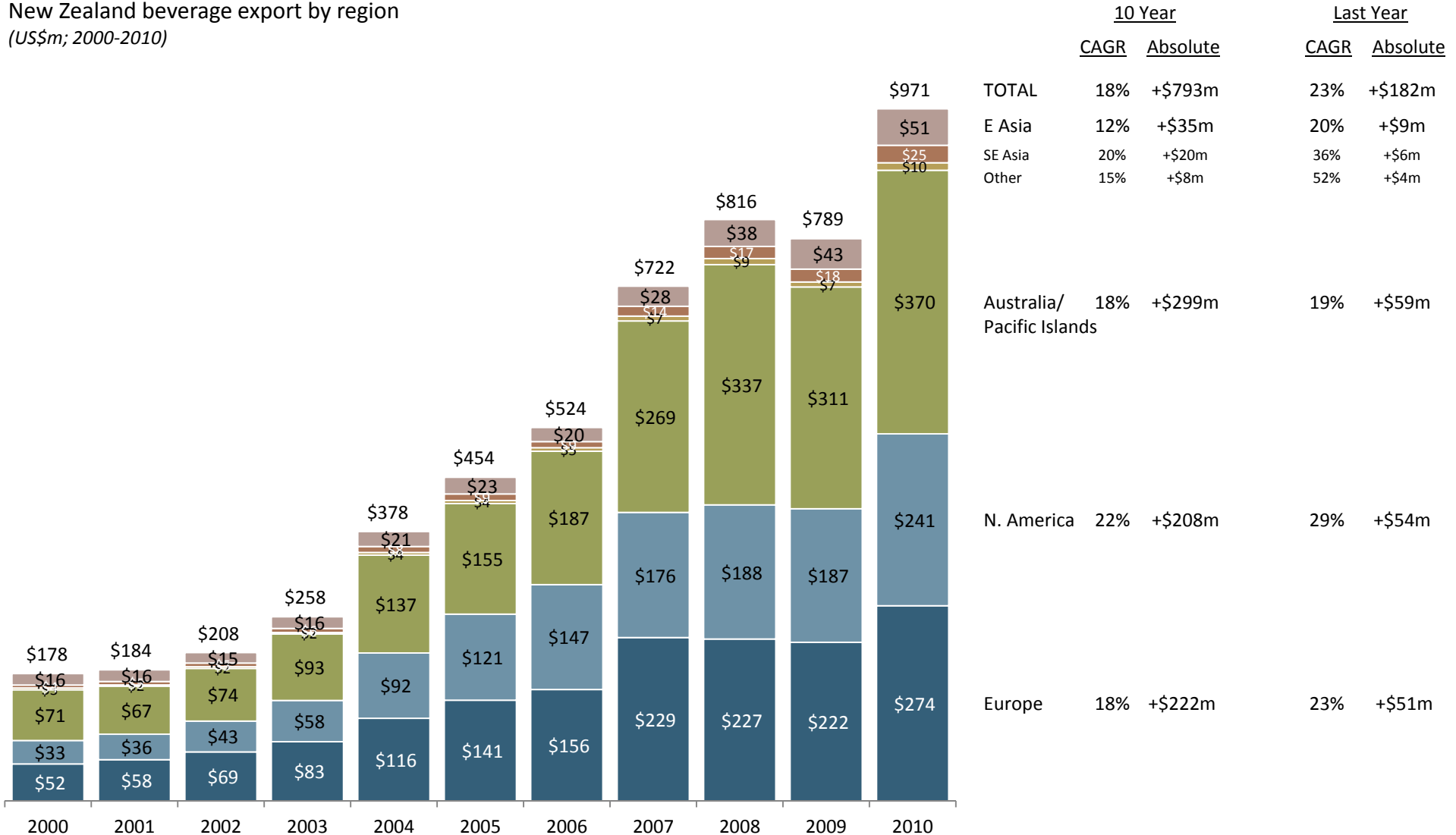
Can spirits and soft drinks show the same growth over the next 10 years, replicating wines growth in the past 10 years?



## BEVERAGES – EXPORTS BY REGION

New Zealand beverage exports have achieved strong growth to the developed world

New Zealand beverage export by region  
(US\$m; 2000-2010)





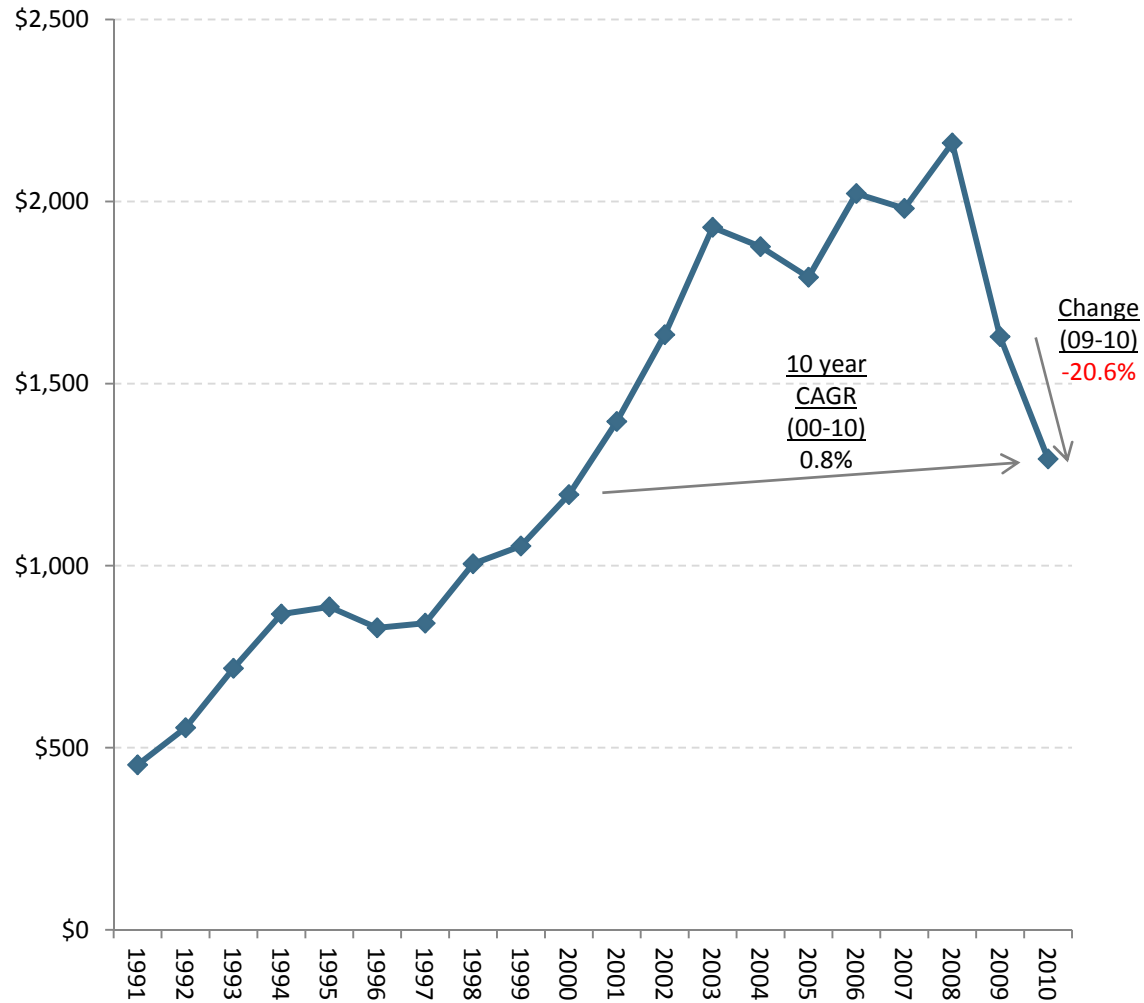
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## WINE – METRICS

Grape prices have fallen sharply over the past two years

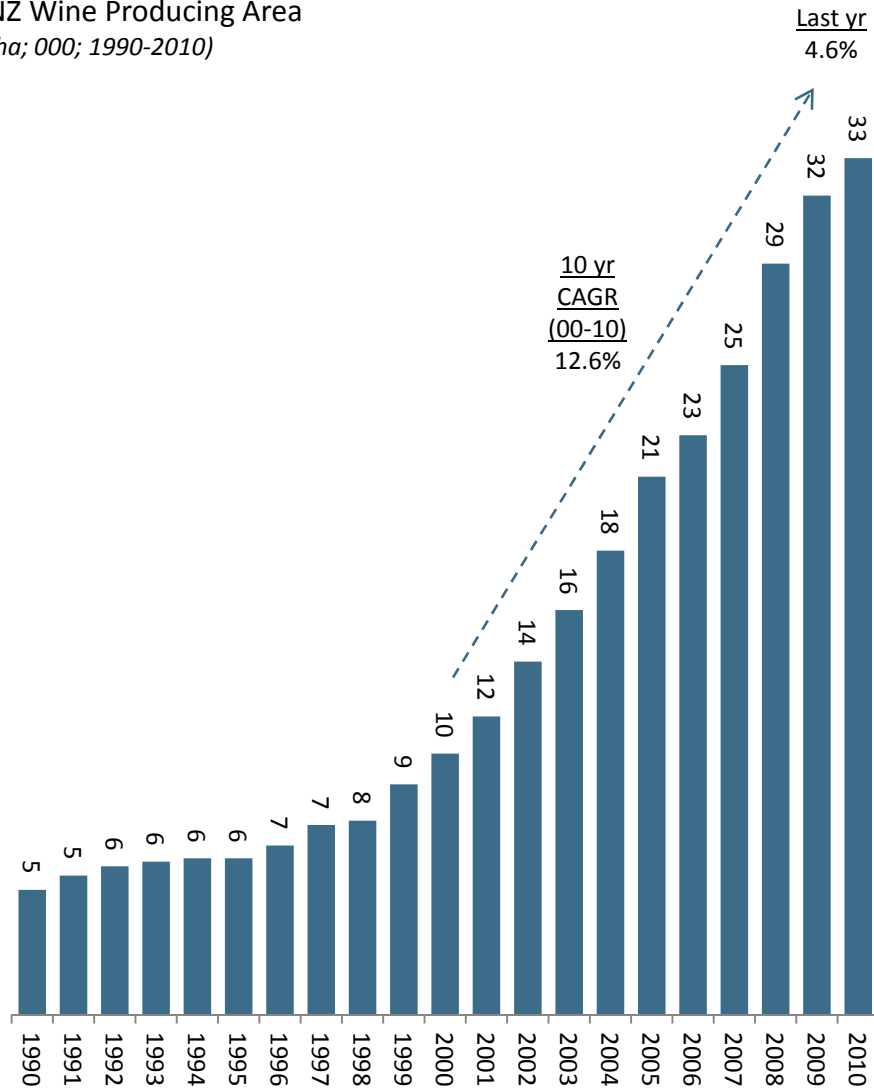
NZ Average Grape Price  
(NZ\$/tonne; 1991-2010)



