

Alcohol beverages industry

A thriving, durable industry adding value to New Zealand's financial, environmental and social economies

NZIER report to NZ Alcohol Beverages Council

February 2022

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Authorship

This report was produced for the NZ Alcohol Beverages Council (**NZABC**), a pan-industry group that speaks for the industry and those Kiwis who want to see a fair and balanced approach to alcohol attitudes, laws and regulation in New Zealand.

NZABC members include Asahi Beverages (NZ) Limited, DB Breweries Ltd, Foodstuffs (NZ) Ltd, Lion NZ Ltd, Pernod Ricard Winemakers New Zealand Ltd, Spirits New Zealand Inc, Brewers Association of New Zealand Inc, New Zealand Food & Grocery Council Inc, and Hospitality New Zealand Inc.

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Key points

The alcohol beverages industry is part of the fabric of New Zealand society

The alcohol beverages industry is an active contributor to New Zealand society and is highly integrated into the global economy. The industry contributes to New Zealand society by supporting the infrastructure (investment) and capabilities (skills and jobs) that produce alcohol products (wine, beer, and spirits) and by encouraging responsible drinking by its customers.

As part of its social responsibility, the industry encourages social leadership and has been proactive in a number of ways:

- **Proactive contributor locally, regionally and nationally.** Being proactive on all aspects of the industry ensures durability delivering wins for society and the industry. The economic, social, and environmental goals of the alcohol beverages industry underpin its effort towards making an effective contribution. Being proactive means:
 - Continuing to flourish based on the unique growing conditions and micro-climates that New Zealand offers in a very competitive global industry. This keeps New Zealanders employed, has strong regional connections, and contributes to economic wellbeing and growth.
 - Meeting its obligations to New Zealanders. By being responsible and driving economic activity in a way that satisfies social and environmental goals.
- **Zero carbon initiatives.** Carbon-zero initiatives are driving business practices across the industry. The wine, beer, and spirit industries are committed to the goal of the Government's Zero Carbon Act of being net carbon-zero before 2050. This goal reflects the many initiatives that are already taking place within the industry as a whole. A significant number of wineries, breweries, and distilleries have already become net carbon neutral or are working on programmes and accreditation that drive them towards that goal.
- **Recycling.** The alcohol beverages industry is heavily involved with product stewardship and improved recycling. For example, industry members that produce beverages in glass containers belong to the Glass Packaging Forum, a cross-sector voluntary Product Stewardship Scheme representing over 100 brands. GPF member brands account for approximately 80% of glass packaging in New Zealand and the GPF is achieving a creditable 75% glass recovery rate.
- **Quality over quantity.** In all product areas, the industry is following a premiumisation strategy. This means high-quality and unique inputs/ingredients are used that set New Zealand's alcohol beverages industry apart from the rest of the world (its comparative advantage). By focusing on high-quality distinctively New Zealand products, the industry maximises its chances of standing out in the world market. We know from surveys that drinking premium products tends to reduce the quantity consumed.
- **No- and low-alcohol products.** The industry has responded to consumer demand for no- and low-alcohol products. Not only is alcohol consumption in New Zealand trending down, but no- and low-alcohol products are becoming much more popular, with about 47% of New Zealanders consuming low-alcohol beverages in 2021. This trend is likely to continue as consumers increasingly prefer these products, and the industry continues to innovate in this category.



- **A focus on domestic production, exports, and imports.** Imports are beneficial because they increase the focus of New Zealand producers on what is special about the New Zealand industry. High-quality domestic production with unique characteristics increases the chances of export success in a highly competitive industry. It helps focus on the unique edges that other competitors know about but cannot reproduce.

The economic contribution is significant

The industry sustains a productive and innovative domestic market and a growing export market. The advantage of being a small player in international markets means that New Zealand focuses on a clearly defined alcohol beverage offering, distinct from other international players. This drives success and offers potential for further success. Table 1 below sets out a snapshot of the industry.

Table 1 Snapshot of alcohol beverage industries

2020 March years unless specified

	Beer	Wine	Spirits	TOTAL
Businesses	199	1,532 ¹	134 ²	1,865
Employment	1,950	7,350	910 ³	10,210
Estimated wages	\$141 million	\$333 million	\$41 million	\$515 million
Exports	\$41 million ⁴	\$2.0 billion ⁵	\$45.8 million ⁶	\$2.09 billion
Imports	\$96.8 million	\$224.5 million	\$187.9 million ⁷	\$595 million
Estimates of total domestic consumption (retail includes imports)	\$2.7 billion ⁸	\$720 million	\$190 million ⁹	\$3.61 billion
Consumption (beverage volume)	291 million litres	108 million litres	86.5 million litres	485.5 million litres
Contribution to GDP (includes imports)	\$637 million	\$1.231 billion	\$49.3 million	\$1.92 billion
Tax contribution ¹⁰	\$906 million ¹¹	\$400 million ¹²	\$513 million ¹¹	\$1.819 billion
Hospitality	Consumers spend \$14.6 billion on hospitality. This directly contributes \$6.8 billion to GDP. Around 23,000 enterprises all over New Zealand create 172,458 jobs (137,100 full-time equivalent staff) ¹³			
Downstream economic impact	Purchase of \$404 million from other industries. This provides 4,682 jobs	Purchases \$1.6 billion from other industries. This provides 14,684 jobs	Estimated purchases of \$16.8 million from other industries. This provides 1,547 downstream jobs	\$2.02 billion 20,913 indirect jobs
Turning a comparative advantage into a competitive advantage	Distinctive and superior quality hops	Distinctive “new world” wines valued around the world	Unique and premium-quality ingredients lead to premium products	
Profile highlights	Dramatic craft beer growth, strong hops	Export value doubled in 10 years, 6 th biggest export,	Newly emerging, variety of products, nationwide supply	



	Beer	Wine	Spirits	TOTAL
	exports, flourishing domestic trade	domestic market stable	chain, high growth potential	
Social responsibility initiatives	Strong growth in no- and low-alcohol products, emphasis on quality over quantity, youth education, responsible and moderate consumption for adults			
Environmental responsibility	Committed to zero-carbon initiatives, renewable energy, respecting and protecting the natural environment and internationally recognised recycling efforts			

Notes (1) 731 wineries and 732 grape growers + and estimated 69 importers (2) Includes 92 members of the Distilled Spirits Aotearoa (DSA), 33 non-members, and 9 international producers. (3) NZIER estimate based on domestic producers, established importers, and e-commerce suppliers. (4) Beer exports calendar year 2020. (5) October years. (6) Calendar year 2020. (7) In 2020, imports of distilled spirits was 187.9 million. (8) Retail sales, includes returns to retailers. (9) Domestic consumption estimate for New Zealand produced spirits. (10) Domestic sales include excise tax, HPA Levy and other taxes. (11) New excise rates introduced 2021. Alcohol content greater than 14% Alcohol by volume (ABV) spirits and wine is taxed at \$56.625 per litre, table wine (\$3.1089 per litre ABV), while beer is taxed at \$0.46 per litre (greater than 1.15% and less than 2.5% ABV). (12) Estimated excise, HPA Levy, and GST. (13) Stats NZ and Infometrics Report: Economic Impact of the New Zealand hospitality sector for Hospitality New Zealand (November 2021)

Source: NZ Winegrowers Annual Report (2021), NZIER estimates, Brewing in New Zealand (2021). Statistics NZ and Economic contribution of New Zealand wine sector (2020). Infometrics Report: Economic Impact of the New Zealand hospitality sector for Hospitality New Zealand (November 2021)

Table 2 Summary of economic numbers and societal trends

Headline economic numbers*

\$1.92 billion

contribution to GDP

\$1.819 billion

paid in taxes

\$2.09 billion

exports

1,855

beer, wine, spirit
businesses

10,210

direct jobs

20,913

indirect jobs

23,000

hospitality businesses

172,458

hospitality jobs

\$14.6 billion

consumer hospitality
spending

Societal trends

78.5%

consumed alcohol in past year
NZ Health Survey 2020/21

82%

drink at or below the weekly
limit, as per Ministry of Health
low-risk alcohol drinking advice
Health Promotion Agency, Jan 2021

92%

have at least two alcohol-free
days, as per Ministry of Health
low-risk alcohol drinking advice
Health Promotion Agency, Jan 2021

8.7 litres

consumed per capita
↓23% since 1986
Stats NZ, Dec 2020

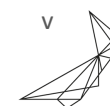
47%

consumed no- or low-
alcohol drinks in past year
NZABC consumer research, 2021

78%

agree targeted support and
education are best ways to
reduce alcohol-related harm
NZABC consumer research, 2021

*Refer to Table 1. 2020 March years specified. Source: NZ Winegrowers Annual Report (2021), NZIER estimates, Brewing in New Zealand (2021). Statistics NZ and Economic contribution of New Zealand wine sector (2020). Infometrics Report: Economic Impact of the New Zealand hospitality sector for Hospitality New Zealand (November 2021).



A global industry that has become a domestic success story

Global attention has enhanced the distinctiveness of the New Zealand offering

New Zealand is a small player in the world alcohol beverages market. We have learnt from foreign competition and methods of production, and have acquired the skills to compete. Our universities and research institutions have supported the industry by providing the technical know-how and the ability to overcome local growing problems. This has been seized upon by local entrepreneurs (some from immigrant populations) and developed in ways not imagined 40 years ago.

Importantly, to compete internationally, New Zealand required and continues to require, a unique offering. An offering that no other growing region can replicate. This is at the heart of the industry's success and potential success – its ability to keep reinventing itself, producing a quality offering with New Zealand characteristics in the face of stiff international competition. This turns a comparative advantage (climate, soils, and topography) into a competitive advantage (with skills, know-how, and market connections).

Exports and imports are different sides of the same coin. A competitive exporting industry would not exist without the spur of competition from imports. Imports are not just about the physical product. With imports come know-how and new ways of thinking and doing things, capital, product quality, jobs for New Zealanders, and a marker: this is the standard we must meet and exceed and the niches we must focus on for New Zealand to export. The import market also contributes to the employment market and the value chain. By embracing global economic integration (subject to social and environmental constraints), the alcohol beverages industry is thriving and will continue to thrive.

A marketing chain that meets consumer needs around the world

The alcohol beverages industry has been around since European settlement. The wine industry has recently celebrated the 200th anniversary of the first grapes imported and grown in New Zealand.¹ The domestic and international success of the alcohol beverages industry (with the wine industry showing the way) means that substantial infrastructure has been built up. Like all vibrant industries, it is a mixture of established participants and new entrants. Its success has generated:

- Input industries
 - The research and development (**R&D**) that sets out what can be grown mitigates the specific growing issues and supports the unique varieties that are grown.
 - The companies that supply the raw materials that support the hop growers, grape growers and vineyards, barley growers, and other speciality crops.
 - Collaborative partnerships between business and academic communities and investment in technology and innovation.
 - Glass and packaging manufacturers and suppliers.
 - Product/ingredient manufacturers.

¹ New Zealand Winegrowers Annual Report 2020. https://www.nzwine.com/media/17492/annual-report_2020_final_web.pdf

- Alcohol beverage industries
 - The growers who capitalise on the topography, weather conditions and factors to grow the unique ingredients.
 - The expertise that produces the high-quality products.
 - The wineries, breweries and distilleries that produce the distinct New Zealand products that are in demand and potentially in demand around the world.
 - The wholesalers, distributors, and some retailers who import alcohol products.
 - Distribution, warehousing, logistics and transport sectors.
 - The retailers who provide products to the public. These are as diverse as cellar/brewery/distillery door operations, e-commerce providers, supermarkets, bottle stores, and grocery stores.
 - Exporters who market New Zealand alcohol beverage products around the world.
- End users
 - International buyers and distributors.
 - The Hospitality sector providing food and beverage services, including restaurants, bars, cafes, and clubs, tourism, hotels, motels, and events businesses.
 - Domestic and international consumers.

Growth has led to employment

A buoyant employment market within the three sectors is a marker of success. The industry has sustained growth in the number of businesses and employees over the past 10-20 years.² An indication of the industry's vibrancy is the large number of firms of all sizes. In 2000, there were 358 wineries in New Zealand; now, there are 731. The number of breweries in New Zealand has exploded, with currently 199 breweries.³ Spirit distilleries have the potential to follow this trend. Currently, there are around 134, comprising 92 boutique distilleries that are members of Distilled Spirits Aotearoa, 33 independent distilleries, and nine international producers. New Zealand distilleries are increasing with new distilleries entering commercial production every month, with the overall growth in numbers of producers in this premium market up 300% since 2015.

