

VITICULTURE

THIS REPORT CONTAINS THE KEY RESULTS FROM THE MINISTRY OF AGRICULTURE AND FORESTRY'S 2008 VINEYARD MONITORING PROGRAMME. THE FULL HORTICULTURE AND ARABLE MONITORING REPORT 2008 WILL BE AVAILABLE IN SEPTEMBER 2008.

KEY POINTS

- › The Marlborough vineyard achieved a remarkable 37 percent increase in yield for 2007/08 following an excellent growing season. In contrast the Hawkes Bay vineyard recorded a significant drop in yield due mainly to widespread frost events in October 2007.
- › The Marlborough vineyard net cash income for 2007/08 rose 54 percent on the back of a substantial jump in yields, a lift in price paid per tonne for Sauvignon Blanc and a small expansion in the vineyard's producing area. Hawkes Bay vineyard revenue dropped as a direct result of tonnage being down due to the frosts.
- › Vineyard working expenses increased by 29 percent on a producing hectare basis in 2007/08 on the Marlborough vineyard with an increase of 13 percent recorded for the Hawkes Bay vineyard. The main cost increases were in labour, weed and pest control and those costs linked directly or indirectly to fuel and electricity which include items such as contract machine work, frost protection and irrigation control. Growers are forecasting further cost increases in 2008/09 although indicate some cost control by limiting expenditure on repairs and maintenance.
- › The ability of Marlborough Sauvignon Blanc to continue captivating international markets has ensured yet another profitable result for Marlborough growers. The Hawkes Bay vineyard is more challenged in its underlying profitability and through strategic changes to its grape variety mix is seeking incremental improvements.

»» TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE VINEYARD MODELS

| YEAR ENDED 31 MARCH | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 FORECAST |
|---|---------|---------|---------|---------|------------------|
| MARLBOROUGH MODEL | | | | | |
| Planted area (ha) | 29.0 | 29.0 | 29.0 | 29.0 | 31.0 |
| Producing area ¹ (ha) | 23.0 | 23.0 | 25.0 | 27.0 | 29.0 |
| Total production ² (t) | 177 | 235 | 248 | 368 | 333 |
| Average return (\$/t) | 2 183 | 2 252 | 2 311 | 2 445 | 2 319 |
| Net cash income (\$) | 402 638 | 536 728 | 587 261 | 907 273 | 780 084 |
| Vineyard working expenses (\$) | 213 716 | 175 952 | 207 925 | 288 576 | 290 725 |
| Vineyard profit before tax (\$) | 113 160 | 224 841 | 267 811 | 404 155 | 251 443 |
| Vineyard surplus for reinvestment ³ (\$) | 65 734 | 164 991 | 186 461 | 334 690 | 228 295 |
| HAWKES BAY MODEL | | | | | |
| Planted area (ha) | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Producing area ⁴ (ha) | 9.7 | 9.7 | 9.6 | 9.6 | 8.8 |
| Total production (t) | 78 | 80 | 93 | 66 | 73 |
| Average return (\$/t) | 1 596 | 1 569 | 1 625 | 1 750 | 1 720 |
| Net cash income (\$) | 130 358 | 126 139 | 152 055 | 115 445 | 124 903 |
| Vineyard working expenses (\$) | 80 432 | 84 040 | 80 333 | 90 734 | 89 298 |
| Vineyard profit before tax (\$) | 26 384 | 5 969 | 36 596 | -16 374 | -18 890 |
| Vineyard surplus for reinvestment (\$) | 14 909 | -19 391 | 13 892 | -39 534 | -24 965 |

Notes

1 Marlborough's producing area increases to 29 hectares in 2008/09 reflecting additional plantings of Sauvignon Blanc, Pinot Noir Table, Pinot Gris and Gewurztraminer.

2 Grapes are harvested in the autumn so the 2007/08 year refers to fruit harvested in autumn 2008.

3 Vineyard surplus for reinvestment is the cash available from the vineyard business, after meeting living costs, which is available for investment on the vineyard or for principal repayments. It is calculated as discretionary cash less off-vineyard income and drawings.

4 The producing area for the Hawkes Bay vineyard drops 0.8 hectares in 2008/09 to accommodate new plantings of Sauvignon Blanc and Pinot Gris.