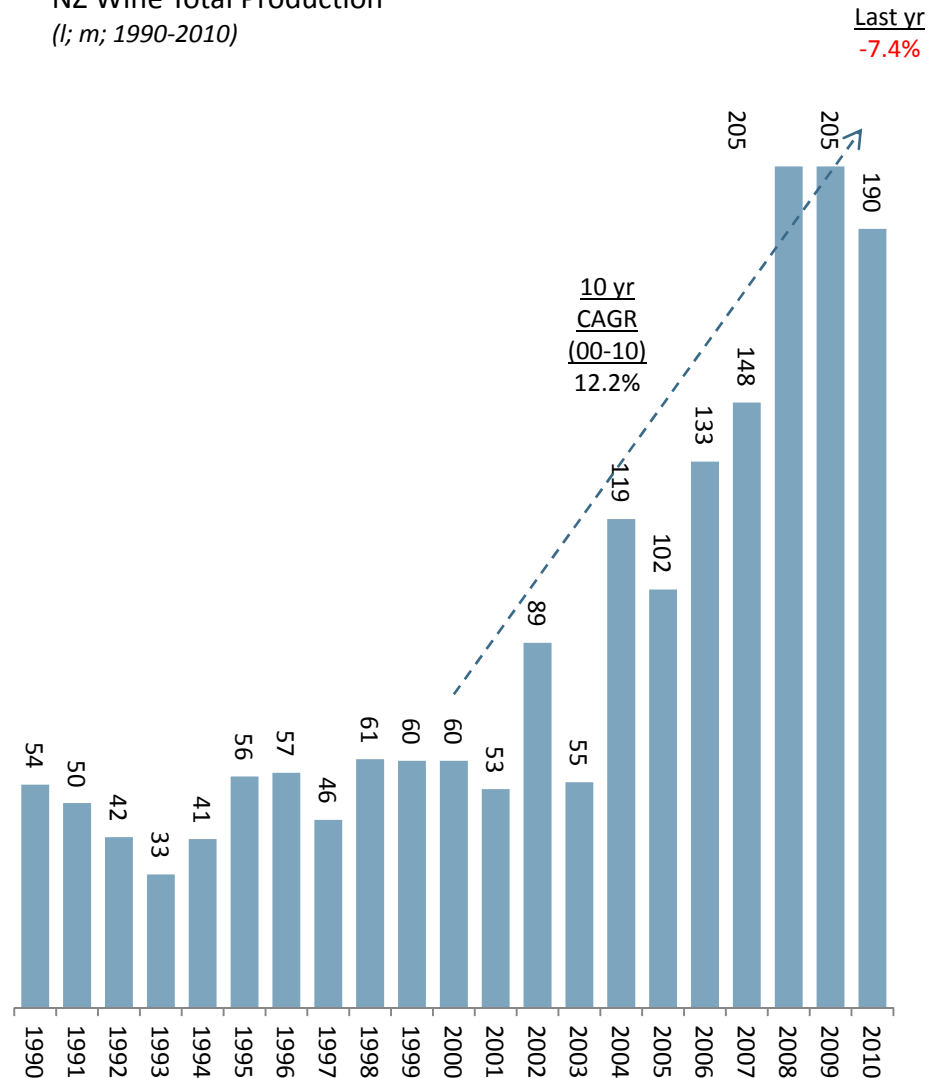
## WINE – METRICS

After a strong period of rapid growth, New Zealand wine area increases have slowed and production has been cut (in part to improve quality)

NZ Wine Producing Area  
(ha; 000; 1990-2010)



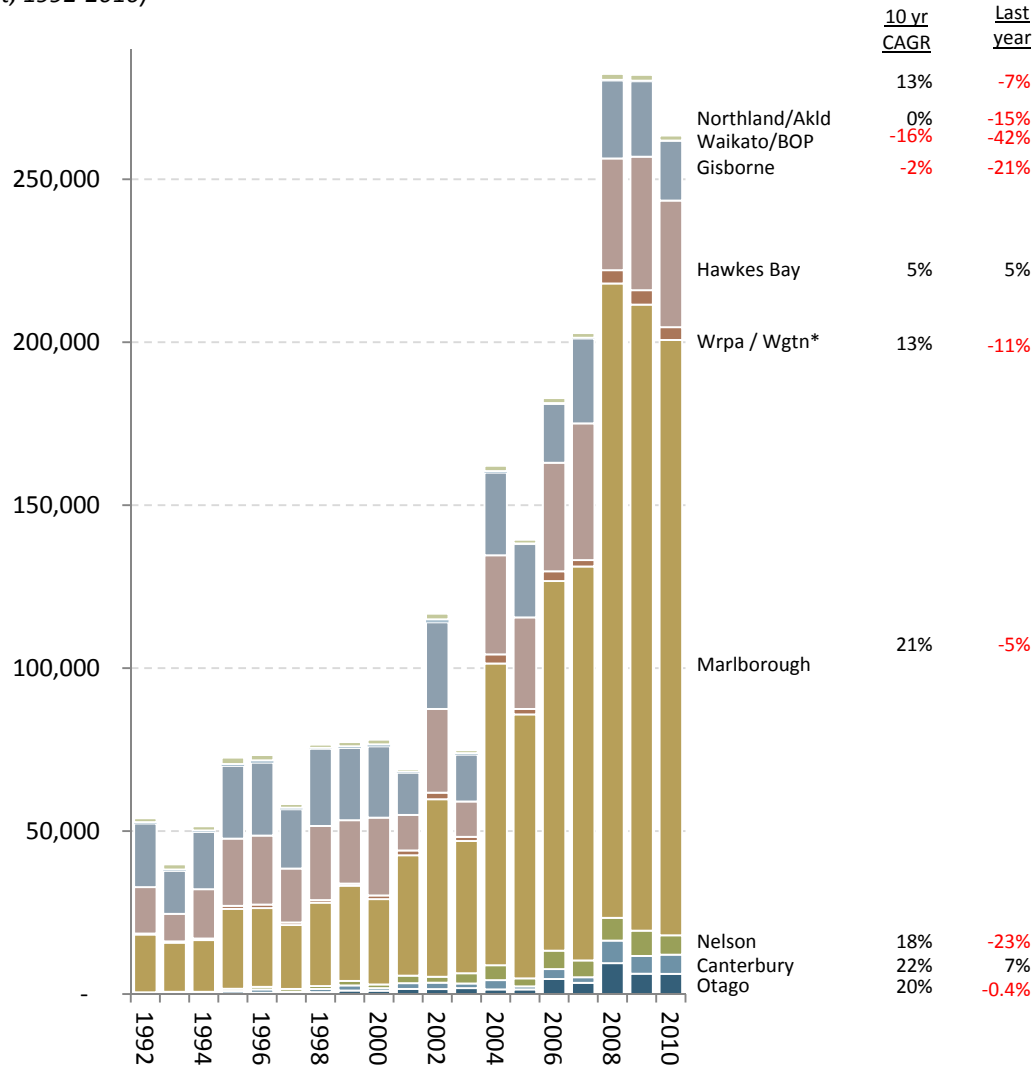
NZ Wine Total Production  
(l; m; 1990-2010)



