

EXECUTIVE SUMMARY

MARLBOROUGH WINE INDUSTRY GROWTH FORECAST 2020

Vineyard Area Expansion,
Future Challenges and
Opportunities

Prepared for: Wine Marlborough April 2021

Greg Dryden | Anna Weeks

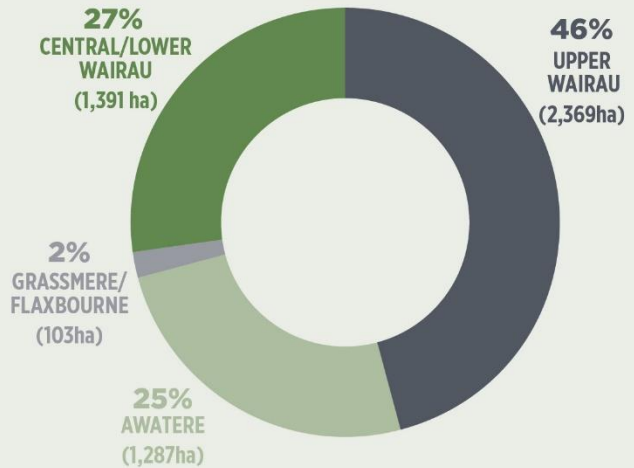
MARLBOROUGH WINE INDUSTRY GROWTH FORECAST 2020

KEY FACTS

PLANTING INCREASE



GROWTH LOCATION

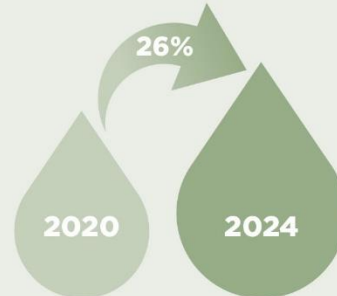


JOBS FROM 2016 TO 2020*

- Marlborough wine sector direct jobs **+15%**
- Jobs in sectors supporting the Marlborough wine sector **+25%**
- Total jobs associated with the Marlborough wine sector **+20%**
- Marlborough wine sector wages paid **+24%**

*Taken from NZIER contribution of wine to the Marlborough economy 2016 and 2020 - see following page for full chart

WATER STORAGE ON VINEYARD



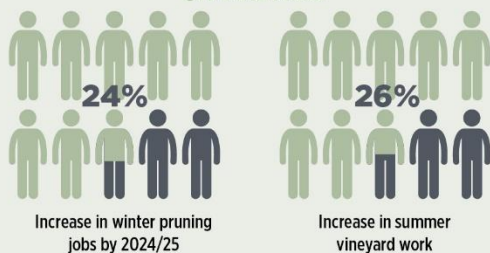
TOTAL JOB GROWTH FORECAST

17% more jobs needed for marlborough wine industry overall by 2024/2025

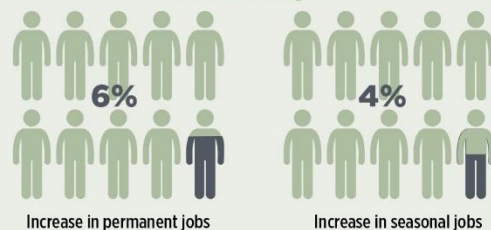
8% growth in permanent roles

20% growth in seasonal roles

ON VINEYARD



IN WINERIES



CONTRIBUTION OF WINE TO THE MARLBOROUGH ECONOMY 2016 VS 2020

KEY STATS	VALUE 2016	VALUE 2020	% DIFF
Marlborough wine sector GDP	\$477 million	\$571 million	16%
Marlborough wine sector direct jobs*	2,350	2,750	15%
Wine sector's share of total employment in Marlborough*	10%	13%	3%
Jobs in sectors supporting the Marlborough wine sector	2,500	3,338	25%
Total jobs associated with the Marlborough wine sector	4,850	6,088	20%
Marlborough wine sector wages*	\$130 million	\$171 million	24%
Marlborough wine sector purchases from supplying sectors	\$695 million	\$835 million	17%

2020 values except Wine GDP and Price of Inputs (2019 data)
* (excl seasonal workers)
Source: NZIER, Statistics NZ, MBIE



Executive summary

The Marlborough wine region, New Zealand's largest wine region by a significant margin, is confident about its future growth, as the findings of this report indicate.

