

12. NZ Sauvignon Blanc - right place - right time: a highly distinctive product on the world stage

"...in just a few short years has gone from nowhere to the world's utopia of Sauvignon Blanc..." - quote from 'Wine Spectator', Nov 2003

Vision, serendipity, climatic and soil characteristics together with astute and innovative marketing contributed significantly to the enormously successful development of New Zealand as a front runner for delivering to the world a new taste sensation in wine, the 'New World' wonder of Sauvignon Blanc.



- In the late 1970's Matua Winery imported six Sauvignon Blanc cuttings from the vineyard of University of California, Davis, USA. These became the clones upon which the industry was developed in New Zealand.
- 1972 Montana Wines, commissioned Wayne Thomas of DSIR to undertake a survey of suitable regions and he recommended Marlborough. The first small crop of sauvignon blanc was harvested in 1974.
- In the mid 1980s, the New Zealand wine industry was in a depressed state with an oversupply of wine and the government paying a bounty of \$5,000 per acre for land taken out of grapes to get rid of undesirable and unprofitable grape cultivars.
- At about the same time Ernie Hunter, a publican from Christchurch, bought land in Marlborough and planted a mixture of grape cultivars including some Sauvignon Blanc. In 1985/86; Ernie took some bottles of his Sauvignon Blanc to the London International Wine Show, one of the most prestigious in the world at that time. Hunters Sauvignon Blanc wines were awarded the three top trophies available at the show with the fresh, fruity, and unique quality attributes of the wine, so different from the traditional wines from France.
- In the early 1980's, Cape Mentelle vineyards from West Australia purchased land in Marlborough and planted several cultivars including Sauvignon Blanc in their vineyard. They called themselves *Cloudy Bay*. Cloudy Bay took its Marlborough sauvignon blanc to the UK, and focussed upon outlets that would support a premium quality wine.
- Because of the success of Hunter Wines in the International London Wine Show, Sauvignon Blanc grapes were planted in large quantities. Montana Wines were a major force in this and the trend was followed by most smaller independent vineyards.
- Cloudy Bay commenced a vigorous and innovative marketing programme that resulted in *Cloudy Bay Sauvignon Blanc* becoming and remaining the iconic market leader for New Zealand in this wine type in the United Kingdom and other international markets.

With this premium positioning achieved, larger volume producers could also find a companion place in export markets. *Montana*, also producing good quality wine, was the next key to this New Zealand success story as they had the volume to support wider distribution.

This case study demonstrates how a struggling sector of New Zealand's fruit industry became globally competitive in what is probably the most demanding of all products. Tremendous growth in the New Zealand wine industry has seen export earnings increase from \$27 million (fob) in 1991 to \$302 million in 2004. 'Sauvignon Blanc' is the flag-flyer for the industry, but 'Pinot Noir' is another variety which is showing promise and gaining importance internationally.



1. Background

Sauvignon Blanc is a grape responsible for producing some of the worlds most popular and distinctive white wines that are known by various names including Fume Blanc, Sancerre and Pouilly Fume. It is a wine that can be both dry and sweet, it has strong aromatic characters and is fruity, zesty and has real verve. Its immediately recognised aroma is characterised by various terms including: 'herbaceous, grassy, gooseberry, asparagus, green fruits, and musky.



In the late 1970's, Matua Winery (Spence bothers) imported six Sauvignon Blanc cuttings from the vineyard of University of California, Davis, USA. These became the clones upon which the industry was developed in New Zealand. Only one of those clones, UCD 1, was significantly resistant to leaf roll virus and produced good crops of high quality fruit. This clone became the backbone of the subsequent Sauvignon Blanc industry in NZ.

In 1972; Frank Yukich, CEO of Montana Wines, decided that the company needed to expand production of its white wines to enable expansion into bulk cask white wines. The Auckland and Hawkes Bay plantings were insufficient to meet projected demand.

Montana then commissioned Wayne Thomas of DSIR to undertake a survey of suitable regions in New Zealand where Montana could expand its production. Thomas recommended Marlborough as the best choice for expansion. At that time there were a very few small local areas of production and the region was not recognised as a premium wine producing area.

John Marris, a local land agent with Pyne, Gould Guinness (and father of Brent Marris well known, award winning wine maker) was asked to purchase land in the Wairau Plains around Blenheim for future plantings. Several farming properties were purchased over a very short period – thought to be little more than one weekend. As a consequence the value of farmland increased from about \$1,000 to \$2,000 per acre within a few days.