»» TABLE 2: MARLBOROUGH VITICULTURE BUDGET

| | 2007/08 | | | | 2008/09 FORECAST | | | |
|--|---------------------|-----------------------|----------------------|---------------|---------------------|-----------------------|----------------------|---------------|
| | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) |
| REVENUE | | | | | | | | |
| Income from grapes | 900 415 | 33 349 | 2 445 | 16.65 | 773 066 | 26 657 | 2 319 | 13.31 |
| Other vineyard income | 6 858 | 254 | 19 | 0.13 | 7 018 | 242 | 21 | 0.12 |
| Net cash income | 907 273 | 33 603 | 2 463 | 16.78 | 780 084 | 26 899 | 2 340 | 13.43 |
| Vineyard working expenses | 288 576 | 10 688 | 784 | 5.34 | 290 725 | 10 025 | 872 | 5.00 |
| Cash operating surplus | 618 697 | 22 915 | 1 680 | 11.44 | 489 359 | 16 874 | 1 468 | 8.42 |
| Interest | 93 528 | 3 464 | 254 | 1.73 | 85 608 | 2 952 | 257 | 1.47 |
| Rent and/or leases | 25 056 | 928 | 68 | 0.46 | 30 305 | 1 045 | 91 | 0.52 |
| Depreciation | 95 958 | 3 554 | 261 | 1.77 | 122 003 | 4 207 | 366 | 2.10 |
| Net non fruit cash income | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| Vineyard profit before tax | 404 155 | 14 969 | 1 097 | 7.47 | 251 443 | 8 670 | 754 | 4.33 |
| Tax | 90 423 | 3 349 | 246 | 1.67 | 70 151 | 2 419 | 210 | 1.21 |
| Vineyard profit after tax | 313 732 | 11 620 | 852 | 5.80 | 181 292 | 6 251 | 544 | 3.12 |
| Add back depreciation | 95 958 | 3 554 | 261 | 1.77 | 122 003 | 4 207 | 366 | 2.10 |
| Off-vineyard cash income | 10 422 | 386 | 28 | 0.19 | 10 614 | 366 | 32 | 0.18 |
| Discretionary cash | 420 112 | 15 560 | 1 141 | 7.77 | 313 909 | 10 824 | 942 | 5.40 |
| APPLIED TO: | | | | | | | | |
| Net capital purchases | 113 832 | 4 216 | 309 | 2.10 | 42 717 | 1 473 | 128 | 0.74 |
| Development | 121 851 | 4 513 | 331 | 2.25 | 53 795 | 1 855 | 161 | 0.93 |
| Drawings | 75 000 | 2 778 | 204 | 1.39 | 75 000 | 2 586 | 225 | 1.29 |
| Principal repayments | 33 534 | 1 242 | 91 | 0.62 | 84 651 | 2 919 | 254 | 1.46 |
| New borrowings | 217 674 | 8 062 | 591 | 4.02 | 0 | 0 | 0 | 0.00 |
| Introduced funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| Cash surplus/deficit | 293 569 | 10 873 | 797 | 5.43 | 57 746 | 1 991 | 173 | 0.99 |
| Vineyard surplus for reinvestment¹ | 334 690 | 12 396 | 909 | 6.19 | 228 295 | 7 872 | 685 | 3.93 |
| ASSETS AND LIABILITIES | | | | | | | | |
| Land and building (opening) | 8 725 968 | 323 184 | 23 693 | 161.35 | 8 726 187 | 300 903 | 26 181 | 150.23 |
| Plant and machinery (opening) | 259 065 | 9 595 | 703 | 4.79 | 202 971 | 6 999 | 609 | 3.49 |
| Vineyard related investments (opening) | 88 479 | 3 277 | 240 | 1.64 | 96 657 | 3 333 | 290 | 1.66 |
| Total vineyard assets (opening) | 9 073 512 | 336 056 | 24 636 | 167.78 | 9 025 815 | 311 235 | 27 080 | 155.38 |
| Total vineyard liabilities (opening) | 1 007 586 | 37 318 | 2 736 | 18.63 | 1 022 453 | 35 257 | 3 068 | 17.60 |
| Total equity | 8 065 926 | 298 738 | 21 900 | 149.15 | 8 003 362 | 275 978 | 24 012 | 137.78 |

Note

¹ Vineyard surplus for reinvestment is calculated as follows: discretionary cash less off-vineyard income and drawings.