Confidence has underpinned investment in wine business and in the Marlborough region's vineyards for a number of years. Marlborough's producing vineyard area has grown by 24% in the five years to 2020, with the next largest region in New Zealand (Hawke's Bay) having declined by nearly 9%. The differences in scale and expansion are vast, with Marlborough's 24% growth equating to 5,543 additional hectares over the past five years against a decline of 430 hectares in Hawke's Bay.

It is clear that Marlborough drives the growth forecast for the New Zealand wine industry and has for many years.

This report has found that there is continued strong optimism in the Marlborough wine industry. Unsurprisingly, this is driven largely by strong international demand for New Zealand's flagship wine category, Marlborough Sauvignon Blanc.

While this confidence is tempered somewhat by the region's growers, due to significant labour concerns for winter pruning in 2021 and steeply rising labour costs, wineries are competing strongly for available grapes from the growers, which is fuelling planting intentions. Since the surveys for this report were completed in November and December 2020, the impact of a smaller than expected harvest for the 2021 vintage is only likely to reaffirm these planting and growth intentions.

With continued interest in growing the area under vines to bolster and secure supply and enhance the potential development of more market opportunities comes the benefit of significant job growth for the region.

The purpose of the Growth Survey was to gain insights into vineyard planting intentions and subsequent labour demand up until 2025.

Accommodation has once again come to the surface as a threat to the aspirations of the respondents, despite being out of scope for this 2020 Growth Survey. It demands continued focus from industry bodies and regional entities such as the Regional Skills Leadership Group, Marlborough District Council and Government.

The survey group was made up of 50 wine companies and growers, four winery-only businesses and 14 labour contractors (including two contractors who supply on-vineyard machinery services). Together this group represents a significant share of the region's workforce, vineyard area and wine production and gives added strengths to the conclusions of this report.

Forecast growth

- Growers and winegrowers¹ are intending to plant an additional 5,150 hectares by the 2024/25 season. This will lead to an estimated total planted area for Marlborough of 34,145ha.
- The majority (46%) of new planting is expected to be in the Upper Wairau area, with 91% of all new planting being done by large growers and winegrowers.
- Wineries are expecting to process 440,100 tonnes for vintage 2025, up 33% from vintage 2020.
- An additional 2.5 million m³ of water storage is currently planned in Marlborough, lifting the total water storage in the region by 26%.

¹ Growers are defined as only having a vineyard. Winegrowers make wine from their own vineyards, while wineries produce wine but don't own vineyard land. The term wine company is also used for winegrowers.

- The ability of growers to achieve their intended planting of 5,150ha by 2024/25 will depend on their ability to secure land, grapevine cuttings, labour, accommodation for the new workforce and the required consents.
- In the last Labour Market Survey, the prediction was that 6,800ha would be planted by 2019/2020. This forecast was not fully met, with potential reasons being that the figures were aspirational, the land was not available where growers wanted to plant grapes, labour was not available for vineyard development or grapevine cuttings were not available. However, these factors may have only delayed development intentions as opposed to the developments not occurring at all.

There are some significant challenges to achieve this growth, the most pressing of which are the availability of labour and water for irrigation. All this growth is forecast from existing businesses and doesn't account for any possible new entrants.

Increased demand for workers

The intended growth in vineyard area and tonnes processed will result in an increase in demand of 1,515 workers (17%) for the Marlborough wine industry.

- Vineyard labour (growers, winegrowers and viticulture labour contractors) expect to require 1,510 permanent and 7,200 seasonal workers annually by 2024/25.
- Winter pruning will require 4,500 workers by 2024/25, up 24% from 2020.
- Summer vineyard work will require 3,360 workers by 2024/25 up 26% from 2020/21.
- Wineries are expecting to be able to process the increased volume with a 5% increase in winery workforce.
- There are approximately 650 permanent winery jobs in Marlborough. Wineries also have a seasonal peak at harvest of around 1,600 with 83% of seasonal staff usually sourced from overseas.

