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## **Addendum to Written Submission on PPC9 by Aotearoa New Zealand Fine Wine Estates LP.**

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### **Background**

1. We stand by our submissions made.
2. We support the submissions of the Hawkes Bay Winegrowers Association, Gimblett Gravels Winegrowers Association, Pernod Ricard and Villa Maria.
3. The purpose of these additional notes is to respond to updates in the current recommendations of PPC9 proposal and to provide more depth to specific issues in the Gimblett Gravels Winegrowing District and with our property located in the Gimblett Gravels.

### **Introduction**

4. My name is Stephen Mark Smith. I am a graduate of Lincoln University and hold a Master of Wine from the Institute of Masters of Wine in London, being the first viticulturist in the world to hold this title. I was awarded the Sir George Fistonich Medal for outstanding contribution to the New Zealand Wine Industry in 2014 and was named one of the 50 most influential people in the world of wine by Decanter Magazine in London in 2000. I have spent my entire life since leaving high school in the New Zealand wine industry, firstly as an academic, then in business with Villa Maria, followed by being co-founder and for 16 years CEO of Craggy Range, and more recently as Managing Director of Aotearoa New Zealand Fine Wine Estates and the Smith & Sheth Wine Company, alongside various consulting projects. During this time I have lived and worked in the Hawke's Bay region for almost 30 years. I am also engaged in the wider agricultural sector through the Te Hono network, attended Stanford University on a Prime Minister's Scholarship, had a term as Chancellor of Lincoln University and have been a ministerial appointment to the NZ Story Board, Primary Sector Council, and Chair the Independent Panel for the Sustainable Food and Fibres Futures Fund.

### **The Gimblett Gravels Winegrowing District ( GGWD )**

5. The Gimblett Gravels Winegrowing District is a circa 800ha. parcel of land located between Roys Hill, Fern Hill and Flaxmere on the Heretaunga Plains. It is the only appellation in the world defined absolutely by location and soil type. I led the creation of the Gimblett Gravels Winegrowing Association in 2001 which defined the appellation using international trade mark law.
6. The district has one of the most remarkable stories of any agricultural land in New Zealand, and indeed of any in the world. It has come from being an embarrassment for the region, a land of drag strips, rubbish tips, rabbit infestation, abandonment, feed lots and negative economic, social and environmental impact, to becoming one of the most famous winegrowing districts in the world. And with that all the significant reputational impact for the region and the wider economic impact on investment, tourism and the diverse society we now have. All this in less than 35 years.
7. Remarkably this happened initially because of the entrepreneurial spirit of the likes of Chris Pask and Alan Limmer, but by far the most impactful move came from this institution in a previous guise as the Hastings City Council.
8. In 1988 the Hastings City Council declined a mining application by Fraser Shingle to mine gravel on 150ha. of land in the district, that is now the home to the vineyards of Craggy Range, Terra Vitae and Villa Maria. They did so when in fact their statutes allowed them to do this without much consultation. However to their great credit they took their case to a hearing so that the community could have it's say. I was alongside Alan Limmer, John Buck and Jim Hamilton who lead the submissions on behalf of the wine industry.
9. Our evidence was based on the premise that by allowing mining you destroyed one of the most valuable pieces of winegrowing land in the region and removed the significant positive impacts this has on reputation, economic, environmental and social outcomes for the region.
10. The Hastings City Council did not grant Fraser Shingle a mining license and the application then went to the Planning Tribunal. They too supported the Hastings City Council decision and in doing so set a valuable precedent for the protection of these special lands.
11. This whole series of events would simply not have occurred, and no vine would be growing in these lands without two valuable resources from nature, these gravelly soils that create the warm low vigour growing conditions for high quality red wine, and the underground water resource required to keep these vines alive and productive.
12. The situation in the Gimblett Gravels is unique.
  - a. A soil with low productivity, fertility and water holding capacity meaning that almost no other horticultural or agricultural crop could survive in it without excessive application of water and nutrients and the negative environmental impacts that brings.
  - b. A plant, the grapevine, that produces its greatest wine when it is struggling a little for nutrients and water, so naturally adapted for winegrowing in these warm, low vigour soils.
  - c. However these soils don't have enough water in them naturally for even a vine to survive, let alone produce a high quality economic crop. And while these soils are low in

nutrients, little fertiliser is required because simply these vines and the winemaking model does not require it.