Montana commenced planting an eclectic selection of grape cultivars, similar to the mix that they had in Hawkes Bay, including Muller Thurgau, Riesling, Gewurtztraminer, some Sauvignon Blanc, Reichensteiner, Chenin Blanc, Cabernet Sauvignon, and others. It is understood that many of the original cuttings were planted upside down because the unskilled labour use for this task had no horticultural knowledge and did not know the top from the bottom of the cutting. Those cuttings did not grow and had to be replaced. Unfortunately the cuttings that were used in the initial plantings were not resistant to Phyloxerra, a debilitating root infesting insect.

1974 was when the first small crop of Sauvignon Blanc was harvested. Whilst the first sauvignon blanc grapes were grown by *Matua Valley*, by the early 1980s several other vineyards were growing the variety, including *Montana*, *Selaks*, *Hunters* and *Corbans*.

In the mid 1980s, the New Zealand wine industry was in a depressed state with an oversupply of wine and the government paying a bounty of \$5,000 per acre for land taken out of grapes. The start point for this case study makes the present healthy state of New Zealand wine industry all the more significant.

1985/86; two large vintages in these years lead to surplus wine. The wine industry was in crisis and the Government of the day was persuaded to introduce a vine pull scheme and provide growers with a 'grubbing 'grant of \$5,000 per hectare to get rid of undesirable and unprofitable grape cultivars.

The vine pull was adopted enthusiastically and used to replant with Phyloxerra resistant rootstocks and improved clonal selections many of which were free of known viruses. This

resulted in an overall improvement in the quality of the vines and a consequent enhancement of wine quality.

At about the same time Ernie Hunter, a publican from Christchurch wanted to plant a small vineyard on the outskirts of the city. Planning permission was refused, so he bought a block of land in Raupara Road on the Wairau Plains and planted a mixture of grape cultivars including some Sauvignon Blanc. On one of his many visits from Christchurch to Blenheim, he picked up an hitch hiker; she turned out to be a young winemaker who went on to produce the first of the wines produced from Hunters Wines.

Some success in wine awards were being achieved by *Selaks* in Australia, *Montana* and *Cloudy Bay* with a gold medals in New Zealand, and *Hunters* with success in London – but for the most part, New Zealand sauvignon blanc was not widely recognised outside New Zealand.

In 1985/86, Ernie Hunter took some bottles of his Sauvignon Blanc to the London International Wine Show, one of the most prestigious in the world at that time. A naïve and perhaps presumptuous act given that such wines were not known from New Zealand and competition was with the large production houses from France and elsewhere; perhaps if he had known more he would not have entered?.

Hunters Sauvignon Blanc wines were awarded the three top trophies available at the show and immediately took the wine world by storm with the fresh, fruity, and unique quality attributes of the wine, so different from the traditional Sancerre wines from France.

In the early 1980's, Cape Mentelle vineyards from the Margaret River region of West Australia was looking for land to grow white grapes to complement their production of high quality red wines. On the initiative of David Hohnen they purchased land in Marlborough and planted several cultivars including Sauvignon Blanc in their vineyard. They called themselves Cloudy Bay.

In the 1986/87 season, *Cloudy Bay*, with good market connections, sold 5,000 cases to selected retailers in Australia. The market reception was good, and the company steadily increased production. It is important to note that *Cloudy Bay* focused upon (i) premium quality and (ii) selling to outlets that would support a premium quality wine.

The next significant move for *Cloudy Bay* was to take its Marlborough sauvignon blanc to the UK, and again focussing upon where the product was to be sold. Without major show awards (*Cloudy Bay* did not target the attainment of medals) the wine achieved very high recognition.

Cloudy Bay commenced a vigorous and innovative marketing programme that resulted in *Cloudy Bay Sauvignon Blanc* becoming and remaining the iconic market leader for New Zealand in this wine type in the United Kingdom and other international markets.

Cloudy Bay gained a cult following almost overnight after the release in 1986 of their “moodily labelled” Sauvignon Blanc even though initially the grapes were purchased from other vineyards and the wine made under contract at another winery.

Cloudy Bay registered their ‘back label’ that contained the required information on volume, alcohol content and vineyard details that were normally/traditionally on the ‘front label’. This freed them up to utilise the front label in a simple and dramatic way that included their name/brand together with a illustration of Mt Richmond that illustrated the clean, green and unspoiled New Zealand environment.

