WHAT DOES ASIA WANT FOR DINNER? A DRINK
PART II of Emerging Market Opportunities for New Zealand food & beverages in East & South East Asia

July 2014; v1.00

Part of the Food & Beverage Information Project
www.foodandbeverage.govt.nz
Summary & conclusions

Situation

Opportunity

Path forward

Focus on Sparkling Wine/Champagne

Focus on Brandy/Cognac

Appendix
Objectives of Coriolis’ assignment

Expanding the existing New Zealand still wine platform more strongly into add-on/adjacencies, sparkling wine and brandy emerged as one of the best “emerging market opportunities” for the New Zealand food & beverage industry (in Part I of this project)

- All 586 food-related HS trade codes were screened and ranked using qualitative and quantitative methods
- Both brandy (HS220820) and sparkling wine (HS220410) passed through the final stage of the screen as they were achieving strong import volume and value growth into Asia and had a strong fit with New Zealand capabilities
- New Zealand has strong and growing comparative advantage in wine
- See related document

As part of the final stage of the market screen, Coriolis was asked to develop a “path forward” to assist NZ Inc. in embracing the opportunity

- Develop a “straw man” high level strategic direction for industry to discuss and debate
- Facilitate wider stakeholder community awareness and understanding of the potential opportunity
- Including the facts and analysis required to “come up to speed” on the industry and the opportunity

Project incorporates extensive, recent independent research

- Extensive quantitative analysis of key available data sources on the industry
- Surveys, benchmarks from other countries, commercial research and Coriolis expertise
- Significant past Coriolis research on the wine industry
Part I of the project completed an in-depth analysis structured as a five stage screening process: this report (Part II) acts as Screen 5 of this process.

Complete analysis of Screens 1-4 is available in “What does Asia want for dinner? Emerging Market Opportunities for New Zealand food & beverages in East & South East Asia”, conducted as part of the New Zealand Food & Beverage Information Project (iFAB) in 2014.
The New Zealand wine export portfolio needs to adapt to strong signals from Asian consumers; a strong push should be made into add-on/adjacencies sparkling wine and brandy

### Key Takeaways

- **The greater wine platform (still, sparkling, brandy, vermouth) is an attractive market with strong fundamentals**
  - Growing global market, particularly in East & South East Asia
  - Strongly on trend with key Asian mega-trends: rising incomes, conspicuous consumption, branded luxury & gifting
  - Highly profitable industry, particularly in the growing super-premium sector
  - Market is currently dominated by France, a strong competitor with clear strengths, but one that New Zealand has demonstrated the capability to match

- **New Zealand has a strong and vibrant still wine industry with clearly revealed comparative advantage**
  - Fifty years of strong export growth, leading to solid market positions in the Anglo-sphere; weaker elsewhere
  - Still too much of a “one-trick-pony” with an over-reliance on Marlborough Sauvignon Blanc; need to diversify
  - Developing the capabilities required to deliver the wine products Asia wants is a stretch, but not impossible

- **The New Zealand industry now needs to take the next step and “lift its game” in sparkling wine and brandy**
  - Continued marketing, innovation and new product development
  - Continued market development to build position in both developed and developing Asia

- **Ideally these new products would emerge in regions other than Marlborough**
  - France produces Cognac, Armagnac and Champagne in different regions than Sancerre (Sauvignon Blanc)
  - New Zealand needs wider geographic diversity and many secondary regions have yet to develop “their” wine
  - New high value products would support regional economic development
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Appendix
The New Zealand wine industry emerged from nothing and has grown into a billion dollar export

Source: UN Comtrade database; Coriolis analysis
New Zealand has demonstrated an ability to demand premium prices for its wine

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Declared Price per Litre of Imported Retail-Pack Wine (HS220421) (US$; CIF; Actual; 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>$8.11</td>
</tr>
<tr>
<td>USA</td>
<td>$7.24</td>
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<tr>
<td>New Zealand</td>
<td>$6.93</td>
</tr>
<tr>
<td>Germany</td>
<td>$5.80</td>
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<td>Italy</td>
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<td>Portugal</td>
<td>$5.46</td>
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<tr>
<td>Spain</td>
<td>$5.10</td>
</tr>
<tr>
<td>Argentina</td>
<td>$4.39</td>
</tr>
<tr>
<td>Chile</td>
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<tr>
<td>South Africa</td>
<td>$3.05</td>
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<tr>
<td>United Kingdom</td>
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<td>France</td>
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<tr>
<td>New Zealand</td>
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<td>Portugal</td>
<td>$6.23</td>
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<td>Germany</td>
<td>$4.58</td>
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<tr>
<td>Spain</td>
<td>$3.50</td>
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<tr>
<td>Chile</td>
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<tr>
<td>Argentina</td>
<td>$3.31</td>
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<tr>
<td>Chile</td>
<td>$3.24</td>
</tr>
<tr>
<td>South Africa</td>
<td>$3.21</td>
</tr>
<tr>
<td>United States</td>
<td></td>
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<tr>
<td>France</td>
<td>$10.59</td>
</tr>
<tr>
<td>New Zealand</td>
<td>$8.27</td>
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<tr>
<td>Portugal</td>
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<tr>
<td>Italy</td>
<td>$5.86</td>
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<tr>
<td>Spain</td>
<td>$5.68</td>
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<tr>
<td>Germany</td>
<td>$5.41</td>
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<tr>
<td>South Africa</td>
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<td>Argentina</td>
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<tr>
<td>Chile</td>
<td>$4.06</td>
</tr>
<tr>
<td>Australia</td>
<td>$3.86</td>
</tr>
</tbody>
</table>

Note: Data is cost insurance and freight (CIF) as reported by receiver; will not agree with as reported sender (used elsewhere) for known and understood reasons.

Source: UN Comtrade database; Coriolis analysis.
New Zealand has demonstrated an ability to take share in highly competitive markets.