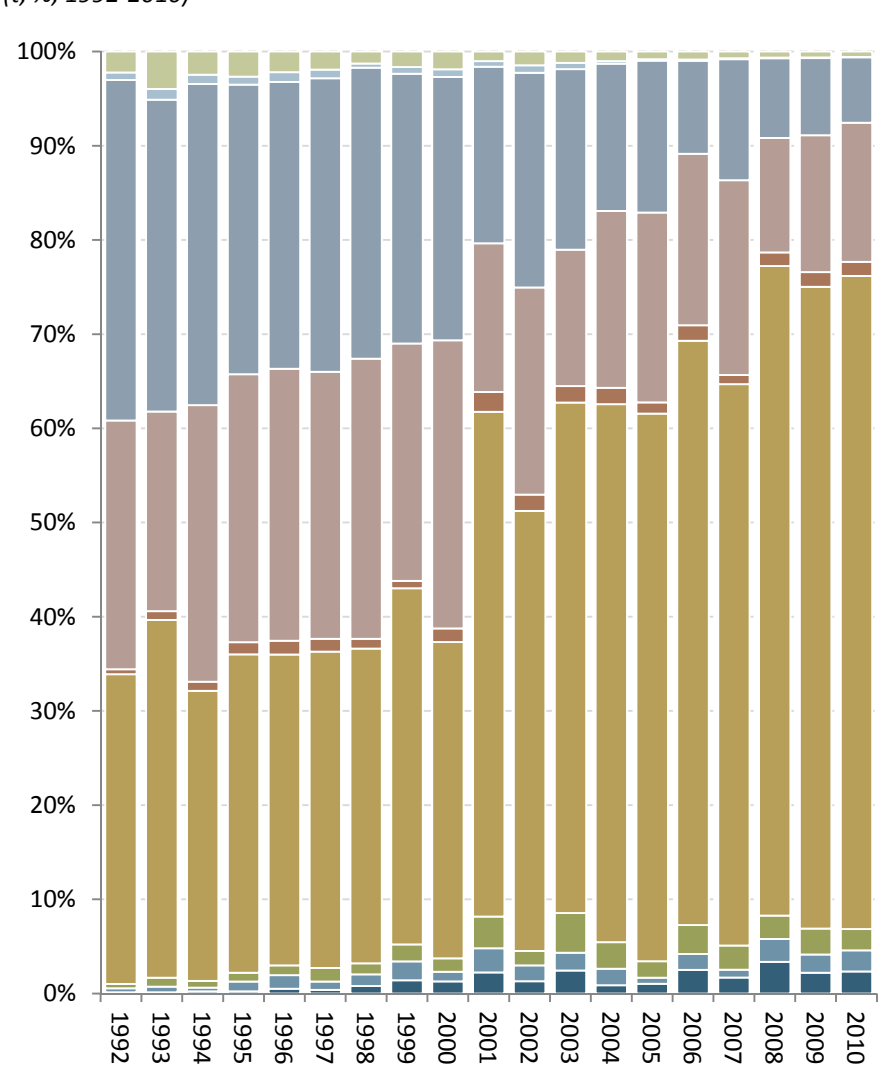
# WINE – PRODUCTION BY REGION

Close to 70% of grapes crushed are in Marlborough and the region has grown its share over the past decade

New Zealand grape crush by region  
(t; 1992-2010)



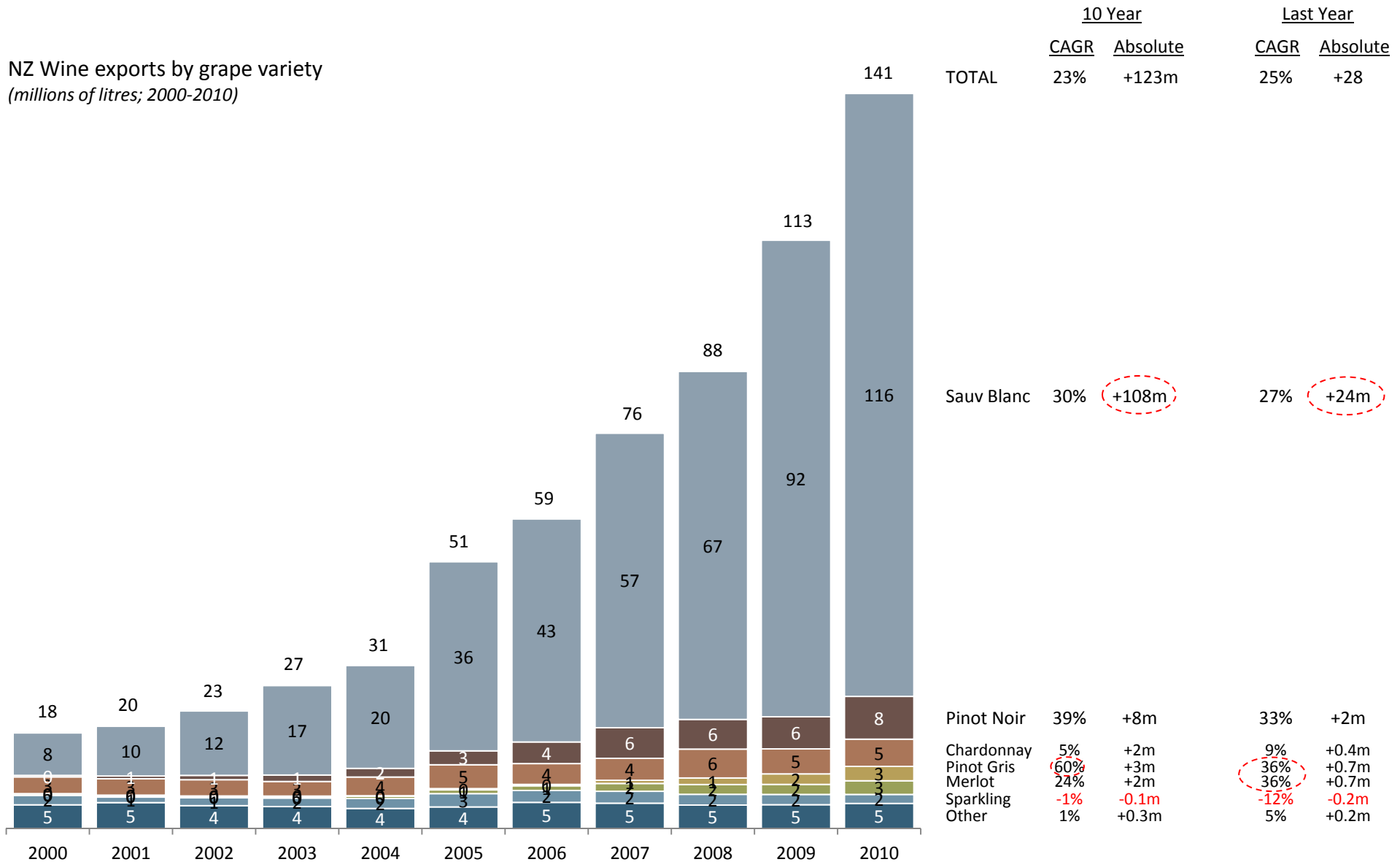
Share of grapes crushed by region  
(t; %; 1992-2010)



# WINE – NZ WINE EXPORTS BY VARIETY

Close to 90% of the growth in New Zealand wine exports comes from Sauvignon Blanc

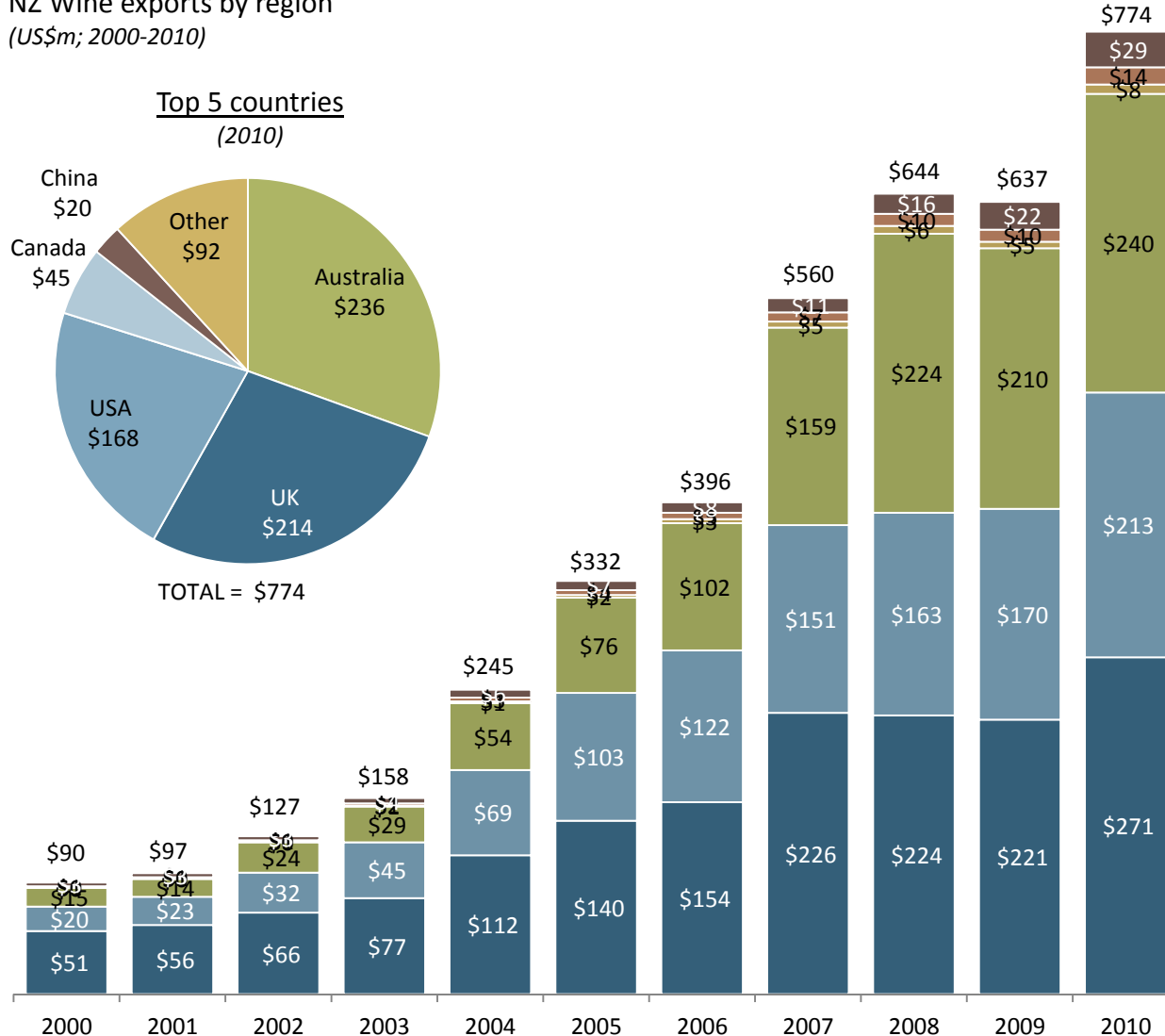
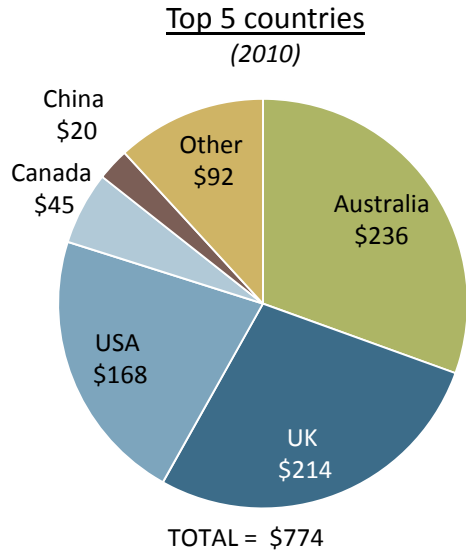
NZ Wine exports by grape variety  
(millions of litres; 2000-2010)