1990 the signing of CER with Australia. Several large companies were in financial difficulties and this was a time of amalgamation and buying out of some large traditional wine companies.

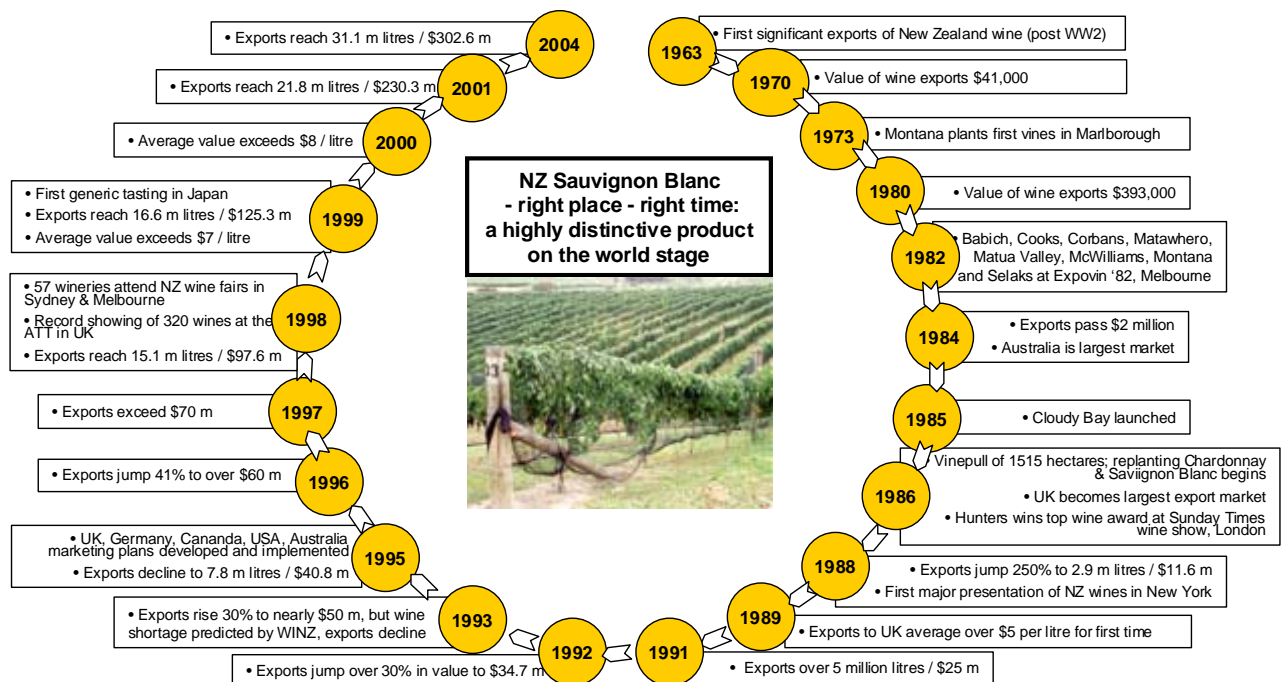
With this premium positioning achieved, larger volume producers could also find a companion place in export markets. *Montana* was the next key to this New Zealand success

story. Also producing good quality wine, *Montana* had the volume to support wider distribution. *Montana's* Marlborough sauvignon blanc is now available across England, from John o' Groats to Land's End.

For *Cloudy Bay*, each year demand has outstripped supply. By the late 1990s, their sales to Australia had increased three fold, even with very good wines being produced locally. *Cloudy Bay* was exporting to 26 countries, with its major markets being the UK, Australia a rapidly increasing American demand, and a healthy sales level in New Zealand. Additionally, *Cloudy Bay* introduced premium chardonnay, pinot noir, and sparkling wines to complement its Marlborough sauvignon blanc. *Cloudy Bay's* Kevin Judd emphasises that the key elements were (i) having a distinctive premium product that was well packaged and (ii) matching this with sales to select outlets.ⁱ

Sauvignon Blanc grapes are now grown in all grape-growing regions in NZ, and it is clear that the different regions produce wines of distinctive taste aroma and quality attributes. They are all however Sauvignon Blanc and each has specific attributes that appeal to a range of tastes and personalities.

2. Timeline



3. Science and innovation features

Canopy Management

Dr Richard Smart, an Australian scientist who spent several years with the Ministry of Agriculture and Fisheries at Te Kauwhata and is now a private international grape consultant, had a major influence on aspects of vine management in NZ and overseas. He was responsible for research on vine training and management that dramatically enhanced vine performance and grape quality.