»» TABLE 3: MARLBOROUGH VITICULTURE EXPENDITURE

| | 2007/08 | | | | 2008/09 FORECAST | | | |
|--|---------------------|-----------------------|----------------------|---------------|---------------------|-----------------------|----------------------|---------------|
| | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) |
| VINEYARD WORKING EXPENSES | | | | | | | | |
| Hand harvesting | 6 075 | 225 | 16 | 0.11 | 5 046 | 174 | 15 | 0.09 |
| Pruning (and tying down) | 71 172 | 2 636 | 193 | 1.32 | 78 880 | 2 720 | 237 | 1.36 |
| Crop load management | 33 237 | 1 231 | 90 | 0.61 | 32 277 | 1 113 | 97 | 0.56 |
| Other wages | 27 378 | 1 014 | 74 | 0.51 | 28 681 | 989 | 86 | 0.49 |
| ACC – employees | 1 188 | 44 | 3 | 0.02 | 1 247 | 43 | 4 | 0.02 |
| Total labour expenses | 139 050 | 5 150 | 378 | 2.57 | 146 131 | 5 039 | 438 | 2.52 |
| Weed and pest control | 24 705 | 915 | 67 | 0.46 | 27 405 | 945 | 82 | 0.47 |
| Fertiliser and lime | 8 046 | 298 | 22 | 0.15 | 7 337 | 253 | 22 | 0.13 |
| Electricity | 4 779 | 177 | 13 | 0.09 | 4 147 | 143 | 12 | 0.07 |
| Vehicle | 5 913 | 219 | 16 | 0.11 | 7 424 | 256 | 22 | 0.13 |
| Fuel | 7 911 | 293 | 21 | 0.15 | 8 990 | 310 | 27 | 0.15 |
| Repairs and maintenance | 20 601 | 763 | 56 | 0.38 | 12 760 | 440 | 38 | 0.22 |
| General | 5 481 | 203 | 15 | 0.10 | 5 162 | 178 | 15 | 0.09 |
| Frost protection | 8 586 | 318 | 23 | 0.16 | 6 525 | 225 | 20 | 0.11 |
| Contract machinery work | 7 803 | 289 | 21 | 0.14 | 7 598 | 262 | 23 | 0.13 |
| Machine harvesting | 16 065 | 595 | 44 | 0.30 | 17 748 | 612 | 53 | 0.31 |
| Total other working expenses | 109 890 | 4 070 | 298 | 2.03 | 105 096 | 3 624 | 315 | 1.81 |
| Rates | 11 151 | 413 | 30 | 0.21 | 11 310 | 390 | 34 | 0.19 |
| Water rates | 2 106 | 78 | 6 | 0.04 | 2 262 | 78 | 7 | 0.04 |
| General insurance | 4 023 | 149 | 11 | 0.07 | 3 915 | 135 | 12 | 0.07 |
| ACC – owners | 3 213 | 119 | 9 | 0.06 | 3 509 | 121 | 11 | 0.06 |
| Communication | 3 618 | 134 | 10 | 0.07 | 3 683 | 127 | 11 | 0.06 |
| Accountancy | 4 482 | 166 | 12 | 0.08 | 4 118 | 142 | 12 | 0.07 |
| Legal and consulting | 1 620 | 60 | 4 | 0.03 | 1 334 | 46 | 4 | 0.02 |
| Levies and subscriptions | 6 615 | 245 | 18 | 0.12 | 5 742 | 198 | 17 | 0.10 |
| Other administration | 2 808 | 104 | 8 | 0.05 | 3 625 | 125 | 11 | 0.06 |
| Total overhead expenses | 39 636 | 1 468 | 108 | 0.73 | 39 498 | 1 362 | 119 | 0.68 |
| Total vineyard working expenses | 288 576 | 10 688 | 784 | 5.34 | 290 725 | 10 025 | 872 | 5.00 |
| Wages of management | 75 000 | 2 778 | 204 | 1.39 | 75 000 | 2 586 | 225 | 1.29 |
| Depreciation | 95 958 | 3 554 | 261 | 1.77 | 122 003 | 4 207 | 366 | 2.10 |
| Total vineyard operating expenses | 459 534 | 17 020 | 1 248 | 8.50 | 487 728 | 16 818 | 1 463 | 8.40 |
| CALCULATED RATIOS | | | | | | | | |
| Economic vineyard surplus (EVS) ¹ | 447 739 | 16 583 | 1 216 | 8.28 | 292 356 | 10 081 | 877 | 5.03 |
| Vineyard working expenses/NCI ² | 32% | | | | 37% | | | |
| EVS/Total vineyard assets | 4.9% | | | | 3.2% | | | |
| EVS less interest and lease/equity | 4.1% | | | | 2.2% | | | |
| Interest + rent + lease/NCI | 13.1% | | | | 14.9% | | | |
| EVS/NCI | 49.3% | | | | 37.5% | | | |

Notes

¹ EVS (or earnings before interest and tax) is calculated as follows: net cash income less vineyard working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: \$31 000 allowance for labour input plus 1 percent of opening total vineyard assets to a maximum of \$75 000.