The beer, wine, spirits, hospitality and retail sectors provide a depth and variety of jobs, many of them skilled. For many Kiwis, working in a hospitality venue or vineyard is their introduction to the workforce. Employment opportunities change as the market changes, embracing new technologies and investing in people. The more than 10,000 directly employed in the industry do a whole variety of jobs from orchard workers, involvement in winemaking/brewing/distilling, manufacture and packaging, scientists, accountants, marketing, transport and logistics, salespeople, and retail. Changes to the market and technology require an ever-expanding need for highly-skilled and specialised staff; for example, investment into artificial intelligence (AI) and robotics to bring about efficiencies

² A report commissioned by MBIE in 2017 estimates 48 beer, 21 spirits and 231 wine producers in 2005; 54 beer, 30 spirits and 363 wine producers in 2010; and 120 beer, 33 spirits and 393 wine producers in 2010 (p 67). The number of people employed in alcohol beverage manufacture in 2016 was estimated to be 6,090 (440 spirits, 1,750 beer and 4,900 wine/cider). <https://www.mbie.govt.nz/assets/2fd30de252/investors-guide-to-the-new-zealand-beverages-industry-2017.pdf>

³ According to Ratebeer as at 2021. In the late 1970s there were only two brewers: Lion Breweries and Dominion Breweries.

in the sector requires a parallel investment into skilled staff to design, operate and maintain the technology.

The jobs are in the regions (mainly on the east coast of New Zealand) and the main centres. Therefore, those entering the industry have a variety of choices to suit jobs and lifestyles they wish to pursue.

In the well-established wine industry, the Marlborough region dominates. It has 2,750 direct jobs and 13% of the total share of total Marlborough employment. It is now five times as big as it was in 2000 and has contributed to the region having the lowest unemployment rate in New Zealand.

On the same latitude, in the Tasman district, high-quality hops are grown that gives the beer industry one of its key competitive advantages. This underpins the job growth in that industry. The flourishing domestic spirits industry could potentially emerge as a major job creator with new products and new producers entering the industry.

Further, the importation of wine, beer and spirits has continued to be an important part of the New Zealand alcohol beverages industry. Not only does it provide a point of difference for New Zealand consumers but also healthy competition and jobs. This is important since exporting is a key part of the success path for New Zealand businesses. Therefore, domestic players need to be able to compete successfully at home with their own distinct offerings.

The alcohol beverages industry is closely related to the hospitality (food services and accommodation) sector, including domestic and international tourism. New Zealand's unique food and beverage tourism experiences attract visitors who stay longer and spend more, bringing economic benefits to local communities throughout the country. This sector in the pre-COVID 19 environment generated \$14.6 billion in annual sales and contributed \$6.8 billion to Gross Domestic Product (**GDP**). There are around 23,000 enterprises in over 23,300 geographic locations in the food and beverage/accommodation sector (at February 2021). Collectively these enterprises employ 172,458 people (around 137,100 FTEs).⁴

All of these areas continue to make the industry an attractive place to work with exciting career and long-term employment potential as the industry grows from strength to strength.

The industry provides employment opportunities for overseas workers, particularly for seasonal work such as grape or hops harvesting, where skilled, experienced staff can improve productivity. The hospitality sector has a high demand for the specialist skills of chefs and experienced managers. Temporary working visas have been an important means for vineyards, bars and cafes to access a pool of seasonal workers, particularly when there are local skill shortages.

Cross-border employment goes both ways, with many New Zealanders seeking offshore opportunities to develop experience and upskill their technical know-how to bring back to New Zealand or employing specialist expertise from overseas so the transfer of knowledge, techniques and fresh ideas can take place.

The impact of COVID-19 on border restrictions and immigration has put constraints on the sectors ability to access employment resources, which has since presented capacity and capability recruitment challenges nationwide.

⁴ Infometrics Report: Economic Impact of the New Zealand hospitality sector for Hospitality New Zealand (November 2021) and Stats NZ <http://datainfoplus.stats.govt.nz/item/nz.govt.stats/bdb02aa2-866e-418f-83e8-342234867a0f#/nz.govt.stats/18188cee-fadc-4b58-8e22-b580cb72240d/4>

To sustain growth requires social responsibility

With growth comes responsibility. A key part of progressing growth will be to provide social and environmental leadership.

The drive towards premiumisation is a crucial plank in this strategy. By relentlessly seeking the development of high-quality products on world markets, the industry is continuing to influence consumers to drink less and enjoy world-class products more. The quality of wine is well known, hops provide the beer industry with the highest quality ingredients, and a New Zealand gin was named the world's best in 2018.⁵ New Zealand-crafted alcohol beverages continue to achieve world recognition even when benchmarked against long-established international brands.

Development of no- and low-alcohol product ranges in response to consumer demand means New Zealanders have more options to meet their needs as part of the global shift toward moderation and what is termed 'better for me' beverages with preferences for lower alcohol, sugars and carbohydrates.

The industry is proactive in supporting youth education in schools to reduce underage drinking and promotes adults drinking responsibly and in moderation. It further contributes \$11.5m towards targeted education and awareness programmes via the Health Promotion Agency levy.

The New Zealand wine industry has embraced the net carbon zero goal by 2050, and leading breweries and manufacturers have implemented zero-carbon programmes. It has been noted internationally that New Zealand has done more than most to reduce, reuse, and recycle.⁶

It is important to note that the industry pays a substantial amount of tax – over \$1 billion per annum in excise tax alone. This is a substantial burden on the industry, and many other competitors in other jurisdictions pay much less and have higher incentives to export.

Research and development underpins the competitive advantage

R&D is the foundation that will drive the alcohol beverages sectors forward. The New Zealand Institute of Economic Research (**NZIER**) and its research partners have demonstrated the worth of R&D in the alcohol industry.

In recent work for the wine industry, NZIER found that R&D was responsible for between 20% and 25% of the wine industry's average growth. Further, the establishment of the Bragato Research Institute (**BRI**) created a way of sustaining the wine industry, adding further value for Marlborough and the national economy.⁷

The success of the New Zealand craft beer industry and hop exports is based on high-quality hops. This has been driven by innovation from growers, with R&D being an essential part of this progress. Growing varieties that could overcome New Zealand specific problems such as root rot, developing the first triploid hops, and the continuation of breeding hop varieties that make New Zealand hops distinct.⁸

The fledgling spirits industry also has the potential to grow with the help of research. More R&D is required on what sets New Zealand spirits apart from their overseas competitors.

⁵ Scapegrace Gold gin was judged world's best in the International Spirits Awards in London in August 2018.

⁶ New Zealand Winegrowers Annual Report 2020, p.19.

⁷ See Winegrowers Annual Report 2020, p.22.

⁸ <http://www.martech.co.nz/images/07hops.pdf> and <https://www.plantandfood.co.nz/page/news/media-release/story/new-collaborative-research-agreement-locks-in-a-sustainable-future-for-the-new-zealand-hops-industry/>

What the beer and wine sectors show is that R&D can underpin and highlight the quality and distinctively New Zealand flavours that will sustain the industry and make it flourish.

Outlook: opportunity for innovation and growth

In summary, the alcohol beverages industry makes significant direct and indirect (via supply and value chains) contributions to New Zealand's economy. The key to unlocking the sector's potential to become more competitive in the global market is producing high-quality beverages and creating uniquely New Zealand and niche products.

The industry is an active participant in goods-producing, primary and services industries. Further investment in R&D, science, and innovation across all aspects of primary production, manufacturing, packaging and distribution will underpin the sector becoming more internationally competitive.

Additionally, understanding and respecting our unique natural environment, climate and soil are vital to producing quality beverages that are distinctively of New Zealand origin.

A report commissioned by the Reserve Bank of New Zealand recognises the Māori economy is a significant and increasingly important contributor to the wider economy, and generates revenue, employment, and economic independence.⁹ It highlights Māori are actively involved in the primary sector, including horticulture relating to wine.

Global food and beverage trends show consumer preferences increasingly call for products based on authenticity, sustainability and a connection through story and provenance. Leveraging these attributes can strengthen the industry's global competitive advantage. Investment in local and regional knowledge and know-how will provide a pathway for new products and new market opportunities to sustain industry growth and contribute to the economy.

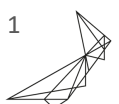
⁹ Te Ōhanga Māori 2018, Reserve Bank of New Zealand, <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Research/Te-Ohanga-Maori-Report-2018.pdf?revision=7eae6b2b-14d1-480e-95b8-fb57e6ba6e8e>



1 Durable and ongoing growth requires constant attention to all parts of the market

In the attached appendices, we have set out in more detail the elements of the sectors that have maximised the chances of future success and durability. These include:

- **Jobs in the industry are widespread throughout New Zealand.** There are large numbers of specialised jobs in the regions associated with domestic production. However, the story does not end there. Many jobs in retail and hospitality are clustered around the main centres. The alcohol beverages industry is an integral part of New Zealand life, providing economic activity and generating jobs.
- **Social responsibility.** Consumption of alcohol is declining in New Zealand. The industry is playing its part by emphasising responsible drinking and investing in programmes that reinforce this message, innovating to produce no- and low-alcohol products to meet consumer needs and focusing on quality (premiumisation).
- **Environmental responsibility.** All alcohol beverage sectors are being proactive about reducing, recycling, and reusing. Along with product stewardship, meeting net carbon zero goals by 2050 is also a major focus. Some parts of the industry have already achieved carbon zero, while others are actively engaged in re-engineering their businesses to meet the targets.
- **Investment in R&D and technology.** Research and development have been one of the foundation blocks for the domestic industry. It has mitigated the serious disease issues, identified the growing areas/districts, and underpins domestic uniqueness and distinctiveness that make the sectors thrive.
- **The return of tourism will assist development.** COVID-19 has put a dampener on international tourist visits. And while there is uncertainty about when tourists will be back to pre-COVID levels, their return will be a significant boost to the wine industry and potentially brewers and distilleries.
- **Globalisation has been a significant growth factor in the growth of the industry.** Imports set the standard and allow domestic producers to work out where industry should position itself in the market to compete. It is not surprising that one of the catalysts for the 'take-off' of the wine industry was competition from imports. It showed the domestic industry what niches it should pursue and the importance of exporting distinctive premium products.



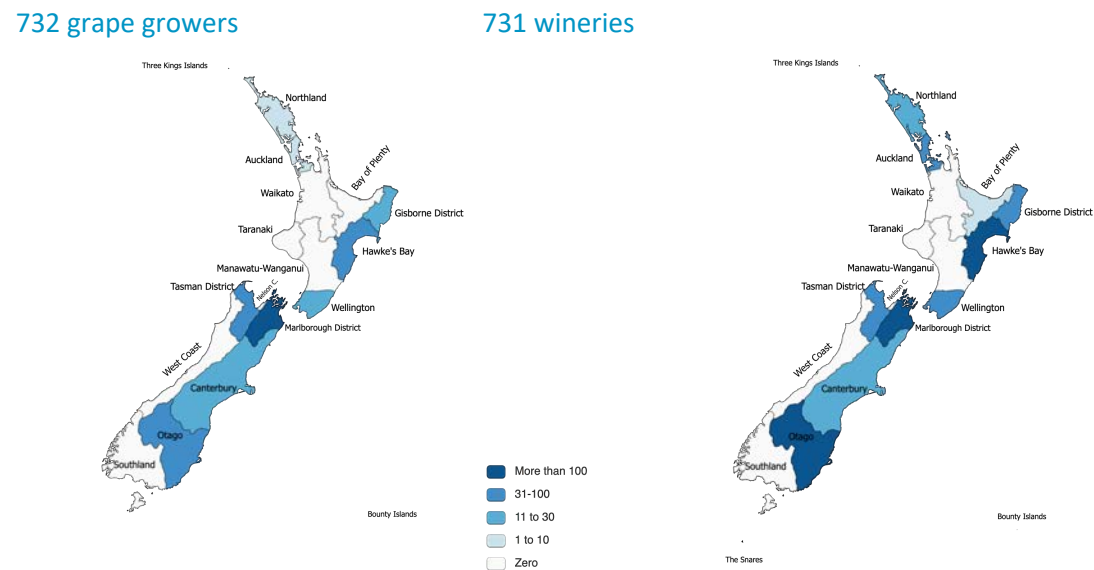
Appendix A Jobs are widespread throughout the economy

A.1 The alcohol beverage sector is significant

The alcohol beverage industry is a significant contributor to economic activity in New Zealand and has become a driver of economic growth in the regions. The wine industry is hugely important for Hawke’s Bay, Marlborough, Central Otago, and Auckland. The Tasman/Nelson region has both wine and hops growing, while spirit distillers and craft brewers are more widely spread throughout New Zealand.

The wine sector has created 7,350 jobs in New Zealand. The biggest concentration of jobs is in the Marlborough District, with 2,750.¹⁰ Hawke’s Bay (900), Auckland (1,620), Canterbury (420), and Otago (760) are also big wine industry employers. Those sectors that supply the wine industry generate some 14,684 jobs. These jobs range from advertising, food and beverage service, and other food manufacturing. For districts such as Marlborough, wine industry activity accounts for 11% of local employment and 18% of regional GDP. Figure 1 shows the regional location of growers and wineries. More growth is expected from the wine industry given the strong global appetite for New Zealand wine.

Figure 1 Location of grape growers and wineries



Source: Based on Winegrowers Annual Report data, 2021

Brewing directly employs 1,950 people, and this pumps \$141 million in wages per year into the New Zealand economy. The main centres absorb most of these jobs: Auckland (710), Wellington (310), and Canterbury (270). However, the regions have seen job growth, with the Hawke's Bay region adding over 35 new jobs in the year to February 2021.