# WINE – NZ WINE EXPORTS BY REGION

New Zealand wine exports have been showing strong value growth across all regions; Australia, the UK and the USA are our top markets

NZ Wine exports by region  
(US\$m; 2000-2010)



	10 Year		Last Year	
	CAGR	Absolute	CAGR	Absolute
TOTAL	24%	+\$684m	23%	+\$50
E Asia	26%	+\$26m	28%	+\$6m
SE Asia	28%	+\$13m	42%	+\$4m
Other	42%	+\$7m	46%	+\$2m

Australia/Pacific Islands 32% +\$225m 15% +\$31m

N.America 27% +\$193m 26% +\$43m

Europe 18% +\$220m 23% +\$50m

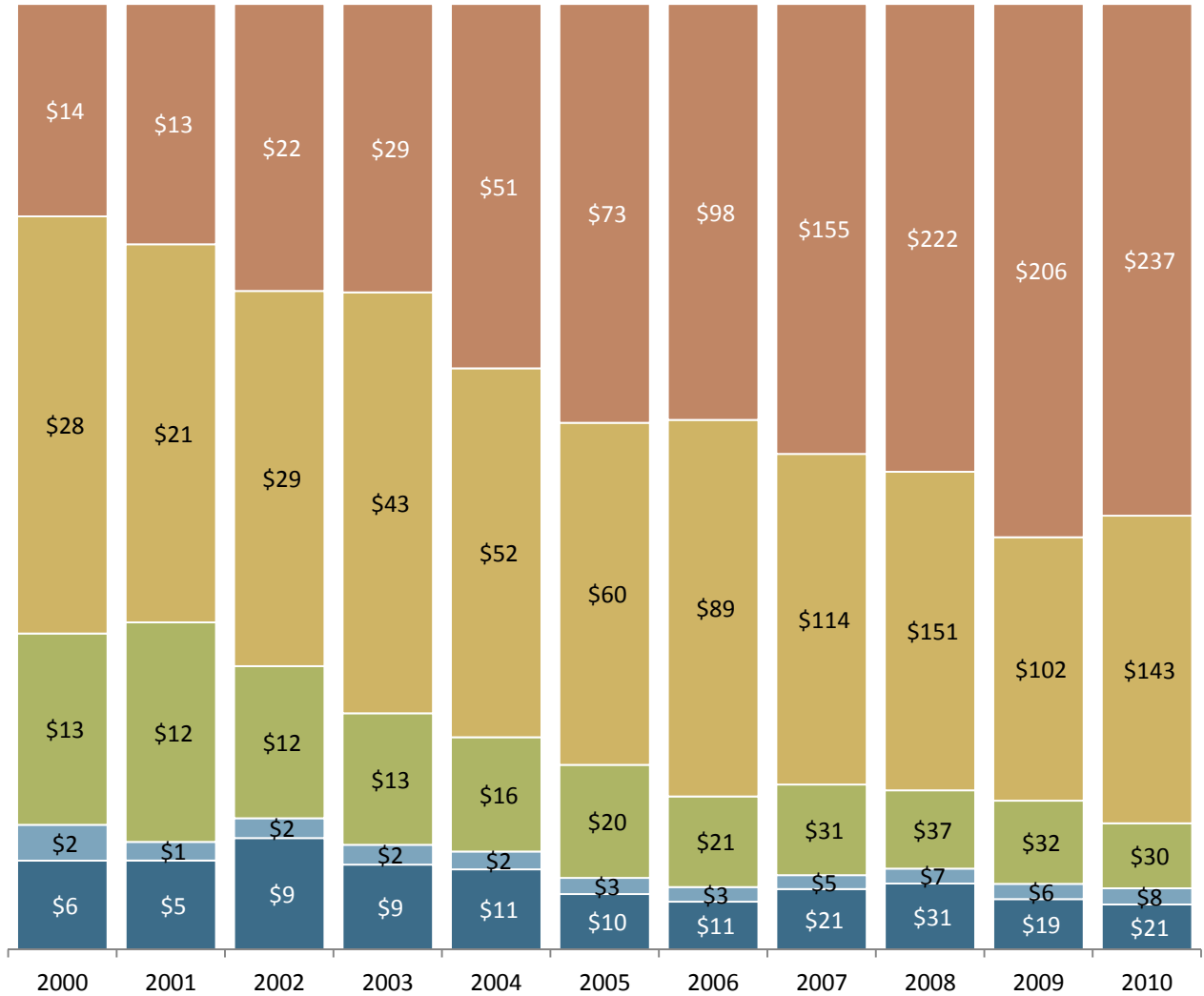




# WINE – AUSTRALIA IMPORTS BY COUNTRY

NZ is taking market share from France and Italy in the Australian wine market

Australian Wine imports by country  
(US\$m; 2000-2010)

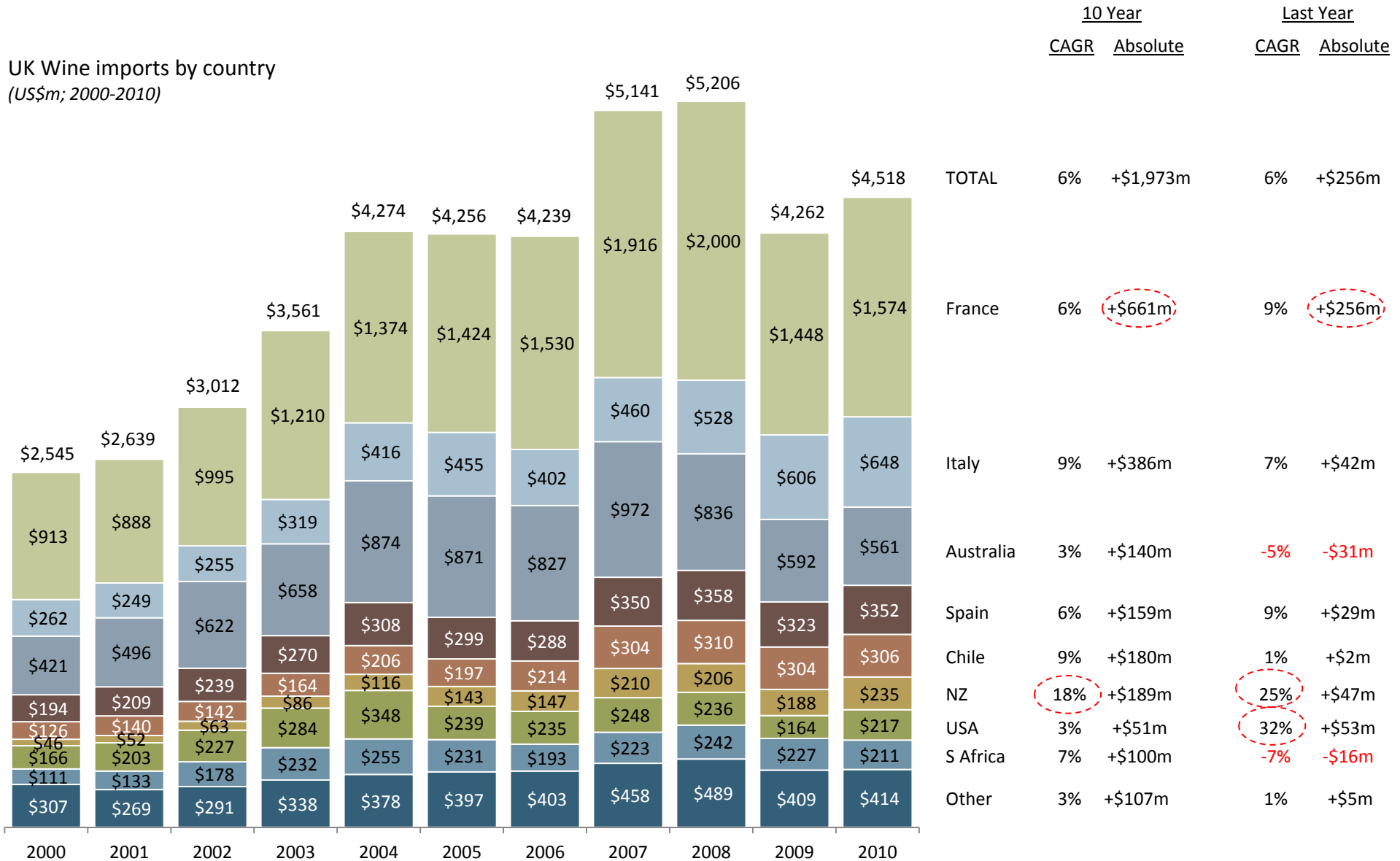


	10 Year		Last Year	
	CAGR	Absolute	CAGR	Absolute
TOTAL	21%	+\$375m	20%	+\$74m
NZ	32%	+\$223m	15%	+\$32m
France	18%	+\$115m	40%	+\$41m
Italy	9%	+\$17m	-6%	-\$2m
Spain	12%	+\$5m	29%	+\$2m
Other	13%	+\$15m	7%	+\$1m

