

Welsh Vineyards and Tourism Report



Promar International
response to:



Llywodraeth Cymru
Welsh Government

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Abbreviations

The following are used commonly throughout this report:

- B2B - Business to Business
- CAGR - Compound Annual Growth Rate
- FC - Farming Connect
- NS - Nova Scotia
- NZ - New Zealand
- NZW - New Zealand Wine (levy board)
- PDO - Protected Designation of Origin
- PGI - Protected Geographical Indication
- POS - Point of Sale
- R&D - Research & Development
- SA - South Africa
- SAWIS - SA Wine Industry Information and Systems
- SDGs - Sustainable Development Goals
- SIG - (Wine)Special Interest Group
- USP - Unique Selling Point
- WG - Welsh Government
- WTO - World Trade Organisation

Methodology

On this project, we carried out the following programme of work:

- selected desk research from sources such as Wine GB, the Food Standards Agency, Visit Wales, Defra and the Welsh Government (WG) itself
- interviews with 19 Welsh vineyards
- consultations with 7 other industry stakeholder organisations
- we also provided the WG an updated list of vineyards, for inclusion at some stage in the future, in a Producer Directory

There were several update meetings with staff from the WG at various stages of our work.

In the report, we have reproduced a number of "trade quotes" from our research interviews to further illustrate the points we are making, but these are not attributable to individual respondents.

Acknowledgements

Promar International¹ would like to thank all the respondents we made contact within the course of this assignment, and for their time and assistance, but in particular, the input received from the proprietors and owners of the vineyards themselves. This is much appreciated.

¹ Promar International is a market research and consulting company working in the agricultural, food and drink sectors and were initially formed in the late 1950s. We have carried out a good deal of work in Wales in the past. We have worked on wine sector based assignments in Chile, SA, NZ, the US, Canada, Bulgaria and Hungary

For the purposes of this assignment, our core research team was supplemented by Francis Flavin who has worked for Davy & Co based in London. Francis has worked in all major wine producing areas of the world <https://www.linkedin.com/in/francis-flavin-14481636>

Section 1. Executive Summary

1.1 Overview

It is estimated by Promar based on our research that there are c. 164 acres of vines currently planted in Wales. Of this, most of the area is found in South Wales at 62 acres and West Wales at 61 acres.

Data from the Food Standards Agency (FSA) suggests that there are 38 vineyards in Wales. This is a higher number than commonly thought in the past. The figure given to us at the start of this assignment was 28. Some of these vineyards will be non producing. In the course of our research, we spoke to 19 of them². FSA data suggests that the area under cultivation is slightly lower at 155 acres.

There are various estimates for the volume and value of production of wine in Wales. The FSA data for 2018 suggest that there were 127,869 bottles produced in Wales, but in 2020, this figure was only some 43,000.

Industry own estimates have suggested that the figure is in the region of 100,000 bottles, but with at any one time, maybe a further 70 – 80,000 bottles in stock³.

Promar estimates based on feedback from interviews suggest the figure is nearer 180,000 bottles.

If the latest FSA figure, however, of just 43,000 bottles is used, this equates to a production value of some £387,000 per annum⁴. At the Point of Sale (POS), this would be worth in the region of £774,000.

We estimate that the future development of the industry, when a number of vineyards who are not producing at the moment come “on stream”, and other vineyards are able to increase production that the number of bottles produced in Wales could increase to around 400,000 per annum.

This would give a production value of some £3.6 million and at the POS, some £7.2 million.

There is a strong correlation between both the Welsh vineyard and the tourism sectors. The majority of vineyards involved in our research process either provided a tourism offering to their customers, or planned to in the future, albeit of differing scales and natures. Many vineyards stated that they would not be able to operate profitably without their tourism offering.

² One of these was right on the English/Welsh border, but as they are located on the English side of this, their production has been discounted from our calculations

³ Wine Industry SIG and key members

⁴ Based on £9 per bottle - source: industry estimates

1.2 Tourism

Tourism accounts for up to 50% of revenue for some businesses, particularly those producing low volumes. We estimate the direct value of wine based tourism to the Welsh industry to be in the region of £10.0 million per annum⁵, compared to the value of actual wine production just under £0.4 million per annum.

We have not taken in to account other factors at this stage such as what is sometimes referred to as indirect or induced income.⁶ Looking towards the future, growth, in terms of jobs and investment will come from the tourism side of the industry much sooner than that of the vineyard production side.

1.3 Contribution to the Welsh Economy

Our research work indicated that from the respondents we spoke to there are c. 150 people being employed on a part time basis within the Welsh vineyard and tourism sector, and a further 70 people employed on a full-time basis. The majority of those employed within the sector are employed on the tourism side. If the figure is extrapolated forward to the FSA figure, it could be that there are nearer 400 people employed in the sector.

A large number of employees working within the industry, are however, not formal workers (e.g. they may be family members, used on an ad hoc basis or friends, utilised at peak harvest periods). As such, a number of those working within the sector are not formally paid for their involvement.

Feedback from our interviews indicates that for those employed on a formal basis in this sector, just under £2 million per annum is spent on wages. If the FSA data is used as a basis, this figure could be up to £4 million per annum.

While the overall contribution towards the Welsh economy from the vineyard sector is currently small, the industry is still at a fledgling, almost developmental, stage. It has, however, the potential to grow much bigger in the future.

There is a general feeling of optimism within the sector, with many vineyards looking to expand their wine and tourism offer(s) in the future. This is also a very proud industry - proud of its products, proud of its product quality (although it is recognised that there is still too much variation in this), proud of its heritage - and proud of its "Welshness".

There is a strong passion within the Welsh wine sector for tourism to thrive and to promote the provenance of the product. There was evidence of further future economic development, as many research interviews revealed plans to expand acreage, increase the tourism offer and increase public/consumer awareness of the sector in the next 5 years.

⁵ Based on data from Levercliff and industry calculations

⁶ This covers income generated by service providers to the wine sector or expenditure from employees in the Welsh wine sector on day to day spending. If this was considered, it could again double the number, based on estimates from other parts of the world

1.4 Welsh Vineyard Industry Structure & Characteristics

1.4.1 Industry Development

Since the late 1970s, there has on average, been in the region of 1 - 2 new vineyards being established per annum in Wales⁷. 80% of vineyards are still of less than 7 acres (3 ha) in size. There are only 2 that are of 24 acres (10 ha) and more in size.

1.4.2 The Route to Market

The majority of Welsh vineyards sell their wine via the "cellar door" (i.e. from the actual vineyard itself. This is to local foodservice outlets, private individuals and tourists/other visitors). This accounts for c. 77% of all sales across the sector⁸.

Some Welsh vineyards estimate that up to 90% of sales from the cellar door are to tourists.

Additional sales channels include off trade (local shops) 9%; online sales at 7%; on trade (hotels, restaurants, cafes); as well as wholesale sales – these are some c. 3%.

The impact of COVID - 19 has meant that a number of vineyards have seen their sales to the on-trade sector fall in 2020, as these venues were placed into long periods of closure. As a result, sales often shifted towards the online channel, typically through the development of individual websites. For some vineyards, online sales now account for c. 50% of their total sales.

A small number of Welsh producers (just two as far as we are aware) have been involved with exporting wine. The volumes involved though are very small indeed.

1.4.3 Quality & Processing

The 'craft nature' of the Welsh sector means that quality can, at times, be varied. There is a need for a more consistent approach to this. Historically, just one pressing⁹ facility operates in Wales, but until larger volumes of vines are grown, it might well be uneconomical to consider additional facilities in Wales itself.

As our work came to an end, it was known that there are now two facilities in Wales – both owned by the same family and both based in Monmouthshire.

This, should, however be a mid to long term aim of the Welsh industry. A decision on undertaking a proper feasibility study on this should be made as a priority to consider its potential scale and location.

Existing facilities in England (typically in Staffordshire and Gloucester), in many cases, adequately fulfil the sector's pressing requirements, at present. This has been a point of some contention in the Welsh wine sector in recent years, not least, as it relates to Protected Designation of Origin (PDO) and Protected Geographic Indication (PGI) requirements.

⁷ Promar based on desk research and interviews

⁸ Promar estimate based on research with 19 vineyards of which 18 are in Wales

⁹ The term "pressing" is used as a generic term for the processes used in producing wine

Despite this close relationship with English based wineries, it is also clear that no one in the Welsh vineyard sector has any aspiration other than to be a standalone industry - and not just an adjunct to the English wine sector.

1.4.4 Marketing & Use of the Welsh Language

In the last few years, there has been an increased presence of vineyards and the associated tourism activity, both online and via social media – although there still remains room for improvement. This is how most of the vineyards market their tourism offer to the consumer. COVID – 19 has accentuated this markedly.

There is often a lack of signage to indicate that there is a tourist/vineyard attraction (in the area in question). This was voiced as a concern by numerous vineyards who have faced difficulty in obtaining signs due to local authority restrictions. Tourism signage might not, on its own, solve all of the marketing challenges faced by the Welsh vineyard sector - but it would do no harm. It would only be of benefit.

The use of the Welsh language is particularly predominant in vineyards in North and West Wales. Business owners/proprietors in these parts found it key for their promotional work. They considered it an important element of what constitutes part of their USP.

Vineyard owners in South Wales were less committed over the use of the Welsh language, mostly due to the lack of Welsh speakers in the area in which they are based. In saying that, they were still focussed on promoting the “Welshness” of the product, using Welsh language on tourism signage and on bottle labels, as a means of branding.

Although it was used less widely in South Wales, most (if not all), understood the importance of the use of the Welsh language to help promote the source of origin.