² Net cash income.

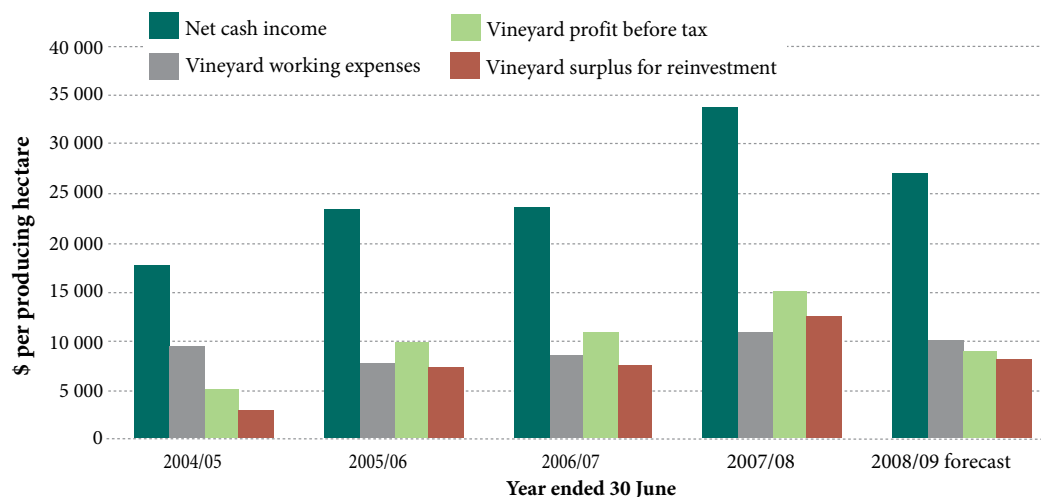
»» TABLE 4: MARLBOROUGH VINEYARD PRODUCTION AND INCOME DETAILS FOR 2007/08

| YEAR ENDED 30 JUNE | AREA (HA) | PRODUCTION PER HECTARE (T/HA) | TOTAL PRODUCTION (T) | GROSS YIELD (%) | BRIX LEVEL (BRIX) | RETURN (\$/T) | REVENUE (\$) |
|---|-------------|-------------------------------|----------------------|-----------------|-------------------|---------------|----------------|
| Sauvignon Blanc | 19.0 | 14.4 | 273.6 | 74 | 21.6 | 2 435 | 666 216 |
| Pinot Noir – table | 2.5 | 9.4 | 23.5 | 6 | 23.5 | 3 277 | 77 010 |
| Other White – Pinot Gris and Gewurztraminer | 1.5 | 12.3 | 18.5 | 5 | 23.3 | 2 700 | 49 815 |
| Chardonnay – Mendoza and Clone 15 | 1.5 | 12.3 | 18.5 | 5 | 23.2 | 2 133 | 39 354 |
| Chardonnay – all other clones | 1.2 | 14.0 | 16.8 | 5 | 22.6 | 2 146 | 36 053 |
| Riesling | 1.0 | 14.4 | 14.4 | 4 | 21.2 | 1 830 | 26 352 |
| Pinot Noir – sparkling | 0.3 | 10.4 | 3.1 | 1 | 19.5 | 1 800 | 5 616 |
| Total/Average | 27.0 | 13.6 | 368.3 | 100 | | 2 445 | 900 415 |