# WINE – UK IMPORTS BY COUNTRY

The UK is NZ's second largest market, NZ is the number 6 country, but a fast growing player

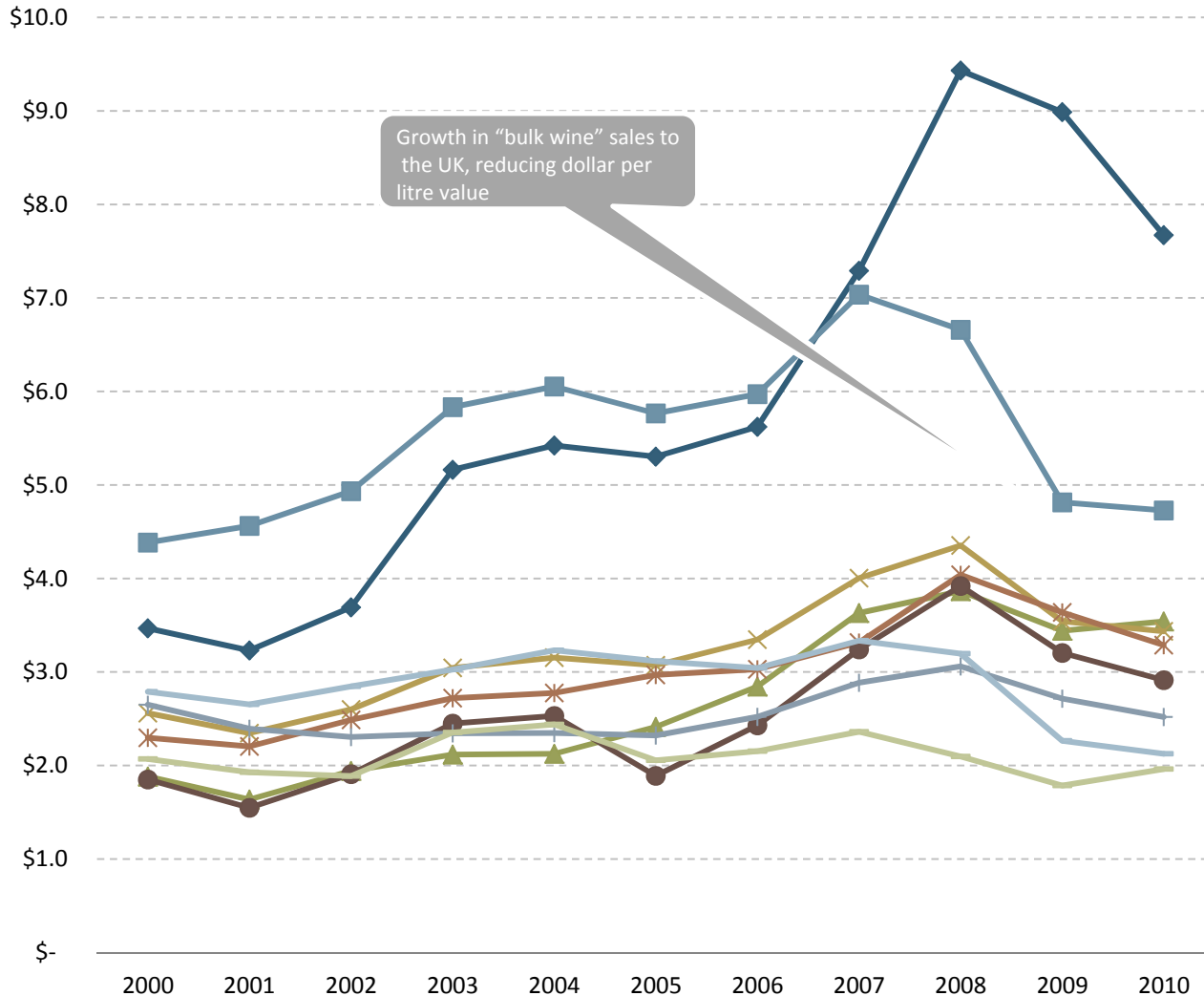
UK Wine imports by country  
(US\$m; 2000-2010)



# WINE – UK IMPORTS VALUE BY COUNTRY

NZ has the second highest price for its wine in the UK market

UK Wine imports by \$/l by country  
(US\$/litre; 2000-2010)

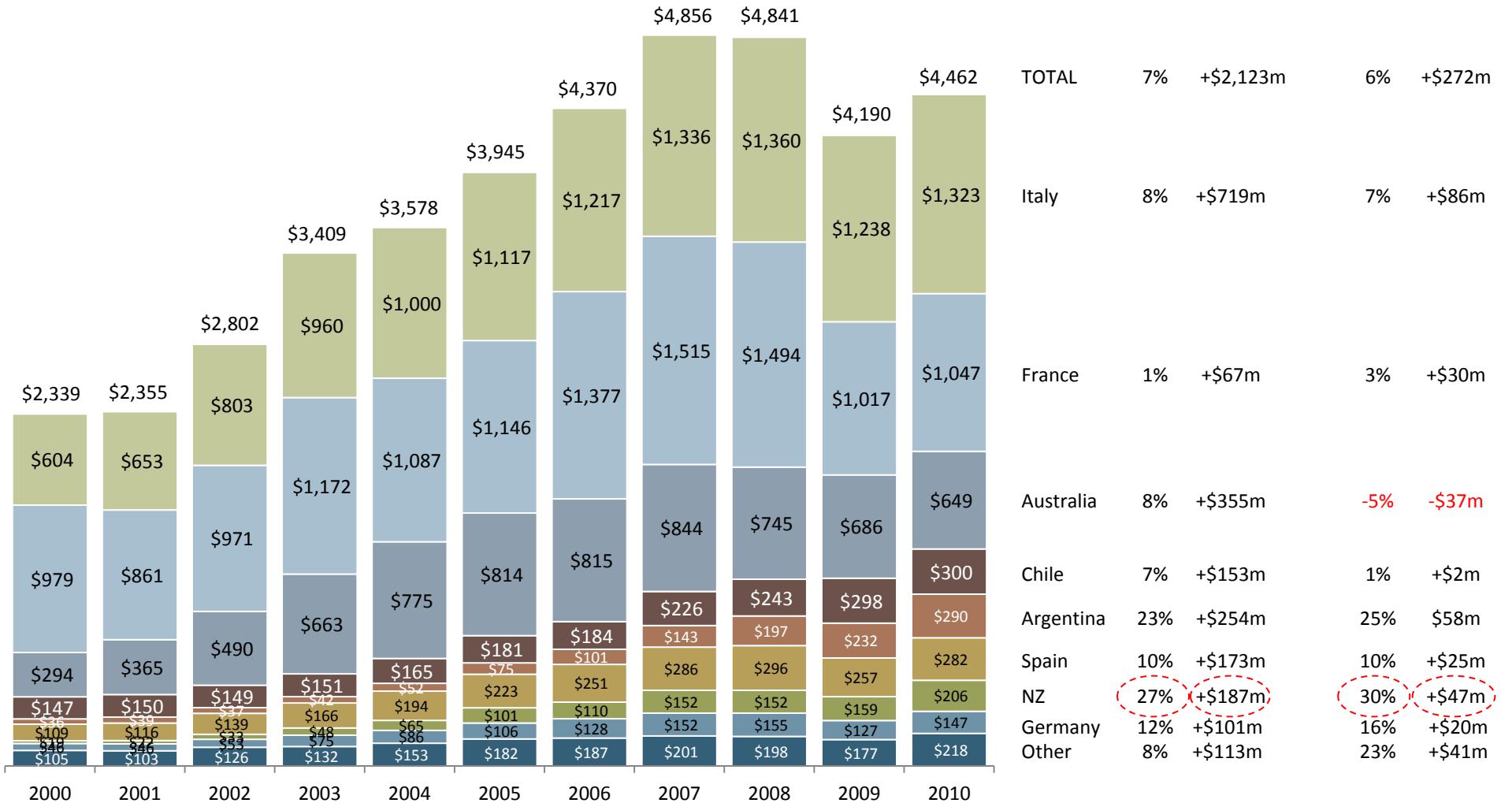


	10 Year		Last Year	
	CAGR	Absolute	CAGR	Absolute
TOTAL	3%	+\$0.88	-3%	-\$0.11
France	8%	+\$4.20	-15%	-\$1.32
NZ	1%	\$0.34	-2%	+\$0.09
Other	7%	+\$1.66	3%	+\$0.10
Spain	4%	+\$0.99	-10%	-\$0.35
Italy	5%	+\$1.06	-9%	-\$0.39
Chile	-1%	+\$0.13	-7%	-\$0.20
Australia	-3%	-\$0.66	-6%	-\$0.14
S Africa	-1%	+\$0.11	10%	+\$0.18
USA	-1%	-\$0.29	15%	+\$0.24

# WINE – US IMPORTS BY COUNTRY

NZ is a small player in the US wine market, but is the fastest growing over the long and short term