1.4.5 Sustainability

Sustainability was a common focus area for vineyard owners/proprietors, as a driver for both innovation and addressing environmental concerns. It is a key driver for future development in most other leading wine producing countries in the rest of the world, such as New Zealand (NZ) and South Africa (SA) who have already begun the process of developing an industry plan to cover this.

In Wales, this could include the production of organic wine, as well as assessing the opportunities for the use of water and solar power, as well as paper bottles.

1.4.6 Industry Expansion

The majority of existing vineyards in Wales have not fundamentally increased the size of their grape bearing acres in the last 5/10 years, with the exception of some of the more recently planted sites.

Based on the increased interest in Welsh wine though, well over half (68%) of vineyard owners, already have plans in place or will be planning to increase the size of their business in the next 5-10 years. In a number of cases – a good deal sooner.

This could be either to increase total number of vines, increase the tourism offer in terms of infrastructure, or setting up a small winery on site.

1.4.7 The Availability of Industry Support

From our research, it appears that there is a lack of communication in regard to the support available from the WG to the Welsh vineyard and tourism sector. This gap in communication could well be a future focus for the Wine SIG.

The vineyard industry in Wales is keen and probably needs to access grants and other funding options. This would be to help them develop and modernise their existing vineyards, as well as establishing new (or develop existing) tourism offerings.

Vineyards were asked to rank a number of future industry support requirements. From this, the most needed forms of support for the sector are thought to be:

- additional PR activity in the domestic Welsh and wider UK market, linking into Visit Wales initiatives etc
- skills development and bespoke training facilities/sites in Wales
- development of robust and collaborative supply chains
- quality improvements, varietal developments etc

It is important that the fact that WG categorises farming and tourism separately does not disadvantage the sector, or make it harder for vineyards to access help from the WG, simply because vineyards straddle both areas.

1.4.8 Creating a USP

There is currently no strong unique selling point (USP) for Welsh wine, other than that of the individual, unique small (Welsh) businesses. An overarching Welsh brand would be beneficial to the industry, although still in keeping with each individual vineyard, so as not to lose any benefits from a regional/more local identity.

Vineyard owners and proprietors are supportive of the idea of promoting the “Welshness” of their products. What they are far less certain about is how this would be funded, especially if additional certification measures were needed to bring this about, over time.

There were also concerns raised regarding maintaining the quality of wine labelled as Welsh, and a need to undertake, strict quality control based around any certification process. Utilising a Welsh brand, though, would enable all in the sector to benefit from a stronger (brand) identity and presence across Wales - and into the rest of the UK.

If a clear framework can be developed detailing who can and cannot utilise a future Welsh wine brand, then it has the potential to save vineyards spending additional money on gaining other certifications, such as PDO/PGI. This, in particular, would benefit smaller vineyards and newer industry entrants, who can struggle to gain an adequate return on investment (ROI) in the first few years of starting out.

The future USP of Welsh wine could also, in time, include sub regional promotion of the products.

The actual method of production can also provide a USP, including organic and bio dynamic production. The Welsh industry should look to embrace the variety of production styles and

methods that exist. It should focus on the quality of its production, not the specific type. The specialisation, along with the regionality of production, can follow later.

The opportunity exists to take this perception of (Welsh) provenance and develop an association of high quality with Welsh wines.

1.4.9 The Future Development of the Sector

The Welsh vineyard sector will need to be supported by the WG to expand at an appropriate/market led pace. This will give newly planted and expanding vineyards the time to grow before making any significant changes to infrastructure.

The challenges and opportunities for Welsh wine are both numerous and exciting. The small scale nature and almost development nature of the sector, however, mean that input from the WG and other support organisations will be needed. A long term view of what the sector could and should look like in 3/5 – 10 years' time is required by all involved.

There is no dedicated training and/or educational facility in Wales for the viticulture sector. The main centre of excellence for this in the UK is at Plumpton College in Sussex. In the short term, the potential to develop a strong link with Plumpton should be explored. The WG could provide, as an example, bursaries for Welsh students to study there and become involved in other "twinning" type arrangements/study tours etc. In time, a bespoke facility in Wales could well be justified - this should be the aim at least.

There are several places in Wales where a centre of excellence could be developed. These potentially include, but are not limited to, Aberystwyth University or the National Botanic Garden of Wales.

Increasing awareness and sales of wine both in Wales and then the rest of the UK should also be the rationale behind increasing production and industry revenue. Developing the market for Welsh wine in the rest of the UK should provide future opportunities, with relatively easy access to a potentially huge consumer base and the basic logistics required. Not enough is known about the Welsh wine consumer and other consumers in the rest of the UK. This is an area where bespoke market research should be commissioned in due course.

Exports to the rest of the EU or emerging markets in Asia, as an example, are probably not a realistic short-term goal for Welsh vineyards. Welsh production is not sufficient enough to look too far afield at the moment.

While the vineyard sector in Wales has good and improving production capabilities, there is a lack of marketing experience and prowess to develop exports for most, with the exceptions of the most entrepreneurial.

Based on the work carried out on this assignment, the Welsh wine sector can play an active part in the wider policy initiatives being adopted by the WG.

1.5 The Role of the WG & the SIG

The future role of the WG in the vineyard and tourism sector can be summarised as follows:

- wine tourism, is both an agricultural enterprise and is part of the tourism sector. One cannot exist without the other

- there is as such a danger though that the sector can fall between two areas in terms of funding support from the WG. The WG needs to identify where vineyards fit in terms for access to funding and provide clearer information as to what help might be available to vineyards in Wales
- contribute to setting out its own aspiration for the sector
- take a mid to long term view of the contribution and future contribution of the wine and associated tourism sector in Wales
- engage with and encourage organisations such as local councils, Farming Connect (FC) and Menter a Busnes to provide support to the vineyard sector

In the last 12 months, it would appear that the SIG has come far more in to its own, mainly as a result of the challenges presented by the COVID pandemic. There were positive comments that the SIG have been more engaged with the vineyards, including access to information, connections to experts, funding for courses and informative webinars. These have particularly benefited those newer to the industry.

A decision on whether a bespoke Welsh facility is required or a link to Plumpton should be taken sooner rather than later. A separate study on the overall feasibility of this will be required.

Mid to long term, Wales should also look to develop more of its own pressing capacity – but this needs to be carefully thought through. A study on this should be commissioned, again, sooner rather than later.

A consumer research exercise should be carried out on “*who is the real consumer of Welsh wine*”.

R&D on varietal development and assistance with marketing to push online sales were some of the areas mentioned where additional support in the future would be required. Technical support and education are also required to attract skilled and interested individuals to the sector in the future.

Welsh vineyard owners believe, though, there are still barriers in place, particularly at local council level when establishing new plans to expand their business (e.g. the struggle to receive a brown “tourism” sign to depict there is a tourism/vineyard offer nearby).

There were other concerns regarding the need for the WG to have more of an understanding of the sector to offer the support needed. Understanding more about the business challenges, and in particular, the strong links between tourism and the wine sector is key.

1.6 The Role of the Vineyards

This can be summarised as follows:

- to get fully behind the SIG
- look for common areas of interest for the betterment of the sector per se - not areas of division
- develop with the SIG, an inclusive strategy for the industry's future development
- engage in succession planning and mentoring activity as appropriate
- support industry marketing efforts
- find out more about financial support and help from the WG that is available
- engage with local councils to overcome bottle necks and constraints
- take responsibility for its own development
- show how it can contribute to the wider objectives of the WG

Overall, this is quite an ambitious agenda but one that needs to be grasped if the sector is to fulfil its potential over the next 5 – 10 years.

Section 2. Overview of Welsh Vineyard & Tourism Sector

2.1 Wine Production in Wales

It is estimated based on our research that there is c. 164 acres of wine grape vines planted in Wales currently. Of this, the majority is found in South Wales at 62 acres - and West Wales at 61 acres.



Source: Promar estimates, desk research & based on research interviews

The most up to date data from the Food Standards Agency (FSA)¹⁰ suggests that there are 38 vineyards in Wales. This is a higher number than commonly thought in the past. Some of these vineyards will be non producing. In the course of our research, we spoke to 19 of them¹¹. FSA data suggests that the area under cultivation is slightly lower at 155 acres.

There are various estimates for the volume and value of production of wine in Wales. Based on the work carried out by Promar, we believe this to be up 180,000 bottles per annum. This is based on the data provided through our 19 interviews of an average of 4,780 bottles per vineyard and extrapolated forward to the FSA data of 38 vineyards.

¹⁰ May 2021

¹¹ One of them was situated right on the English/Welsh border and so their production has been discounted as they are on the English side of the border

If the FSA figures are used, the figure in 2020 is much lower than this at just c. 43,000 bottles. Based on FSA data, the value of output is in the region of £387,000 and at the POS this is worth some £774,000 per annum. Industry own estimates have suggested that the figure is in the region of 100,000 bottles, but with at any one time, maybe a further 70 – 80,000 bottles in stock¹².

Based on forward projections, wine production in Wales could reach 400,000 bottles per annum, but this requires all new vineyards to come on stream in the next few years and then the existing vineyards to find new markets and increase production as a result.

The table below shows how our estimates were originally developed¹³:

Vineyard	Grape Growing Acres	No. of Bottles	Average No. of Bottles per Acre
A	2.4	600	250
B	4	4,000	1,000
C	6.5	9,000	1,385
D	20	17,500	875
E	1	1,000	1,000
F	2.5	6,500	2,600
G	1	1,500	1,500
H	3.5	2,000	571
I	3.5	8,500	2,429
J	7	18,000	2,571
K	9	3500	389
L	17	9,000	529
M	4	3,000	750
N	1	2,000	2,000
Total	82.4	86,100	
Average Total			1,275

Source: Promar, based on research

80% of vineyards in Wales are still of less than 7 acres (3 ha) in size. There are only 2 that are of 24 acres (10 ha) and more in size¹⁴.