**EXAMPLE:** Value share into the United Kingdom of imported retail-pack wine (HS220421): top 11 countries and other

<table>
<thead>
<tr>
<th>Year</th>
<th>Germany</th>
<th>France</th>
<th>New Zealand</th>
<th>USA</th>
<th>South Africa</th>
<th>Argentina</th>
<th>All other Europe</th>
<th>New Zealand</th>
<th>Australia</th>
<th>Portugal</th>
<th>Spain</th>
<th>Italy</th>
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<tbody>
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<td>9%</td>
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<td>3%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>14%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>1997</td>
<td>35%</td>
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<tr>
<td>1999</td>
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<td>5%</td>
<td>3%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>14%</td>
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<td>3%</td>
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<td>23%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
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<td>3%</td>
<td>4%</td>
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<td>3%</td>
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<td>3%</td>
<td>4%</td>
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<tr>
<td>2002</td>
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<td>3%</td>
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<td>3%</td>
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<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
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<tr>
<td>2010</td>
<td>33%</td>
<td>33%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
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<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>2011</td>
<td>38%</td>
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<td>3%</td>
<td>3%</td>
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<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>2013</td>
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<td>36%</td>
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<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: data is as reported by receiving country
Source: UN Comtrade database; Coriolis analysis
New Zealand currently only competes seriously in white wine; other segments present opportunities for growth.

Global wine production volume by colour/type

<table>
<thead>
<tr>
<th>Colour/Type</th>
<th>Volume (billions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>0.9</td>
<td>32%</td>
</tr>
<tr>
<td>Sparkling</td>
<td>0.2</td>
<td>7%</td>
</tr>
<tr>
<td>Brandy</td>
<td>0.15</td>
<td>0.5%</td>
</tr>
<tr>
<td>Fortified</td>
<td>0.01</td>
<td>0.04%</td>
</tr>
<tr>
<td>Total</td>
<td>2.9</td>
<td>100%</td>
</tr>
</tbody>
</table>

New Zealand wine export volume by colour/type

<table>
<thead>
<tr>
<th>Colour/Type</th>
<th>Volume (millions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sauvignon Blanc</td>
<td>144.6</td>
<td>84%</td>
</tr>
<tr>
<td>Other white</td>
<td>11.8</td>
<td>7%</td>
</tr>
<tr>
<td>Red</td>
<td>14.1</td>
<td>8%</td>
</tr>
<tr>
<td>Rose</td>
<td>0.5</td>
<td>0%</td>
</tr>
<tr>
<td>Sparkling</td>
<td>1.5</td>
<td>1%</td>
</tr>
<tr>
<td>Brandy</td>
<td>0.004</td>
<td>0.02%</td>
</tr>
<tr>
<td>Fortified</td>
<td>0.001</td>
<td>0.01%</td>
</tr>
<tr>
<td>Total</td>
<td>172.4</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: New Zealand Wine annual report 2013; Vinexpo; UN Comtrade database; OIV; Euromonitor (various reports); Impact; other; Coriolis estimates and analysis
The New Zealand wine industry needs to diversify away from a single region; French experience suggests that New Zealand should have 5-6 regions of similar size each specialising more clearly.

**French wine area by region**

*Hectare; 2013*

- Languedoc: 160,000 (21%)
- Roussillon: 123,280 (16%)
- Bordeaux: 120,000 (16%)
- Rhone: 83,839 (11%)
- Champagne: 79,771 (10%)
- Cognac: 35,000 (5%)
- Beaujolais: 22,600 (3%)
- Burgundy: 25,000 (3%)
- Loire: 30,000 (4%)
- Other: 14,055 (2%)
- Durac: 2,000 (0%)
- Gaillac: 2,500 (0%)
- Cahors: 4,260 (1%)

**Total: 760,805**

**New Zealand wine area by region**

*Hectare; 2013*

- Marlborough: 23,232 (65%)
- Hawke's Bay: 5,093 (14%)
- Central Otago: 1,909 (5%)
- Canterbury: 1,454 (4%)
- Gisborne: 1,608 (5%)
- Nelson: 1,032 (3%)
- Auckland Northland: 406 (1%)
- Waikato/BOP: 24 (0%)
- Wairarapa: 972 (3%)

**Total: 35,733**

Note: Italy shows a very similar picture.

Source: New Zealand Wine annual report 2013; French data is collated from a wide range of sources; Coriolis analysis.
Key European competitors export more wine across a wider range of products; overall France exports fourteen times more wine products to the world market (by value) than New Zealand.

### Total export value across greater wine platform: select countries

**US$m; 2013**

- **New Zealand**: $1,012
- **Spain**: $3,875
- **Italy**: $2,820
- **France**: $13,909

### Share of export value across greater wine platform

**% of US$; 2013**

- **New Zealand**
  - Still wine: $1,021 (10%)
  - Sparkling: $3,875 (73%)
  - Vermouth: $564 (81%)
  - Brandy: $131 (25%)

- **Spain**
  - Still wine: $7,022 (99%)
  - Sparkling: $131 (14%)
  - Vermouth: $49 (15%)
  - Brandy: $0 (0%)

- **Italy**
  - Still wine: $7,136 (51%)
  - Sparkling: $2,46 (24%)
  - Vermouth: $385 (3%)
  - Brandy: $9 (0%)

- **France**
  - Still wine: $3,421 (14x)
  - Sparkling: $131 (4%)
  - Vermouth: $49 (3%)
  - Brandy: $9 (0%)

**Note:** Numbers are rounded to nearest million

**Source:** UN Comtrade database; Coriolis estimates and analysis
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Appendix
Asia is demanding more wine, more sparkling/Champagne and more brandy/Cognac

Aggregate CIF value of East/South-East Asia* greater wine platform imports (from all sources)
US$m; 2002-2012

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STILL WINE</strong></td>
<td>$853</td>
<td>$1,753</td>
<td>$4,327</td>
</tr>
<tr>
<td><strong>SPARKLING/CHAMPAGNE</strong></td>
<td>$220</td>
<td>$643</td>
<td>$831</td>
</tr>
<tr>
<td><strong>BRANDY/COGNAC</strong></td>
<td>$614</td>
<td>$1,149</td>
<td>$2,452</td>
</tr>
</tbody>
</table>