Figure 2 Location of brewing jobs



Source: Statistics NZ and NZIER

Economic activity in the brewing industry ripples through the economy. The industry supports 4,682 people through its purchases of supplies. They, in turn, pay \$268 million in wages per year to their employees. Like other parts of the sector, the brewing industry supports indirect employment in retail (supermarket, liquor stores, and food and beverage services industries).

In the spirits sector, there are currently 134 domestic distilleries operating (92 members of the Distilled Spirits Association, 33 non-members and nine international producers). There is a vast range of products being produced all over New Zealand. The growth potential is significant, and therefore the contribution to employment and economic activity is likely to be more evenly spread across New Zealand, relative to brewing and winemaking.

The value chain of these sectors further contributes employment opportunities. Significant examples of this are 172,458 people employed in the food and beverage/accommodation sector and 64,000 people employed in the supermarket and grocery industry.¹¹

Vineyards, retail, and hospitality are often where young New Zealanders start their first job. Jobs in these areas are where they gain skills and knowledge, establish a work ethic, and build confidence to continue a pathway in the industry or transfer their skills to other sectors.

¹¹ Stats NZ Employees in the supermarket and grocery stores industry in New Zealand (Feb 2020) <https://figure.nz/chart/tAQeOoJ0aDCZo3ER-KRJjo2XAU9wdXbHO>

A.2 The numbers reflect the individual and company stories that will drive further capability and innovation

A.2.1 The skills and capabilities developed by individuals drive progress

Individuals sustain and drive economic activity in this sector. While formal education is important to developing a career in the industry, it is on the job training, hours of hard-earned experience in the field, and people with a passion for their craft that drives the success of many businesses in the sector.

Pruning, passion and Pernod Ricard Winemakers New Zealand Ltd

An example is Jamie Marfell, Chief Winemaker at Stoneleigh, one of the wineries of Pernod Ricard Winemakers New Zealand Ltd (**Pernod Ricard**) – for him, winemaking was an inevitable career choice. Jamie grew up on a farm overlooking a valley of grapevines in Marlborough; his holiday employment was usually spent planting or pruning vines, depending on the season.

After completing a degree in agricultural science and a postgraduate diploma in viticulture and oenology at Lincoln University, New Zealand, Jamie began his career as a trainee winemaker with Pernod Ricard in 1990.

Jamie is part of the generation that has grown up with the wine industry. It is the skills and technical ability acquired by Jamie and many others that sustain the wine industry – perhaps for generations to come.

It also shows the way for the domestic brewing and spirit distillery sectors, since it's 'living and breathing' the industry plus the technical know-how acquired at learning institutions and overseas experience, that will generate the capability required to ensure sector durability.



*Jamie Marfell, Chief Winemaker at Stoneleigh vineyard.
Courtesy of Stoneleigh/Pernod Ricard.*



A.2.2 Overseas competition and investment are critical for dynamism

The development of New Zealand's alcohol beverages industry into a unique competitive and durable contributor to New Zealand society has been based on:

- A competitive imports sector. This demonstrates to the domestic industry what standards need to be met and where the niches are for New Zealand to compete internationally.
- Foreign Direct Investment (**FDI**). The wineries, breweries, and distilleries are comparatively new in New Zealand. They are competing against companies that have acquired cumulative knowledge and capital in some cases over centuries. Therefore, investment in New Zealand brings:
 - Innovation and new techniques
 - Capital and organisational ability
 - Increased employment and productivity growth.

All of these benefit the industry and the New Zealand economy.

A particular focus of companies has been sustainable production, which not only is a better way of operating a business but can also be a differentiator when it comes to the competitive environment.

Sustainable production means preserving our natural environment for future generations

Lion New Zealand (**Lion**), owner of Wither Hills winery, is driving a programme that protects and preserves New Zealand's natural heritage. Located in New Zealand's Marlborough region, Wither Hills' Rarangi vineyard sits just 600m from the coast, producing exceptional grapes with a distinctive 'coastal' flavour profile.



Wither Hills winery and Rarangi Wetlands. Courtesy of Wither Hills/Lion.

The Rarangi Wetlands Conservation Project at Wither Hills is integral to the future of these nationally significant wetlands and helps protect and support the land that produces premium products.



Rarangi Wetlands occupies a 50-hectare portion of vineyard, forming part of the largest freshwater wetland complex in the Wairau plains. Importantly, these wetlands have a high conservation value due to their indigenous biodiversity, which in turn poses significant ecological value to the Marlborough region.

Since the Rarangi vineyard was developed in 2001, the efforts to restore and regenerate the wetlands were recognised with a Habitat Enhancement Award at the Marlborough Environment Awards 2010/2011. Wither Hills winery and the surrounding vineyards are now accredited with Sustainable Winegrowers NZ – this is a set of industry standards that drive continuous improvement of the sustainability of the wine industry.

The team at this coastal vineyard is producing award-winning wines whilst minimising their impact on the environment.

A.3 Investing in the workforce of the future and a productive economy

A.3.1. Developing workforce skills and training

Ensuring staff have the right skillset for current and future environments is essential for a sustainable, productive and globally competitive industry.

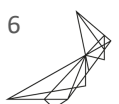
Investing in people

Despite technology playing an important role in modern-day production, it is people who are the key to the DB Breweries' productivity. Its Waitemata Brewery has grown from a small building established in the 1930s to an innovative full-scale plant.

DB Breweries invests in its people and works on retention to reduce turnover. Productivity levels are high, and staff turnover is low at the company's Waitemata site because of the focus on supporting staff to take their skills to the next level. DB Breweries works closely with industry training organisation Competenz to deliver apprenticeships, as well as training programmes in food and beverage processing, health and safety, manufacturing and sales.



DB Breweries, Waitemata site. Courtesy of DB Breweries.



Developing pathways for employment in regions

Many industry employers play a role in supporting regional communities. In 2016, the Timaru District Council reported that many South Canterbury firms struggled with skill shortages that threatened to slow business growth. One of the identified issues was the lack of communication and connection with local education providers and businesses.

The Food Manufacturing and Processing Business Connection forum, Aoraki Development, ARA Institute of Canterbury and local education providers banded together to develop collaborative initiatives to improve skills and reduce shortages in the region.

DB Draught Brewery in Timaru has been a key part of those supporting initiatives by encouraging young people into employment. The brewery took part in industry sector days, showcased career pathways, supported New Zealand Qualifications Authority Food Manufacturing and Processing qualifications, and offered work experience to people looking to enter the industry.

Azaria Sheppard is an excellent example of how effective community-industry partnership programmes can be. On leaving school, Azaria was keen on a career in sciences but was not ready for university. She was looking for work experience to help her decide what she should do next, and DB Draught offered her a role as a fixed-term laboratory technician, which eventually led to a full-time position. Opportunities such as this not only provide a pathway into employment but continuous education through tertiary qualifications and industry-related training.



DB Draught. Courtesy of DB Breweries

Fill the gap - accessing the global talent pool

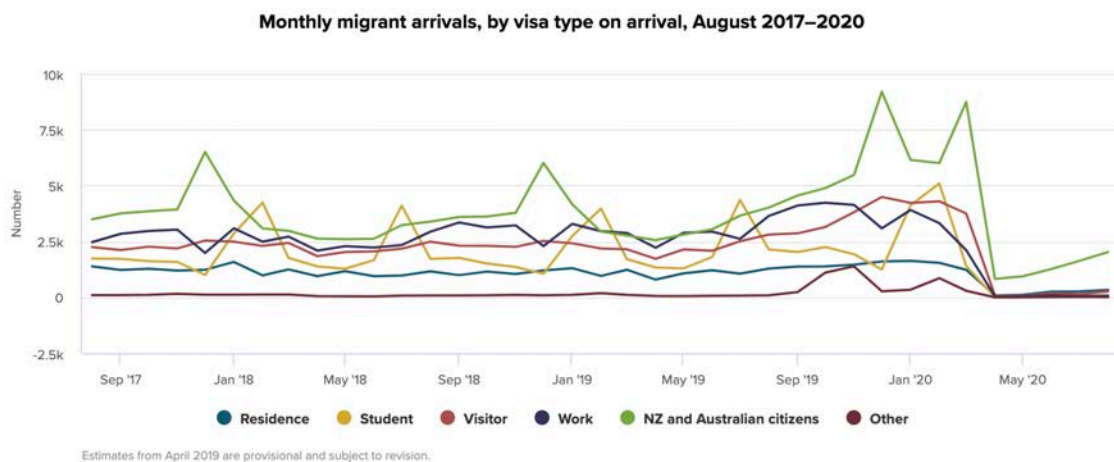
Migrant workers are often required to bolster the local workforce. The skill and experience of overseas workers is valued, welcomed, and needed right across the sector where there are skill shortages from grape harvests to chefs and frontline hospitality staff. The source of these workers are often young people on temporary work visas or people from the wider Pacific region on the Recognised Seasonal Employer (**RSE**) scheme. More highly skilled



workers such as chefs, hospitality managers, and specific technical and technological expertise are also in high demand.

The border closures and visa changes brought about by COVID-19 have impacted the sector, with pressures particularly on vineyards to find enough staff for harvesting. In August 2020, only 80 work visas were issued compared to 3,644 in August 2019 (see Figure 3). Reduced access to the volume of skilled workers has required vineyards to think outside the square to harvest by building and rotating local work pools or exploring automation and robotics. Hospitality venues have been operating with reduced hours and temporary or permanent closures. However, long-term sustainable workforce solutions are required to ensure New Zealand can operate effectively when borders open and tourism increases.

Figure 3. Visas issued to migrants arriving in NZ 2017-2020



Source: Stats NZ

Public-private partnerships to build a resilient, capable domestic workforce

Targeted public-private partnerships can be effective in developing talent for tomorrow's workforce. The hospitality industry employs more than 170,000 workers. However, the impact of the COVID-19 pandemic has affected business operations, including skills shortages from fewer migrant workers due to closed borders.

Hospitality New Zealand (**HNZ**) has worked closely with the Ministry of Social Development (**MSD**) to implement Springboard, a programme that delivers short and medium-term benefits through subsidised wages, skill development and support services. The underlying objective of the programme is to help bridge the skills shortage gap in a way that builds a resilient, capable domestic workforce to help ensure a sustainable hospitality industry.

Conceptualised by HNZ and co-designed with MSD, the programme helps operators stay the distance through the COVID-19 recovery phase and beyond.





MSD and HNZ partner to bridge a skills shortage gap. Courtesy of Hospitality NZ.

The programme is built on a flexible model based on three different funding tiers that can be put in place for up to two years duration. Operators can choose the funding level and associated training courses that best suits their business needs. Employers can apply to use the scheme to attract new staff and to upskill existing staff.

Leveraging innovation and technology to develop a highly-skilled workforce

The sector is embracing innovation, technology and artificial intelligence to improve effectiveness and efficiency. A flow-on effect of this is the need for, and investment in, developing a highly-skilled workforce.

An example of this is robotics and automation in wineries. Many wineries in the Marlborough region are experimenting with New Zealand-designed robotics, Autonomous Vineyard Tractors (**AVT**). AVTs were developed by Smart Machine, a Marlborough-based agri-tech firm with the backing of Pernod Ricard and Callaghan Innovation.

The machines are a world-first, capable of mulching, leaf removal and trimming. The technology means the vineyard teams, especially when labour is tight, can go about less laborious tasks to make the vineyard work more effectively. AVTs can be controlled by a handheld tablet, and artificial intelligence software controls 80 sensors in each machine that monitor everything from vine quality to safely navigating the vines.

It would be incorrect to think of technology displacing people. They are very much still needed. But technology can enable a business to grow and operate at its full potential. AVTs improve employee safety by eliminating repetitive tasks, allowing employees to move into higher skilled activities that add more value.



A 3.2 Embracing diversity and being part of communities

As significant employers in New Zealand, it is important that companies in the alcohol industry show leadership, model progressive and inclusive organisational structures, and respect and reflect their communities.

Inclusive workplaces

Creating a diverse and inclusive workplace where all people feel valued and able to contribute is fundamental to Lion New Zealand. Employing around 1,200 people across the country, its culture can be considered a competitive advantage in attracting, developing, and retaining talent.

The company has an Inclusion & Diversity strategy that focuses on: Inclusive Culture; Gender Equity; Cultural Diversity and Age Diversity, and has been an industry leader in adopting progressive policies. These include: closing the like-for-like gender pay gap in 2016 and winning the YWCA Equal Pay Award; setting gender representation targets not only organisation-wide but within teams; Gender Tick accreditation; a 'Families at Lion' Policy that enables both parents to have equal opportunity to primary carers leave; Pride at Lion – a group dedicated to driving visibility and equality for Lion's LGBTQ community; the Women at Lion Leadership Program; mainstreaming flexible work across the business; Unconscious Bias and Respect at Work training; providing uncapped leave for team members experiencing domestic violence.

Lion New Zealand encourages its people to be actively involved in recognising and celebrating events in their communities, including International Women's Day, Wear It Purple Day, Harmony Day, Equal Pay Day, Māori Language Week and more.