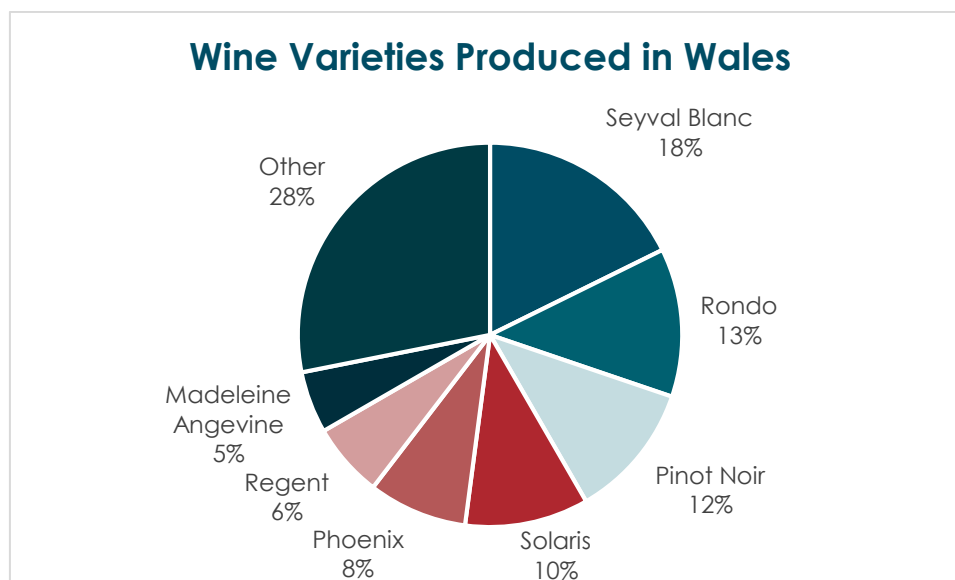
¹² Wine Industry SIG and key members

¹³ The identify of individual vineyards has been made anonymous. When a range of production figures was given, depending on the year, an average has been taken

¹⁴ Promar based on desk research and interviews

Since the late 1970s, there has on average been in the region of 1 - 2 new vineyards being established per annum in Wales¹⁵.

The main variety of wine produced in Wales, according to our research was Seyval Blanc, followed by Rondo and Pinot Noir. These varieties were produced across the largest number of vineyards, as detailed in the graph below.



N.B. the "other" category includes: Triomph d'Alsace, Reichensteiner, Siegrebe, Chardonnay, Bacchus, Pinot Meunier, Cabernet Franc, Albariño, Muller Thurgan, Pydew, Fruhburgunder, Schonburger, Sauvignon Blanc, Divico, Orion and Tempranillo

Source: Promar estimates based on research interviews

Part of the Welsh wine sector is focused on producing wine using organic and bio organic techniques. Although followed by some vineyards, the method of production is not widely utilised. Data from Vineyards of Wales indicates that 6 vineyards operate on an organic basis, with 4 of these utilising a biodynamic system¹⁶.

2.2 The Route to Market

The majority of Welsh vineyards sell their wine via the "cellar door" (i.e. from the actual vineyard itself to local foodservice outlets, private individuals and tourists/other visitors). This accounts for c.77% of all sales¹⁷. Vineyards differ in their approach to cellar door selling, with some selling just c. 20% in this way, but up to at least six vineyards sell 100% of their wine via this sales channel¹⁸.

¹⁵ Promar, based on desk research and interviews

¹⁶ As reported to Promar in our interviews

¹⁷ Based on feedback from our interviews

¹⁸ Promar, based on feedback and data from interviews

The diagram on the following page shows in more detail how Welsh wine is typically sold at the Point of Sale (POS).



Source: Promar International based on research & interviews

Additional sales channels include the off trade (local shops) 9%; online sales at 7%; on trade (hotels, restaurants, cafes); as well as wholesale sales – these are some 3%.

Not enough is known about the Welsh wine consumer. This is an area where at some stage in the future, bespoke market research should be commissioned.

The impact of COVID - 19 has meant that a number of vineyards have seen their sales to the on trade sector fall in 2020, as these venues were subject to long periods of closure. As a result, sales shifted for some towards the online channel, typically through the development of individual websites. For some vineyards, online sales now account for c. 50% of their total sales.

A small number of Welsh producers (just two as far as we are aware) have been involved with exporting wine. The volumes involved, however, are very small indeed.

The small scale nature of production in the Welsh wine sector, in effect, drives the localised sales channels. Relatively small volumes are also distributed to the rest of the UK, and typically this is through wholesalers/wine merchants from larger scale vineyards in the Welsh sector.

Although the majority of sales are undertaken via the “cellar door”, it is difficult to split how much is sold to local customers, and how much is sold to tourists visiting the area¹⁹. What is

¹⁹ This should be at least part of the focus of any future market research

clear though, is that tourism-based sales, help extends the reach of Welsh wine further across the UK and potentially beyond.

The 'craft nature' of the Welsh sector means that quality, in particular to the relatively high cost of production (and then onward margins incurred in the supply chain) can still often be varied. There is a need for a more consistent approach to this.

High quality has to be the central pillar to the Welsh wine sector.

There are currently just two pressing²⁰ facilities that operate in Wales, but until larger volumes of vines are grown, it might well be uneconomical to consider additional facilities in Wales itself. This should however be a mid to long term aim of the Welsh industry. Existing facilities in England (such as Staffordshire and Gloucestershire) often adequately fulfil the sector's pressing requirements at present. This, though, has been a point of some contention in the Welsh wine sector in recent years, not least as it relates to PDO and PGI requirements.

This should however be a mid to long term aim of the Welsh industry. A decision on undertaking a proper feasibility study on this should be made as a priority to consider its scale and location.

Mid to long term though, the objective of increasing vine production in Wales, improving the consistency of quality and having more pressing capacity in Wales should all be key industry objectives.

²⁰ We have used the term "pressing" to cover the range of activities in the production of wine. We recognise though that winemaking and the operation of a winery has many skill requirements related to the production of high quality wine

Section 3. Key Impact Areas

3.1 Developments in the Welsh Vineyard & Tourism Sector

There is a strong correlation between both the Welsh vineyard and the tourism sector. The majority of easily accessible vineyards involved in our interview process either provided a tourism offer to their customers, or planned to do so in the future, albeit of differing scales and natures.

Tourism accounts for up to 50% of revenue for some businesses, particularly those producing low volumes. We estimate the direct value of wine-based tourism to the Welsh industry is estimated to be in the region of £10.0 million per annum compared to the value of actual wine production at just under £0.4 million per annum.

The diagram below gives an indication of the types of tourism offerings typically found at Welsh vineyards.



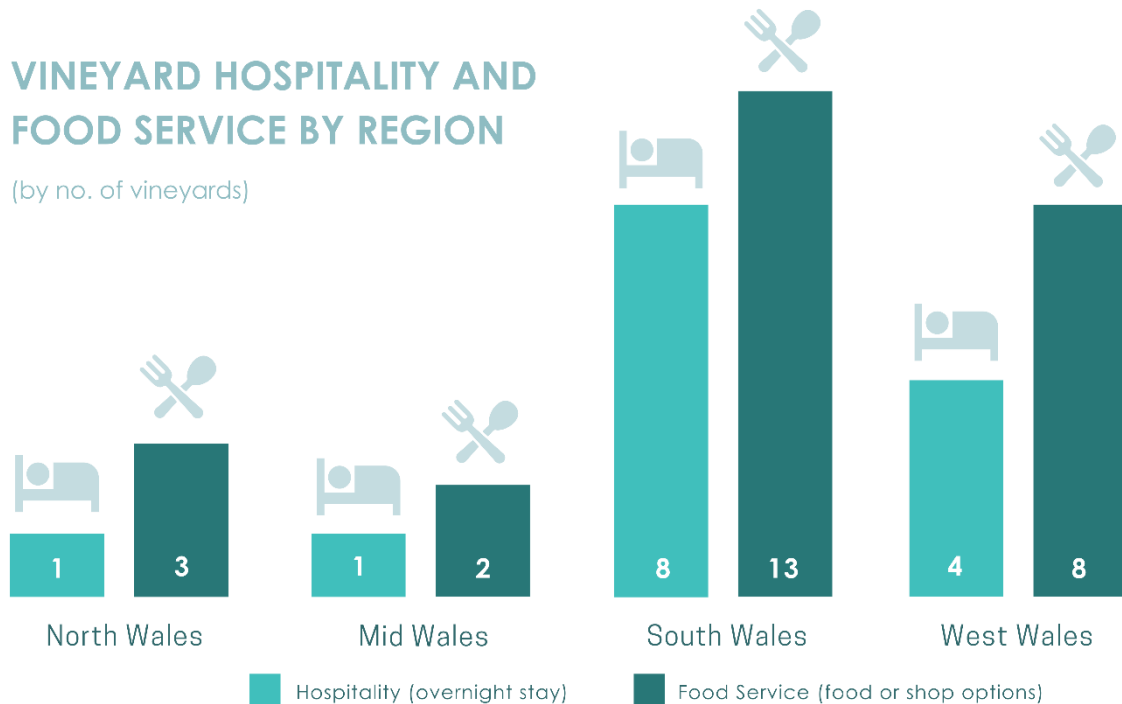
Source: Promar International, based on interviews and desk research

Smaller scale vineyards tend to focus on providing local tours, tastings and promoting the culture and local landscape. In contrast, some of the larger scale vineyards, tend to have a greater offering of large-scale events (e.g. wedding venues and accommodation).