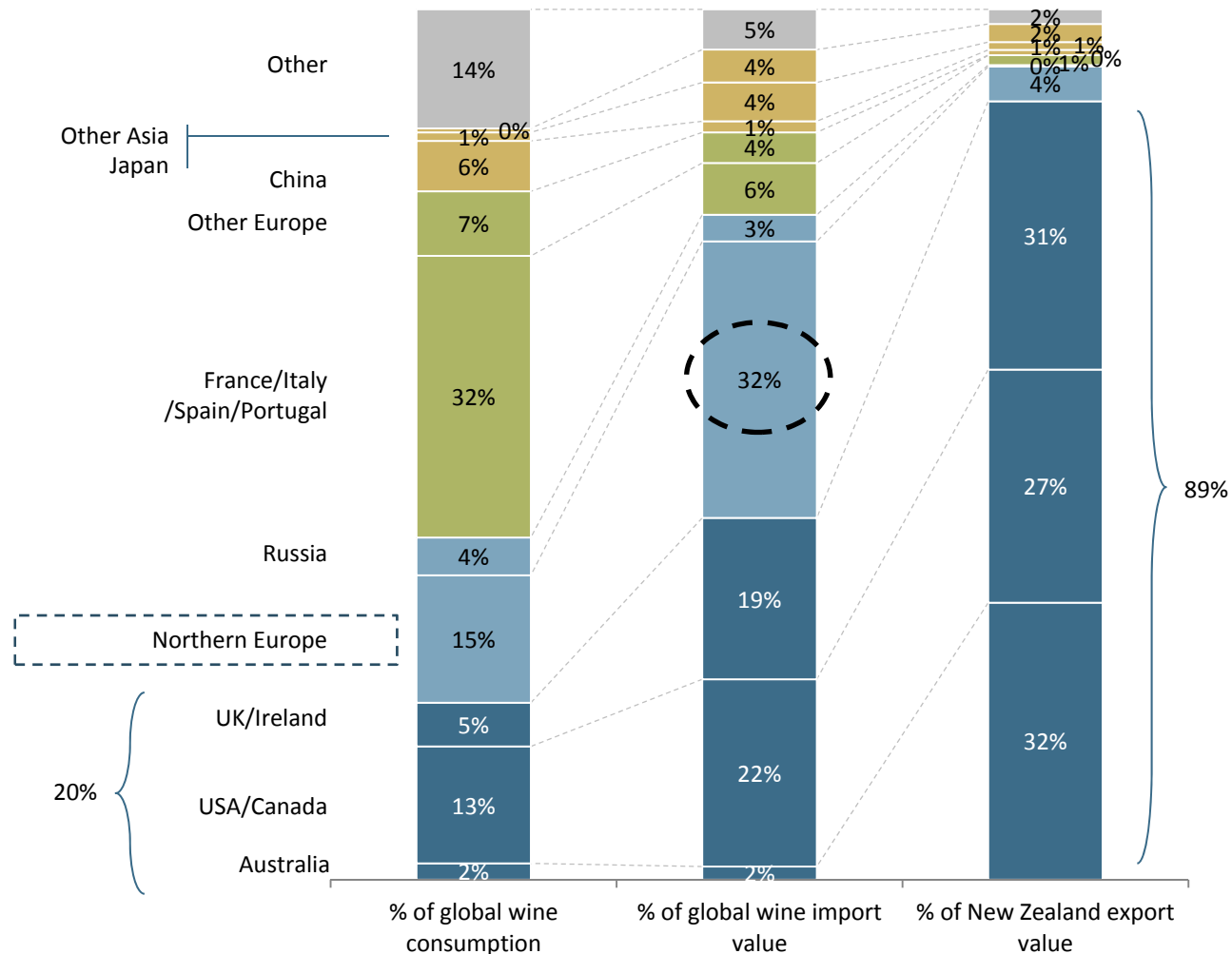
US Wine imports by country  
(US\$m; 2000-2010)



## WINE – SKEWED TO ANGLO-SAXON

NZ wine exports are currently skewed towards the Anglo-Saxon countries; the Northern European market stands out as the next logical market to target as it accounts for 1/3 of global wine import value

Comparison of global wine consumption share vs. global wine import value share with New Zealand wine import value (%; 2008/2009)



## SUMMARY

While there are a range of opportunities in Northern Europe, research to date suggests an initial focus on the Netherlands, Denmark & Sweden

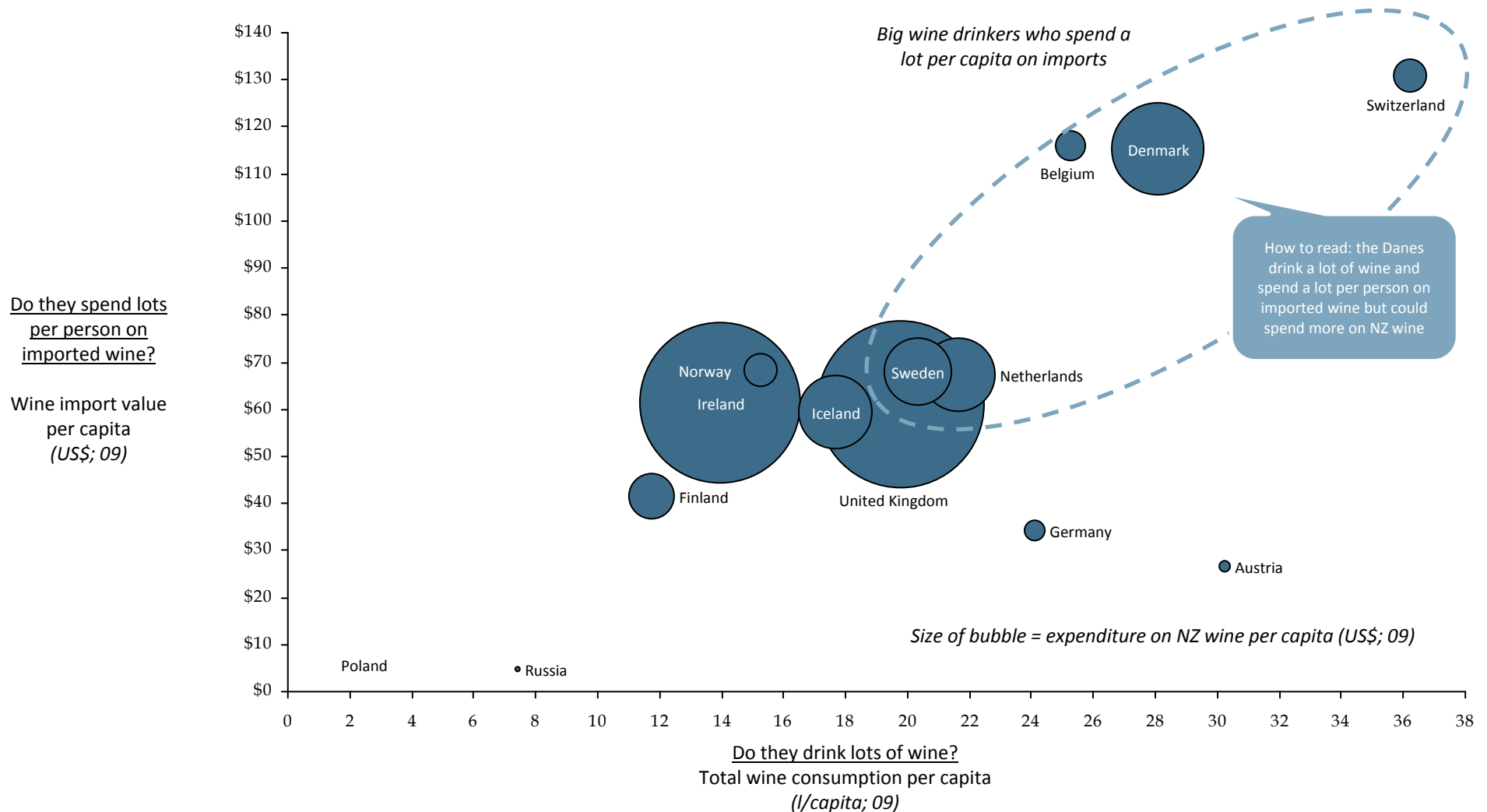
Key metrics: Northern European wine markets & New Zealand  
(various; 2009)

	Pop (m; 09)	GDP /capita (US\$; 09)	Grape area (ha; 09)	Wine cons /capita (l; 09)	Total import value CIF (US\$m; 09)	Import value per capita (US\$/cap; 09)	Import \$/l (US\$; 09)	New World % of import value (%; 09)	NZ imp \$ share (% of \$; 09)	NZ imp \$ as a % of AU imp \$ (% of \$; 09)	NZ imp \$/cap CIF (US\$; 09)
U.K.	62.0	\$35,049	700	19.8	\$3,776m	\$61	\$3.33	TBD	5.0%	32%	\$3.03
Ireland	4.5	\$50,948	-	14.0	\$272m	\$61	\$4.31	46%	4.6%	30%	\$2.84
Netherlands	16.6	\$47,707	50	21.7	\$1,114m	\$67	\$4.18	24%	1.0%	17%	\$0.64
Iceland	0.3	\$38,166	-	17.7	\$19m	\$59	\$3.30	49%	1.0%	6%	\$0.60
Sweden	9.4	\$43,356	-	20.3	\$636m	\$68	\$3.26	32%	0.8%	13%	\$0.51
Denmark	5.5	\$55,881	-	28.1	\$638m	\$115	\$3.35	31%	0.8%	12%	\$0.34
Finland	5.4	\$44,276	-	11.7	\$222m	\$41	\$3.37	44%	0.6%	7%	\$0.24
Norway	4.9	\$78,029	-	15.3	\$333m	\$68	\$4.38	15%	0.2%	4%	\$0.14
Switzerland	7.8	\$64,277	14,820	36.2	\$1,016m	\$131	\$5.33	8%	0.1%	6%	\$0.13
Belgium	10.8	\$43,271	50	25.3	\$1,256m	\$116	\$4.10	7%	0.1%	7%	\$0.11
Germany	81.8	\$40,934	99,800	24.1	\$2,774m	\$34	\$1.96	13%	0.2%	7%	\$0.06
Austria	8.4	\$45,971	45,098	30.3	\$221m	\$26	\$3.62	8%	0.1%	3%	\$0.02
Russia	141.9	\$8,672	42,100	7.5	\$639m	\$4	\$1.41	15%	0.2%	27%	\$0.01
Luxembourg <sup>1</sup>	0.5	\$104,437	1,400	52.7	\$123m	\$245	\$5.33	0.3% <sup>1</sup>	0.0%	N/A	N/A
Poland	38.2	\$11,268	1	2.3	\$219m	\$6	\$2.42	TBD	0.0%	7%	\$0.01

