

## WELSH ASSEMBLY GOVERNMENT

Rural Development Sub-Committee – Inquiry into the Wine, Beer and Cider Industry in Wales

25 March 2010

### OPENING STATEMENT

The Wine Industry in Wales is currently very small, with 17 Vineyards and an annual production of under 100,000 bottles. The 2 largest Vineyards in Wales are each about 10 acres, with a production capability of around 25 tonnes of grapes per annum, or 20,000 bottles each. Welsh production is roughly only 3% of total UK production. The current image of Welsh Vineyards is summed up by the words hobby, cottage and slightly eccentric, probably fair with a few exceptions like Penarth in Newtown and Ancre Hill in Monmouth.

However there are undoubtedly areas of Wales, such as The Vale of Glamorgan, Monmouthshire and Border country where the climate and topography is suitable for vine growing, providing the correct grape varieties, rootstock, clones and of paramount importance the right sites are carefully selected. This would give diversification opportunities for farmers and landowners. By way of example Pinot Noir grown only as a cash crop could achieve gross income of up to £7,500 per acre. In addition, most resources used in the Vineyard, with the exception of winery and viticulture equipment, are sourced locally. Local suppliers are very flexible and will design products and supplies to specific requirements.

New Zealand is an example of what can be achieved. In less than 40 years the Kiwis have established a very successful, export led wine industry but only through planting in carefully selected areas and sites. Central Otago has only been established comparatively recently and is now producing some of the best Pinot Noir in the world, cool climate growing in a region with a climate not dissimilar from some areas of South East Wales. With the forecast onset of climate warming, Vineyard development in these carefully selected pockets of Wales is a distinct economic reality.

There are certain barriers to entry which Wales would have to address. These are:

- A current lack of viticulture and oenology expertise
- High establishment costs
- High production costs
- Bureaucracy – eg the reluctance of some Highways authorities to sanction Brown Signs
- No Welsh Winery – virtually all Welsh Wine is currently made in England
- High taxes, I'm talking here about Excise Duty & VAT

Example: Bottle still wine sells for £9

Production cost £6

Excise Duty & VAT £3, ie 50% of production costs, eliminating any profit

You will have seen yesterday's budget which provided for a 2% above inflation increase in duty, extended until 2013. This adds 10p to a bottle of wine from midnight on Sunday.

Effective promotion of the Wine Industry in Wales is of course a key factor in its successful development. Some limited support is currently offered by the Assembly Government, Visit Wales' current tv advertising programme is helpful as is Adventa and the Welsh media shows periodic interest. Some Regional initiatives exist plus of course the Vineyard owners' hard earned cash being invested in a marketing budget. There is a growing public demand for local produce and Monmouthshire's developing reputation nationally, and indeed internationally, is certainly of considerable help to my own Vineyard - Ancre Hill in Monmouth.

The European Wine Industry, and therefore the UK and Welsh Wine Industries, are currently involved in discussions on significant changes in legislation, too complex for me to be able to go in to any detail this afternoon. Implementation of such legislation in Wales is of course for the Assembly Government to manage, but I understand that the negotiations with the EU are managed by DEFRA and the UKVA for the UK as a whole. This is in my view the correct way for the Assembly Government to handle the matter given the current state of the development of the Welsh Wine Industry. The UK stance is that the new legislation should be clearer, simpler and less restrictive. The UK has already won a major concession in being exempt from restrictions on new vineyard plantings.

Moving forward, a developing Welsh Wine Industry may benefit from a more direct Assembly Government involvement. Currently 1.6 million Euros funding has been made available to the wider UK Wine Industry via various training programmes such as Wineskills. This is managed by the South East Economic Development Agency through its Rural Development Programme for England. Welsh Vineyards of course are on the periphery of this.

There may well be scope in future for The Welsh Assembly Government to obtain more direct EU funding to directly and specifically provide the following benefits for a developing Welsh Wine Industry:

- A Research & Development programme
- A Training & Apprenticeship programme
- Support for the establishment of a Welsh Winery
- A helpline for farmers and other Welsh landowners looking to diversify in to vine growing
- A Welsh Wine Board and Vineyard Association working in unison, and
- A coordinated, professional marketing campaign

In conclusion we should not lose sight of the fact that a successful Wine Industry in Wales will produce tax revenues, an export market, a complimentary boost to both the Welsh Tourist Industry and the growing food sector in Wales, sustainable land use and diversification opportunities for Welsh farmers, and not least the creation of skilled and unskilled jobs directly in the Vineyard or Winery, or via the development of a network of support Industries.