This is not to imply that some small scale vineyards do not have good tourism offerings – but it is more a question of the scale of the business overall.

VINEYARD HOSPITALITY AND FOOD SERVICE BY REGION

(by no. of vineyards)



Source: Promar International based on B2B interviews and desk research

There is a strong ambition within the Welsh wine sector for tourism to thrive and to promote the provenance of the product. There was evidence of the potential for future development, as many interviews revealed plans to expand acreage, increase the tourism offer and increase public/consumer awareness of the sector in the next 5 years.

Away from some of the more contentious issues in the Welsh wine sector²¹, collaboration was also an area of common interest amongst most vineyards. The majority of vineyards we spoke to, who offer a tourism related option, are interested in setting up other initiatives, such as cycle trails to collaborate with other vineyards in the same region. This would help improve the overall quality and range of the tourism offer.

There are some excellent examples of how the linkage between food/drink and tourism have been developed in Wales on the Visit Wales web site²². These will from time to time feature vineyards. Welsh vineyards would do well to assess these, and learn what they can from them, accordingly. There is no one single key to success. Creating a full "visitor experience" however and linking to as many other tourist attractions, as well as locally based hotels/restaurants etc. is all part of this.

²¹ Where vines are pressed and the merits and de merits of organic/bio dynamic production as opposed to conventional and the use of PDO/PGI certifications

²² <https://www.visitwales.com/attraction/food-or-drink/aber-falls-distillery-2040971>

Visit Wales is not short of offers to be featured on their web site. The onus is on the vineyards themselves - or through the work of the Wine SIG to engage in a more proactive fashion and build a compelling tourism offer to compliment the attraction of the actual vineyard itself.

Of the vineyards spoken to, the majority could be described as "traditional" vineyards which have been established for many years, with only a handful of newly taken on or newly planted vineyards. These more recently established sites often rely on their tourism offer to provide income for the business in the early stages of vine development. The volume of harvested crop is frequently insufficient for wine production in the first five years to run it to profitability.

There has been an increased presence of vineyards and the activity of the sector - both online and via social media although there still remains room for improvement. This is how most of the vineyards market their tourism offer to the consumer.

Throughout the COVID - 19 pandemic, this online presence has, in particular, protected some of the vineyards, as tourism virtually stopped. The increase in consumer awareness and demand for local provenance in their food and drink products also supports the development of the sector. Many either look to sell their wine at the "cellar door" or through local shops and hospitality, along with other local produce.

There is also a wide scale lack of signage to indicate that there is a tourist/vineyard attraction in a given area. This was voiced as a concern by numerous respondents. Tourism signage might not, on its own, solve all of the marketing challenges faced by the Welsh vineyard sector - but it would do no harm. It would only be of benefit per se.

3.1.1 Use of The Welsh language

South and West Wales host the majority of planted vineyards in Wales, with a smaller area in both Mid and North Wales. The use of the Welsh language was particularly predominant in vineyards in North and West Wales. Vineyard owners/proprietors in these parts of Wales found it key for their promotional work and considered it an key part of what might go to constitute part of their USP²³.

Vineyard owners in South Wales were less committed over the use of the Welsh language, mostly due to the lack of Welsh speakers in the area in which they are based.

In saying that, they were still focussed on promoting the "Welshness" of the product, using Welsh language on tourism signage and on bottle labels etc. Although it was not readily used in South Wales, most understood the importance of the use of the Welsh language to promote the source of origin.

The Welsh language is an important part of the industry. In order, however, to appeal to a wider tourism market, the English language is also commonly utilised.

²³ NB: of the 26 interviews we carried out, four were conducted in Welsh

3.1.2 Expected Changes & Future Opportunities

➤ Future Production

The majority of existing vineyards in Wales have not fundamentally increased the size of their grape bearing acres in the last 5/10 years, with the exception of some recently planted sites. Some of the vineyards still producing today are amongst some of the first to exist in Wales.

Based on the increased interest in Welsh wine, over half (68%) of vineyard owners spoken to, already have plans in place or will be planning on increasing the size of their business in the next 5 - 10 years.

This could be either to increase total number of vines, increase the tourism offer in terms of infrastructure, or setting up a small winery on site.

➤ Planning Activity

There are concerns around the barriers faced when applying for planning and options available, to vineyards in order to increase their scale. Some of the larger sites are investing considerable amounts (i.e. in some cases, up to £1 million plus) into scaling up their tourism offer, with facilities such as glamping, refillable bottling machines, outdoor pursuits and high-end hospitality.

The needs of the sector must be better understood by the WG to support businesses to expand in the future.

➤ The Identity of the Welsh Industry

There is a strong collective opinion that small "boutique" style wineries on the site of the vineyard would largely enhance the overall experience of the tourism offer to customers.

The idea of a large scale commercial winery in Wales was not deemed feasible in the opinion of most vineyard operators. This is both due the small scale that the sector is currently operating at - and the established relationships with experienced wineries in England.

Despite this close relationship with English based wineries, no one in the Welsh vineyard sector has any aspiration other than to be a "stand alone" industry - and not just an adjunct to the English wine sector.

The Welsh sector will need to be supported by the WG to expand at an appropriate/market led pace. This would give newly planted and expanding vineyards the time to expand before making any significant changes to infrastructure is important.

"As the industry grows, we could have more bottling facilities in Wales, but this needs to happen in tandem with the growth of the sector"

The diversity in demographics of those who own or manage Welsh vineyards is extremely broad. Some have plans to wind down and decrease the size of their business in the next 5 years, due to impending retirement²⁴. The largest vineyard in Wales is commonly known to be up for sale, if the right buyer can be found.

²⁴ Two vineyards in Monmouthshire have recently merged

Others are just starting up. A good example is the planned vineyard just outside Cardiff which aims to sell its wine in the city centre.

➤ **Training, Education & Technology**

There is no dedicated training and/or educational facility in Wales for the viticulture sector. The main centre of excellence for this in the UK is at Plumpton College in Sussex.

In the short term, the potential to develop a strong link with Plumpton should be explored. The WG could provide as an example, bursaries for Welsh students to study there and become involved in other “twinning” type arrangements/study tours etc.

There are several places in Wales where a centre of excellence could be developed. These potentially include, but are not limited to Aberystwyth University or the National Botanic Garden of Wales. A decision on whether a bespoke Welsh facility is required or a link to Plumpton should be taken sooner rather than later. A separate study on the overall feasibility of this will be required.

The better use of technology and innovation, as well as increased knowledge should enable the industry to move forwards in terms of wine production and tourism.

Improving yields in Welsh wine growing regions is an important focus for the sector. Some have explored the use of poly tunnels to achieve a more consistent crop. Farming Connect (FC) have been providing some support on areas such as pruning and harvesting etc. but this is not engrained in the FC programme of activity. Some additional FC support has also been provided to vineyard owners for management exchange programmes, but these are not common.

➤ **Target Markets**

Increasing awareness and sales of Welsh wine, both in Wales and then the rest of the UK, is also the rationale for increasing production and industry revenue. Exports to the rest of the EU or emerging markets, in Asia as an example, are probably not a realistic short-term goal for Welsh vineyards. The majority of demand is on a local basis.

Developing the market for Welsh wine in the rest of the UK should provide future opportunities, with relatively easy access to a huge consumer base and the basic logistics required.

Welsh production is not sufficient enough to look too further afield at the moment. While the vineyard sector in Wales has good and improving production capabilities, there is a lack of marketing experience and prowess to develop exports for most with the exceptions of the most entrepreneurial.

3.1.3 Links to wider Welsh Government Policy

The Welsh wine and tourism sector can play an active part in the wider policy initiatives being adopted by the Welsh Government. These would include as follows:

- the vineyard sector can and will help to support and contribute towards the development of the new **Welsh Food and Drink Strategy 2020 – 2026**. The predicted future development of the Welsh wine sector will help enable it to establish itself as a more consistent producer of quality wine. Predicting new trends and changing market/consumer needs will allow

Welsh vineyards also to be closer to the forefront of innovation and complete more effectively in the domestic market

- the Visit Wales strategy, **Welcome to Wales – Priorities for the Visitor Economy, 2020-2025**, is to grow tourism for the good of Wales, aiming for skills development, equitable economic growth, environmental sustainability, social and cultural enrichment and health benefits. There is a good opportunity for the Welsh vineyard industry to contribute fully to this objective and develop Welsh wine tourism opportunities. A proactive approach to other involved stakeholders the Welsh food tourism is required

There are also seven goals that all fall under the **Well Being of Future Generations Act**:

- a prosperous Wales
- a resilient Wales
- a more equal Wales
- a healthier Wales
- a Wales of cohesive communities
- a Wales of vibrant culture
- a thriving Welsh language
- a globally responsible Wales

The Welsh wine and tourism industry can contribute, by means of:

- as vineyards expand, there will be the potential for the creation of new employment opportunities across all of Wales. There will be, though, more employment creation in the associated wine tourism sector than the actual production of vines
- employment opportunities will assist in the development of a more cohesive community in key wine producing areas
- the eventual development of wine pressing facilities in Wales will create more value added employment opportunities, in areas such as wine bottling and marketing, as opposed to in effect just being primary producers of vines
- diversification efforts, be it from more core areas of Welsh agriculture, or as a means of developing tourism based initiatives in rural areas, will contribute to a more resilient Wales in the future
- the use of the Welsh language in the marketing and promotion of wine will add to the sense of Welsh culture
- investment in sustainability initiatives in the production and pressing of wine would aid the sense of a globally responsible Wales
- a more collaborative supply chain for the future would contribute to a more prosperous Wales

The Welsh wine and associated tourism sector can therefore, contribute across the board to the meeting of wider WG objectives.