»» TABLE 5: MARLBOROUGH VINEYARD FORECAST PRODUCTION AND INCOME DETAILS FOR 2008/09

| YEAR ENDED 30 JUNE | AREA (HA) | PRODUCTION PER HECTARE (T/HA) | TOTAL PRODUCTION (T) | GROSS YIELD (%) | BRIX LEVEL (BRIX) | RETURN (\$/T) | REVENUE (\$) |
|---|-------------|-------------------------------|----------------------|-----------------|-------------------|---------------|----------------|
| Sauvignon Blanc | 20.5 | 12.1 | 248.1 | 74 | 21.8 | 2 288 | 567 538 |
| Pinot Noir – table | 2.8 | 7.7 | 21.6 | 6 | 23.7 | 3 166 | 68 259 |
| Other White – Pinot Gris and Gewurztraminer | 1.7 | 8.7 | 14.8 | 4 | 23.1 | 2 585 | 38 232 |
| Chardonnay – Mendoza and Clone 15 | 1.5 | 11.8 | 17.7 | 5 | 23.1 | 2 125 | 37 613 |
| Chardonnay – all other clones | 1.2 | 11.4 | 13.7 | 4 | 22.5 | 2 050 | 28 044 |
| Riesling | 1.0 | 14.3 | 14.3 | 4 | 21.5 | 1 934 | 27 656 |
| Pinot Noir – sparkling | 0.3 | 10.6 | 3.2 | 1 | 19.5 | 1 800 | 5 724 |
| Total/Average | 29.0 | 11.5 | 333.3 | 100 | | 2 319 | 773 066 |

»» FIGURE 1: MARLBOROUGH VITICULTURE MODEL PROFITABILITY TRENDS



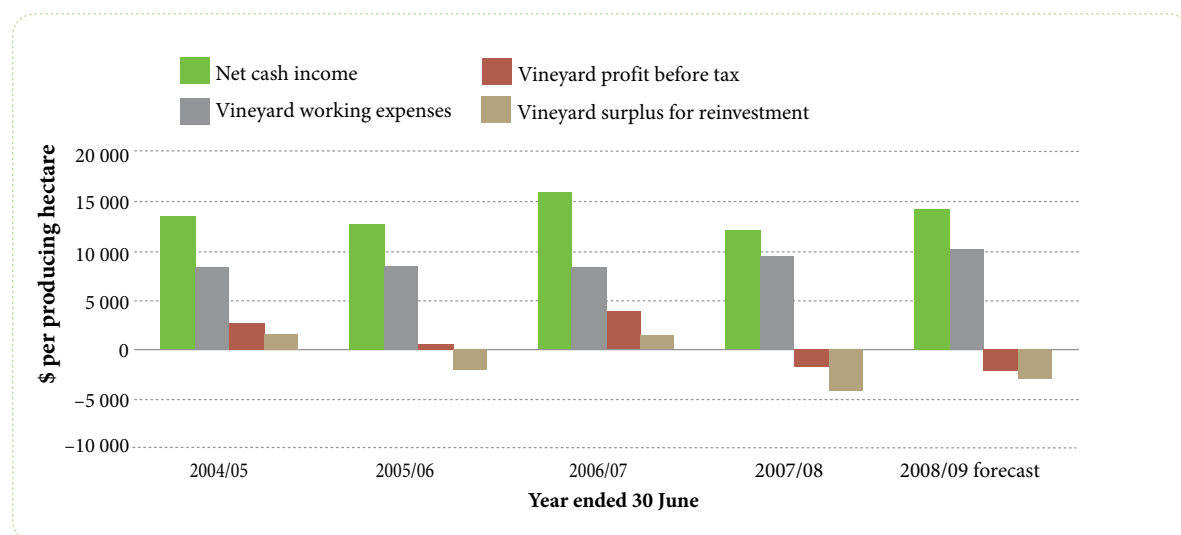
»» TABLE 6: HAWKES BAY VINEYARD PRODUCTION AND INCOME DETAILS FOR 2007/08

| YEAR ENDED 30 JUNE | AREA (HA) | PRODUCTION PER HECTARE (T/HA) | TOTAL PRODUCTION (T) | GROSS YIELD (%) | BRIX LEVEL (BRIX) | RETURN (\$/T) | REVENUE (\$) |
|--|------------|-------------------------------|----------------------|-----------------|-------------------|---------------|----------------|
| Merlot | 2.4 | 7.3 | 17.5 | 27 | 23.2 | 1 800 | 31 536 |
| Chardonnay – Mendoza and Clone 15 | 1.6 | 6.6 | 10.8 | 16 | 22.8 | 1 750 | 18 850 |
| Other red including Cabernet Sauvignon | 1.5 | 6.0 | 9.2 | 14 | n/a | 2 040 | 18 801 |
| Sauvignon Blanc | 1.4 | 7.2 | 10.4 | 16 | 21.5 | 1 800 | 18 662 |
| Chardonnay – all other clones | 0.7 | 8.0 | 5.4 | 8 | 22.4 | 1 700 | 9 139 |
| Pinot Noir – sparkling | 0.7 | 7.9 | 5.3 | 8 | 18.5 | 900 | 4 778 |
| Pinot Gris | 0.6 | 5.6 | 3.2 | 5 | 22.8 | 1 900 | 6 129 |
| Syrah | 0.4 | 4.2 | 1.6 | 2 | 23.0 | 2 250 | 3 629 |
| Other white | 0.3 | 8.9 | 2.6 | 4 | n/a | 1 530 | 3 922 |
| Total/Average | 9.6 | 6.9 | 66.0 | 100 | | 1 749 | 115 445 |