* East/South East Asia region defined in Appendix 1; Note: Data is cost insurance and freight (CIF) as reported by receiver; will not agree with as reported sender (used elsewhere) for known and understood reasons; uses 2012 as 2013 not available for all countries; CAGR = Compound Annual Growth Rate; Source: UN Comtrade database; Coriolis estimates and analysis
Prices are trending upwards

EXAMPLE: Average declared CIF value of Chinese imports across greater wine platform (from all sources)
US$/l; 2002-2012

Note: Data is cost insurance and freight (CIF) as reported by receiver; will not agree with as reported sender (used elsewhere) for known and understood reasons; uses 2012 as 2013 not available for all countries
Source: UN Comtrade database; Coriolis estimates and analysis
Greater China and Japan are the key markets

MEKKO CHART: E/SE Asia wine products imports from all sources by country
US$m; 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Still</th>
<th>Sparkling</th>
<th>Brandy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$1,074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>$137</td>
<td></td>
<td>$282</td>
</tr>
<tr>
<td>Taiwan</td>
<td>$130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macao SAR</td>
<td>$185</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>$1,091</td>
<td></td>
<td>$1,217</td>
</tr>
<tr>
<td>China</td>
<td>$1,618</td>
<td></td>
<td>$757</td>
</tr>
<tr>
<td>Singapore</td>
<td>$69</td>
<td></td>
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<td>Viet Nam</td>
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<td>Philippines</td>
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<tr>
<td>Thailand</td>
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<td></td>
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<tr>
<td>Myanmar</td>
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</tr>
</tbody>
</table>

Note: Data is FOB as reported by sender; will not agree with as reported receiver (used elsewhere) for known and understood reasons; uses 2012 as 2013 not available for all countries; excludes vermouth for legibility.

Note: A significant percent of Singapore’s imports are then re-exported, effect is inseparable in data, therefore Singapore is over-reported; Singapore also has a large ethnic Chinese population.

Source: UN Comtrade database; Coriolis estimates and analysis.
China stands out as the key growth market

WINE PLATFORM IMPORT GROWTH MATRIX: 10y absolute value growth vs. 10y CAGR value growth vs. imports into E/SE Asia in 2012

US$m; 2002 vs. 2012

Note: Uses 2012 not 2013 as 2013 data only available for a few countries as of 4/2014

Source: UN Comtrade database; Coriolis analysis
France is the key competitor in all three products: still, sparkling and brandy

Note: Data is FOB as reported by sender; will not agree with as reported receiver (used elsewhere) for known and understood reasons; uses 2012 as 2013 not available for all countries; excludes vermouth for legibility

Note: A significant percent of Singapore and Hong Kong's exports were imported (and marked-up); effect is inseparable in data, therefore Singapore is over-reported; Singapore also has a large ethnic Chinese population

Source: UN Comtrade database; Coriolis estimates and analysis

### MEKKO CHART: E/SE Asia wine products exports from all sources by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Still</th>
<th>Sparkling</th>
<th>Brandy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong></td>
<td>$1,819</td>
<td>$439</td>
<td>$1,589</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>$334</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>$216</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>$329</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Europe</strong></td>
<td>$287</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>$365</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>$471</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>$71</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>South America</strong></td>
<td>$395</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$77</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td>$200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**US$m; 2012**
France is beating New Zealand across all three key metrics into E/SE Asia

**Volume: wine platform to E/SE Asia**  
$L; m; 2002-2012$

**Average $$/L: wine platform to E/SE Asia**  
$US$/l; 2002-2012

**Value: wine platform to E/SE Asia**  
$US$m; 2002-2012

---

*Source: UN Comtrade database; Coriolis estimates and analysis*
France is achieving a large market share in E/SE Asia at premium prices

Mekko chart comparing still/sparkling/brandy export volume to E/SE Asia by source with average export value per litre

Litres; m; US$/kg; FOB; 2012

Width: Volume of still/sparkling/brandy exported in litres (2012)

Height: Average US$/l Export price FOB (2012)

Note: Other Europe is strongly distorted by small amounts of high value premium/collectable wine coming out of the UK and elsewhere; excluding this it is likely closer to others
Source: UN Comtrade database; Coriolis estimates and analysis
Summary & conclusions

Situation

Opportunity

Path forward

Focus on Sparkling Wine/Champagne

Focus on Brandy/Cognac

Appendix
Wine, as New Zealand’s newest platform, is underdeveloped

Note: Not all export products or categories are shown; bubbles not exactly to scale
Source: Coriolis iFAB Food & Beverage Information Project 2013/14 (see individual sector reports)
Based on the experience of other countries, we propose that the New Zealand wine platform should move towards a larger and more varied product range.

PROPOSED: Future direction of New Zealand wine platform

*Bubble size = approximate export value*

Note: Bubbles not exactly to scale

Source: Coriolis iFAB Food & Beverage Information Project 2013/14 (see individual sector reports)
Proposed product line extensions/expansions have the capability to support significant price upside

**EXAMPLE:** Low-to-high retail unit shelf price of three types of alcohol in Hong Kong

**US$; April 2014**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Low Price</th>
<th>High Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabernet Sauvignon/Blend</td>
<td>$8</td>
<td>$9,609</td>
</tr>
<tr>
<td>Sparkling/Champagne</td>
<td>$9</td>
<td>$3,216</td>
</tr>
<tr>
<td>Brandy/Cognac</td>
<td>$15</td>
<td>$7,563</td>
</tr>
</tbody>
</table>

Source: various online shopping websites; photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis analysis
We propose a four stage strategic pathway to growth:

1. **Defend & grow** existing Marlborough Sauvignon Blanc

2. **Improve & expand** red wine targeting Asian preferences & tastes

3. **Consider** radical steps to “restart” sparkling wine

4. **Develop** strong premium brandy offer targeting high end

- Industry executing on these opportunities, therefore not developed further
- Limited argument for collective action on-and-beyond business as usual
- Limited evidence of New Zealand achieving progress against these objectives
- Arguably an opportunity for an industry/NZ Inc. approach
- Discussed next...
Summary & conclusions

Situation

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Path forward

Focus on Sparkling Wine/Champagne

Focus on Brandy/Cognac

Appendix
The “sparkling wine” trade code (HS2204-10) encompasses any sparkling wine made from grapes.