Creating local jobs and supporting local communities to thrive

Supermarkets are a key part of the distribution channel for the sector. But they are also an active part of the local communities they are in as job creators, community supporters and food and beverage providers. Consumers are encouraged to enjoy alcohol in a moderate and responsible way, including with food.

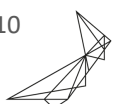
The first Foodstuffs company was founded in 1922 and is now New Zealand's biggest grocery retailer and one of the country's largest organisations and employers with a team of more than 39,000.

Being 100% New Zealand-owned and operated, it is embedded in the communities it serves. Its brands provide coordinated support to local communities, which mostly come from local store owners who know their communities best and can meet their unique needs.

Many owner-operators are an active part of their communities, from being among their towns' biggest employers to donating time, money, and groceries to local schools, sporting groups, community and church groups, and other not-for-profit organisations.

At regional and national levels, Foodstuffs has provided much-needed support to food rescue organisations, food banks and other support services that have experienced greater demand as a result of COVID-19. This included the creation of a fund that distributed more than \$1.3 million to these groups in 2020.

Foodstuffs also responded to the operational challenges of COVID-19 by working with suppliers to provide ongoing product supply so that New Zealanders were able to put food on their tables and by ensuring customers could shop safely and with confidence. The



safety and wellbeing of their frontline staff, classified as essential workers, remains a major focus throughout the pandemic.

People and partnerships to make a difference

Pernod Ricard sees its employees as its best ambassadors and invests in its people by working with them to map out their individual development plans, helping them to access internal resources, online training courses and the Pernod Ricard University and connecting staff to its mentoring programmes.

Partnering with other industry members is recognised as a way to upskill people and create jobs. Pernod Ricard joined forces with the Nelson Marlborough Institute of Technology and Work and Income New Zealand to provide cellar hand training courses for unemployed people over vintage. This has proved one of the most successful partnership courses of its type in the South Island.

Pernod Ricard employees are encouraged to make a difference to their local communities and environment. Every employee is given a day of volunteer leave per year to work on a cause they care about. Pernod Ricard has a long-standing partnership with Conservation Volunteers New Zealand (**CVNZ**), which provides opportunities for employees to volunteer, and on several occasions, the whole company has come together to work on projects with CVNZ.



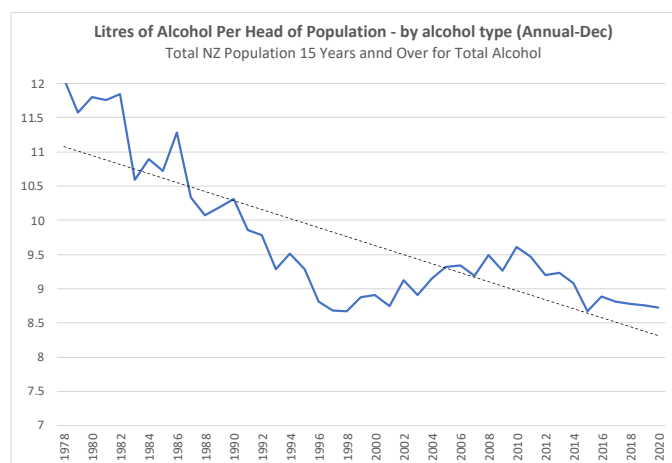
Appendix B Social responsibility

Having a drink with workmates, family, or friends is a part of New Zealand's social culture. The alcohol beverages industry takes its social responsibility obligations seriously and respects the social license it has been granted through a range of proactive activities. Key members of the industry and the NZ Alcohol Beverages Council (**NZABC**) belong to the International Alliance for Responsible Drinking (**IARD**), a global not-for-profit organisation dedicated to reducing harmful drinking and promoting an understanding of responsible drinking.

B.1 Changing consumption patterns

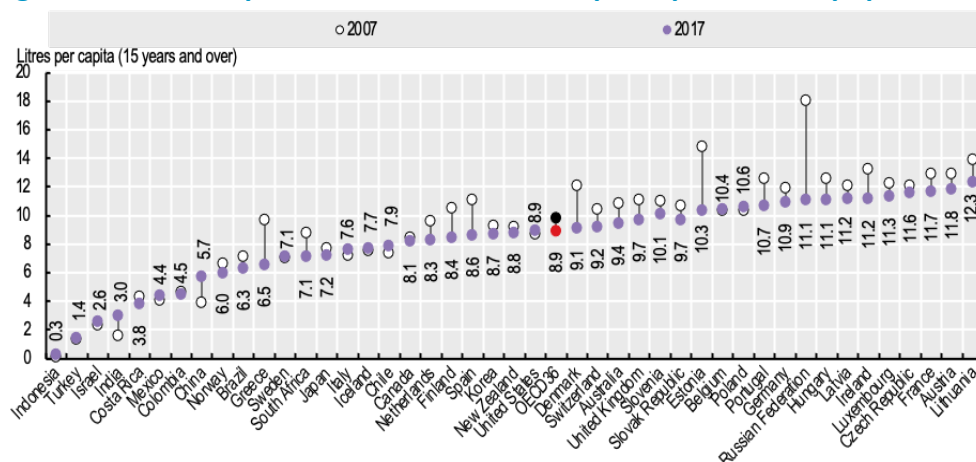
The way in which New Zealanders drink is undergoing a cultural shift. Currently, alcohol consumption is on its long-term trend line of decline of nearly 25% since the 1970s (see Figure 4). New Zealanders are drinking less per capita than the OECD average (see Figure 5) and was at 8.7 litres/capita according to Stats NZ at December 2020.¹²

Figure 4 Litres of alcohol per head of population



Note: December year. Source: Statistics NZ Infoshare

Figure 5 OECD comparison of alcohol consumption per head of population



¹² OECD, <https://data.oecd.org/healthrisk/alcohol-consumption.htm>. Recorded alcohol consumption among adults, 2007 and 2017 (or nearest year). Alcohol consumption is defined as annual sales of pure alcohol in litres per person aged 15 years and older. The OECD average consumption is 8.9 litres/capita (aged 15 and over), and New Zealand is at 8.8 litres/capita. StatsNZ data shows alcohol available for consumption to December 2020 is 8.7 litres/capita (published 25/02/21). <http://archive.stats.govt.nz/infoshare/>



Moderate and responsible drinkers

From the Ministry of Health's New Zealand Health Survey 2020/21, we know that four out of five New Zealanders drink in moderation.¹³ Twelve per cent drink hazardously when measured on a weekly basis.

The Ministry of Health's Low-risk Alcohol Drinking Advice recommends having no more than 15 standard drinks a week for males or no more than ten standard drinks a week for females. According to the Health Promotion Agency research in 2019/20, 82% of New Zealanders drank at or below the recommended weekly limit. Nearly two-thirds (63%) followed the 'daily' limit advice of no more than three standard drinks per day for males or no more than two standard drinks per day for females. The advice calls for two alcohol-free days a week, which the research says 92% of people are doing.¹⁴

The New Zealand Health Survey 2020/21 shows a marked change, with fewer young people drinking and drinking less hazardously, with 59.3% of 15 to 17-year-olds having had alcohol in the past year; this is 15.2% less than in 2006/7 when 74.5% of 15 to 17-year-olds said they had alcohol in the past year.

Research by Ball et al. (2020) shows this positive downward trend in hazardous drinking by young people.¹⁵ Further, alcohol industry research shows 84% of New Zealanders support alcohol education programmes in schools.

The industry is supporting social change activities that help to accelerate these changes.

Impact of Covid-19 on consumption

Research by the Health Promotion Agency showed most New Zealanders continued responsible drinking behaviours and attitudes during and after the Covid-19 events in 2020.¹⁶ Over lockdown, 36% of New Zealanders didn't drink at all, one-third (34%) were drinking less, and nearly half (47%) consumed about the same. Post-lockdown saw drinking habits return to pre-lockdown levels for most New Zealanders, with two-thirds (64%) drinking at their usual (pre-lockdown) levels, and 22% reported drinking less than usual.¹⁷

The alcohol available for consumption decreased slightly in 2020. There were 8.719 litres of alcohol available per head of population (15 years and older) in December 2020 compared to 8.752 litres in December 2019.

There was a slight increase in wine (+4.3%) and spirits (+5.2%) consumption and a decrease in beer consumption (-1.4%), which indicates a switch in what people were choosing to drink rather than consuming more.

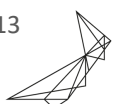
¹³ New Zealand Health Survey 2020/21, 1 December 2021, <https://www.health.govt.nz/publication/annual-update-key-results-2020-21-new-zealand-health-survey>

¹⁴ <https://www.hpa.org.nz/research-library/research-publications/alcohol-use-in-new-zealand-survey-auinz-2019-20-%E2%80%93-high-level-results-2019-20>

¹⁵ Ball J, Edwards R, Sim D, Cook H and Denny S (2020) What explains the decline in adolescent binge-drinking in New Zealand. The International Journal on Drug Policy <https://europepmc.org/article/med/32721865>

¹⁶ Health Promotion Agency, April 2020, The impact of lockdown on health risk behaviours <https://www.hpa.org.nz/research-library/research-publications/the-impact-of-lockdown-on-health-risk-behaviours>

¹⁷ Health Promotion Agency, July 2020, Post-lockdown survey - the impact on health risk behaviours <https://www.hpa.org.nz/research-library/research-publications/post-lockdown-survey-the-impact-on-health-risk-behaviours>



B.2 A change to what and how New Zealanders are drinking: no- and low-alcohol and premiumisation

Consumer preferences are changing. New Zealanders are following the global trend of increasing demand for no- and low-alcohol beverages.

Producers have been responding to the change in consumer needs, which has encouraged innovation in the sector to expand existing or develop new product ranges to suit the tastes of drinkers looking for more 'better for me' drink options, for example, no- or low-alcohol, lower sugar and low carbohydrates. Low-alcohol beer sales have increased 1116% since 2016. One leading brewery's low-alcohol beverages now make up 15% of its total portfolio. Significant investment and innovative viticulture are growing New Zealand's Lighter wines range. Seltzers with beer, cider, wine or spirit-based mixed with sparkling water and natural fruit flavours have also become a popular, lower sugar and alcohol option, often at 5% abv and providing a standard drink in a slimline can.

To further understand these trends, the NZ Alcohol Beverages Council surveyed New Zealander's attitudes to alcohol.¹⁸ In December 2021, a poll of 1,250 New Zealanders found 47% of respondents said they drank low-alcohol beverages (up from 40% in 2020).

The most common reasons for drinking low-alcohol beverages were:

- 28% of respondents drank low-alcohol products because they were driving
- 27% of respondents were tracking their alcohol consumption (41% of women and 16% of men; and 32% of people aged 61+.)
- 26% of respondents were drinking low-alcohol products for health and wellbeing reasons (26% of people 18-40 years, 24% aged 41-60 years, and 31% of people aged 61+ years)
- 19% of respondents said it was for a lower calorie drink (22% of men and 16% of women; 21% of people aged 41-60 years, and 22% of people aged 61+ years)
- 15% of respondents preferred low-alcohol beverages (19% of men and 8% of women)
- 15% were mindful of how others might perceive them (29% of people aged 18-40 years)
- 13% chose low-alcohol for professional/work reasons (32% of people aged 18-40 years)
- 9% of respondents said it was to avoid becoming intoxicated
- 9% of respondents were mindful of how they might be perceived on social media (19% of people aged 18-40 years)
- 8% of respondents said it was to be social (20% of people aged 18-40 years)
- 7% of respondents said it was offered
- 5% for sports or fitness reasons.

¹⁸ NZ Alcohol Beverages Council consumer research, New Zealander's attitudes to alcohol research, December 2021, poll of 1,250 New Zealanders undertaken by Curia Market Research.



Premiumisation – looking for quality over quantity

Consumers are moving away from quantity to quality, and through a growing self-awareness of health and wellbeing, they are drinking in a more ‘mindful’ way. This has resulted in a trend that has been termed ‘premiumisation’. This is about choosing a drink that may cost a little more, such as a craft beer, a fine wine, cocktail or a premium spirit or liqueur, and then taking a ‘sip and savour’ approach to enjoy the flavours and the experience of the drink in a slow and relaxed way. In December 2021, 56% of New Zealanders said they had savoured a premium alcohol beverage in the past year.

The NZ Alcohol Beverages Council survey showed:

- 36% of people say they drink a premium beverage at the same rate as a regular drink, but 30% say they drink them more slowly, only 2% say faster
- 41% of men and 19% of women said they consumed a premium drink more slowly
- 34% of 41-60 years said they drank premium beverages slower, compared to 25% of 18-40 years and 31% 61+ years.

The demand for quality carves out a niche internationally for distinct New Zealand premium beverages that maximise the price per litre (e.g. New Zealand continues to maintain very high prices per bottle of wine in its major markets, the United States and United Kingdom).

B.3 Industry investment into alcohol beverages social campaigns

The industry pays an annual levy of about \$11.5m to the Health Promotion Agency to fund awareness campaigns, and over \$1 billion in excise tax on alcohol is paid to the government each year.