The work undertaken largely by Richard Smart in the 1980's on canopy management, shoot positioning and leaf plucking are now an integral part of the grape growing industry, both in New Zealand and internationally. His recommendations on vertical shoot training and leaf plucking were based on excellent plant physiological research done by Smart during his PhD at Cornell University, and subsequent post-doctoral studies. His recommendations were rapidly accepted, adopted and implemented commercially in vineyards throughout New Zealand. To some extent one might argue that the innovative research started by Richard put the New Zealand industry on the map, providing a focus for technology development, to which winegrowers from around the world could relate.

Sustainable Practices

Research undertaken in the early 1990's on inter-row management in vineyards has been widely adopted. Up to this time, most vineyards were cultivated between rows or achieved overall weed control using herbicides. The non-sustainability of these practices has been recognised in the Sustainable Winegrowing programme, and there is a strong emphasis on soil health in this programme, which includes using inter-row herbaceous plants. This programme is developing further to look at appropriate plant species to encourage beneficial insects.

Utilising mulches for sustainable viticulture is being researched. Mulch can reduce the need for spraying, improve plant health and soil structure and reduce leaching of agrichemicals into underground water

Disease Management: an Integrated Disease Management System has been developed to reduce fungicide use in vineyards. Sprays are applied only when Botrytis infection periods coincide with a vine growth stage that is conducive to infection, and results show that spray applications can be reduced by between 30 and 40 percent.

Environmental Safety: vine monoculture can create problems of increased disease, spray use and future downstream environmental impacts, and HortResearch scientists are working with the industry to alleviate these issues.

A pioneering set of industry standards known as *Sustainable Winegrowing New Zealand* (SWNZ) was developed by volunteer grapegrowers in August 1995 as an industry initiative directed through New Zealand Winegrowers. SWNZ was commercially introduced in 1997 and has been adopted by growers from all the grape growing regions. It provides the framework for companies to continually work towards improving all aspects of their performance in terms of environmental, social and economic sustainability in both the vineyard and the winery.

Sustainable Winegrowing New Zealand was developed to:

- provide a "best practice" model of environmental practices in the vineyard and winery.
- guarantee better quality assurance from the vineyard through to the bottle.
- address consumer concerns in matters pertaining to the environment and winegrape production.

Smart Irrigation

Regulated Deficit Irrigation is a system of water management aimed at quality grape production. A lot of vine growth in New Zealand is too vigorous, and as shoot growth seems to be more sensitive to water stress than fruit growth it is possible to use water deficit measures to slow down canopy growth without affecting berry growth.

"Smart" irrigation techniques which could help to save thousands of litres of water every year in vineyards, orchards and on farms, were the subject of research on grapes led by HortResearch at a Marlborough vineyard in 2003.

Rain Cracking

Rain cracking of wine grapes is as unpredictable as the weather, reducing yield and quality. Work has been carried out for some time to try to understand the causes of rain cracking, and HortResearch project funded by Winegrowers' of New Zealand is starting to develop a "green" solution to the problem.

Bird Damage

Bird damage is another problem that winegrape producers must combat. Work is under way with the formation of a HortResearch/Massey University Integrated Bird Management Group which focuses on bird control methods.

Marlborough Wine Research Centre

The establishment of the *Marlborough Wine Research Centre* in 2003 came about as a result of significant commitment from the grape and wine industry to funding research. The Centre is the site of the largest ever wine research project in New Zealand has been launched to explore flavour and aroma development in Sauvignon Blanc. Led by the University of Auckland, the programme gained FoRST funding of \$9.6 million over 6 years with additional co-funding of \$4.9 million primarily from industry partners.

R&D spend areas

New Zealand winegrowers research investment for the year ended June 2004 was allocated as follows:

- seasonal issues 45%
- vineyard longevity 30%
- general research activity 19%
- innovation – reactive 6%