## MARKET ATTRACTIVENESS MATRIX

In terms of market attractiveness, five Northern Europe markets stand out: Switzerland, Denmark, Belgium, Sweden and the Netherlands

Market attractiveness matrix: Northern European wine markets and New Zealand (2009)

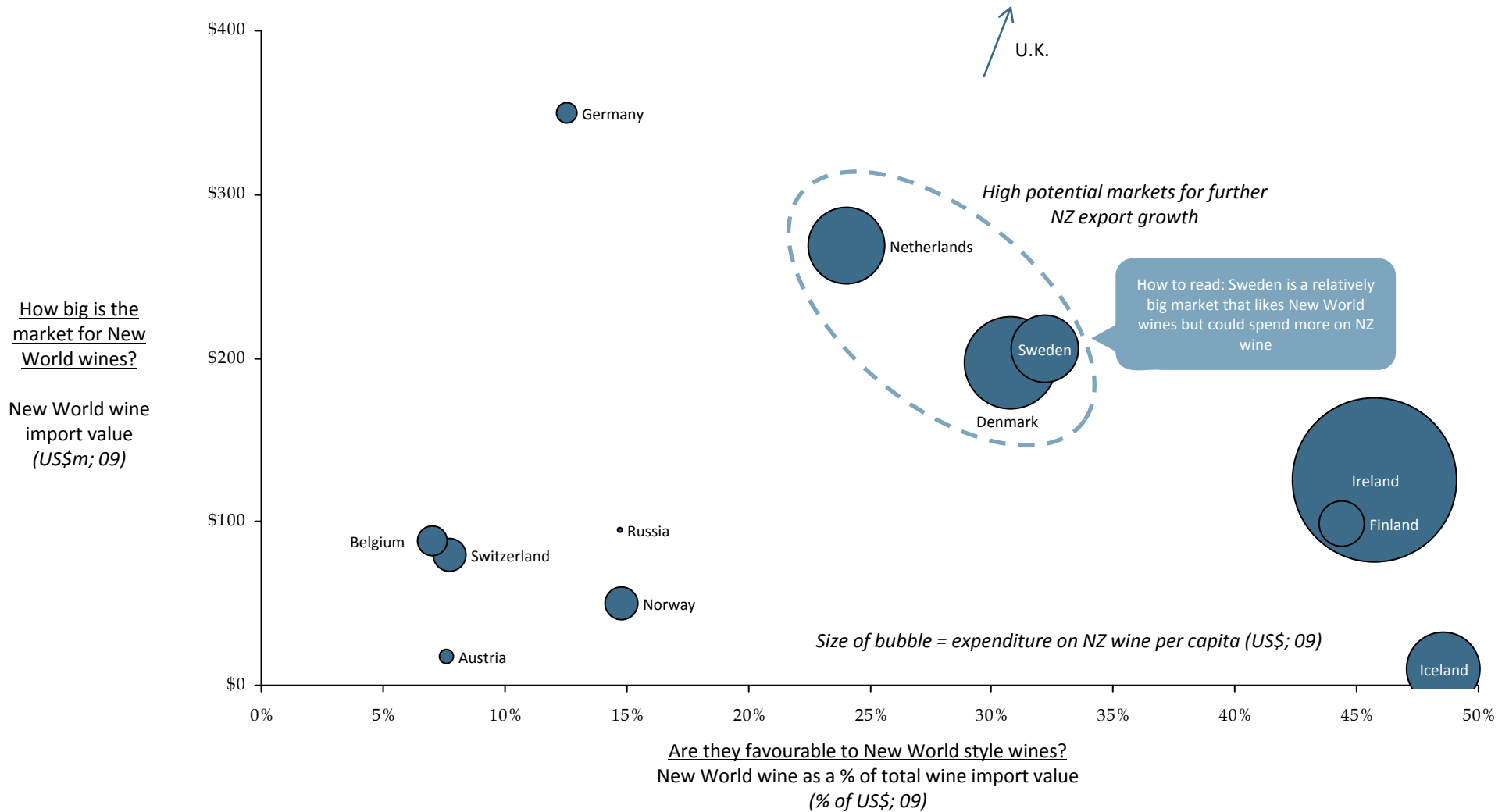




# MARKET POTENTIAL MATRIX

In terms of market potential, three Northern European markets stand out: Netherlands, Sweden and Denmark

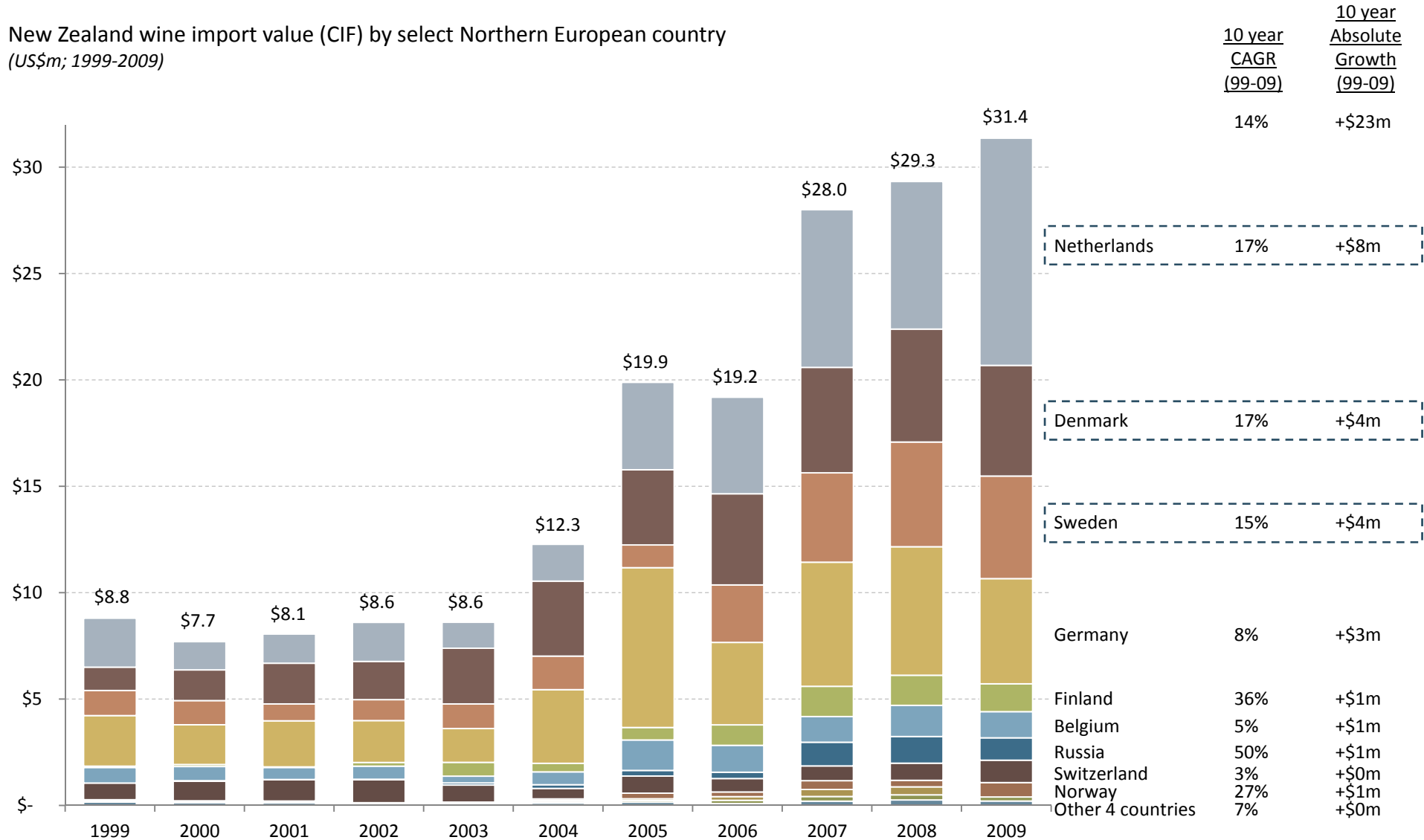
Market potential matrix: Northern Europe markets and the opportunity for New Zealand wine (2009)



## NZ WINE IMPORT VALUE GROWTH

The markets that stand out for potential – Netherlands, Denmark and Sweden – are also the markets where New Zealand has achieved growth to date

New Zealand wine import value (CIF) by select Northern European country  
(US\$m; 1999-2009)



## WINE – THEMES

While sales growth is increasing, wineries are suffering from declining value and global oversupply

Identified firm level activity or investment themes – difficult conditions  
(2010)

PRELIMINARY  
- In progress -

Theme	Details	Examples
Declining value		
Value	Average value of bottled wine exports declining	- Bottled wine value similar to those current in early 2006
Growing Debt	Many growers and smaller wineries building up debt levels	- Boutique wineries suffered an average loss of nearly 32 per cent in 2010, or five bottles of wine for every case - Fall in vineyard values - Grape prices falling (lowest price per tonne for a decade) - "Profitability in the wine sector is under siege on all fronts." <i>NZ Wine Annual report, 2011</i>
Global Oversupply		
Controlling supply	To prevent falling prices it is necessary to keep production and market demand in alignment	- Australia production an example of oversupply resulting in collapsed pricing - Emphasise and focus on quality - Niche markets - Move away from flat domestic market
Bulk sales – export	Reduces average price	- Bulk wine now accounts for 27% of total export volume - Exported and used in overseas brands and supermarket private label e.g. Tesco own brand sales #1
Bulk sales - import	Price pressure	- Bulk cheap imports increases in-market price pressure for local wineries