Industry research shows 78% of New Zealanders agree that targeted education and support programmes are the best way to reduce harmful drinking.¹⁹

The industry further invests in social awareness activities that promote moderate and responsible consumption of alcohol and social change and education initiatives that aim to change attitudes toward alcohol and reduce alcohol-related harm. Individual members also invest in initiatives to help make New Zealanders make informed and better decisions around alcohol. Examples include:

- Cheers NZ! (cheers.org.nz), a social change organisation funded by The Tomorrow Project (an industry-funded social responsibility initiative), that provides information on a range of topical issues, e.g. what a balanced lifestyle looks like based on the Ministry of Health Low-Risk Alcohol Drinking Advice, information for parents talk with teens, and ‘Alcohol and pregnancy don’t mix’ campaign.
- Alcohol&Me (alcoholandme.org.nz), developed by Lion New Zealand, and has been running for over seven years. It is an interactive education programme that provides information and real-world tools to help people make smarter decisions about drinking. Alcohol&Me is available free of charge to all New Zealanders via a self-directed online module: alcoholandme.org.nz and for businesses through facilitated



¹⁹ NZ Alcohol Beverages Council consumer research, New Zealander’s attitudes to alcohol research, December 2021, poll of 1,250 New Zealanders undertaken by Curia Market Research.



workshops and tailored online training. Over 200,000 people have engaged with the programme since its inception, with over 38,000 completing online modules in 2020.

- Heineken® is strongly committed to leading the responsible consumption of alcohol across the globe, and its 'When You Drive, Never Drink' programme is a key step in the mission to reduce drink driving. Every year, the brand invests at least 10 per cent of its media spend on responsible consumption campaigns, and in 2020 locally, it invested around 20 per cent.
- Hospitality NZ worked with Police and community organisations to implement a campaign to make bars and nightlife safer, including training and empowering hospitality staff to recognise issues and take action.
- Consumers are also encouraged to enjoy alcohol in a moderate and responsible way, including with food.

Accelerating changes to delay young people drinking

Industry research shows 84% of New Zealanders support alcohol education programmes in schools.

The Tomorrow Project supports 'Smashed', a curriculum-linked theatre in schools education programme delivered by Life Education Trust that aims to delay drinking in young people. It uses interactive workshops to engage with Year 9 students on the facts and dangers of underage drinking and help give them the tools and strategies they need to deal with real-life situations where there may be peer pressure to drink alcohol.

In its first two years, more than 35,000 students across New Zealand now have a better understanding of the negative effects of alcohol, how to make better choices for themselves, and where to find help if they need it.

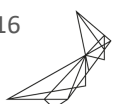
Research in 2019 showed 91% said they were less likely to drink alcohol before they turned 18 years old, and 84% said they felt better equipped to make the right choices about drinking alcohol. In its third year (2021), Smashed provided a safe space for teens to explore relatable real-life issues and talk about peer pressure and alcohol, with 85% saying the programme was a good way to learn about the dangers of underage drinking.²⁰

Taking a holistic approach to social responsibility

A number of companies have individually been proactive in developing holistic programmes that underpin both social and environmental aims. For example:

- Pernod Ricard: 2030 Sustainability & Responsibility roadmap as part of the Group's strategic plan Transform & Accelerate. This roadmap sets out eight ambitious and concrete 2030 targets supporting the United Nations Sustainable Development Goals (SDGs), and
- The six pillars of DB Breweries' sustainability programme: Brewing with Less Water, Brewing Lower Carbon Emissions, Brewing a Safe and Healthy Workforce, Brewing a Sustainable Value Chain, Brewing Prosperous Communities, and Brewing a Safe and Social Drinking Culture.

²⁰ <https://www.smashed.org.nz/impact-and-outcomes.html>



B.4 Advertising and sponsorship

Connecting with customers and communities

Local hospitality venues, from golf clubs to local pubs, are the heart of many local communities. These venues provide a central hub for people to connect – where friends gather to chat, families gather to celebrate special occasions, or local events are held in a safe and social space where responsibility and moderation are encouraged.

The industry, through venues and brands, has long been a supporter of communities through sponsorship. From supporting events and festivals, funding grassroots clubs to backing professional sports teams, the industry plays a key role in creating opportunities for people to come together.

Industry research shows there is strong public support for current levels of alcohol advertising and sponsorship. More than half of New Zealanders (55%) say the level of industry sponsorship of sport is about right or there could be more sponsorship and a third (33%) say it's too much. Over half of New Zealanders (58%) say current alcohol advertising levels are acceptable or there could be more advertising and around a third (35%) say it's too much.²¹

Advertising responsibly

Advertising centres around products to promote specific brands to influence consumers' brand and product preferences across no-, low- and regular-alcohol ranges. It works to increase brand awareness, encourage brand switching or loyalty in a highly competitive market.

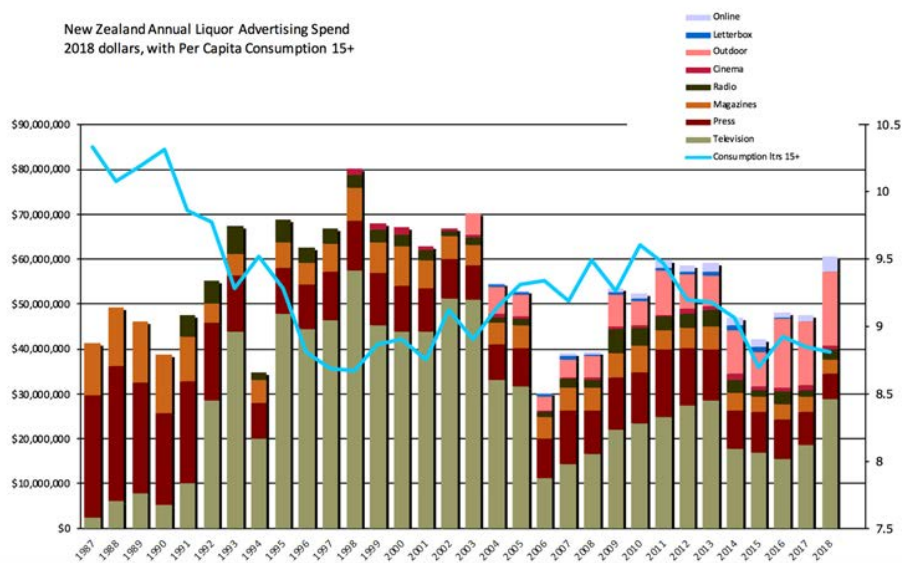
The local alcohol market is considered a mature market; that is, it is a well-established market that is not likely to grow in size, as evidenced by the decrease in consumption that has been trending downward for some time. However, there is greater scope for customers to 'switch' brands or products, which is what drives marketing activities.

The Foundation for Advertising Research (Figure 6) has shown that while advertising spending has increased in New Zealand over the past decade, alcohol consumption has been decreasing steadily.

²¹ NZ Alcohol Beverages Council consumer research, New Zealander's attitudes to alcohol research, December 2021, poll of 1,250 New Zealanders undertaken by Curia Market Research.



Figure 6: NZ annual liquor advertising spend in 2013 dollars with per capita consumption aged 15 +



Source: Foundation for Advertising Research

Over the period between 1986 and 2018 – the majority of which was after the de-facto broadcasting ban ended in 1992, the per capita consumption for New Zealanders aged 15 and above reduced by 21% from 11.282 litres in 1986 to 8.808 litres in 2018. Recent data shows a shift to 8.719 litres in December 2020, reducing 23% since the mid-1980s. (The per head of population (aged 15 years and older) is the measure used by the OECD.)

Advertising is highly-regulated

Advertising and sponsorship of alcohol are regulated through the Sale and Supply of Alcohol Act (Ministry of Justice) requirements and the voluntary Alcohol Advertising and Promotion Code (Advertising Standards Authority)²².

The purpose of the Alcohol Advertising and Promotion Code (**Code**) is to ensure that all advertising and promotion meets a high standard of social responsibility, with particular regard for underage and other vulnerable people. For example, it ensures that alcohol-free extensions meet the exact same strict marketing requirements as alcohol-based drinks and that there are safeguards in place for online and influencer marketing.

While advertising is tightly regulated, the industry is conscious of what it can further do to minimise young people viewing alcohol advertising in environments that are not so easily controlled. Many businesses go beyond the requirements of the legislation and Code and have implemented additional guidelines and systems to ensure their business is meeting the highest standards of responsible marketing. For example, Pernod Ricard has a Code for Commercial Communications that details marketing and advertising guidelines to its staff and agencies across all channels, including digital platforms and influencers. Training on this Code is mandatory for all of Pernod Ricard's marketing employees.

²² The industry is highly regulated, for example the Sale and Supply of Alcohol Act 2012 <https://www.legislation.govt.nz/act/public/2012/0120/latest/whole.html#DLM3339493> and Regulations <https://www.legislation.govt.nz/regulation/public/2013/0459/latest/DLM5736956.html>, the Alcohol Advertising and Promotion Code <https://www.asa.co.nz/codes/codes/alcohol-advertising-and-promotion-code/>, and other legislation such as the Food Standards Code <https://www.foodstandards.gov.au/code/Pages/default.aspx>.



The International Alliance for Responsible Drinking (**IARD**) has introduced an action plan for the alcohol industry to accelerate efforts to reduce underage drinking globally, including New Zealand, where regulations allow for the changes.²³ A partnership between IARD members and leading digital platforms (Facebook, Instagram, Snapchat and YouTube) has been established to develop new marketing responsibility standards and roll out worldwide to prevent underage people from seeing or interacting with their alcohol brands online. Some brands also have a plan to introduce symbols or written age restrictions to labels on alcohol drinks.

²³ The full set of actions can be found at <http://bit.ly/IARDactions>.



Appendix C Environmental responsibility

C.1 Product stewardship

The alcohol beverages industry supports product stewardship and improved recycling in New Zealand. Industry members that produce beverages in glass containers belong to a voluntary cross-sector Product Stewardship Scheme (**Scheme**) with around 100 other businesses. The Glass Packaging Forum (**GPF**) member brands account for approximately 80% of glass packaging in New Zealand and the Scheme has already achieved a world-class standard of 75% recycling for glass.²⁴

The Scheme has been accredited since 2010 and is run by the GPF. It has been proactive in building strong relationships with local and central government, waste management companies, recyclers and other community groups to promote and facilitate best practices.

Members' levies go toward running the Scheme and funding projects that get more container glass back for recycling and reuse. Projects include providing infrastructure to improve glass recovery, facilitating glass recycling and funding research into alternative uses for glass.

The programme also supports initiatives that encourage businesses across a range of industries to implement new ways of thinking and acting. The hospitality industry is one such industry facing unique challenges for recycling glass and other items.

Championing sustainability locally

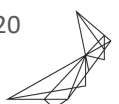
Nick Keene is the owner of *Schnappa Rock*, a restaurant and bar in Tutukaka, which serves locally sourced ingredients and respects the local environment. The business has been working hard to embed recycling and sustainability into its DNA.

Nick's interest in overcoming recycling challenges has led him to become the National Board President of Hospitality New Zealand and a sustainability champion. He is keen to help develop a sustainability template that other hospitality businesses can use so they can operate in a circular and sustainable way.



Nick Keene, owner of Schnappa Rock in Tutukaka.

²⁴ In the 2020 reporting year, the GPF found that New Zealand has a 75% recovery rate of all glass to market of which 62% is recycled back into new glass containers (as reviewed by Grant Thornton). <https://www.glassforum.org.nz/data-is-at-the-heart-of-what-we-do/>



His restaurant currently has eight bins for sorting glass by colour for recycling and another four bins for plastic and tin. In 2018, when he was a trustee on the Tutukaka Marina Management Trust, the marina applied for GPF funding to install a glass recycling bin. The marina is across the road from Schnappa Rock, and it shares the use and cost of it. The local community has embraced the convenience of the special bin.

C.2 Net-zero carbon by 2050

Climate change is one of the greatest threats facing society. Its impacts will be far-reaching and have the potential to disrupt the industry's value chain, from the supply of raw materials through to the distribution of products.

The industry's proactive approach to sustainability aligns with the New Zealand government's goals of reducing carbon emissions by 2050. Still, many in the industry are accelerating their ambitions to 2030 and are already well on their way. They see it as a journey not just for the company and its employees but for their partners, suppliers, growers, and farmers. Achieving lofty goals requires commitment from businesses and the relationships they establish through the supplier and value chain. It's about making commitments to invest in changes to effectively reduce carbon—from changing energy sources, re-evaluating corporate travel, developing sustainable and recyclable packaging to refining manufacturing processes—and working at it every day.

C.2.1 Company commitment to net carbon zero is long term

Companies in the alcohol beverages sector have been at the forefront of driving towards carbon reduction goals.

Commitment to the Climate Leaders Coalition

DB Breweries (part of the HEINEKEN Company, **HEINEKEN**) is one company that is committed to significantly reducing its own greenhouse gas emissions and collaborating with its customers, suppliers and the wider community to help New Zealand transition to a low carbon economy. In 2021, DB Breweries announced its Net Zero Ambition, and the brewer is working towards three main goals:

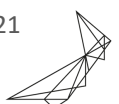
1. 100% renewable energy
2. Balance 100% of the consumed volume of water used in production
3. Zero waste to landfill in production.