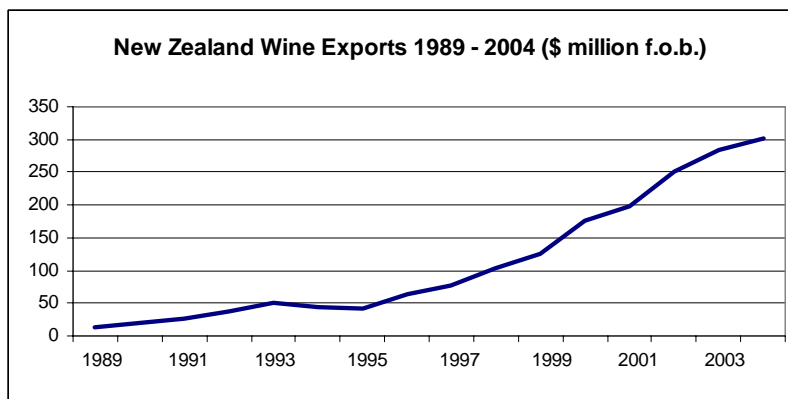
4. Industry Statistics

New Zealand Winegrowers now has a membership of 1,057, comprising

- 463 wineries and
- 594 grapegrowers.
- Sauvignon Blanc wine acreage increased from 819 ha. in 1993 to 4,516 ha. in 2003 (source: NZ Grape & Wine Industry Statistical Annual 2003)
- Sauvignon Blanc comprised 60% of export wine sales in 2003

The 2004 vintage totalled 166,000 tonnes of grapes (all varieties) in 2004, an increase of 89,100 tonnes or 117% on the severely frost-reduced 2003 vintage.

Record export sales: despite a significantly reduced vintage in 2003, the 2004 year for New Zealand wine exports set new records up 15% by volume and 7% by value in 2004 to 31.1 million litres worth NZ\$ 302.6 million. (f.o.b.).



5. Outlook

New Zealand wines are now regarded as some of the best in the world and this is substantiated by the ever-increasing number of medals they are awarded each year at international competitions.

Expansion of the vineyard area in New Zealand, more winemakers and record export figures indicate a continued prominent international profile and bright future for the industry.

Market Access: the industry faces major challenges including the rapid expansion of vineyard area in countries such as Australia, Chile and the United States.

Outlook: in recent years concern over possible excess production in one year has been balanced by lower-than-expected production following season - but this trend may not continue

“Assuming average vintages it is not unreasonable to expect that in any two-year period the industry the harvest around 350,000 tonnes of grapes in the future and by 2006 and 2007 two-year period could exceed 400,000 tonnes. Current projections suggest exports growing over 70 million litres in 2007 -- such growth will require a greatly expanded industry marketing effort”.

Philip Gregan, chief executive, New Zealand Winegrowers

6. Additional Quotes

“The success of New Zealand wine in the past decade can largely be attributed to one innovative and ground-breaking product being delivered into the international marketplace - Marlborough Sauvignon Blanc”.

New Zealand WineGrowers Annual Report – Year end June 2004

“Suddenly New Zealand had an industry in the right place at the right time with a highly distinctive product and we began to hit the world stage”. Philip Gregan, chief executive, New Zealand Winegrowers

“Memo to those who like crisp, tangy wines; New Zealand, which in just a few short years has gone from nowhere to the world's utopia of Sauvignon Blanc, is ramping up production on other varieties as well. Descriptors pointing to bright acidity, such as racy, jazzy and lively, keep popping up in my tasting notes for nearly all the country's wines.”

Havey Steinman, Wine Spectator, Nov 2003

“New Zealand may produce only 0.79 percent of the world's vino, but in boxing argot it punches above its weight. It has also achieved the near miraculous feat of persuading us Brits to spend more than £5 on a bottle. While the average market price is still stuck at £3.86, New Zealand's is a towering £5.85. People clearly believe that New Zealand gives them what they pay for.”

Tim Atkin, Observer Magazine, 22 February 2004

7. Information sources

Mike Trought, Marlborough Wine Research Centre, personal communication

Philip Manson, NZ Winegrowers, personal communication.

Robinson, Jancis (1999). (Editor) The Oxford Companion to Wine. 2nd edition, Oxford University Press, New York, pp. 819.

New Zealand WineGrowers Annual Report – Year end June 2004 - Wine Institute of New Zealand Inc.

New Zealand Horticulture Facts & Figures, 2003, HortResearch

This case study is one of a 21-part case study series aimed at demonstrating the value of science and innovation in New Zealand's leading edge bio-science industries... and their significance to New Zealand.

Martech Consulting Group is a strategic consultancy based in New Zealand. The growingfutures case study series was in part based upon Martech's extensive work with sector representative groups, science providers and organisations that interact with science providers to achieve consensus on co-ordinated actions, improve governance, develop sector-based strategies and improve innovation processes.

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ⁱ *The New Zealand Fruit Industry: An Investment in the Future*, New Zealand Fruit Growers Federation / Martech Consulting Group, 1998