## WINE – THEMES

Significant cost savings are being made in the sector with significant overseas investment

Identified firm level activity or investment themes – cost savings  
(2010)

PRELIMINARY  
- In progress -

Theme	Details	Examples
Cost savings		
Industry Consolidation	Fewer larger firms, gaining economies of scale	<ul style="list-style-type: none"> <li>- Pernod Ricard - owns 100% Montana 100 % Brancott Estate, Camshorm, Penfolds Wines NZ, Tylers Stream Wine Company</li> <li>- Villa Maria Estate: Whale Bay Wine, Half Bay Wine, Aotea Wines, Atlas Wine, Breakaway Bay Wines, Caroline Bay Wines, Carter Rock Wine, Esk Valley Estate, First Barrel Wine, Glenvale Estate, House of Wine, Kapua Springs, Moneo Vintners, Riverstone, Silverlake, Southern Cross Wines, Te Whetu, Terra Vitae , Thornbury, Vidal Estate.</li> <li>- The New Zealand Wine Company: Grove Mill Wine Company Limited, Sanctuary Wine Company Limited, Bedford Road Investments Limited</li> <li>- Delegat's Marlborough-Gold Wines, Oyster Bay Wines (USA) Ltd</li> </ul>
Automation	Research into pruning automation to reduce labour costs	<ul style="list-style-type: none"> <li>- Wine Industry funding research into automatic pruning</li> <li>- Mechanical thinning for yield management</li> <li>- Lion new facility has increased automation</li> </ul>
Processing joint ventures	Local joint venture in contract winery, cost sharing and maximising capacity	<ul style="list-style-type: none"> <li>- Rapaura Vintners Ltd, biggest NZ contract winery (makes Marlborough wines for Babich Wines, Vavasour Wines and Foster's own Matua Valley Wines label)</li> <li>- Was third held by Fosters, Babich and Goldwater Shares; now its 50/50 between Babich and TWE (Foster's Group/ Treasury Wine Estate/Matua)</li> </ul>
Joint marketing	Shared overseas marketing reduces cost	<ul style="list-style-type: none"> <li>- The Family of Twelve (international marketing)</li> <li>- New Zealand Winegrowers USA (21 Companies in Super Premium category)</li> </ul>
Foreign Investment		
Searching for new flavours	European and Australian firms are looking for popular wines such as Sauvignon Blanc to extend portfolio	<ul style="list-style-type: none"> <li>- Sauvignon Blanc is rising in popularity and is well developed in NZ</li> <li>- Traditional heavier wines from Europe/Australia are declining in demand</li> <li>- Investment in new varieties (Pinot Gris, Syrah, Viognier, Gewurztraminer, Riesling)</li> <li>- Foreign companies such as LMVH, Pernod Ricard, making significant investments in NZ vineyards</li> </ul>
Growth of existing investments	Companies with significant investments in NZ are expanding production and exports	<ul style="list-style-type: none"> <li>- Matua increasing vineyards and production</li> </ul>
New entrants	Companies are newly investing in NZ vineyards for export	<ul style="list-style-type: none"> <li>- Large multinationals, investment firms</li> </ul>

## WINE – THEMES

### Wine companies are looking to grow the market

Identified firm level activity or investment themes – growth  
(2010)

PRELIMINARY  
- In progress -

Theme	Details	Examples
Growth strategies		
Pushing sustainability	Leveraging NZ's clean green image	<ul style="list-style-type: none"> <li>- Membership of Sustainable Winegrowing NZ represents 90% of wine production</li> <li>- Growth of organic wines e.g. goal to increase organic wineries to 20%; OWNZ has 140 members; currently 4.5% of wine area e.g. Millton Winery</li> <li>- Vineyards are beginning to present data on carbon footprint</li> </ul>
Development of new export markets	While traditional markets are still of primary importance, other countries are being targeted	<ul style="list-style-type: none"> <li>- Japan/Asia/China increasing wine consumption and growth of income</li> <li>- Shipments to China increased 180% to \$17m (now NZ's 6<sup>th</sup> largest export destination)</li> <li>- The highest average prices are achieved in Asia now, and total sales have reached over \$60 million, compared with just \$10 million only five years ago.</li> </ul>
Higher value-added products	Sparkling wine, method traditionnelle	<ul style="list-style-type: none"> <li>- Launched Oyster Bay Sparkling Cuvée Brut and Oyster Bay Sparkling Cuvée Rosé ( Delegates)</li> <li>- NZ wines in the "Super premium" categories</li> <li>- Mount Riley, Allan Scott, Lindauer starting to offer sparkling Sauvignon Blanc</li> </ul>
New wines	Growth of new wine varieties increasing range	<ul style="list-style-type: none"> <li>- Growth in Pinto Gris, Reising, Viogner (light, fresh wines)</li> </ul>
Branding NZ wine	Generic Marketing raising awareness of all NZ wines and brands	<ul style="list-style-type: none"> <li>- Generic NZ wine marketing; Wine NZ marketing brand NZ</li> <li>- Creating regional wine identities for instance Otago Pinot Noir wines are spicy/complex</li> </ul>









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## BEVERAGES – INDUSTRY SCIENTIFIC RESEARCH

A number of research institutes are researching in the wine sector





Key scientific research organisations involved in beverage industry research in New Zealand  
(2010)

	Total Income	Total Staff	Focus & activities	
	N/A	24	<ul style="list-style-type: none"> <li>- Aroma studies- geological etc. effects on Sauvignon Blanc aroma</li> <li>- \$12m FRST funding of sauvignon blanc (with Plant and Food), Auckland and Lincoln Universities)</li> <li>- Conjunction with Nelson Marlborough Institute of Technology</li> </ul>	<a href="http://www.wineresearch.org.nz">www.wineresearch.org.nz</a>
 <b>Wine Research Institute</b> (Dept. of Chemistry – (Wine Science Programme))	N/A	N/A	<ul style="list-style-type: none"> <li>- Chemistry research into high acid, co-ferments, yeasts, polyphenol analyses</li> <li>- Pinot Noir research into aroma colour, polyphenols, soil profiles (Funding from liquorland and</li> <li>- Sauvignon blanc programme researching aroma compounds (FRST funding \$1.6m/yr)</li> </ul>	<a href="http://web.auckland.ac.nz/uoa/science/about/departments/chemistry/about/subjects/winescience/research/furtherwineresearch/furtherwineresearch.cfm">http://web.auckland.ac.nz/uoa/science/about/departments/chemistry/about/subjects/winescience/research/furtherwineresearch/furtherwineresearch.cfm</a>
	N/A (2010)	N/A	<ul style="list-style-type: none"> <li>- Pest and Disease Management</li> <li>- Viticulture production systems</li> <li>- Biological controls</li> <li>- Applied sensors</li> <li>- Viticulture and Wine research (18 staff at Marlborough Research Centre)</li> <li>- Sensory Science</li> <li>- Developing fining agents from</li> </ul>	<a href="http://www.plantandfood.co.nz/page/home/landing-pages/wine-industry/">www.plantandfood.co.nz/page/home/landing-pages/wine-industry/</a>
	N/A	8 core 19 assoc	<ul style="list-style-type: none"> <li>- Focus on Pinot Noir</li> <li>- Climate and soil effects on vine growth and grape composition</li> <li>- Enhancing nature's ecosystem services in vineyards</li> <li>- Enhancing innovation and adoption of new technologies in the grape wine sector</li> <li>- Sensory evaluation and psychological aspects of flavour perception</li> </ul>	<a href="http://www.lincoln.ac.nz/Research-at-Lincoln/Research-centres/Centre-for-Viticulture-and-Oenology/">www.lincoln.ac.nz/Research-at-Lincoln/Research-centres/Centre-for-Viticulture-and-Oenology/</a>
	\$56.7m	116 academic +110 general	<ul style="list-style-type: none"> <li>- Viticulture and Wine courses</li> <li>- Situated within the Marlborough Wine Research Centre</li> </ul>	<a href="http://www.nmit.ac.nz/courses/areaofstudy/mid/12245/a/25/viticulture-wine.aspx">http://www.nmit.ac.nz/courses/areaofstudy/mid/12245/a/25/viticulture-wine.aspx</a>
	N/A	N/A	<ul style="list-style-type: none"> <li>- Sustainable farming fund</li> <li>- others</li> </ul>	<a href="http://www.maf.govt.nz">http://www.maf.govt.nz</a>

## BEVERAGE – INDUSTRY ORGANISATIONS

There are four key industry organisations representing the New Zealand beverage industry

Key industry organisations involved in beverage industry research in New Zealand  
(2010)

	# of members	Details	website
	1,000 growers 700 winery	<ul style="list-style-type: none"> <li>- Funded through: a levy on the sale of grapes collected by the Grape Growers Council under the Commodity Levies Act 1991;</li> <li>- a levy on the sale of wine collected by the Wine Institute under the Wine Act 2003;</li> <li>- user pays activities and sponsorships</li> </ul>	<a href="http://www.nzwine.com">www.nzwine.com</a>
	12	<ul style="list-style-type: none"> <li>- Represent views of producers and marketers of premium spirits and liqueurs</li> </ul>	<a href="http://www.distillers.co.nz">www.distillers.co.nz</a>
	77	<ul style="list-style-type: none"> <li>- Represent views of producers and marketers of juices and non-alcoholic beverages</li> </ul>	<a href="http://www.nzjba.org.nz">www.nzjba.org.nz</a>
	46+	<ul style="list-style-type: none"> <li>- Represents all of the breweries in New Zealand</li> </ul>	<a href="http://brewersguild.org.nz">brewersguild.org.nz</a>