»» TABLE 7: HAWKES BAY VINEYARD FORECAST PRODUCTION AND INCOME DETAILS FOR 2008/09

| YEAR ENDED 30 JUNE | AREA (HA) | PRODUCTION PER HECTARE (T/HA) | TOTAL PRODUCTION (T) | GROSS YIELD (%) | BRIX LEVEL (BRIX) | RETURN (\$/T) | REVENUE (\$) |
|--|------------|-------------------------------|----------------------|-----------------|-------------------|---------------|----------------|
| Merlot | 2.4 | 8.6 | 20.6 | 28 | 23.4 | 1 800 | 37 148 |
| Chardonnay – Mendoza and Clone 15 | 1.6 | 8.6 | 13.8 | 19 | 22.8 | 1 750 | 24 078 |
| Other red including Cabernet Sauvignon | 0.7 | 6.5 | 4.6 | 6 | n/a | 2 045 | 9 358 |
| Sauvignon Blanc | 1.6 | 8.0 | 12.8 | 18 | 21.5 | 1 775 | 22 718 |
| Chardonnay – all other clones | 0.7 | 8.0 | 5.6 | 8 | 22.4 | 1 700 | 9 574 |
| Pinot Noir – sparkling | 0.5 | 12.8 | 6.4 | 9 | 18.5 | 900 | 5 778 |
| Pinot Gris | 0.6 | 6.6 | 3.9 | 5 | 23.0 | 1 850 | 7 306 |
| Syrah | 0.4 | 5.3 | 2.1 | 3 | 23.0 | 2 250 | 4 722 |
| Other white | 0.3 | 9.1 | 2.7 | 4 | n/a | 1 550 | 4 220 |
| Total/Average | 8.8 | 8.2 | 72.6 | 100 | | 1 720 | 124 903 |