Examples: Sparkling wine products

- Champagne (France)
- Cava (Spain)
- Prosecco (Italy)
- Asti (Italy)
- Australia
- California
- Washington/Oregon
- New Zealand
- Other

Source: various; photo credit (fair use; complete product/brand for illustrative purposes); Coriolis analysis
Sparkling wine is a major alcoholic beverage accounting for 7% of global wine volume

<table>
<thead>
<tr>
<th>Global volume</th>
<th>By type of beverage</th>
<th>By type of spirit</th>
<th>By type of sparkling wine</th>
<th>By market destination</th>
<th>By market destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoholic drinks 293b</td>
<td>Beer 187b</td>
<td>Sparkling 2b</td>
<td>Champagne 0.3b</td>
<td>Consumed in home country 1.25b</td>
<td>UK 83m</td>
</tr>
<tr>
<td></td>
<td>Wine 27b</td>
<td>Still 25b</td>
<td>Other sparkling 1.4b</td>
<td>Crosses borders 453m</td>
<td>Germany 75m</td>
</tr>
<tr>
<td></td>
<td>Spirits 20b</td>
<td></td>
<td></td>
<td></td>
<td>USA 71m</td>
</tr>
<tr>
<td></td>
<td>RTDs 4b</td>
<td>- 7% of wine</td>
<td>- 45-50% of Champagne is exported</td>
<td>- About 25% of all sparkling wine crosses-borders1</td>
<td>Japan 29m</td>
</tr>
<tr>
<td></td>
<td>Cider 2b</td>
<td>- Less than 1% of alcohol</td>
<td>- 10-15% of non-Champagne sparkling wine is exported</td>
<td></td>
<td>All other 195m</td>
</tr>
</tbody>
</table>

1. Includes some amount of double counting (crossing borders twice, for example into Singapore then on to China)

Source: UN Comtrade database; Euromonitor (various reports); Impact; other; Coriolis estimates and analysis
Most (77%) sparkling wine is produced and consumed in its home country; 23% crosses borders, of this, 1/3 is Champagne; Champagne is produced by a wide range of large producers.

**Global sparkling wine volume in cases by consumption location**

*Cases (9L); m; 2012*

- **Domestic**
  - 167 cases
  - 77%

- **Crosses-borders**
  - 50 cases
  - 23%

- **Total**
  - 217m cases

**Top 10 global Champagne brands by cases sold**

*Cases (9L); m; 2012*

1. Moët & Chandon: 2,340 cases
2. Veuve Clicquot: 1,474 cases
3. Nicolas Feuillatte: 758 cases
4. GH Mumm: 664 cases
5. Laurent-Perrier: 583 cases
6. Taittinger: 466 cases
7. Pommery: 410 cases
8. Piper-Heidsieck: 369 cases
9. Lanson: 337 cases
10. Canard-Duchêne: 311 cases

**Other**

- 28,287 cases

**Note:** Crosses-borders includes some amount of double counting (crossing borders twice, for example into Singapore then on to China).

**Source:** UN Comtrade database; Vinexpo; Drinks International; Euromonitor (various reports); Impact; other; Coriolis estimates and analysis
Beyond generic “sparkling wine,” there are a number of recognised varieties; many of these names were developed or introduced in response to French taking control of the name “Champagne”

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Age of origin</th>
<th>Planted area</th>
<th>Production (Bottles)</th>
<th>Grapes used</th>
<th>Production method</th>
<th>Where is it produced?</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Champagne</td>
<td>16th Cent.</td>
<td>35,000</td>
<td>324m</td>
<td>Chardonnay, Pinot noir and Pinot meunier</td>
<td>Méthode champenoise (aka. Méthode traditionnelle)</td>
<td>Champagne region of France</td>
</tr>
<tr>
<td></td>
<td>Cremant</td>
<td>16th Cent.</td>
<td>N/A</td>
<td>-150-160m</td>
<td>AOC status Méthode traditionnelle</td>
<td>Seven appellations use the name Primarily in Loire Valley</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Cava</td>
<td>1851</td>
<td>32,000 (?)</td>
<td>-250m</td>
<td>Macabeu Parelada Xarel-lo</td>
<td>DOC status Método Tradicional</td>
<td>Eight regions of Spain, but primarily in Catalonia</td>
</tr>
<tr>
<td>Italy</td>
<td>Spumante</td>
<td>1908</td>
<td>N/A</td>
<td>N/A</td>
<td>Various</td>
<td>Generic name for sparkling wine</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>Prosecco</td>
<td>Late 19th</td>
<td>N/A</td>
<td>150m</td>
<td>Glerá (Prosecco)</td>
<td>DOCG protection Charmat method</td>
<td>Veneto region of Italy</td>
</tr>
<tr>
<td></td>
<td>Asti</td>
<td>1870</td>
<td>N/A</td>
<td>N/A</td>
<td>Moscato Bianco (Muscat Blanc)</td>
<td>DOCG protection in 1993 Charmat method</td>
<td>Southeast Piedmont region in Italy</td>
</tr>
<tr>
<td></td>
<td>Franciacorta</td>
<td>1950’s</td>
<td>2,200</td>
<td>-8m</td>
<td>Chardonnay Pinot Nero &amp; bianco</td>
<td>DOCG Méthode traditionnelle</td>
<td>Lombardy</td>
</tr>
<tr>
<td>Germany</td>
<td>Sekt</td>
<td>1826</td>
<td>N/A</td>
<td>-350m</td>
<td>Various</td>
<td>Generic name for sparkling wine Deutscher Sekt is controlled 95% Charmat method</td>
<td>Throughout Germany</td>
</tr>
<tr>
<td>South Africa</td>
<td>Methode Cap Classique</td>
<td>1968 Name 1990’s</td>
<td>N/A</td>
<td>N/A</td>
<td>Sauvignon blanc Chenin blanc Others</td>
<td>Producers association Voluntary code Méthode traditionnelle</td>
<td>Cape region of South Africa</td>
</tr>
</tbody>
</table>