3.2 Contribution to the Welsh Economy

3.2.1 Revenue

Data from FSA indicate that typically the Welsh industry generates an average revenue of c. £337,000 per annum. It is estimated that tourism activity generates an additional £10.0 million per annum.

While the overall contribution towards the Welsh economy from the vineyard sector is currently small, the industry is still at a fledgling, almost developmental stage. It has, however, the potential to grow much bigger in the future. There is a general feeling of optimism within the sector, with many looking to expand their vineyard and tourism offer in the future.

There is no desire to be seen as almost part of the English wine sector, but rather to define its own identity over time. These characteristics are not limited in Wales to the wine sector of course, but we felt this is part of the defining character of the Welsh wine industry per se.

3.2.2 Customers

The nature of the Welsh wine sector results in the majority of sales taking place with local consumers, restaurants and hotels, private individuals or tourists on a direct basis. Data from our research interviews²⁵ indicated that:

- 71% of vineyards predominantly sell their wine to local customers
- typically, Welsh wine sales are undertaken via the “cellar door” or within the local hospitality sector
- 77% of Welsh wine sales take place at the “cellar door” or through an onsite shop

During 2020, the Welsh vineyard industry adapted relatively well to the impacts of COVID - 19, particularly in terms of the closure of tourism operations. Vineyards saw a noticeable increase in demand from consumers when tourism operations were allowed to re-open – often counteracting those sales lost during periods of closure.

In addition, many vineyards adapted to the growing demand for online sales and saw this channel increase over the year, leading to a large surge in online sales in the run up to Christmas.

“Cellar door sales had to shut during lockdown, but vineyards worked on securing loyalty from their customers, so that they were there for them when they re-opened”

Attracting tourists to vineyards during 2021 remains a key prospect for vineyards and then building repeat purchases throughout the year. In addition, the profit margin selling from the “cellar door” is much better for the producer in comparison to selling on to a wine merchant or hospitality venue who then add on their own margins.

²⁵ This included 19 vineyards in total

Over the next five years, Welsh vineyards should look to continue to focus on local and UK based customers. Exports to the rest of the world remain a much longer term strategy focus, not least as current supply cannot cater for the larger volumes needed on an international basis. With the majority of wine sales still being “local”, there is still a relatively “untapped” UK market to focus on.

3.2.3 Employment

Employment within the Welsh vineyard sector is intrinsically linked to the (Welsh) tourism sector. Some vineyards would not survive without the tourism element(s) of their business.

Typically, vineyards employ very few people. Just 4 vineyards of the 19 we spoke to employed over 10 people. Typically, those with higher numbers are employing people for their tourism offer, rather than actually running the vineyard

Our research indicates that there are c. 150 people being employed on a part time basis within the Welsh vineyard and tourism sector, and a further 70 people employed on a full-time basis.

If the FSA data is used as a guide, the figure might well be closer to 400. The majority of those employed within the sector are employed on the tourism side. A large number of employees working within the industry are, however, not formal workers (e.g. they may be family members/even friends used on an ad hoc basis, utilised at peak harvest periods).

As such, a number of those working within the sector are not formally paid for their involvement. Of those employed on a formal basis, just under £2 million per annum is spent on wages. If the FSA data is used, this figure could be nearer £4 million per annum.

Looking towards the future, growth, in terms of jobs and investment will come from the tourism side of the industry much sooner than that of the vineyard production side.

3.3 Support Available to the Welsh Vineyard & Tourism Sector

3.3.1 General Support

There is a lack of communication between support organisations and vineyards. A number of respondents questioned whether viticulture was a genuine priority area for the WG. They felt that there was less support available from the WG in comparison with other Welsh agri food industries, such as sheep, beef and dairy. This is a correct observation.

The fact that this study was being carried out was seen as a big step forward in this respect.

The production of grapes is an agricultural enterprise. Nevertheless, a very large proportion of vineyard revenue (and contribution to the wider economy) comes from tourism. It is important therefore that the fact that WG categorises farming and tourism separately does not disadvantage the sector or make it harder for vineyards to access help from the WG, simply because vineyards straddle both areas.

Stakeholder organisations were keen to point out data sources that provided information on the sector, such as:

- the WG website

- the FSA
- Visit Wales
- FC – has helped some vineyards in areas such as foreign management exchanges and then more technical areas such as pruning and harvesting, but do not seem to have a comprehensive programme of support in place to assist the vineyard sector

The FSA produces annual data on the area of production in Wales. The latest data for 2020 was not available until our draft report was being amended.

However, vineyard operators were often less aware, for whatever reason, of this sort of information and potential areas of help. This is probably more of an issue for the newer vineyards in Wales. Some 82% of our respondents though indicated, as an example, that they were not aware of the research data available for use on the Visit Wales website. This should be easy to put right. It could be a task for the Wine SIG.

The vineyard industry in Wales is keen to and needs access to grants and funding options to help them develop and modernise their existing vineyards, as well as establishing new (or develop existing) tourism offerings. Those vineyards looking to develop in the future understand the need to develop the tourism part of the business in order to grow their overall sales.

At the same time, there is some element of concern as to if the encouragement of new entrants into the Welsh viticulture sector might see unplanned growth take place and the production of further inconsistency in quality.

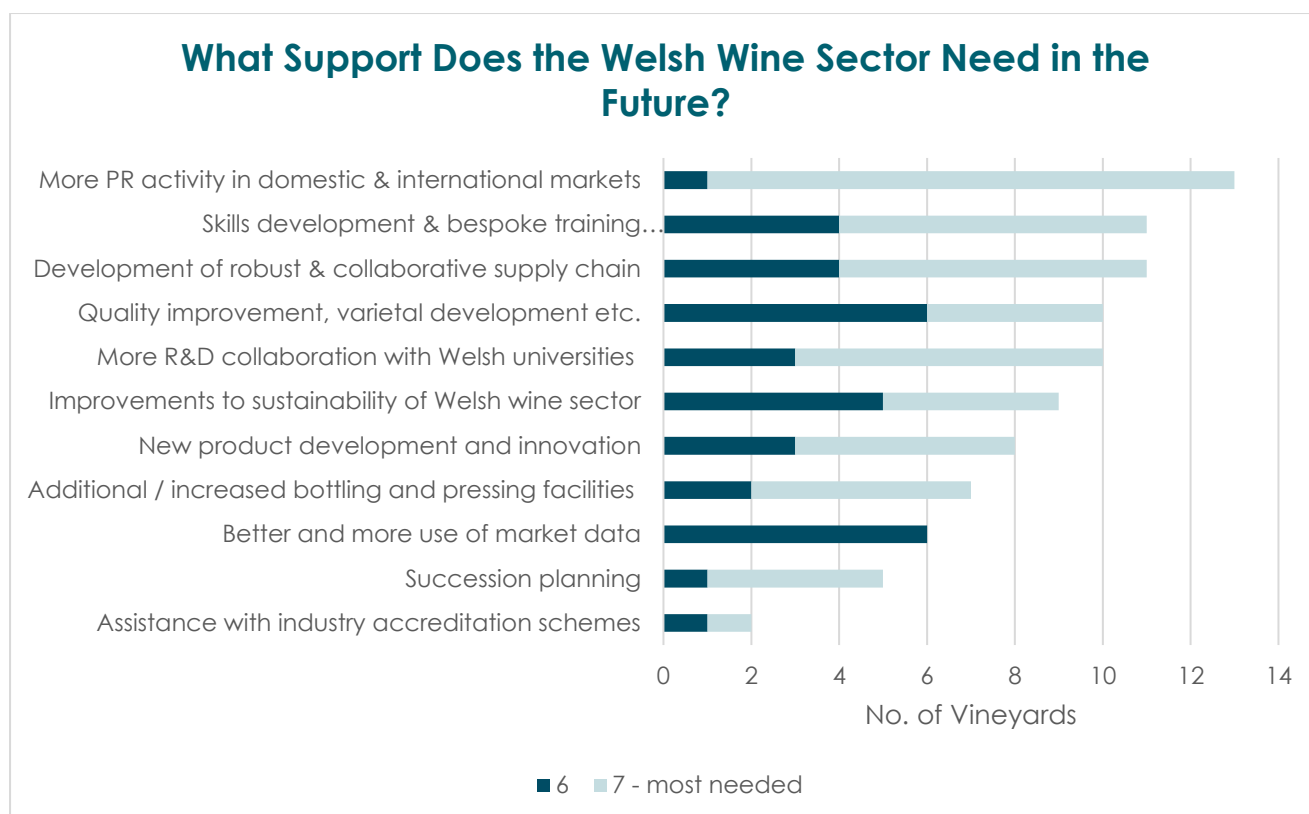
A balance needs to be struck here – new blood into the sector will be required in the future, of course, but this is where a carefully managed succession plan for the Welsh industry could well pay dividends.

3.3.2 Specific Assistance to the Welsh Vineyard Industry

Vineyards were asked to rank a number of future industry support requirements on a scale of 1 – 7 (with 1 being not needed, and 7 being most needed). From this, the most needed forms of support for the sector are thought to be:

1. *Additional PR activity in domestic and the wider UK market, linking into Visit Wales initiatives etc*
2. *Skills development and bespoke training facilities/sites in Wales*
3. *Development of robust and collaborative supply chains*
4. *Quality improvements, varietal developments etc*

The graph below details the most requested forms of support (i.e. those that were ranked as either a 6 or 7 by respondents) perceived as necessary for the development of the Welsh wine sector in the future.



