



1. Purpose:

- 1.1 This paper provides a list of current priorities for engagement with MPI and the current state of these priorities.
- 1.2 This paper is intended as a reference point for discussion with MPI Director General Ray Smith and senior MPI officials.

2. Objectives

- 2.1 The objectives of Distilled Spirits Aotearoa are:
 - i. To stimulate the establishment and growth of the NZ spirits industry
 - ii. To protect the integrity, authenticity and brand value of distilled spirit products made in New Zealand
 - iii. To promote New Zealand made distilled spirit products within New Zealand and throughout the world

3. Engagement priorities

Stimulate the establishment and growth of the NZ spirits industry

Strategic outcome: Government support to accelerate industry growth, to allow us to compete with peer countries.

Current engagement priorities	Basis for priority/concern	Action from previous meeting	Current State
Acknowledge the current industry worth to NZ	In 2012, MBIE commissioned a Corolis Report to identify emerging growth opportunities in New Zealand food and beverage exports. The research identified that New Zealand's spirits sector was in the early phase of its growth cycle and was ripe for expansion. The report stated that it was clear that "spirits stood out" as a segment that could drive the		

	<p>country's future exports. It noted that the distilled spirits industry was on the cusp of a huge explosion of new products and new producers, similar to the New Zealand wine industry in the 1970s.</p> <p>Now, in 2021, New Zealand's distilling industry is lagging far behind the rest of the world. However, without facts and figures it is impossible to get the attention of the Government and build a cohesive strategic plan for the future of the industry.</p> <p>➔ Bring industry worth (via a formal strategic/ financial assessment) to the attention of the Government.</p>		
Stimulate NZ spirits industry	<p>Peer countries have identified the broad worth of the distilling industry and are many years ahead of us by injecting significant resources into infrastructure and promotion.</p> <p>The main mechanism for stimulation of spirits industries is by providing reduced excise tax rate or rebates to smaller distilleries eg in Australia each distillery can claim a refund of 100% of the excise duty paid on products, to a maximum of \$350,000 per financial year; in USA small distillers receive a reduction of the excise tax rate by up to 80%, from \$13.50 per proof gallon to \$2.70. (\$2.14 / bottle to \$0.43 / bottle)</p> <p>Outcomes include:</p> <ul style="list-style-type: none"> Job creation Boost to tourism Boost to supporting industries/ agriculture Support thriving and sustainable regions. International connectivity increases engagement & revenues for all industries/suppliers to spirits industry. Level playing field in international markets - exports/ imports Eventual increase in government excise revenue. 		

	<ul style="list-style-type: none"> ➔ Investigate acceptable options to stimulate NZ spirits industry, such as offset of start-up costs through excise-matching grants or rebates for small distilleries ➔ Financial support for NZ distilleries to attend key global events. Increasing export revenue as distribution increases. 		
<p>Improved consistency of distillery consent / compliance legislative considerations</p>	<p>Current NZ distillery legislation has widely different interpretations by Councils, regions, consultants and auditors. This results in extreme delays and variations of costs depending upon the region of New Zealand the distillery falls under.</p> <p>Peer countries acknowledge the complexity of health and safety/compliance and consenting legislation and have moved to streamline processes eg USA has an allocation of government funds to fast-track processing of label, formula and permit applications.</p> <p>New Zealand needs a set of simple and practical guidelines and standards (eg Safe Work Instruments) based on current regulations for the design and set up of distilleries, to cover the manufacture, packaging, handling, storage, transport and sale of potable spirits.</p> <p>Ideally these will be approved by New Zealand regulatory bodies including Worksafe and MPI as a way for manufacturers to meet the obligations and requirements of the relevant regulations.</p> <ul style="list-style-type: none"> ➔ Assist with funding/ process streamlining to create New Zealand guidelines and standards for the distilling industry 		
<p>Support sustainability and local sourcing of raw materials</p>	<p>COVID has shown us the vulnerability of the NZ supply chain, with shortages of overseas sourced bottles/ closures and key botanicals.</p> <p>The increased profile of the use of local ingredients can benefit supplementary industries (eg NZ juniper industry for</p>		

	<p>distillers equivalent to the NZ Hops industry for Brewers), and benefit “Brand NZ”.</p> <p>New and existing distilleries would benefit from targeted support for sustainable solutions for water, energy and trade waste management.</p> <ul style="list-style-type: none"> ➔ Stimulate this sector via targeted activities with NZ growers, infrastructure, innovation and R&D, increasing access to grants and regional growth funds ➔ Rebate system for distilleries engaging in sustainable, clean, green and carbon neutral practices. 		
Up-skilling of the New Zealand workforce	<p>As the NZ distilled spirits industry grows there is a need for qualified distillers/ coopers and other support staff. There are very few highly experienced distillers available in the local market. Those that are, are usually self-taught and own their own distilleries, or are shareholders in larger distilleries and are not seeking a new role. Distilling does not currently have Critical Worker status with Immigration NZ.</p> <p>Apart from small cottage distillery training workshops, there are no tertiary distilling courses available in New Zealand (other than online courses, eg. IBD or Heriot Watt University).</p> <ul style="list-style-type: none"> ➔ Provide funding and support to develop a NZ approved Apprenticeship scheme or structured view of professional development opportunities for distillers (technical, manufacturing, small business skills etc). 		

Protect the integrity, authenticity and quality of distilled spirit products made in New Zealand

Strategic outcome: Protection for New Zealand distilled spirits brand value, both overseas and in New Zealand

Current engagement priorities	Basis for priority/concern	Action from previous meeting	Current State
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<p>Strengthen legislation for NZ Spirits definitions</p>	<p>There is urgency for the current NZ legislation of NZ whisky (and other spirits) to be strengthened to improve product authenticity and reduce counterfeits (current legislation is covered under Australia New Zealand Food Standards Code / Geographical Indications (Wine and Spirits) Registration Act 2006/ Customs and Excise legislation).</p> <p>Members of DSA involved in whisky production have, by consensus, developed a standard for Whisky producers in New Zealand. The definition includes agreed naming, producing and labelling conventions, and clear origin of ingredients, with clarity for consumers.</p> <p>DSA has created basic definitions for other spirits, however further work is needed to define each of the categories.</p> <ul style="list-style-type: none"> ➔ Improve NZ legislation to cover NZ whisky and other spirits categories ➔ IP protection for NZ native botanicals to avoid the pitfalls experienced in other categories - Manuka Honey 		
<p>Recognition of NZ spirits in FTA negotiations</p>	<p>Currently a Wine Annex is usually added to FTA documents and is part of negotiations. In the current EU FTA, a Spirits Annex has been added, but DSA has not had active input.</p> <ul style="list-style-type: none"> ➔ As much weight should be put on rights of NZ spirits as is currently given to NZ wine in FTA negotiations. More specific benefits can be negotiated for New Zealand distilled spirits to compete at the appropriate price point in overseas markets. 		

Promote New Zealand made distilled spirit products within New Zealand and throughout the world

Strategic outcome: Establish New Zealand and overseas brand value equivalence to the New Zealand wine industry

Current engagement priorities	Basis for priority/concern	Action from previous meeting	Current State
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<p>Assistance for Exporting</p>	<p>Individual distilleries have connected with NZTE, however until the distillery reaches a certain size and momentum and can match funding there is no financial assistance.</p> <ul style="list-style-type: none">➔ The spirits industry would benefit from a higher level of support and engagement, driven by a recognition from the Government of the industry worth nationally and internationally.➔ Support for distilleries to affect market entry efficiently. Specifically, direction/support with compliance and legislative requirements by market. Guidance on appropriate/best structures and approach required by region.		
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