1. Pomace is the “leftovers” from wine-making, including skins, seeds, pulp & stems
Source: Coriolis from various articles, books and other published sources
Global exports of sparkling wine are dominated by France (55%), Italy (14%) and Spain (12%); New World producers account for only -5%

Value of total sparkling wine exports to world by key country and other

US$m; FOB; 2012

- France: $3,135 (55%)
- Italy: $803 (14%)
- Spain: $692 (12%)
- Germany: $147 (3%)
- Netherlands: $63 (1%)
- Other Europe: $248 (4%)
- USA: $43 (1%)
- Australia: $73 (1%)
- New Zealand: $13 (0%)
- Argentina: $26 (1%)
- Chile: $16 (0%)
- South Africa: $34 (1%)
- Other: $13 (0%)
- E/SE Asia inter-regional: $381 (7%)
- Other Europe: $248 (4%)
- New World: -5%

Note: E/SE Asian inter-regional primarily markup and distribution through Singapore for logistics (and tax) reasons
Source: UN Comtrade database; Coriolis analysis and classifications
There are dramatic variations in price received for sparkling wine, with France dominating the world market in terms of both price and volume and Italy & Spain taking the "cheap and cheerful" position.

Mekko chart comparing sparkling wine export volume by source with average export value per litre to total world

Litres; m; US$/kg; FOB; 2012

Note: E/SE Asian inter-regional excluded (data shows 2x markup)

Source: UN Comtrade database; Coriolis analysis and classifications
Turning to the drivers of export growth, we find Italy, Spain and France driving volume growth; New Zealand’s global market performance has been poor.

**EXPORT GROWTH MATRIX:** Sparkling wine 10y absolute volume growth vs. 10y value CAGR vs. export value 2012 to total world

*US$; 2002 vs. 2012*

---

**Source:** UN Comtrade database; Coriolis analysis and classifications
Western countries dominate the global trade: Europe accounts for 58% of sparkling wine imports and the Anglo-Sphere (including the UK) for 34%; however Asia now accounts for 15% of the global market.

Value of total sparkling wine imports by world by key importing country and other

<table>
<thead>
<tr>
<th>Country</th>
<th>Value (US$m)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>$5,687m</td>
<td>100%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$905</td>
<td>16%</td>
</tr>
<tr>
<td>USA</td>
<td>$749</td>
<td>13%</td>
</tr>
<tr>
<td>Belgium</td>
<td>$329</td>
<td>6%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$206</td>
<td>4%</td>
</tr>
<tr>
<td>Germany</td>
<td>$639</td>
<td>11%</td>
</tr>
<tr>
<td>Other Europe</td>
<td>$1,183</td>
<td>21%</td>
</tr>
<tr>
<td>Canada</td>
<td>$119</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>$441</td>
<td>8%</td>
</tr>
<tr>
<td>Australia</td>
<td>$177</td>
<td>3%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>$25</td>
<td>0%</td>
</tr>
<tr>
<td>Japan</td>
<td>$406</td>
<td>7%</td>
</tr>
<tr>
<td>China</td>
<td>$69</td>
<td>1%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$253</td>
<td>4%</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>$74</td>
<td>1%</td>
</tr>
<tr>
<td>South Korea</td>
<td>$19</td>
<td>0%</td>
</tr>
<tr>
<td>Other E/SE Asia</td>
<td>$94</td>
<td>2%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>$406</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note: Data is as reported by sender and is to first reported destination; data will include some amount of double counting (inseparable at source)
Source: UN Comtrade database; Coriolis analysis
Turning to the drivers of import growth, we find growth coming from a wide range of countries, though with Asia, particularly China, standing out for rate of growth.

IMPORT GROWTH MATRIX: Sparkling wine 10y absolute import volume growth vs. 10y value CAGR vs. import value 2012 to total world

Source: UN Comtrade database; Coriolis analysis and classifications
Sparkling wine also offers a strong opportunity for import substitution; New Zealand has a widening trade deficit in sparkling wine/Champagne.

### New Zealand sparkling wine (HS220410) trade
**US$m; 1989-2013**

- **Imports**: $40 (2013)
- **Exports**: $6 (2013)
- **Imports** to **Exports** = $34.6m

### Source of New Zealand sparkling wine/Champagne imports
**US$m; 2013**

- **France**: $25.3, 73%
- **Australia**: $6.4, 19%
- **Italy**: $1.7, 5%
- **Spain**: $0.5, 1%
- **Other**: $0.7, 2%

**TOTAL = US$34.6m**

### Average value per litre at border: imports versus exports
**US$/litre; 1989-2013**

- **Imports**: $12.0 (2013)
- **Exports**: $4.0 (2013)

### Destination of New Zealand sparkling wine/Champagne exports
**US$m; 2013**

- **USA**: $0.7, 7%
- **UK**: $2.0, 22%
- **Australia**: $4.3, 47%
- **Japan**: $0.3, 3%
- **Other Europe**: $1.0, 11%
- **Other E/SE Asia**: $0.2, 3%
- **Other**: $0.1, 2%

**TOTAL = US$9.0m**

Source: UN Comtrade database; Coriolis estimates and analysis
The New Zealand domestic market clearly shows how New Zealand sparkling wine struggles to compete with French Champagne at the premium end of the market.

### Observed number of sparkling wine stock keeping units (SKU) for sale by retail price band at two NZ retailers: NZ vs. France

**SKU at given price; actual; July 2014**

<table>
<thead>
<tr>
<th>Observed retail price band</th>
<th>New Zealand</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9.99-$19.99</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>$20-$29.99</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>$30-$39.99</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>$40-$49.99</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>$50-$99.99</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>$100-$199.99</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>$200-$999</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Over $1000</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

**Observed retail price band**

Source: Coriolis observations of shelf prices at two retailers
New Zealand sparkling wine needs to continue to move up-market

EXAMPLE: New Zealand sparkling wine direction

<table>
<thead>
<tr>
<th></th>
<th>PAST</th>
<th>CURRENT</th>
<th>FUTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chardon</td>
<td>Cloudy Bay Pelorus</td>
<td>Veuve Clicquot NV</td>
</tr>
<tr>
<td></td>
<td>$9.99</td>
<td>NV</td>
<td>Brut</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$34.99</td>
<td>$79.99</td>
</tr>
</tbody>
</table>

Source: various; photo credit (fair use; complete product/brand for illustrative purposes); The Mill online (NZ) July 2014; Coriolis analysis
A clear strategic direction emerged from the research: the New Zealand wine industry needs to consider radical steps to “restart” sparkling wine exports, particularly to the growing E/SE Asian market.