DB Breweries' parent company, HEINEKEN, has a bold ambition to decarbonise its production by 2030 and its full value chain by 2040.

DB Breweries' emissions primarily come from natural gas, electricity in breweries, purchased steam, and fuel. The reduction plan focuses on energy management and efficiency, and investment in renewable thermal energy solutions.

Its carbon reduction programme aims to systematically reduce emissions across its business. Key reduction initiatives include:

- Transitioning its Timaru brewery from steam derived from coal to biomass in 2021, which once implemented, will reduce emissions from steam by approximately 98%
- Moving from LPG forklifts to electric forklifts in 2021
- Moving the sales fleet to electric vehicles by 2023



- Implementing renewable energy solutions at Waitemata Brewery by 2030
- Partnership with The Nature Conservancy, a science-based global environment non-profit.

Lion achieves Toitū carbon zero certification

Lion New Zealand (**Lion**), a member of the Climate Leaders Coalition, has committed to a Science-Based Target for carbon reduction of 55% by 2030 and achieving a net zero value chain by 2050. The company is on a journey of continuous improvement and this year reported a 28% reduction in its carbon footprint since 2015.

In 2021, Lion was the country's first large-scale beverage company to be Toitū carbon zero certified, including its breweries, winery, liquor retail stores and offices. Lion has worked with Toitū Envirocare, an independent auditor and certifier, to accurately measure its operational greenhouse gas emissions and implement strategies to manage and reduce its carbon footprint each year. In addition, Lion's flagship brand Steinlager received Carbon Zero product certification, achieved through focusing on reducing emissions throughout Steinlager's lifecycle. The entire product life cycle was examined to understand how emissions can be reduced, from growing the hops and barley, making the beer at the brewery, to bottles, caps, packaging and transport, right down to the length of time the beer will spend in the consumer's fridge.

Any emissions that cannot be reduced are offset through verified carbon credits from two initiatives; a forest protection and regeneration project in the South Island and a renewable energy farm in India.

C.2.2 The commitment to carbon zero, renewable energy and zero waste is across the alcohol beverage industry

Thinking globally, acting locally

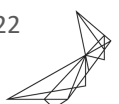
While executed locally, Pernod Ricard's sustainability and responsibility 2030 plan is part of a larger global initiative for the Pernod Ricard Group and aligns with the United Nations Sustainable Development Goals. A partnership with Meridian Energy sees them using certified 100 per cent renewable energy.

But the commitment goes beyond expectations, including a target to have zero waste to landfill and a vineyard wetlands restoration where over 8,000 regeneration and restoration plantings have seen the return of native flax along with 85 different fish and insect life has flourished.

They already had 100 per cent of their grapes sourced from vineyards certified sustainable under Sustainable Winegrowing New Zealand and 94 hectares certified organic vineyards.

Sustainability from supply chain to zero waste to landfill

Being carbon zero by 2050 is a core element of Asahi Beverages NZ's sustainability ambitions. The beverage business continues to reduce its impact on the local environment and support community initiatives designed to protect and restore our taiao (environment). The business introduced zero waste to landfill and circular economy initiatives in 2019 and, as an organisation, Asahi Beverages has already made steady progress from reducing its landfill intensity by 40% since 2014, shifting its vehicle fleet from diesel and petrol to hybrid, and supporting New Zealand growers. Sustainability is core business for large producers, and Asahi Beverages recognises it can leverage its significant scale to create a more sustainable future. Asahi Beverages committed to new targets in 2022 including:



- 100% of purchased electricity from renewable sources by 2025.
- Zero waste to landfill at its manufacturing sites or warehouses by 2030.
- Reducing scope 3 (value chain) CO2 emissions by 30% by 2030 and to net zero carbon emissions by 2050. It is engaging suppliers - from farmers to packaging companies to logistics - to help reduce CO2 emissions beyond its own business operations.
- 100% recyclable, reusable, or compostable packaging by 2025. Transition to 100% eco-friendly (compostable, bio based or 100% recycled content) materials for PET Bottles by 2030.

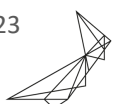


*Asahi Beverages NZ team members with Sustainable Coastlines doing a beach clean-up at Piha.
Courtesy of Asahi Beverages NZ.*

Asahi Beverages NZ recycles approximately 97% of total waste across its supply chain site in Papakura with a strong focus on educating and involving its people in sustainability initiatives. In 2021, it launched trans-Tasman 'Environmental Think Tanks' involving 90 people in both New Zealand and Australia to support five sustainability focus areas, namely:

1. Climate Change: reducing carbon emissions across its supply chain to zero by 2050
2. Sustainable Packaging: reducing the use of virgin plastics/materials and making all products 100% recyclable by 2025
3. Sustainable Water Resources: reducing its water consumption and ensuring sustainability for its water resources
4. Circular Economy: Achieve zero waste to landfill by 2030 in its Papakura manufacturing plant
5. Sustainable Raw Material Procurement: Ensure resourcing considers environmental and social impacts as well as minimising climate change risks.

To ensure human rights, Asahi Beverages NZ has processes in place to identify and mitigate modern slavery occurring in its operations and supply chain. The company is proud to be a member of the GPF and supports Sustainable Coastlines through its Phoenix brand. The business is a signatory to the ANZPAC Plastics Pact signed in May 2021, with APAC members having a shared vision of a circular economy for plastic.



C.2.3 Wine industry is taking up the challenge

There is significant alignment in the approach to sustainability across the sector. The wine industry has endorsed the goal of becoming net carbon zero by 2050. This will be a major challenge given the growing and industrial processes required to make it happen.

The wine industry understands it needs to build the capability now to make the process happen gradually over time. New Zealand Winegrowers (**NZW**),²⁵ of which Lion and Pernod Ricard are members, have reinforced this approach by:

- Appointing a General Manager Sustainability and making structural changes to the Environment Group at NZW
- Launching and ongoing delivery of the Sustainable Winegrowing New Zealand (**SWNZ**) scorecard review project
- Refocusing on six core areas of sustainability: water, waste, pest and disease, climate change, people and soil
- Implementing a phased withdrawal of organophosphates from the Spray Schedule
- Launching the Sustainability Guardians programme
- Adopting key environmental industry health indicators of sustainability
- Setting a climate change goal for the industry to become carbon neutral by 2050 and implementing a climate change work programme
- Re-confirming the goals, objectives, and performance indicators of the NZW biosecurity strategy.

Sustainability commitments not only have a positive impact on our natural environment but can be leveraged as a competitive advantage.

²⁵ New Zealand Winegrowers Annual Report 2020 p16.



Appendix D Innovation and Investment in research & development

D.1 R&D underpins New Zealand's competitive advantage

The success of the wine and brewing industries is based on their respective distinct and superior grape and hop varieties. The fledgling spirits industry is looking to follow suit with unique ingredients for vodka, rum, tequila, gin and a whole range of other spirits.

Adapting these varieties to combat diseases and pests and introducing new varieties drives further innovation and enhances profitability in overseas markets. The R&D which underpins these varieties will continue to be an essential component of these industries and drive further sales. Similarly, better understanding and exploiting our indigenous flora and local ingredients will further differentiate New Zealand products.

The first grapes were planted 200 years ago in Northland by Samuel Marsden. However, it was not until the late 1970s and 1980s that with heavy investment from Australia and the United States and exposure to imports, the wine industry began to improve its quality.²⁶

Wineries initially focused on serving the small domestic market. However, with deregulation and closer economic relations (CER), barriers to imports came down in the 1980s. New Zealand producers, to survive, started to focus on what they were best at. The classic varieties such as sauvignon blanc and pinot noir turned out to be world-class. To continue to sustain this initial edge, NZW, through its levy, funds R&D delivered by the BRI based in Marlborough.

The BRI is focused on solving real-world problems faced by the industry and capturing consumer opportunities.²⁷ This includes grape and wine production practices, protecting the terroir, provenance and eco-systems, understanding markets and supply chains, and developing transformative technology. Along with the BRI, the Bragato Trust (a separate entity) provides scholarships to promote viticulture knowledge and practice.²⁸

The basis of brewing success has been the development of New Zealand hop varieties. Hops were first planted in the Nelson region during the 19th century, and higher-yielding USA varieties were planted in the 1920s. These varieties were susceptible to root rot leading to an ongoing research programme. The R&D programme has been an outstanding success which has developed:

- New hop varieties that are resistant to root rot²⁹
- The world's first seedless triploid hops. The varieties have 50% more alpha acid (the bittering precursor in beer) relative to imported varieties³⁰
- A breeding programme known as "New World Hops". This establishes a breeding pipeline of unique hop flavours and aromas demanded by overseas markets.³¹

The ability to overcome growing problems, develop new varieties, and connect with markets around the world has put the industry on solid export foundations.

²⁶ <https://www.nzwine.com/en/media/story/history>

²⁷ <https://www.nzwine.com/en/initiatives/bri/>

²⁸ <https://bri.co.nz/bragato-trust/>

²⁹ <http://www.martech.co.nz/images/07hops.pdf>

³⁰ <http://www.martech.co.nz/images/07hops.pdf>

³¹ <https://www.plantandfood.co.nz/page/news/media-release/story/new-collaborative-research-agreement-locks-in-a-sustainable-future-for-the-new-zealand-hops-industry/>



The spirits industry is at the start of its R&D journey, and it has grasped the importance of provenance. In the past, botanical ingredients have been imported. However, the need for locally sourced native ingredients could drive the industry. Indigenous plants such as horopito, kawakawa and mānuka are already being used to create distinctively New Zealand flavoured beverages.

Work from Massey University has shown that botanicals grown in New Zealand do have a flavour and vibrancy not found elsewhere. R&D may assist in developing a domestic and export market in the same way hops have been developed.

Along these lines, a partnership research programme between BeGin Distilling (Juno Gin), Massey University and Greentec Propagation is evaluating the unique qualities of locally grown juniper berries that not only give New Zealand distilleries the edge, but commercial crops could potentially create a new industry. This research has been awarded funding by the Taranaki-based Pivot Award, a special fund designed to support agri-innovation in the region, co-founded by Massey University and the local Bashford-Nicholls Trust.³² The juniper project follows on from an earlier partnership between Begin Distilling and Massey University, where the efficacy of New Zealand grown Orris Root was evaluated. The success of this project has resulted in the commitment of a local grower to commercially produce product for a number of New Zealand gin distilleries.

D.1.2 Product diversification

The alcohol beverages industry is always looking for new opportunities to meet changing consumer demands and needs. One current fast-growing market is the seltzer market. Seltzers are generally an effervescent beverage with a beer, cider, wine or spirits base mixed with sparkling water and natural flavours. As such, they have low alcohol content (typically 5% abv) and are low in sugar.

Seltzer sales are currently booming internationally. Seltzer is on track to be the fastest-growing alcohol segment globally, where global sales are predicted to be worth US\$14.5 billion by 2027.³³

Whether seltzer will be a durable growth market remains to be seen. What is important is that New Zealand producers are aware of the changing market trend toward more 'better for me' products and are innovating to meet the demand. Other beverages that are popular for consumers with a focus on health and wellbeing are no- and low-alcohol beers and wine.

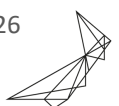
D.2 Driving growth in start-up industries

New entrants and start-ups are the life of any industry. With the establishment of a comparatively new spirits distillery industry, the number of start-ups is multiplying rapidly, with each establishing their own distinctive taste, brand and niche. Distillers are always looking for ways to differentiate their product, and New Zealand's natural environment and the Kiwis 'can-do' attitude contribute to a range of distinctively Kiwi spirits.

One of the notable start-ups is Juno Gin. During the design phase for the distillery, owner-operators Jo and Dave James worked closely with their engineering partners to create a

³² <https://junogin.com/story/> and https://www.massey.ac.nz/massey/about-massey/news/article.cfm?mnarticle_uuid=03BDC2D7-C654-4EF2-8813-0049A01028DF

³³ <https://www.grandviewresearch.com/industry-analysis/hard-seltzer-market>



copper still that could operate in a way that met their commitment to sustainability. The innovation from this process created a still that:

- Sustainably minimises waste/by-product production (liquid by-products have been used to make beer and solids to make chocolate truffles)
- Has built-in systems that harvest the Taranaki rainwater for the cooling condenser and that prevent (and recover) any heat loss during the distillation.

Botanicals are mainly sourced locally, although some are imported. Where Juno can, it is working with local horticulturists and research bodies to switch from imported to local production.

Taranaki has very good growing conditions, which are an advantage to the gin distiller. Products are sourced from all over New Zealand, including water, Angelica Root and citrus (Taranaki), Orris Root (Hawke's Bay), and citrus fruit from The Limery (East Coast).