»» FIGURE 2: HAWKES BAY VITICULTURE MODEL PROFITABILITY TRENDS



»» TABLE 8: HAWKES BAY VITICULTURE BUDGET

| | 2007/08 | | | | 2008/09 FORECAST | | | |
|--|---------------------|-----------------------|----------------------|---------------|---------------------|-----------------------|----------------------|---------------|
| | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) |
| REVENUE | | | | | | | | |
| Income from grapes | 115 445 | 12 026 | 1 749 | 5.21 | 124 903 | 14 194 | 1 720 | 5.64 |
| Other vineyard income | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| Net cash income | 115 445 | 12 026 | 1 749 | 5.21 | 124 903 | 14 194 | 1 720 | 5.64 |
| Vineyard working expenses | 90 734 | 9 451 | 1 375 | 4.10 | 89 298 | 10 148 | 1 230 | 4.03 |
| Cash operating surplus | 24 711 | 2 574 | 374 | 1.12 | 35 605 | 4 046 | 490 | 1.61 |
| Interest | 25 530 | 2 659 | 387 | 1.15 | 31 570 | 3 588 | 435 | 1.43 |
| Rent and/or leases | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| Depreciation | 16 555 | 1 724 | 251 | 0.75 | 23 925 | 2 719 | 330 | 1.08 |
| Net non fruit cash income | 1 000 | 104 | 15 | 0.05 | 1 000 | 114 | 14 | 0.05 |
| Vineyard profit before tax | -16 374 | -1 706 | -248 | -0.74 | -18 890 | -2 147 | -260 | -0.85 |
| Tax | 5 915 | 616 | 90 | 0.27 | 0 | 0 | 0 | 0.00 |
| Vineyard profit after tax | -22 289 | -2 322 | -338 | -1.01 | -18 890 | -2 147 | -260 | -0.85 |
| Add back depreciation | 16 555 | 1 724 | 251 | 0.75 | 23 925 | 2 719 | 330 | 10.80 |
| Off-vineyard cash income | 48 000 | 5 000 | 727 | 2.17 | 50 000 | 5 682 | 689 | 2.26 |
| Discretionary cash | 42 266 | 4 403 | 640 | 1.91 | 55 035 | 6 254 | 758 | 2.49 |
| APPLIED TO: | | | | | | | | |
| Net capital purchases | 0 | 0 | 0 | 0.00 | 50 000 | 5 682 | 689 | 2.26 |
| Development | 0 | 0 | 0 | 0.00 | 15 000 | 1 705 | 207 | 0.68 |
| Drawings | 33 800 | 3 521 | 512 | 1.53 | 30 000 | 3 409 | 413 | 1.36 |
| Principal repayments | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| New borrowings | 0 | 0 | 0 | 0.00 | 50 000 | 5 682 | 689 | 2.26 |
| Introduced funds | 0 | 0 | 0 | 0.00 | 15 000 | 1 705 | 207 | 0.68 |
| Cash surplus/deficit | 8 466 | 882 | 128 | 0.38 | 25 035 | 2 845 | 345 | 1.13 |
| Vineyard surplus for reinvestment¹ | -39 534 | -4 118 | -599 | -1.79 | -24 965 | -2 837 | -344 | -1.13 |
| ASSETS AND LIABILITIES | | | | | | | | |
| Land and building (opening) | 1 645 000 | 171 354 | 24 924 | 74.30 | 1 645 000 | 186 932 | 22 658 | 74.30 |
| Plant and machinery (opening) | 85 435 | 8 899 | 1 294 | 3.86 | 122 620 | 13 934 | 1 689 | 5.54 |
| Vineyard related investments (opening) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 |
| Total vineyard assets (opening) | 1 730 435 | 180 254 | 26 219 | 78.16 | 1 767 620 | 200 866 | 24 347 | 79.84 |
| Total vineyard liabilities (opening) | 274 483 | 28 592 | 4 159 | 12.40 | 334 483 | 38 009 | 4 607 | 15.11 |
| Total equity | 1 455 952 | 151 662 | 22 060 | 65.76 | 1 433 137 | 162 856 | 19 740 | 64.73 |

Note

¹ Vineyard surplus for reinvestment is calculated as follows: discretionary cash less off-vineyard income and drawings.