**New Zealand Situation**

- New Zealand has demonstrated a capability to produce premium white wine and compete with the best of France in still wine.
- New Zealand has a history of producing “cheap and cheerful” sparkling wines.
- New Zealand has a handful of quality producers attempting to make a better product.
- New Zealand sparkling wine is currently failing to grow exports.
- High-end New Zealand domestic consumers are buying premium French Champagne rather than local sparkling wine.

**E/SE Asia market situation**

- E/SE Asian consumers tastes are Westernising and they are adopting Western cultural habits.
- There is a strong and growing demand in E/SE Asia for premium sparkling wine, primarily for premium, status products with provenance.
- Regional imports of sparkling wine, particularly Champagne, are large and growing.
- Product achieves a high price per litre.
- Strong role of gifting and gift packs.
- France currently dominates the E/SE Asian market.

**Emergent Strategic Direction**

“Restart” sparkling wine exports.
A range of potential ideas are proposed to “restart” thinking around what is required to capture the emerging Asian market for premium sparkling wine

<table>
<thead>
<tr>
<th>Potential idea to “push things forward”</th>
<th>Key question(s)</th>
<th>Real-world example of this idea working elsewhere</th>
</tr>
</thead>
</table>
| Technical research project to identify where in New Zealand is best suited to making world-class Champagne-type product | - Does soil/climate/terroir/region matter?  
- What region(s) of New Zealand are similar to the Champagne region of France? (climate, soils, rainfall, etc.) | - Contracting of Romeo Bragato of Italy in 1895 & 1901+ by New Zealand Department of Agriculture to evaluate the potential of the New Zealand wine industry  
- Research of New Zealand government soil scientist Derek Milne in highlighting the similarities between Martinborough and Burgundy |
| Technical research project to identify how New Zealand can produce a world-class Champagne-type product | - What grapes should be used?  
- What sparkling wine production system is best suited to New Zealand conditions?  
- How long should New Zealand produce be aged? | - Department of Viticulture and Oenology at the University of California at Davis has developed a prototype “California-style” brandy following Phylloxera and Prohibition  
- Emergence of Jazz™ apples and Zespri Gold™ kiwifruit from NZ government scientific research  
- NZ government-funded research into producing better milk powder in the 1930’s, leading to this being NZ’s largest export  
- Numerous other NZ scientific projects to improve exports |
| Define hard minimum standards for premium “New Zealand Champagne”                                     | - Do hard rules or successful exports come first?  
Empirically global experience suggests rules come before successful premium exports  
- Why does the most premium sparkling wine product(s) have the hardest rules and standards? | - Role of AOC rules and protection in production/supply control, quality control and price support for Champagne  
- Role of a Protected Designation of Origin (PDO) in Spanish Cava and Italian Asti/Prosecco |
| Develop a unique, protected brand to identify and differentiate New Zealand sparkling wine           | - What should the name be? | - Development of Spanish regional brand Cava following protection of name Champagne  
- Development of South African Methode Cap Classique for sparkling wine following protection of name Champagne  
- Development of Franciacorta regional brand in Italy following protection of Champagne (following EU ascension) |
| Develop competition(s) to highlight and improve New Zealand sparkling wine                            | - How can competition and excitement best be harnessed to grow the industry? | - Development of South African “Veritas” wine awards  
- Role of awards and competitions in growth and improvement of New Zealand wine industry |
Summary & conclusions

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Focus on Sparkling Wine/Champagne

Focus on Brandy/Cognac

Appendix
The “brandy” trade code encompasses any distilled grape wine based product.
Brandy is a major alcoholic spirit accounting for 6% of global spirit volume; 23% of global production crosses borders; four markets (US, Germany, Russia & China) account for 42% of the world market.

Position of brandy in global alcohol volume in litres

Litres; m or b as given; 2012

Global volume

By type of beverage

- Beer 187b
- Wine 27b
- Spirits 20b
- RTDs 4b
- Cider 2b

By type of spirit

- Other spirits 18.7b
- Brandy 1.3b

By type of brandy

- Other Brandy 1.2b
- Cognac 86m
- Consumed in home country ~1,000m
- Crosses borders 300m

By market destination

- USA 32m
- Germany 31m
- Russia 32m
- China 31m
- All other 174m

1. Includes some amount of double counting (crossing borders twice, for example into Singapore then on to China)

Source: UN Comtrade database; OIV; Euromonitor (various reports); Impact; other; Coriolis estimates and analysis
Most (77%) brandy is produced and consumed in its home country; therefore most of the largest global brands are single market, regional brands, particularly The Philippines, India, Mexico and Brazil.

Global brandy volume in cases by location of sale
Cases (8L); m; 2012

- **Domestic**: 123 million cases (77%)
- **Crosses-borders**: 38 million cases (23%)

Total 200 million cases

Of which cognac is ~10.4 million

Top 20 global brandy brands by cases sold
Cases (8L); m; 2012

- **Emperador**: 31.0 million cases
- **McDowell’s**: 10.9 million cases
- **Gran Matador**: 7.8 million cases
- **Presidente**: 5.8 million cases
- **Mansion House**: 5.3 million cases
- **Hennessy**: 5.2 million cases
- **Honey Bee**: 5.0 million cases
- **E&J Gallo**: 4.0 million cases
- **Old Admiral**: 3.5 million cases
- **Don Pedro**: 3.5 million cases
- **Dreher**: 3.3 million cases
- **Martelli**: 2.0 million cases
- **Remy Martin**: 1.9 million cases
- **McDowell’s VSOP**: 1.9 million cases
- **Courvoisier**: 1.4 million cases
- **Silver Cup**: 1.4 million cases
- **Paul Masson**: 1.4 million cases
- **Golden Grape**: 1.4 million cases
- **Capel**: 1.1 million cases
- **Christian Brothers**: 1.1 million cases
- **Other**: 44.0 million cases