Source: Promar International, based on research/interviews

The areas found to be of most importance to the Welsh wine sector are discussed in further detail below:

3.3.3 Additional PR Activity in Domestic & Wider UK Market, Linking into Visit Wales Initiatives

The industry could benefit the most from having additional PR activity – predominantly focused in the Welsh - and then the wider UK market.

“There’s not enough marketing of Welsh wine by anyone at the moment”

“We need to market and promote the wine sector in a broader concept – promote it through the broader food and drink marketing, as well as working alongside tourism sectors”

“There’s a great opportunity to work on seasonal promotional campaigns at Easter and Christmas”

This all adds to a feeling that while the Welsh industry is confident its ability to produce a range of wines for the local market, and in some cases further afield, it does not see itself as being a confident marketer of its industry and/or products in a joined up manner.

There are some good examples of well executed marketing activity in the Welsh wine sector, but these normally take place at an individual company level.

Most of the vineyards are small scale businesses. They often lack the resources to engage in highly professional marketing activity. The challenge in the future for the Welsh vineyard sector

is not so much about if the wine can be produced - it can - but how well it can market itself in the future - to an increasing range of customer types.

Previous campaigns such as "Welsh Wine Week" and "Make it a Welsh Drinks Christmas" have been successful in creating a better awareness and enhanced quality perception around the sector. It has helped to build confidence within the sector. It shows how, if the industry works together, it can benefit everyone.

There is an opportunity for increased cross promotional activities with the Welsh hospitality industry, and the wider food and drink sector, as well as collaboration between local vineyards. The focus should be on highlighting the tourism aspects of the industry, which will then draw people in and increase vineyard sales.

3.3.4 Skills Development & Bespoke Training Facilities in Wales

While there is a good deal of information available in the world on cool climate growing, covering varietal selection, root stocks, clonal selection, soil/climate/topographical analysis, etc, Wales lacks a formal research institute focused solely upon developing the skills within the viticulture sector.

The small scale of the Welsh vineyard industry means that establishing such a facility is likely to be part of a longer-term strategy.

We have already commented on the need to think about and decide what to do on this issue as a reasonably high priority.

3.3.5 Development of A Robust & Collaborative Supply Chain

Throughout the supply chain, a greater level of collaboration is needed in order for the sector to work together to drive it forward. This could at one level involve vineyards working together to share knowledge, skills and equipment. It should also involve leveraging relationships with local tourist attractions/food companies, restaurants and hotels, as well as other vineyards to combine offerings and again share resources and marketing materials.

It is all about creating a "story" for the Welsh wine sector and every lever that can be pulled in order to do this, should be. The story needs to go well beyond the actual presence of the vineyard itself.

3.3.6 Quality Improvement & Varietal Development

The perception of Welsh wine does not always resonate with quality, in the way others do in key producing countries, such as France, Italy, Spain, Chile, New Zealand or South Africa. This is accentuated by the relatively high cost of wine production in Wales.

Just focusing on better promotion of the Welsh industry will only go part way to resolving this issue. There needs to be a focus on improving the quality of the actual wine and developing this through R&D, such as varietal developments.

"There is a lot of science involved in wine growing, we should be looking to collaborate with local universities to undertake academic research"

"We want to produce really good quality Welsh wine. A lot of Welsh (and English) wine doesn't showcase the grape variety – we need to promote this so that UK varieties will become familiar with consumers"

The Welsh wine sector will always find it hard to compete (on price) against the other leading international producers such as NZ, South Africa, Chile and even against those based in the EU, such as France, Spain and Italy. The combination of small scale production, which does not produce any significant economies of scale and inherently higher costs of production to be found in Wales, as a result, mean that Wales cannot compete on price against these suppliers. Taking vines into England for pressing etc also adds to the cost of Welsh wine - industry estimates suggest this might be as much as £5 per bottle²⁶.

The table below shows some of the key price points for a range of wines - based on the fact that the typical cost of production for a bottle of Welsh wine is in the region of £8 - £10, it is obvious why Wales should never look to compete on a price basis against other producers.

Wine Type	Duty Paid Price Ex VAT	Retail Price Inc VAT (off-trade)	Price to on-trade Ex VAT
PDO Wine Spain	£3.40	£7 - £8	£4.53
New Zealand Sauvignon Blanc	£5.23	£11.50 - £12.50	£6.97
English Still Wine	£8.55	£15.50 - £17	£11.40
Sancerre, France	£8.55	£18.50 – £20	£11.40

Source: Promar based on industry research and trade analysis

There are four key implications of this:

- Wales needs to focus on the quality of its wine - and constantly look to improve this as a matter of course
- link its viticultural production strongly to the tourism sector
- Wales should see its competition and possible role models as the smaller wine industries found around the world, such as Tasmania and Nova Scotia, although there is still much that can be learnt from industries in NZ and South Africa etc
- Wales is a niche producer and so needs to adopt the industry positioning and strategy as such. This involves focusing on its quality, industry identity/narrative and high price at the POS as a positive, and not a disadvantage

²⁶ Industry feedback

The need for ongoing activity in the areas of quality improvement and varietal development is a key task for the future.

3.4 Product Innovation

3.4.1 Quality & Industry Image

'Quality must be the forefront of innovation' was stated by many of the more skilled and trained wine producers in our interviews.

Improving the level of skill and knowledge amongst wine producers in Wales will of course aid this (innovation). Some of the larger facilities are able to act on trends in the industry, for example, the production of 'orange wine'.

The majority of vineyard owners, however, emphasised that there is a more basic challenge to be met: to be of a consistent quality in order to maintain consumer interest in the product.

"Newcomers need to be careful; we must concentrate on quality to ensure the product is aesthetically desired to attract more customers and tourists. If the wine is not good, there will be no repeat custom"

"A lot of Welsh wines are blended, therefore these are already unique and innovative to the industry"

Ensuring the link between the primary producer and wine maker is essential to bring authenticity and provenance of the Welsh product.

It is a common opinion amongst the numerous small vineyards with minimal infrastructure that key to the future development of the sector is to innovate the product, ensuring that different styles and production techniques are used to make a (unique) product. This requires knowledge and expertise, which could eventually be provided by educational and R&D bodies in Wales, offering specialist viticulture courses.

3.4.2 Sustainability

Sustainability was a common focus area for vineyard owners/proprietors, as a driver for both innovation and addressing environmental concerns²⁷. Some Welsh vineyard owners have been looking into the use of paper bottles and canning wine,

Others have been looking at the opportunity to develop organic wine for which there is a growing niche market in both Wales itself and the rest of the UK.

There is also interest in the utilisation of both water and solar power, which could provide innovative solutions to making the industry more efficient, as well as selling into markets where consumers are increasingly concerned with environmental benefits of the product - and how it is produced.

3.4.3 Consumer Trends

Being more pro-active and aware of consumer and market trends is also a way of ensuring innovation in the sector. Lower alcohol wine, vegan and organic production are just a few of

²⁷ Promar based on 19 vineyard interviews

the trends that have shown to be popular in the last 5 years, with some Welsh vineyards already taking this into consideration within their current and forward business plans.

“Better marketing is key to stimulate demand, and more R&D is needed into production and varietal development”

3.4.4 Varietal Development & Marketing

Some of the wine varieties grown in Wales are not that familiar to the consumer, and often are not shown on the label of the product. It would be beneficial for the varieties grown to become more recognisable through marketing these on the bottle. Some other initiatives mentioned included encouraging Welsh wine producers to enter their products into award competitions (e.g. Wine GB Awards).

3.5 Development of a Welsh Brand

3.5.1 The Brand

There is currently no strong USP for Welsh wine, other than that of the fact the industry is made up of, in effect, a collection of individual, unique small businesses. An overarching Welsh industry brand would be beneficial to the industry, although still retaining some individual element of each vineyard, so as not to lose the much valued/important regional identity.

Our research interviews revealed that vineyard owners believed they should be able to promote the “Welshness” of the product, but seemed far less sure as to how this might be funded, especially if this involved a degree of certification. There were also some concerns raised regarding the quality of the wine, including worries that a lower grade wine could be labelled as “Welsh”, without strict quality control and certification in place.

Utilising a Welsh brand would enable all those within the sector to benefit from a stronger identity across Wales, and into the rest of the UK. If a clear framework was developed detailing the requirements to make use of a Welsh wine brand, then it also has the potential to save vineyards spending perceived additional money on gaining other certifications such as PDO/PGI. This in particular would benefit smaller vineyards and new entrants, who can struggle to gain an adequate return on investment in the first few years of operation.

Developing an overarching brand for wine in Wales would also help to promote and build reputation within the tourism aspect of the vineyard businesses.

“Each vineyard in Wales has the selling point that they are unique small businesses, an overarching general Welsh brand could be useful in categorising these”

The future USP of Welsh wine may at some stage include sub regional promotion of the products. Regionalisation could eventually help create competition amongst the Welsh regions, however it would be necessary to develop a “Wine of Wales” image first. Not least, none of the regions has the critical mass/resources, at this stage, to develop their own identity.

The first job is to get a better recognition and appreciation of Welsh wine in the first place, rather than developing numerous sub brands. The Welsh industry just isn't big enough to do this - yet.

There is no appetite in Wales to be depicted as an “add on” to the English wine sector.

