



Distilled Spirits Aotearoa (NZ) Incorporated

New Zealand Business Number (NZBN): 9429047031708

Certificate of Incorporation: 2716891

Registered office: 16d Sunley Street, Westtown, New Plymouth 4312, New Zealand

Telephone: +64(0)22 305 6547 email: chair@distilledspiritsaotearoa.org.nz

DistilledSpiritsAotearoa.org.nz

Hon Damien O'Connor Minister of Agriculture

Delivered via email: FBITP@mpi.govt.nz

28 February 2023

Subject: Submission on the Draft Food & Beverage Industry Transformation Plan

Dear Minister O'Connor

We have reviewed the report document summarising the proposed Food & Beverage Industry Transformation Plan (December 2022) and attended several of the Consultation hui. We would like to congratulate you and your staff members on the high level and quality of information provided, and the opportunities for input.

Distilled Spirits Aotearoa (NZ) Inc.

DSA was incorporated in September 2018, and currently represents 99 New Zealand distilled spirits manufacturers, plus 21 pre-commercial distilleries preparing to enter the market within the next few years. We also have 57 Associate Members from support industries including bottle/ label/ closure/ barrel/ packaging manufacturers, botanical and ingredients suppliers, sales/ marketing / distribution, engineering.

Our aim is to promote our New Zealand-made products and represent the joint interests of all NZ makers of distilled spirit products.

Introduction

Distilling is a newly emerging industry in New Zealand, with approximately 80% of distilleries younger than 7 years old. The New Zealand spirits industry is made up of more than 140 distillers and spirits manufacturers, supporting approximately 910 jobs with an estimated \$41 million in wages. The industry has a downstream economic value of \$16.8 million across supporting industries, providing approximately 1,547 downstream jobs. Over 65% of distilleries are located in rural and regional New Zealand, supporting a growing hospitality and tourism economy. The industry, largely made up of small and medium family businesses, has managed to grow while paying the one of the highest spirits tax rates in the world – which increases yearly.

The spirits industry is at a similar point to where New Zealand's wine industry was in the 1980s. The New Zealand spirits sector currently has an export value of \$45.8 million and has the strong potential to reach the agricultural, tourism, and export value of New Zealand wine. Our distillers are recognised amongst the best in the world, – three times bringing home prestigious awards such as the World's Best Gin at the International Wine and Spirits Competition ([Scapegrace](#) in 2018, [Coromandel Distilling Co](#) in 2022, [Elemental Distillers](#) in 2023).

Submission

We agree with the scope and details of the draft plan, however we ask you to take into consideration two aspects:

(1) Transformation 2 / 10 Support high potential food and beverage businesses to access capital

Targeted grants and loans

As proposed in the plan, targeted grants and loans would be welcome as an opportunity to access capital for expansion.

However, for Aotearoa's small distilleries **cashflow** is far more immediate problem. In New Zealand excise tax represents over 50% of the distillery overheads - this is a constant drain on cashflow and stifles the ability



Distilled Spirits Aotearoa (NZ) Incorporated

New Zealand Business Number (NZBN): 9429047031708

Certificate of Incorporation: 2716891

Registered office: 16d Sunley Street, Westtown, New Plymouth 4312, New Zealand

Telephone: +64(0)22 305 6547 email: chair@distilledspiritsaotearoa.org.nz

DistilledSpiritsAotearoa.org.nz

to look beyond day-to-day survival. DSA is beginning to see an increasing number of distilleries leave the industry due to financial hardship.

Globally, the significant financial potential of the distilled spirits industry has been recognised at governmental level. Many of our peer trading countries already support and stimulate the growth of their distilling industries by providing reduced tax rates or rebates on excise tax paid by small and medium sized businesses, eg:

EU: [Article 22 of EC Directive 92/83](#) allows Member States to apply reduced rates of excise duty to small distilleries, with the reduced rates up to 50 % below the standard national rate of excise duty.

USA: The [TTBGov - Craft Beverage Modernization and Tax Reform \(CBMTRA\)](#) allows the excise tax rate for smaller distilleries to be reduced by 80%.

Australia: The [Excise refund scheme for alcohol manufacturers | Australian Taxation Office \(ato.gov.au\)](#) provides an excise rebate of up to \$350,000 per year. The full excise tax is paid and then a refund is claimed. The average rebate per distillery is A\$51,000/ year, which can support an extra one staff member.

As the global consumer interest in distilled spirits increases, New Zealand is being flooded with overseas imports, particularly from Europe and Australia. It is particularly important, as New Zealand distillers come to the notice of the rest of the world, to be able to compete in domestic and export markets on a level playing field with international distillers.

Currently, the spirits industry has been proceeding with limited government support. We are not requesting that the current Customs and Excise tax laws be changed, just that a rebate be introduced for SME alcohol producers, similar to that which has driven growth in the Australian industry. We would request that this is added to **Transformation 2 / 10 as Targeted grants, loans and tax rebates.**

(2) Transformation 4 / 14 Support and influence the implementation of domestic policy and regulatory changes relating to Māori, taonga and indigenous organisms

As part of enhancing traditional foods and scaling up emerging foods, we draw your attention to the urgent need for a centralised approach to overseas certification eg FDA approval, US GRAS (Generally Regarded as Safe) for many of Aotearoa's native botanicals used in food and beverage, for example mānuka, kanuka, kawakawa, horopito. Food and beverage products containing these ingredients, including New Zealand gin and other spirits, cannot be exported into a significant number of countries which require FDA-type approval status for ingredients.

Other countries eg [Scotland](#) have funded universities to create libraries of botanicals to help producers create unique, new products, and to ensure that their spirits meet the import standards of countries such as the USA.

We request that this is itemised as an urgent action point on the Implementation plan.

We look forward to your response.

Yours faithfully

Richard Wilson

Chair – Distilled Spirits Aotearoa (NZ) Inc