Note: Crosses-borders includes some amount of double counting (crossing borders twice, for example into Singapore then on to China)

Source: UN Comtrade database; Drinks International; Euromonitor (various reports); Impact; other; Coriolis estimates and analysis.
Brandy is made and marketed using a similar formula globally

### Key stages in brandy production

**Model: 2014**

<table>
<thead>
<tr>
<th>1. Wine production</th>
<th>2. Distillation</th>
<th>3. Aging</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Production of base white wine</td>
<td>- Wine needs to be distilled quickly (vulnerable to oxygen spoilage)</td>
<td>- Aged in barrels, typically oak (except Grappa/Pisco-type)</td>
</tr>
<tr>
<td>- Wine should be high acidity but low in alcohol, residual sugar and sulphates (“dry, acidic &amp; thin”)</td>
<td>- Two distillation systems: batch copper pot still or continuous column still</td>
<td>- Aged for six months to 100+ years</td>
</tr>
<tr>
<td>- Key varieties used globally are Ugni Blanc, Chenin Blanc, Colombard, Folle Blanche, Baco 22, Airen and Palomino</td>
<td>- Often AOC specific requirements around distilling</td>
<td>- Typically stored underground in relatively stable temperature environments</td>
</tr>
<tr>
<td>- Often from a defined region (e.g. Cognac AOC) with limited available land</td>
<td>- Result is clear spirit</td>
<td>- Significant amount lost to evaporation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Multiple barrels of different ages are blended to deliver a consistent product to the consumer</td>
<td>- Major advertising campaigns targeting consumers in all key markets globally</td>
<td>- Sold through both on-trade (restaurants, bars, etc.) and off-trade (liquor stores, wine shops, etc.)</td>
</tr>
<tr>
<td>- Typically must be labeled as youngest blend</td>
<td>- Constant new product development</td>
<td>- Online a growing channel in many markets</td>
</tr>
<tr>
<td>- Product is bottled and labeled by market requirements</td>
<td>- Constant promotional activity</td>
<td>- Strong sales through duty free, particularly in Asia</td>
</tr>
</tbody>
</table>

Source: Coriolis from various articles, books and other published sources
Beyond generic “brandy,” there are a range of recognised or defined sub-varieties

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Age of origin</th>
<th>Planted area</th>
<th>% volume exported</th>
<th>Grapes used</th>
<th>Production method</th>
<th>Where is it produced?</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Cognac</td>
<td>14th Cen.</td>
<td>-88,000</td>
<td>97%</td>
<td>Ugni blanc, Folle blanche Colombard</td>
<td>Charente pot still (2x) Aged in French oak</td>
<td>AOC in Charente and Charente-Maritime</td>
</tr>
<tr>
<td></td>
<td>Armagnac</td>
<td>14th Cen.</td>
<td>15,000</td>
<td>95%+</td>
<td>Baco 22A, Colombard, Folle blanche, Ugni blanc</td>
<td>Alambic pot still Aged in French oak</td>
<td>AOC in Gers region</td>
</tr>
<tr>
<td>Spain</td>
<td>Brandy de Jerez</td>
<td>Pre-14th Cen.</td>
<td>N/A</td>
<td>25%</td>
<td>Airen (95%), Palomino</td>
<td>Batch or continuous still Aged in American oak previously containing sherry</td>
<td>PDO in Jerez area, Andalusia, though wine can come from elsewhere</td>
</tr>
<tr>
<td>Italy</td>
<td>Grappa</td>
<td>13th Cen.</td>
<td>N/A</td>
<td>15-20%</td>
<td>Undefined; any</td>
<td>Distilled from pomace¹ Not typically aged</td>
<td>Protected name: must be produced in Italy or Switzerland</td>
</tr>
<tr>
<td>Peru</td>
<td>Pisco</td>
<td>17th Cen.</td>
<td>N/A</td>
<td>5-10%</td>
<td>Muscat</td>
<td>Batch or continuous still Matured in clay casks</td>
<td>Peru and Chile fight over the use of the name</td>
</tr>
</tbody>
</table>

¹ Pomace is the “leftovers” from wine-making, including skins, seeds, pulp & stems
Source: Coriolis from various articles, books and other published sources
Global exports of brandy are dominated by France (70%) and a range of other European countries (25%); all other producers account for only 5% of world trade.

Value of total Western brandy/Cognac/etc. exports to world by key country

US$m; FOB; 2012

- France: $3,355 (70%)
- Spain: $340 (7%)
- Italy: $133 (3%)
- Netherlands: $114 (2%)
- Germany: $110 (2%)
- Georgia: $57 (1%)
- Moldova: $52 (1%)
- Armenia: $162 (3%)
- USA: $154 (3%)
- Australia: $24 (0%)
- Other Europe: $234 (5%)
- Other: $36 (1%)

Total: $4,809m

Note: Armenia is technically not part of Europe; analysis removes all E/SE Asian inter country trade for supply pool
Source: UN Comtrade database; Coriolis analysis and classifications
There are dramatic variations in price received for brandy, with France dominating the world market in terms of both price and volume.

Note: Armenia is technically not part of Europe; analysis removes all E/SE Asian inter country trade for supply pool.
Source: UN Comtrade database; Coriolis analysis and classifications.
Turning to the drivers of export growth, we find that a wide range of countries are achieving growth in the category in terms of both volume and value.

Source: UN Comtrade database; Coriolis analysis and classifications
Total global brandy import value - CIF from all sources - is showing strong growth (11% CAGR over 10 years); E/SE Asia now accounts for almost half (47%) of global imports by value.

*GFC: Global Financial Crisis*  
Note: Data is receiving country CIF (not FOB); will include some amount of double counting inseparable at source

Source: UN Comtrade database; Coriolis analysis and classifications
China is driving global brandy import growth in Asia, while Japan and South Korea have declined; the US and Europe have seen reasonable growth.