"It's where the wine grapes are grown that is the key to the originality and uniqueness of the product– not where it is processed"

3.5.2 Certification & Provenance

Certification and methods of production can also provide part of a USP, including organic and bio dynamic production. Wales could though at this stage of the industry's development look to embrace the variety of Welsh production that exists. It should focus on the quality of its production, not the specific type of production. The specialisation of production, along with the regionality of production can follow later.

Consumers are also increasingly aware and concerned with both where their food and drink products come from and how they are produced. Showcasing Welsh (wine) products that can be grown and produced in Wales to a high-quality standard would be appealing to the local and 'foodie' consumer who values this type of provenance.

The opportunity exists to take this perception of Welsh provenance and build an association based on the high quality of Welsh wines.

3.6 Relevance of PDO/PGI Status

The question of the use of PDO and PGI designations has produced mixed views in the Welsh wine sector in the past few years. Some believe this was not as important as other standards (e.g. organic and biodynamically produced). Other producers were not yet producing enough grapes and use a % of English grapes to make up the batch for pressing.

Based on informal feedback via our research process, consumers were often found to be quite nonchalant in regard to the fact that (Welsh) wine is pressed in England. Vineyards often reported that consumers still perceived the wine as being Welsh.

Most vineyard owners agreed that being PDO/PGI certified was not a USP, as most consumers do not understand the full/real meaning of the accreditation. Therefore investment in future promotion and marketing is needed in order to increase consumer awareness of the GI scheme and its products, if Welsh wine is to reap the full benefits from achieving successful accreditation.

Overall, it was concluded that the "Welshness" and authenticity/provenance/heritage of the product was more important than an official PDO/PGI, not least, due to the current size and nature of the Welsh sector.

"The main factor to consumers is that the grapes are produced in Wales"

"Biodynamic accreditation and organic certification are more important"

"We have always done it, as the winery suggested it. However, we don't use this as a USP as consumers don't know what it means – this needs to be advertised to provide benefits"

The reality is that however passionately some in the sector believe that the future is organic or biodynamic, there are others who don't want to or whose local conditions do not allow them to grow grapes organically and/or who prefer the taste of conventionally produced wine.

However strongly some vineyards feel about PDO/PGI accreditation, there are others who do not and those whose biodynamic principles preclude them from making qualifying wines, or whose situation requires them (permanently or temporarily/strategically) to produce wines which do not qualify.

It is for this reason we believe that a forward strategy for the Welsh wine sector should include all forms of production and available accreditation schemes, and a strength should be made of the diversity of production.

3.7 The Role of the Welsh Government, Industry & the Wine SIG

The role of the WG and the Welsh Wine SIG group has an important influence on the future of the sector.

3.7.1 The Role of the WG

There are frustrations regarding the ability of vineyards to access to WG funding, and the clarification as to whether vineyards fall under an agriculture or tourism classification.

Welsh vineyard owners also believe though there are still barriers in place, particularly at council level, when establishing new plans to boost their business (e.g. the struggle to receive a brown “tourism” sign to depict there is a tourism/vineyard offer nearby).

By understanding the type of help available would support vineyard owners who are keen to grow their business but are often unsure exactly how this could be possible. This could be another key role for Wine SIG.

With regards to the barriers faced at local council level, it is believed these arise because of lack of understanding by the WG. Better and clearer support from the WG and at council level around planning issues, in particular, would benefit the tourism sector, not just the actual production of vines.

In the extreme, the frustrations in advancing business plans meant some vineyard owners would even consider moving their business outside of Wales, if that meant more business friendly support was available elsewhere. Whether or not this would happen or not is not clear – but is probably not a risk worth taking.

The WG should consider providing a framework to the local authorities, which may increase understanding of the requirements of vineyards and wineries as a business, in terms of both vine production and tourism. Collaboration from all stakeholders would ensure the framework benefits the sector in the best way possible.

“A visitor experience alongside the wine comes hand in hand”

“Operating a very small winery on site would require minimal infrastructure, yet could prove invaluable to both the wine production and tourism aspects of the business”

“A winery can be a very simple design, a zinc clad, agricultural building that is well insulated and has draining floors is all that is needed.”

Long term assistance, once the industry has grown and production volumes increased, may be to support investment in additional pressing facilities within Wales. However as previously

mentioned, the logistics from some areas in Wales to other wineries in the UK, may still be more practical than a central facility within Wales - this would need careful consideration. A feasibility study to assess this issue should be considered.

The development of more bespoke pressing facilities in Wales, though, should be one of the mid to long term industry objectives.

It might be possible for vineyards if they were able to operate smaller wineries on site, both to develop a unique product and increase the tourism offer. However, the practicality of this is not as straight forward, with the majority of vineyards keen to look at alternative tourism options and maintain their existing relationships with English wineries for processing.

In terms of better information flow between the vineyard sector and the WG, it has to be, however, a two-way street. The SIG can help identify sources of finance and explain these to viticulture producers, as it can lead the way in other areas too. At the same time, the Welsh wine sector needs to come forward and take responsibility for its own development too.

Viticulture in Wales, in general, has not done well when it comes to funding and support available from the WG. Organisations such as Menter a Busnes could have the potential to aid in marketing/brand development. In addition, FC could support diversification for those seeking support to enter the sector for the first time.

This support is currently often difficult to access, as vineyards are not currently classed as agricultural holdings.

3.7.2 The SIG

In the last 12 months, it would appear that the SIG has come far more in to its own, as a result of the challenges presented by the COVID - 19 pandemic. There were numerous positive comments in our research that the SIG has been more engaged with vineyards and a great help with offerings, including access to information, connections to experts, funding for courses and informative webinars. These have particularly benefited those newer to the industry.

There is a need for the Wine SIG to remain proactive to ensure support is available in the appropriate areas, as well as acting on feedback from the members.

The SIG could lead on studies in the demand for future pressing facilities, the demand for a bespoke training facility in Wales for the wine sector and consumer research into the nature of the Welsh consumer.

R&D on varietal development and assistance with marketing to push online sales, in particular, were some of the more common areas mentioned where support would be appreciated. Technical support and education are also required to attract skilled and interested individuals to the sector in the future.

"There is a lack of Welsh wine marketing and PR - it could be more well known to consumers"

"There is a need for young people in the sector to help develop creative marketing ideas"

3.7.3 Welsh Wine Sector Bodies

The Welsh industry needs to work more collaboratively in the future. There are multiple organisations that take an interest in the operation and forward direction of the sector - these being the Wine SIG, Vineyards of Wales and the Welsh Vineyard Association.

Wine GB is the national UK trade association for vineyards and wine producers. It is organised into regions, of which Wales is one of seven. To become a member of Wine GB, a vineyard has to pay an annual fee which amounts, on average, to several hundred pounds per year. Even for a very small vineyard which has just under 1 hectare of vines, the fee paid in June 2020 was £174.

For larger vineyards, it can be very significantly higher.

It is not possible to join Wine GB as a Welsh vineyard without simultaneously joining WVA, and it is not possible to join WVA independently of Wine GB – the constitution of Wine GB doesn't allow it.

There is also a widespread belief that the focus of Wine GB is very much on the interests of large English vineyards.

Vineyards of Wales is not per se a trade association. It has a website which lists (nationally and by region) and maps the vineyards in Wales, with details and pictures supplied by the vineyards. The listings orders are changed on a weekly basis so that every vineyard is given equal prominence over time.

Listings are regularly updated as vineyards supply new information and pictures. There is no cost to be included, and the site ranks high on the first results page for Google searches for "Welsh vineyards" or "vineyards in Wales" etc and as such is a good way of driving extra traffic to individual vineyard websites.

It has a dedicated Welsh wine sales page, offering routes to mixed cases of Welsh wine for consumers. It also has an active social media presence across Facebook, Instagram and Twitter sharing content from Welsh vineyards. These are administered by different individual members of the Vineyards of Wales community.

For such a small sector though, there should be a more streamlined approach going forward with one organisation leading the way. The Wine SIG is better resourced than the two Welsh industry associations and has a stronger and more direct access to the WG infrastructure. It could take the lead role in this respect.

Both industry associations, despite their efforts to date, lack the resource and access to finance to address the wide range of issues that need to be tackled if a vibrant Welsh wine and associated tourism sector, is to be developed.

3.7.4 The Role of the Vineyards

The role of the Welsh vineyard and tourism sector is similar, in part to the position and focus of both the WG and Wine SIG. Vineyard owners believe their role is about driving the sector forward, as much as driving their own business forward. There are a lot of passionate owners/proprietors in the sector who want to do this.

In order to strengthen this focus, there is a need for an overarching strategy for the sector. This would ensure that all vineyards and associated tourism offers have a clearer direction as to what they are trying to achieve (as an industry) in the next 3/5 - 10 years and beyond.

Some current owners are close to retirement, but they are looking to ensure they can pass on experience, knowledge and the vineyard to relevant individuals²⁸. As such, there is a need to have a programme to attract new market entrants into the sector and engage in some form of succession planning activity and for the older vineyard owners to share their knowledge, expertise and skills.

"We want to work with the Wine SIG and be a beacon to show what can be done in the sector – promoting the tourism element as well as developing our vineyard"

"I want to use my facilities to make Welsh wine more visible"

"We're pioneering, especially in North Wales, this puts us in a role to advise others"

"We need to promote, market, defend and develop the wine producers' community"

"I listen to what others have to say and have business acumen to share. I could be a mentor, I could teach others with my expertise and they can also learn from my mistakes"

This is quite an ambitious agenda, but one that needs to be grasped if the sector is to fulfil its potential over the next 5 – 10 years.