With juniper being an essential ingredient of gin, Juno was involved in the Great New Zealand Juniper Hunt with Massey University in 2018 to find as many *Juniperus communis* plants as part of the initial research toward exploring the potential for a local commercial crop.³⁴

Another point of difference is that 700ml Juno bottles are labelled and printed with organic inks and are fully recyclable. Many boutique distilleries have a sustainability ethos and are taking a similar approach in their operations, supply chain, and packaging.



Juno Gin founders, Jo and Dave James at their distillery in Taranaki. Courtesy of Juno Gin.

Supporting local takes off

Sourcing local produce is becoming key to differentiating products and creating a niche. Consumers are increasingly curious as to the provenance of ingredients and wanting to support local businesses.

Curiosity Gin is made 100% in-house, in small batches, starting from locally sourced malted grain and the best quality botanicals available, including East Coast mānuka berries and

³⁴ <https://www.nzherald.co.nz/the-country/news/listen-tinder-for-trees-the-great-nz-juniper-hunt/IJ7XXPO6PLB47COUY6IMRVT3XQ>



leaves, fresh Gisborne orange and lime zest and Otago lavender for a true New Zealand twist.³⁵ This, in turn, means the business is also supporting New Zealand-made or grown products.

Support for local beverages have given rise to specialist events, like beer, wine and gin festivals, where consumers are looking to experience good food, drinks and entertainment. It's an opportunity to learn more about products, hear about the back story, understand provenance, and meet the passionate people who make them.

D.2.1 The greater the economic activity, the more opportunities open up

Most businesses in the sector will need investment to innovate, purchase technology or improve, broaden or upscale production or access the export market. Family and friends often invest in boutique businesses and crowdfunding platforms are becoming increasingly popular. Some larger businesses are able to attract overseas investors. But, the sector recognises the benefit of partnerships and accessing expertise through government grants to drive innovation further.

Creating a niche for yeast - Froth Technologies

Like hops and malt, yeast is an essential ingredient for brewing beer. Until now, liquid yeast has typically been imported from the US and Europe, and with that comes shipping delays and variable refrigeration conditions that can affect this 'live product'. Recognising a gap in the local beer industry, Simon Cooke and Ryan Carville put their brewery experience and knowledge to work by establishing Froth Technologies to manufacture locally grown and sustainably produced industry-grade yeast.

The duo successfully crowdfunded for production and technical equipment to set up their purpose-built lab that opened in 2020. The Lower Hutt company now supplies over 40 craft breweries throughout New Zealand, and they plan to enter the home brewing market in 2022.



Froth Technologies co-founders Simon Cooke (left) and Ryan Carville (right). Courtesy of Froth Technologies

Froth Technologies is working toward becoming a Carbon Zero certified company. Quality, locally sourced products fit well with the sustainability ambitions of many brewers, including large-scale producers like Emerson's, a craft beer brand owned by Lion. As an

³⁵ <https://ginzealand.co.nz/pages/curiosity-gin>



approved supplier, Froth Technologies' yeast contributes to Lion's wider Carbon Zero programme.

R&D are critical to the growth of this business. A grant from Callaghan Innovation's Fermentation, Bioprocessing and Microbiology services supports their project to develop unique New Zealand wild yeast strains, differentiating their product from other yeasts in the global market.

Winners of the prestigious Business Innovation Award at the Massey University's NZ Food Awards 2021, the potential of this business is yet to be realised. In less than a year of trading, the company has drawn interest from large Australian craft breweries. Simon and Ryan are readying their operation to scale up to meet increased local demand, develop their range, and pursue export opportunities.

D.3 Innovation to meet demand for low-alcohol products

New Zealand Lighter Wines was the product of a significant New Zealand R&D initiative led by NZW and co-funded under the Ministry for Primary Industries' Primary Growth Partnership (PGP). The programme's purpose was to position New Zealand as the world's leading producer of high quality lower alcohol and lower-calorie wines, capitalising on both the domestic and international markets.

As the largest research programme ever undertaken by the New Zealand wine industry, New Zealand Lighter Wines launched in 2014 and finished in June 2021. The initiative focused on understanding how best to produce and market lighter-in-alcohol wines, defined as "wines containing less than 10% alcohol by volume" and "marketed as lower or reduced in alcohol". This has effectively created a new and exciting category of wine catering to the growing number of consumers who, on specific occasions, wish to further moderate their consumption of alcohol and still enjoy a glass of premium New Zealand wine.

The challenge set was to learn how to successfully reduce alcohol content naturally without compromising the fabulous flavours and varietal expression.

The 18 New Zealand wine companies participating in this innovative initiative were Accolade Wines, Allan Scott Family Winemakers, Constellation Brands, Forrest, Giesen, Indevin, Kono, Lawson's Dry Hills, Marisco Vineyards, Mount Riley, Mt Difficulty, Pernod Ricard, Runner Duck Estate, Spy Valley Wines, Villa Maria, Whitehaven, Wither Hills/Lion, and Yealands Wines.

The quality of New Zealand's lighter wines is already being recognised, with many achieving award medals nationally and internationally.

D.4 Focus on high quality increases recognition and drives growth

Quality raw ingredients, skill, and craftsmanship are critical to continuous improvement and remaining competitive when you are against fierce global competition. Consistency in quality is what differentiates many New Zealand products when global brands are mature, have scale, and are better known.

Achieving recognition for quality is a catalyst for the growth of many companies, enabling them to develop brand recognition and consumer confidence in their products locally and overseas.



Receiving an esteemed quality award can also broaden a product's distribution, whether that is across supermarket and retail chains in New Zealand, being included on wine lists in a restaurant or opening doors for export opportunities.

Tohu Wines – award-winning wines from the world's first Māori-owned wine company

Established over 20 years ago, Tohu Wines is recognised as He mātāmua taketake - the original, as the first Māori-owned and operated wine label in New Zealand and the world. Part of Māori whānau-owned food and drinks business Kono NZ LP (**Kono**), Tohu Wines focuses on crafting wine that encapsulates place and time and reflects the unique characteristics of their vineyards. They are committed to upholding deeply held values, including rangatiratanga, manaakitanga and hihiritanga – excellence, kindness and innovation.

A regular medal contender at the Foodstuffs New World Wine Awards (**NWWA**), with Gold medal wins dating back to 2012, the Blenheim-based winery is now internationally recognised for its award-winning wines. The benefits of achieving Gold medal wins included guaranteed distribution and increased sales. Winning an astonishing seven more Golds in the years since, the brand continues to enjoy extensive distribution growth, from what was once a select number of wine stores to New World supermarkets all around the country.

Tohu Wines now export to several countries, including the United States, United Kingdom and Australia. In 2021, Tohu Whenua Matua Chardonnay, Upper Moutere, Nelson 2018 was named in the Decanter World Wine Awards Top 50 after being awarded a much-coveted Best in Show medal against over 18,000 wines tasted.

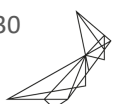


Tohu Wines, the world's first Māori owned wine company. Courtesy of Tohu Wines.

Parrotdog – Three Matts and heaps of awards

The Parrotdog story is almost legendary... Three Matts – Kristofski, Warner and Stevens, have come from humble beginnings homebrewing in a basement flat to a fully-fledged commercial brewery and darling business of the New Zealand brewing scene.

Their first commercial brew, rather un-affectionately named 'Bitterbitch', turned out to be quite a hit and went on to win Gold in the 2016 Foodstuffs New World Beer & Cider Awards (**NWBCA**). Now, barely a year goes by when Parrotdog doesn't land a handful of medals. After a bumper year of three Golds including two Champion wins in 2018, Parrotdog's Head



of Sales and Distribution, Paul Watson, said: “We’ve participated in the NWBCA’s since their inception, and through each Award, we’ve benefited from wider distribution through the New World supermarket banner.” In particular, he highlighted the benefits of getting a closer insight into New World supermarket’s distribution, and promotions approach and building closer relationships with stores via the wins.

Today, the brand is a mainstay in beer chillers of liquor-selling New World stores nationwide. Two successful public crowdfunding equity raises in 2016 and 2017 have allowed this Wellington-based craft beer brewery and bar to scale up for export and soar. They have since won Champion Brewery Awards at the Australian International Beer Awards, which helped build ParrotDog’s distribution in Australia.

Kiwi distillers compete strongly against global brands

The New Zealand Spirits Awards (NZSAs) were established by Spirits New Zealand and the Distilled Spirits Association in 2019 to celebrate and recognise the master craftsmanship of distillers, with local spirits producers competing against longstanding global brands. Entries are judged by an expert panel through a series of blind tasting panels, with the awards receiving a record 344 entries in 2021. Of the 14 category trophies, nine were awarded to New Zealand spirits producers. There were 313 medals awarded to local and international spirits, including 10 Double Golds. Awards are also given for innovation, packaging design and emerging products.³⁶



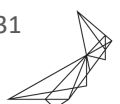
Expert judges undertake blind tastings. Courtesy of NZ Spirits Awards.

Locally, the awards have helped raise brand awareness, product credibility and quality, which helps with retail distribution and featuring on restaurant and bar menus.

New Zealand spirits are also being recognised globally. Juno Gin has been achieving recognition since 2018 both at the NZSAs and internationally at the International Wine & Spirit Competitions (London, Hong Kong and San Francisco) and London Spirits Awards. Divergence, a single malt whiskey made with Canterbury-grown grain by The Spirits Workshop in Christchurch, has gone from bronze in the NZSAs to gold in the local Drammies, to being awarded a gold medal in the San Francisco Spirits Awards in 2021 and rated 92 by the world’s biggest whisky podcast Whiskycast.com.

World-class New Zealand distillers are moving from strength to strength. They are producing global quality premium beverages that are distinctly New Zealand, from the Double Gold medal winner ‘Pink & White Geothermal Gin’ where the distillery uses geothermal power and volcanic rock in its distilling process to Taizi, a fresh Kiwi take on Baijiu, a popular Chinese sorghum-based spirit. Innovation will continue to drive growth in the spirits sector.

³⁶ <https://www.spiritsawardsnz.nz/>



Appendix E Tourism spend in pre-COVID-19 times

Food and beverage experiences play a fundamental role in the experience of domestic and international tourists.

The inbound tourism market is significantly impacted by COVID-19, affecting tourism, food and beverage and accommodation sectors immensely. It is uncertain when New Zealand will connect with various parts of the world.

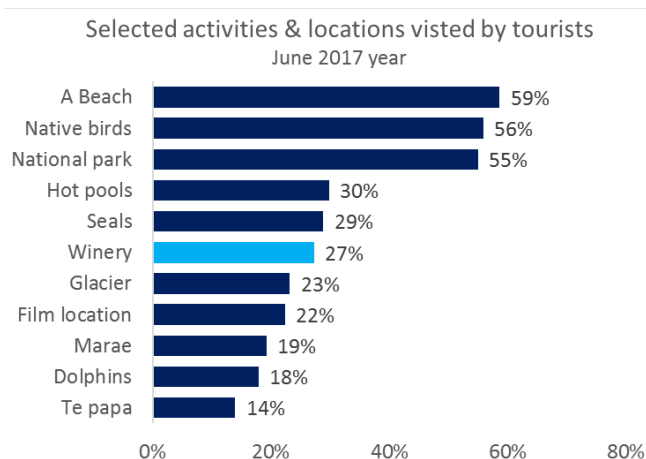
E.1 Developing the tourism experience

Tourism was a major outcome of increased interconnectivity with the rest of the world. Increased connectivity is still extremely important for New Zealand's economic wellbeing. In pre-COVID-19 times, wineries were a major magnet for tourists (see Figure 7) looking for a food and beverage experience. Visiting a winery was high on the list of things to do for tourists (27% of tourists did this when they visited New Zealand).

The Classic New Zealand Wine Trail (**CNZWT**) is well established. The NZ Ale Trail and New Zealand Distillery Trail are lesser-known but provide boutique and intimate local experiences in the regions. With around 200 breweries across New Zealand, the NZ Ale Trail offers breweries, filleries, pubs and tour experiences. The New Zealand Distillery Trail provides cellar door tasting, sales, and tours at 26 distilleries from Auckland to Queenstown.

The success of many of these businesses is reliant on tourism for cellar door sales. However, there is no reason why breweries and distilleries cannot further leverage this opportunity for local and international visitors to explore the regions and experience their products and follow a similar path to the CNZWT once COVID-19 restrictions are lifted.

Figure 7 Wineries were a tourist magnet in pre-COVID times

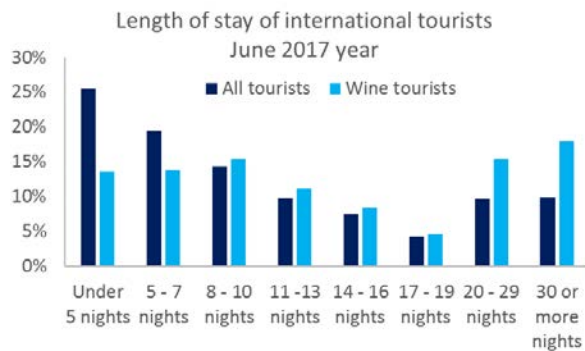


Source: NZIER (2017)

We know that wine tourists stayed longer relative to other tourists in New Zealand. Figure 8 shows that those interested in wine and wineries stayed markedly longer than other tourists. The longer the stay, the more the difference is between wine tourists and all tourists.