»» TABLE 9: HAWKES BAY VITICULTURE EXPENDITURE

| | 2007/08 | | | | 2008/09 FORECAST | | | |
|--|---------------------|-----------------------|----------------------|---------------|---------------------|-----------------------|----------------------|---------------|
| | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) | WHOLE VINEYARD (\$) | PER PRODUCING HA (\$) | PER TONNE GROSS (\$) | PER VINE (\$) |
| VINEYARD WORKING EXPENSES | | | | | | | | |
| Hand harvesting | 600 | 63 | 9 | 0.03 | 680 | 77 | 9 | 0.03 |
| Pruning (and tying down) | 13 800 | 1 438 | 209 | 0.62 | 12 400 | 1 409 | 171 | 0.56 |
| Crop load management | 9 500 | 990 | 144 | 0.43 | 9 200 | 1 045 | 127 | 0.42 |
| Other wages | 11 420 | 1 190 | 173 | 0.52 | 12 500 | 1 420 | 172 | 0.56 |
| ACC – employees | 196 | 20 | 3 | 0.01 | 189 | 21 | 3 | 0.01 |
| Total labour expenses | 35 516 | 3 700 | 538 | 1.60 | 34 969 | 3 974 | 482 | 1.58 |
| Weed and pest control | 9 640 | 1 004 | 146 | 0.44 | 9 300 | 1 057 | 128 | 0.42 |
| Fertiliser and lime | 1 080 | 113 | 16 | 0.05 | 1 150 | 131 | 16 | 0.05 |
| Electricity | 2 350 | 245 | 36 | 0.11 | 2 500 | 284 | 34 | 0.11 |
| Vehicle | 2 300 | 240 | 35 | 0.10 | 2 300 | 261 | 32 | 0.10 |
| Fuel | 3 500 | 365 | 53 | 0.16 | 4 200 | 477 | 58 | 0.19 |
| Repairs and maintenance | 7 400 | 771 | 112 | 0.33 | 6 100 | 693 | 84 | 0.28 |
| General | 2 000 | 208 | 30 | 0.09 | 2 000 | 227 | 28 | 0.09 |
| Frost protection | 2 060 | 215 | 31 | 0.09 | 2 310 | 263 | 32 | 0.10 |
| Contract machinery work | 2 900 | 302 | 44 | 0.13 | 2 900 | 330 | 40 | 0.03 |
| Machine harvesting | 7 150 | 745 | 108 | 0.32 | 7 050 | 801 | 97 | 0.32 |
| Total other working expenses | 40 380 | 4 206 | 612 | 1.82 | 39 810 | 4 524 | 548 | 1.80 |
| Rates | 3 080 | 321 | 47 | 0.14 | 3 250 | 369 | 45 | 0.15 |
| General insurance | 2 900 | 302 | 44 | 0.13 | 2 960 | 336 | 41 | 0.13 |
| ACC – owners | 1 518 | 158 | 23 | 0.07 | 1 539 | 175 | 21 | 0.07 |
| Communication | 1 800 | 188 | 27 | 0.08 | 1 850 | 210 | 25 | 0.08 |
| Accountancy | 2 800 | 292 | 42 | 0.13 | 2 200 | 250 | 30 | 0.10 |
| Legal and consulting | 280 | 29 | 4 | 0.01 | 260 | 30 | 4 | 0.01 |
| Levies and subscriptions | 960 | 100 | 15 | 0.04 | 960 | 109 | 13 | 0.04 |
| Other administration | 1 500 | 156 | 23 | 0.07 | 1 500 | 170 | 21 | 0.07 |
| Total overhead expenses | 14 838 | 1 546 | 225 | 0.67 | 14 519 | 1 650 | 200 | 0.66 |
| Total vineyard working expenses | 90 734 | 9 451 | 1 375 | 4.10 | 89 298 | 10 148 | 1 230 | 4.03 |
| Wages of management | 48 304 | 5 032 | 732 | 2.18 | 48 676 | 5 531 | 670 | 2.20 |
| Depreciation | 16 555 | 1 724 | 251 | 0.75 | 23 925 | 2 719 | 330 | 1.08 |
| Total vineyard operating expenses | 155 593 | 16 208 | 2 357 | 7.03 | 161 899 | 18 398 | 2 230 | 7.31 |
| CALCULATED RATIOS | | | | | | | | |
| Economic vineyard surplus (EVS) ¹ | -40 148 | -4 182 | -608 | -1.81 | -36 996 | -4 204 | -510 | -1.67 |
| Vineyard working expenses/NCI ² | 79% | | | | 72% | | | |
| EVS/Total vineyard assets | -2.3% | | | | -2.1% | | | |
| EVS less interest and lease/equity | -4.5% | | | | -4.8% | | | |
| Interest + rent + lease/NCI | 22.1% | | | | 25.3% | | | |
| EVS/NCI | -34.8% | | | | -29.6% | | | |

Notes

1 EVS (or earnings before interest and tax) is calculated as follows: net cash income less vineyard working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: \$31 000 allowance for labour input plus 1 percent of opening total vineyard assets to a maximum of \$75 000.

2 Net cash income.

INFORMATION ABOUT THE MODELS

The two model vineyards represent the predominant grape-growing regions of Marlborough and Hawkes Bay. These two regions currently account for up to 80 percent of the grape harvest in New Zealand. The models are based on primarily owner-operated businesses where the main source of income is derived from grape growing. Smaller lifestyle properties and larger corporate businesses are excluded from the survey.

The aim of the model is to typify an average vineyard for the region. Budget figures are averaged from the contributing vineyards and adjusted to represent real vineyards. Income figures include off-vineyard income, new borrowing, and other cash income. Expenditure figures include vineyard production costs, costs of management, debt, leasings, drawings, development and capital purchases.

Financial data in the viticulture models relates to a year end of 30 June.

MARLBOROUGH VITICULTURE MODEL

The Marlborough model draws on data from 18 vineyards that are mostly located in the Wairau Valley, while three are situated in the Awatere Valley. Sauvignon Blanc is the dominant grape variety in the model vineyard, followed by Pinot Noir, Chardonnay and Pinot Gris.

HAWKES BAY VITICULTURE MODEL

The Hawkes Bay model is based on data from 15 vineyards that are spread from the coast to the Gimblett Gravels. Merlot is the dominant grape variety, followed by Chardonnay and Sauvignon Blanc. The vineyard includes young plantings of Syrah that are coming into production. New plantings of Sauvignon Blanc and Pinot Gris are scheduled for winter 2008.

For more information on these models contact: Nick.Dalgety@maf.govt.nz

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