The growth in vineyard worker supply is expected to be sourced from additional Recognised Seasonal Employer (RSE) scheme workers. While growers, winegrowers and particularly viticulture labour contractors were using novel incentives to attract New Zealand workers, RSE workers (once borders reopen) are still considered to offer a stable, experienced and productive workforce.

Labour practices

In the 2016 Labour Market Survey, growers forecast a total vineyard labour requirement of 10,304 in 2019/20, while this year's survey estimates the current wine industry workforce at just under 9,000 workers. Workforce supply limitations has led to an increase in mechanisation on vineyard that is forecast to continue. Currently, 63% of vines are mechanically stripped after pruning, up 80% from 2016, and forecast to increase to 68% for 2024/25. In addition, the pruning season begins earlier and finishes later than it did in 2016, with many workers employed for a six-day working week.

Recruitment

All sectors reported the importance of returning workers as a highly valued recruitment method. Local referrals and online recruitment, particularly for winery workers, were also considered most useful. There was a general comment that there is a wide gap between the skills and attitude required by the industry and the suitability of worker that has historically been referred by Work and Income New Zealand (WINZ).

Location continues to be a significant barrier for employment mentioned by many growers, winegrowers, contractors and wineries. Marlborough is some distance from a major city population and, therefore, a labour force that could assist with the seasonal nature of vineyard and winery work. Several participants commented that there is also difficulty in getting existing Marlborough workers to outlying parts of the region for some tasks, especially the Upper Awatere for winter pruning.

Providing or assisting with accommodation, transport and other pastoral care functions are now considered standard practice by many, and increasingly important for others to recruit or retain staff. Some companies are also offering flexible working hours and in several cases this has helped fill worker shortages.

Viticulture labour contractor use

Viticulture labour contractors (called contractors for the remainder of this report) provide an invaluable labour service in Marlborough and a significant proportion of the total vineyard staff in Marlborough.

- Currently, 95% of vineyard pruning is completed by contractors and this is expected to remain similar in 2024/25.
- In 2020/21, 88% of summer work was completed by contractors.

Industry challenges

- There is a limited labour pool of experienced local workers.
- There is competition between employers to employ and retain staff.
- Many key seasonal tasks are heavily reliant on temporary and transient labour.
- The lack of residential accommodation and transport is seen as a challenge for both medium and large growers. This was particularly relevant for permanent and local casual workers.
- Minimum wage increases and ongoing recruitment challenges are adding costs that growers are struggling to absorb at current grape prices.
- Growers require innovation in mechanisation, an efficient and experienced workforce and/or improved grape prices to maintain the economic benefit for Marlborough.
- Many still report significant challenges in recruiting and retaining New Zealand Jobseekers from WINZ.
- A common theme reported by employers was that they would be more willing to take on New Zealand WINZ Jobseekers if there were employment subsidies, a 90-day trial period (or similar) and if there could be better alignment of candidates and the employers' requirements.

Incentives

Growers, winegrowers, contractors and wineries are particularly proactive in the use of incentives to recruit and retain staff. They largely recognise the importance of investing in people with a positive attitude and constructive work ethic and mindset. Most employers recognised the need for some form of ongoing training opportunities for employees.

The range of incentives includes:

- accommodation (provision or assistance), transport and relocation assistance
- training opportunities, including cadetships or apprenticeships
- flexible hours
- health insurance
- wine allowances
- competitive rates of pay (up to \$28/hour for piece rate work)
- guaranteed hours for casual staff
- high quality facilities, equipment and machinery to use
- allowing job share or positions in vineyard and winery to provide extended hours
- staff bonuses and trips.

Productivity

- Growers, winegrowers and contractors rate their permanent workers, RSE workers and essential skills workers as exceeding or meeting expectations.

- Wineries rate their permanent workers and essential skills workers as exceeding or meeting expectations.
- Seasonal workers from WINZ or backpackers are considered more variable and, in the case of WINZ workers, may be unproductive.