Figure 8 Wine tourists stayed longer than all tourists



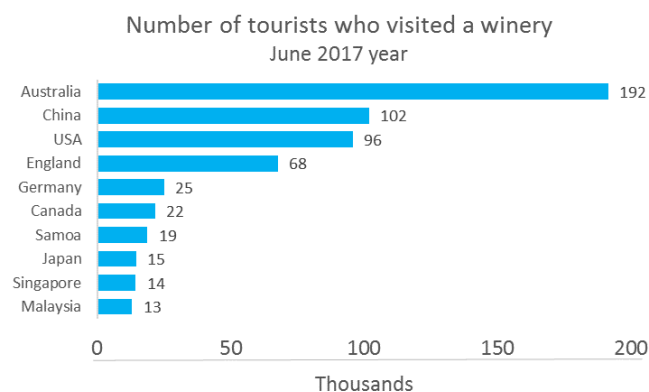
Source: NZIER, MBIE (International Visitor Survey)

There is good news and bad news associated with the regions that might interconnect first with New Zealand. By far, the biggest group of wine tourists come from Australia (Figure 9). This is good news since Australians are likely to freely travel to New Zealand once borders re-open.

The not so good news is that visitors from China, United States, and the United Kingdom will take longer to return to the New Zealand market. This is because of:

- Uncertainty about the availability and efficacy of the various vaccines
- Attitudes towards tourism and travel from the various source regions
- Other issues that will be the legacy of COVID-19, e.g. poor economic performance, may mean the source countries take longer to return.

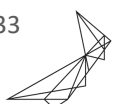
Figure 9 Australians are likely to return in large numbers post COVID-19



Source: NZIER (2017), MBIE (International Visitor Survey)

Not only are wineries popular with tourists, but they tend to spend more money relative to all tourists. In 2017, the spend of wine tourists was approximately 50% more than all tourists (Figure 10).

This is significant since it gives other alcohol beverage sectors a model to replicate wine industry success. It will also assist them in diversifying their businesses to take advantage of the possibilities that tourist spending may provide.

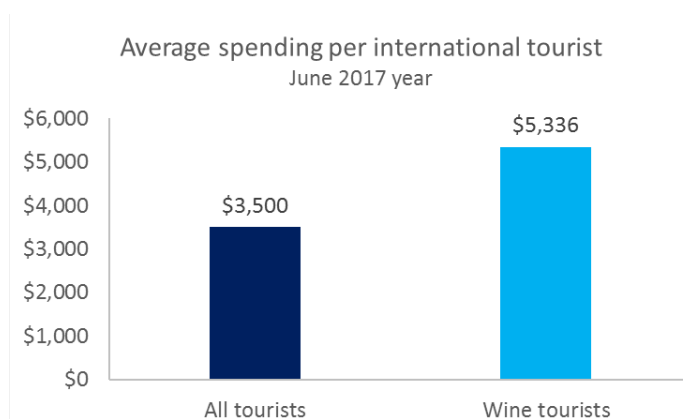


A healthy food and beverage tourism sector gives rise to a number of benefits. For the business, it means growing brand awareness and profile, increased sales with the potential to expand from direct sales to wholesale/retail and export. Customers connect with locals, local experiences and unique products. And local communities benefit from supplier relationships, employment or providing additional tourism services such as food or accommodation.

In turn, our tourism sector is underpinned by a high-quality hospitality sector. All domestic and international tourists experience our vibrant cafes, restaurants, bars and nightlife. Part of this experience is the enjoyment of local produce, regional specialities and national favourites. The farmers, growers, and manufacturers that provide the ingredients and the people who cook and serve them are vital to creating and delivering an authentic Kiwi experience to a world-class level.

As with the alcohol industry, the supply and value chains of the hospitality industry also support the wider economy.

Figure 10 Tourists spend more



Source: NZIER (2017), MBIE (International Visitor Survey)

E.2 Hard hit by COVID-19 but critical to economic recovery

The alcohol beverages, hospitality and tourism sectors were amongst some of the most impacted by the COVID-19 lockdown 2020 and 2021. Omicron variant impacts are yet to be assessed but likely to be severe.

In April 2020, spending on businesses including cafes, restaurants, takeaway food, and bars (including food and beverage services) dropped 95 per cent (\$814 million) compared with the previous year. (See Figure 11) This followed a 29 per cent (\$266 million) decreases in March 2020 compared with March 2019.³⁷ The flow-on effect impacted suppliers, and businesses reliant on tourism have suffered.

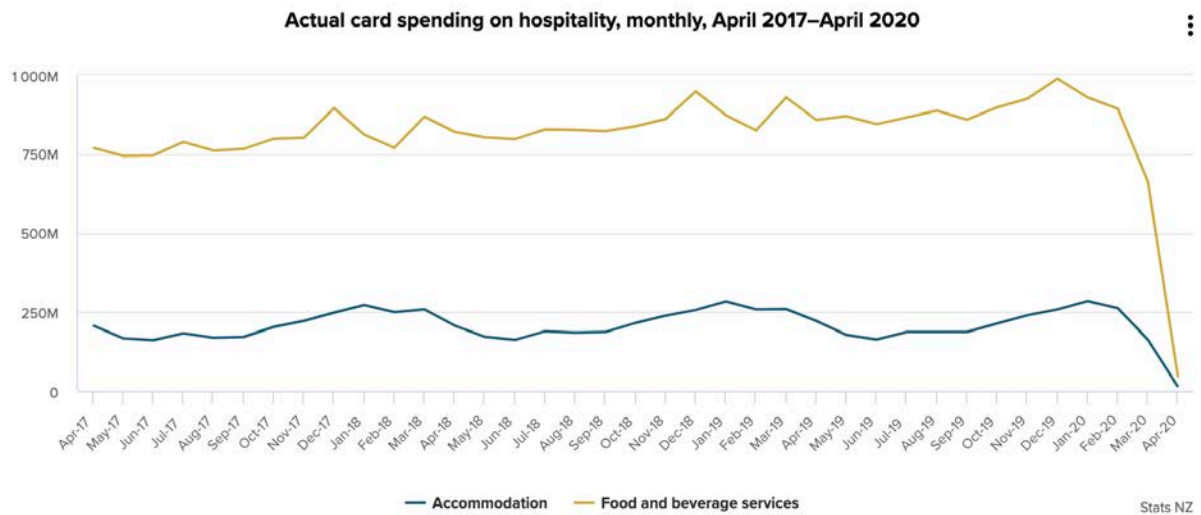
However, the hospitality sector has had to adapt to the challenging environment and has since played an important role in the social and economic recovery of New Zealand by keeping people connected in a safe and social environment. As a significant employer and an avenue to stimulate spend, it also provides a powerful pathway to economic recovery

³⁷ <https://www.stats.govt.nz/news/hospitality-hit-hard>



and stability in a COVID-19 environment. And will stimulate larger contributions as borders reopen over time.

Figure 11 Impact of COVID-19 on hospitality spend



Appendix F Globalisation - the catalyst for a flourishing alcohol beverages industry

The comparative 'newness' of a highly competitive, distinct, and unique alcohol beverages sector has been forged by globalisation. It is not unreasonable to suggest that without imports and foreign direct investment, the alcohol beverages industry would be inward-looking, with mediocre quality standards, and focused on volume.

F.1 Economic reforms drove wine industry focus

It is not unsurprising that the renaissance of the wine industry coincided with the widespread reforms of the 1980s. With imports – particularly from Australia – to survive, the industry needed to focus on what it was good at. This is why long-dead wine experts such as Romeo Bragato are so important to the modern wine industry. He identified the varieties to plant, the rootstock required vineyard layout etc.³⁸

The technical ingredients were already in place; what the industry required was the economic incentive that reforms delivered. No longer was the industry attempting to cover the whole market – it looked to exports of premium products to drive further growth. A growth that has turned the wine industry from an \$18 million export industry in 1990 to a \$2 billion industry in 2020.

F.2 Brewing solved R&D problems, developed superior hops, and learnt from others

The brewing industry is slightly more complicated since its roots were firmly in the domestic market, providing volume products. It could be argued that R&D led the way in the brewing industry with the production of superior hops. Overseas brewers recognised the importance of New Zealand hops, turning it into a small but significant industry.

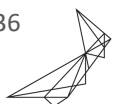
New Zealand hops are classified as a speciality 'New World' hop – the 1,500 tonnes produced each year accounts for about 1% of the total hop volume used around the world. About 85 per cent of the harvest is exported to more than 20 countries, generating almost \$40 million in revenue.³⁹

Underpinning this success is 150 years of skill and expertise and a collaborative industry. NZ Hops is a cooperative of Master Growers, currently with 27 members in the South Island. Horticultural innovation in the sector has focused on hop breeding and chemistry and analysis through its research partner, New Zealand Plant and Food Research, and in collaboration with the New Zealand Hop Research Committee. So far, this has resulted in 18 unique varieties, three northern varieties and six certified organics. The cooperative holds the intellectual property rights for any new varieties.

The emergence of the craft beer industry was based on the best ingredients that the world has to offer. It took its lead from other craft beer producers from around the world and added its own distinctive ingredients and local passion for perfecting a quality brew.

³⁸ See <https://bri.co.nz/bragato-trust/>

³⁹ <https://nzhops.co.nz/blogs/news/nz-hops-capturing-world-attention-nz-herald>



F.3 Can spirits do the same?

Spirits are at the beginning of the journey. Currently, the import industry is hugely dominant and will remain so for the foreseeable future. However, what that does is set a marker for what is required to compete domestically and internationally.

There are signs that the elements that have driven the wine and brewing industry, for example, the focus on quality and uniqueness of the New Zealand offering, are present in the vast variety of spirits in the local market. Like many vineyards and breweries have started out, most distillers are small scale, owner-operators and friends and family-funded. An entrepreneurial spirit is also what drives success in this challenging yet flourishing market, with each distiller knowing a quality product with a point of difference can bring about potential for immense local or global success.

One example is the 42 Below vodka brand, built on determination and New Zealand's pure image. It was first distilled in a Wellington garage in the late 1990s, then was listed on the NZX in 2003, becoming New Zealand's fastest-growing company. Bacardi bought it for \$138m in 2006.

The alcohol beverages industry is highly competitive, which drives the need to differentiate one product from the next. The quality of New Zealand spirits has been recognised through both local and international awards. The recognition that comes from being benchmarked against both long-standing and innovative products provides a platform for growing brand recognition, domestic and offshore market sales and drives confidence in these businesses for investment to scale up for wider distribution and export.

As with New Zealand's wine and beer, the future of our spirits industry, from boutique to large-scale production, is one that can be considered with optimism and opportunity.

F.4 World-first, world-leading, and world-class

Our industry is relatively young by global comparison. To compete in an established global market against longstanding, internationally recognised products and brands, New Zealand has had to differentiate what it produces and how it is produced by embracing innovation and all that is unique to our part of the world. That is what gives locally produced beverages an edge – and it will allow the industry to create and maximise future opportunities for New Zealand and the benefit of New Zealanders.

As an example, TUKU is the world's first Māori winemakers collective comprising Māori-owned and NZ-owned wine companies: Te Pā Family Vineyards, Tiki Wine & Vineyards, Steve Bird Wines, and Kuru Kuru Wines.⁴⁰ These winemakers come from diverse iwi origins and are connected to the land. The shared Māori values of kaitiakitanga (guardianship of the land and people), whakapapa (family and heritage), whānaungatanga (a sense of family connection) and manaakitanga (hospitality and generosity) that underpin the collective cannot be replicated elsewhere. The collective recognises that its customers support the Māori economy, which nurtures growth and success for future generations.

World-leading Kono, a successful vertically integrated, family-owned Māori food and beverage producer, aspires to be the world's best indigenous food and beverage provider. It is highly focused on its people, resources and environment and identifies two aspects vital to its success: Development and innovation and Identity and integrity.

⁴⁰ <https://tuku.nz> and <https://www.nzwine.com/en/media/our-people/tuku-winemakers/>



The company has developed specialist expertise across all aspects of its operations, including farming, harvesting, processing, and marketing. Kono are exporters of award-winning wine (Tohu Wines), cider (Tutū Cider), craft beer (Hop Federation Brewery), seafood, fruit and natural fruit bars.

Kono takes an intergenerational perspective, and with a commitment to sustainability and a 500-year plan, it prides itself on living its values of instilling practices its ancestors would recognise and children will be proud of.⁴¹

The people in these businesses, and many others throughout New Zealand, are visionary and working toward long term goals. They recognise their strengths lie in their approach to natural resources, people, values, innovation and fresh ways of thinking and doing. Leveraging these points of difference is what underpins success on the world stage.

New Zealand already has a reputation for producing award-winning world-class alcohol beverages. With a focus on quality and sustainability, the industry is going from strength to strength. There is an immense opportunity for the New Zealand story to be told through locally grown ingredients and quality products that create distinctive beverage experiences to be enjoyed and appreciated in New Zealand and worldwide.

⁴¹ <https://www.kono.co.nz>