- d. Without a reliable high quality source of water there will be no Gimblett Gravels Winegrowing District as the vineyards will die.

That is why the Gimblett Gravels Winegrowing District is unique in its water use requirements when compared to other soils and land use of the Heretaunga Plains.....it is a do or die scenario.

- 13. Alongside Marlborough and Central Otago, the Gimblett Gravels is the most widely recognized appellation in New Zealand in world markets, more so even than Hawke's Bay. A collection of New Zealand's most desirable and expensive wines are produced here and some of our most iconic wineries, Craggy Range, Trinity Hill, Te Mata, McDonald Winery, Elephant Hill, Smith & Sheth and Stonecroft source grapes from the region. The Hastings District Council recognized the region by creating the Roys Hill Overlay within its district plan to recognise the special characteristics of the district.
- 14. I sit here proudly today knowing that what we said in 1988 was true and I have been able to contribute to that success. The Gimblett Gravels Winegrowing District has indeed delivered on it's first generation potential. The second generation potential is the next step where the real impact for the wineries, growers and the region will be realised.
- 15. The districts long term proposition and potential impact on the prosperity of this region are being put at significant risk by PPC9 in its current form. As I have said it is do or die.

#### **What am I asking for?**

- 16. I am asking the TANK process and Hawkes Bay Regional Council respect the unique properties of the Gimblett Gravels Winegrowing District and the Roys Hill Overlay in the Hastings District Plan and set policy that reflects this. If that means a more nuanced and intellectual means of allocating water than the current blunt instrument approach then so be it. That is your responsibility to our society and it is important.
- 17. What do I mean by nuanced. Water rights that reflect vine water use in the district and encourage and enable storage when water use is less in the spring and autumn if producers wish to mitigate risk. Ensuring vineyards in the district have water for the vines to survive and maximise quality potential in warm dry vintages, recognizing that even at this level their water use and nutrient leaching is significantly less than many other forms of horticulture. Work with the wineries of the district to maximise the efficiency of water use at an agronomic and economic level.

#### **Our Property at 2264 State Highway 50.**

- 18. Our property lies in the heart of the Gimblett Gravels Winegrowing District.
- 19. PPC9 in its current form will realistically mean our property is unable to be used for ultra premium wine production and the vines and vineyards will either die or need to be removed. I will explain why as we go on but first some background to set the scene.