Summary

There is significant growth projected in the Marlborough Wine industry that continues to provide a significant economic benefit for Marlborough². Growers, winegrowers, contractors and wineries face ongoing challenges with labour supply, quality and cost (recruitment and wages) that will need to be overcome to maximise this economic opportunity.

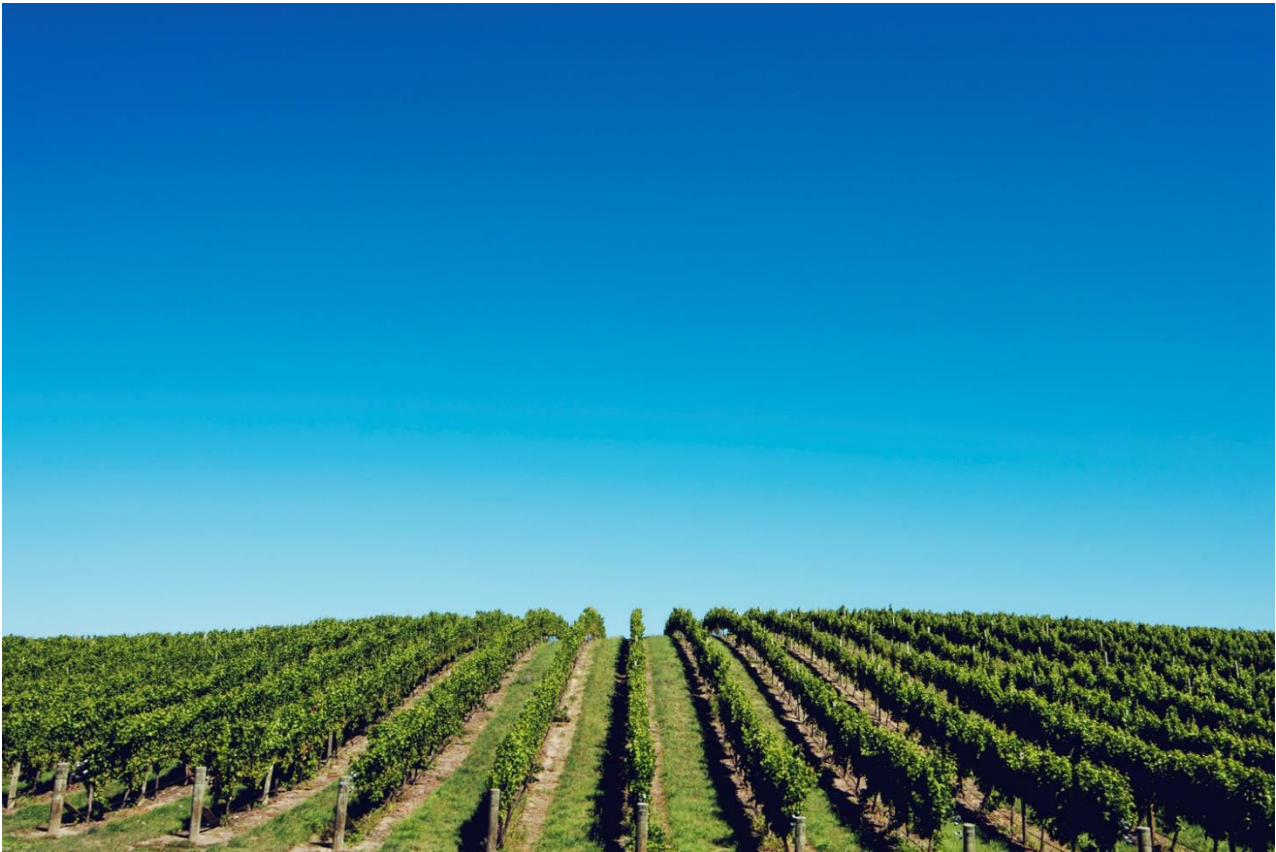


Photo credit: Wine Marlborough.

Statement of Ownership

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To request the full report, please contact Nicci Armour, advocacy manager at Wine Marlborough on advocacy@winemarlborough.nz

² www.wine-marlborough.co.nz/workspace/uploads/nzier-contribution-of-winegrowing-to-the-marlborough-economy-2020-final_1.pdf