10 year total global brandy import value CIF absolute growth and CAGR
US$m; 2002-2012

<table>
<thead>
<tr>
<th>Country</th>
<th>10y Absolute Value Growth</th>
<th>10y CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$948</td>
<td>37%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$626</td>
<td>19%</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>$167</td>
<td>9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$154</td>
<td>23%</td>
</tr>
<tr>
<td>Other E/SE Asia</td>
<td>$34</td>
<td>8%</td>
</tr>
<tr>
<td>Macao SAR</td>
<td>$25</td>
<td>3%</td>
</tr>
<tr>
<td>South Korea</td>
<td>-$14</td>
<td>-12%</td>
</tr>
<tr>
<td>Japan</td>
<td>-$99</td>
<td>-8%</td>
</tr>
<tr>
<td>USA</td>
<td>$282</td>
<td>5%</td>
</tr>
<tr>
<td>Other Europe</td>
<td>$469</td>
<td>10%</td>
</tr>
<tr>
<td>Russia</td>
<td>$337</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>$176</td>
<td>10%</td>
</tr>
<tr>
<td>Germany</td>
<td>$107</td>
<td>7%</td>
</tr>
<tr>
<td>France</td>
<td>$83</td>
<td>15%</td>
</tr>
<tr>
<td>U.K.</td>
<td>$56</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: UN Comtrade database; Coriolis analysis and classifications
A clear strategic direction emerged from the research: the New Zealand wine industry needs to work to develop the “Marlborough Sav. Blanc” of brandy, targeted at the rapidly growing E/SE Asian market.

### New Zealand Situation
- New Zealand wine industry has experienced strong growth over the last 50 years
- However it is still a “one-trick pony” dominated by Marlborough Sauvignon Blanc
- New Zealand needs to grow and diversify into further products and regions
- New Zealand wine industry has the skills, capabilities and resources required to develop new products
- New Zealand wine industry has the capital and cash flow required to move into high “barrier to entry” products

### E/SE Asia market situation
- E/SE Asian consumers, particularly East Asians, traditionally drink small cups of fiery spirits (Baijiu/Shaojiu, Shōchū, Soju, Sake, Awamori, Arrak, Rượu dê, etc.)
- Brandy/Cognac fits this product/taste/usage profile
- Import demand is for premium, status products with provenance
- Regional imports of brandy are large and growing
- Product achieves a high price per litre
- Strong role of gifting and gift packs
- France currently dominates the E/SE Asian market
A range of potential ideas are proposed to push forward the emerging strategic direction in brandy

<table>
<thead>
<tr>
<th>Potential idea to “push things forward”</th>
<th>Key question(s)</th>
<th>Real-world example of this idea working elsewhere</th>
</tr>
</thead>
</table>
| Technical research project to identify where in New Zealand is best suited to making world-class Cognac-type product | - What region(s) of New Zealand are similar to the Cognac and/or Armagnac region of France? (climate, soils, rainfall, etc.) | - Romeo Bragato of Italy in 1895 & 1901+ contracted by New Zealand Department of Agriculture to evaluate the potential of the New Zealand wine industry  
- Research of New Zealand government soil scientist Derek Milne in highlighting the similarities between Martinborough and Burgundy |
| Technical research project to identify how New Zealand can produce a world-class Cognac-type product | - What brandy production system is best suited to New Zealand conditions?  
- What aging system should be used? Oak? How long? | - Department of Viticulture and Oenology at the University of California at Davis developed a prototype “California-style” brandy following Phylloxera and Prohibition  
- Emergence of Jazz™ apples and Zespri Gold™ kiwifruit from NZ government scientific research  
- NZ government-funded research into producing better milk powder in the 1930’s leading to this being NZ’s largest export  
- Numerous other NZ scientific projects to improve exports |
| Define hard minimum standards for brandy produced in New Zealand | - Do rules or successful exports come first? Empirically global experience suggests rules come first  
- Why does every successful premium brandy exporter have hard rules and standards? | - Role of AOC rules and protection in production/supply control, quality control and price support for Cognac and Armagnac  
- Role of a Protected Designation of Origin (PDO) in Spanish Brandy de Jerez and Italian Grappa  
- South African implementation of Cognac rules for brandy production (Charente pot still, Ugni blanc, etc.) |
| Develop competition(s) to highlight and improve New Zealand brandy | - How can competition and excitement best be harnessed to grow the industry? | - Extension of South African “Veritas” wine awards to cover brandy in 2010  
- Role of awards and competitions in growth and improvement of New Zealand wine industry |
| Develop a unique, protected brand to identify and differentiate New Zealand brandy | - How valuable is a unique/protected name?  
- What should the name be?  
- How do you balance innovation with tradition and rules? | - France: Cognac, Armagnac (Champagne, Burgundy, Bordeaux, etc.)  
- Italy: Grappa (Chianti, Prosecco, Abruzzo, Asti, etc.)  
- Spain: Brandy de Jerez (Jerez/Xeres/Sherry, Rioja, etc.) |
Summary & conclusions

Situation

Opportunity

Path forward

Focus on Sparkling Wine/Champagne

Focus on Brandy/Cognac

Appendix
This report forms a part of the wider Food & Beverage Information Project.

Other reports, including those from previous years, are available on the MBIE or Coriolis website...


http://www.coriolisresearch.com/reports/
MAP OF EAST/SOUTH EAST ASIA

East/South East Asia Map

East/South East Asia country segmentation (population)

- **China** (1,364m)
- **Developed Asia** (212m)
  - Japan (127m)
  - South Korea (50m)
  - Hong Kong (7m)
  - Singapore (5m)
  - Taiwan (23m)
- **Developing Asia** (583m)
  - Vietnam (90m)
  - Philippines (99m)
  - Indonesia (247m)
  - Malaysia (30m)
  - Thailand (64m)
  - Myanmar/Burma (53m)
- **Smaller markets** (51m) (excluded)
  - Mongolia (3m)
  - North Korea (25m)
  - Laos (7m)
  - Cambodia (15m)
  - East Timor (1m)
Coriolis is a boutique management consulting firm that focuses on food, consumer packaged goods, retailing and foodservice.

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