20. We have invested over \$1 million on this property as part of a \$50m investment in the New Zealand ultra-premium wine industry. It has yet to produce a full crop because the vines are young. It is a fundamental pillar to our ultra-premium business strategy.
21. It is a small 4ha lot with 3.3ha. of vineyard planted between 2017 and 2020. The vineyard is targeted to produce ultra-premium wines selling for between \$40 and \$150 per bottle. Ours is a unique model that requires absolute perfection of grape quality and vineyard location.
22. Our long term business plan shows this vineyard producing up to \$2.5m of revenue or \$750,000 per productive hectare, making this some of the highest revenue generation of any horticultural crops with one of the lowest impacts on water resource and environmental outcomes.
23. Our modelling show's that in the highest quality vintages that will secure these sorts of revenues, we will require up to 16,500m<sup>3</sup> of water over the entire season, or 5000m<sup>3</sup> per hectare per season. Our consent allows for this level of water use. This is significantly less than other forms of intensive agriculture and horticulture, kiwifruit sitting at circa 10,000m<sup>3</sup> per hectare per annum.
24. In terms of economic efficiency of our water use, \$ return/litre of water, our vineyard would sit amongst the most efficient of any users of water in the country. This occurs alongside the specific low environmental impact that these vineyards have when compared to other forms of agriculture and horticulture as outlined in Emma Taylors evidence for Hawkes Bay Winegrowers. Vineyards like ours simply represent true sustainability operating at its highest level and should be encouraged by appropriate policy around resource use, rather than be placed on the edge of a precipice.
25. The point here is without the water availability in the very best of vintages, which happen to be the driest and warmest requiring the application rates outlined above, these returns would not be achieved. And that is the issue.
26. This property was purchased by AONZ in 2016 as bareland. It is important to note however that the property had previously been planted in two cycles of horticulture, apricots and persimmons and therefore had a water right supplying 713m<sup>3</sup> of water per 7 days at a take of 6.3l/sec to support that activity. However the then owners had been undertaking no horticultural activity I believe since the mid 2000's and certainly none since 2007. The property was bare land when we purchased it. Therefore water use during that period was almost nil, apart from domestic and stock use. There was no water meter in place and no water use records available from the previous owners or on record by the HBRC.
27. The water rights were purchased with the property in 2016 and renewed in 2017 by the Hawke's Bay Regional Council in their existing form. They are sufficient for our intensive, high quality, low environmental impact model.
28. The purchase of these water rights was a condition of purchase which would not have occurred if we had not been able to access appropriate amounts of water. Not because the vines would have had low productivity, they would have had no productivity as they would have died.
29. PPC9 proposes under policy 5.10.6.37.d(ii) "actual and reasonable water use that reflects land use and water use authorized in the ten years up to August 2017." I recognize that this date has now extended out for the 10 years up to 2020 and suggests averaging water use over those ten years. Averaging will be spectacularly prejudicial in our situation.

30. This proposed policy fails the rational thinking test because it inappropriately suggests that all the land associated with a water right is operating under the full productive potential of that land during that 10 year period.
31. Our vineyard is an extreme example of the impact of this proposed policy. We did not start irrigating until the spring of 2017 when 27% of our vineyard was planted. The vineyard was fully planted by spring 2020 but will not be in full production until April 2023. I predict maximum water use will be between 2021 and 2027 after which the mature vines will need less water during the entire growing season but likely require the maximum weekly takes during the height of a hot dry summer.
32. Under this proposed new policy we will have no records of our vineyard being in full production to assess actual and reasonable water use of a productive vineyard. During the ten year period prior to August 2020 we would have had seven years of zero irrigation because the land was bare, one year at 20% of consent because we only had a small amount of planted area, one year at 60% of consent, and one year of 80% consent. These figures are not absolute but illustrate the issue.
33. Under the current policy setting we may be in a situation when renewing a consent that the council looks at these records and will only renew the consent on a tiny % of our actual water requirements. That is simply a ludicrous situation and puts at severe risk our entire investment in the property simply because of inappropriate policy settings. Remember this investment was made with the knowledge that we had been granted a water consent entirely appropriate and critical to our investment decision. Remember also that vines can die in this area without appropriate water.....it is a do or die scenario.
34. As responsible landowners we have applied for water consents to the HBRC, they have been granted, and we have operated within them. It is not our fault that the HBRC had granted these consents and potentially over allocated a resource and we therefore should not bare the brunt of that through an ill-conceived policy setting.

#### **What am I Asking For ?**

35. I support entirely the philosophy that we are simply caretakers of this land, that we have a strained resource, and we all need to work together to come up with a solution.
36. I also understand the motivation behind this policy being the fact that people hold a bunch of under used, or inefficiently used, water rights that contribute to either poor environmental outcomes or un-realised economic potential. I also understand that not renewing any water rights that are not being used, or used in-efficiently, will help reduce stress on the resource and its allocation.
37. I request policy settings lead the HBRC to recognize that there will be individual circumstances where the "Actual and Reasonable over 10 Years" test does not provide a proper assessment of responsible water use on any given piece of land. Specifically where individuals have made an investment decision based on having an operational water right during this 10 year period prior to August 2020 and they can show that their proposed use of water when under full irrigation is efficient environmentally and economically. That right should be allowed to continue in its current form as if the land use was fully productive. These decisions should be easy when the volume of take is very small and policy should reflect that.

End