More details of the specific roles of each part of the Welsh viticulture supply chain is set out in Section 7.2 (where we set out our key recommendations).

²⁸ Two vineyard operations in Monmouth, as an example, have recently merged

Section 4. International Case Studies

4.1 Introduction

We have set out in this section a number of case studies²⁹ of other wine producing countries in order to give an indication of:

- the scale and growth of the sector – not least, in terms of production and employment
- the role of tourism within this
- what markets do they typically operate in
- how the industry is organised
- what the role of government has been in the industry's development
- what might be the "transferable lessons" for Wales

The Welsh industry is still at an almost developmental stage. We believe that there are at least some "transferable lessons" from all of these case studies. To compare the Welsh industry with the large scale industries in NZ or South Africa may seem fanciful, but they all had to start somewhere and so we feel the lessons that can be learnt are still valid.

This being said, comparing the Welsh wine sector to other regions such as Nova Scotia and Tasmania, who have small scale industries, but have developed a niche position might be as valid and important as any.

We have also provided some comments on the development of the English wine sector although there is a strong sense in Wales that the industry should look and feel different from the one in England.

²⁹ These covered the English, Tasmanian, NZ, SA and Nova Scotian industries. They were carried out using desk research from robust industry sources of information. In particular, the wine sectors in NZ and SA are especially well documented. We also carried out follow up telephone based interviews with key organisations and had input too, from our wine industry expert who has travelled to all these countries in the past

4.2 South Africa

4.2.1 Scale & Growth of Industry

South Africa is the 7th largest wine producer in the world, as shown in the diagram below.



Source: The Drinks Business

In 2019, in South Africa (SA), there were some 1.25 million tonnes of grapes crushed for the production of wine. At a national level, the wine industry contributed the equivalent of £2.6 billion to SA's Gross Domestic Product (GDP).

There has, however, been a consistent decline in wine production in SA since 2013, with a Compound Annual Growth Rate (CAGR) of - 3% between 2013 - 2019. There has been a greater decline in red wine varieties, with a CAGR of - 4.3% versus - 2.4% in white wine varieties.

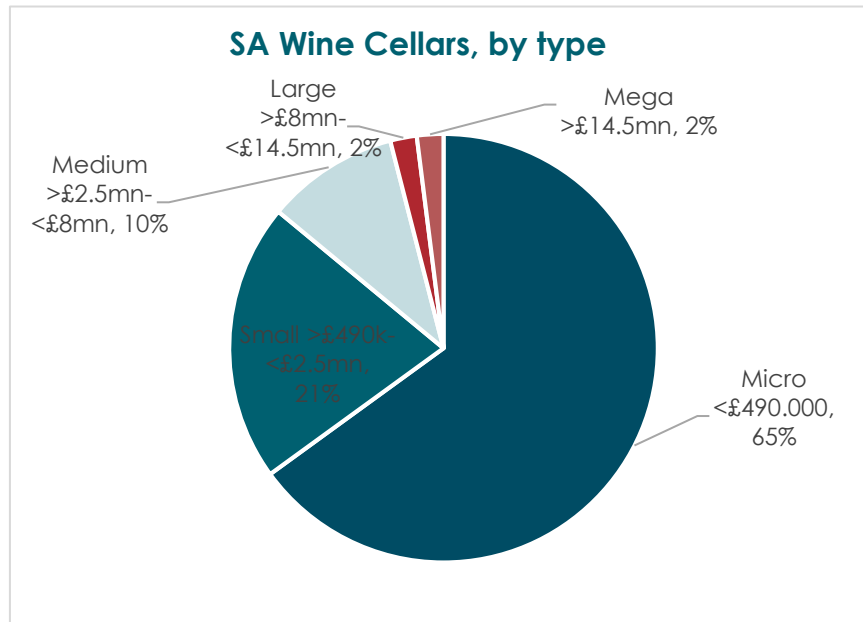
Despite this decline over the last 6 years, industry GDP is still significantly higher than in 2009, when the contribution was equivalent to £1.28 billion.

In 2019, there were some 2,700 primary SA grape growers, which was c. 540 fewer than in 2013 and 1,060 fewer than 2009. As many primary grape producers in SA are relatively small-scale, they have often been unable to sustain themselves following years of unprofitable harvests. This is a major factor in the overall decline in numbers. However, in 2020, it was estimated that South African production would return to its more normal level, after several years of drought and smaller harvests.

As well as the issue of declining primary growers, the SA wine industry is also facing a new risk that there may be significant shortages of certain grape varieties over the coming years. This is due to more than half of the vines in 2019 being past their optimal fruit bearing age. The optimal fruit bearing age is between 4 - 12 years. In 2019, some 50% of the total vineyard hectareage was 16 years or older. In 2013, there was some 38% of the total ha that were 16 years or older.

Primary grape growers in SA do not typically press the grapes, but sell them on to so called "wine cellars". There were c. 530 wine cellars crushing grapes in 2019. Wine cellar numbers were stable between 2013 - 2016, but since then, they have also started to decline, with c. 30 less in 2019 than 2013.

These can be split according to size: micro, small, medium, large and "mega". Medium wine cellars provided the largest overall contribution to the wine tourism industry in 2019.

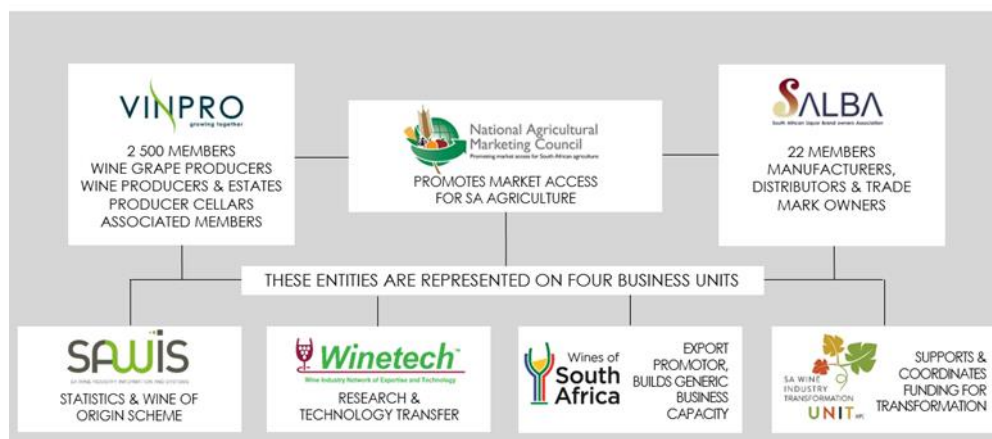


Source: Vinpro

4.2.2 The Organisational Structure of The SA Wine Industry

The SA wine organisational structure is made up of three entities with four business units operating under them as seen below.

SA WINE INDUSTRY STRUCTURE



Source: Vinpro

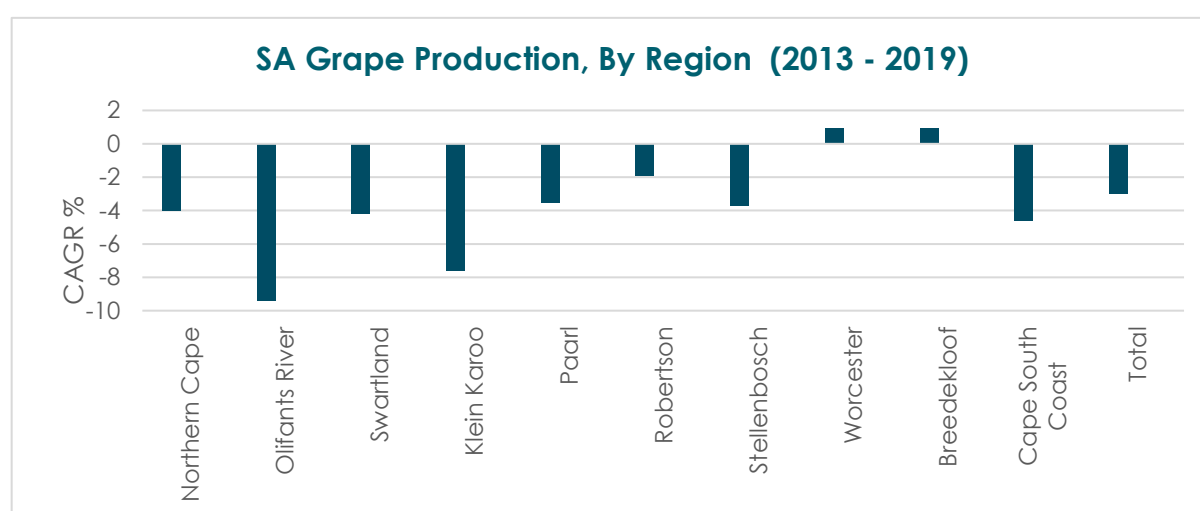
These industry organisations (Vinpro, SALBA, SAWIS, WOSA, Winetech and SAWITU) combined to set up the Wine Industry Strategic Exercise (WISE) in 2014. This was to set the industry's own targets and support the industry's contribution towards South Africa's National Development Plan and Sustainable Development Goals (SGs).

The SA wine and tourism is well documented in terms of:

- production trends
- market and employment data
- the link between viticulture and tourism per se

4.2.3 Regionality of Production

In 2019, there were 92,066 ha of vineyards in Western and Northern Cape, with 23 vineyards named on the South African “wine routes” map, with some 15 of these within 200 km of Cape Town. The highest proportion of vineyards in the region of Stellenbosch. Nearly all major SA regions of grape production have seen a decline in production from 2013.



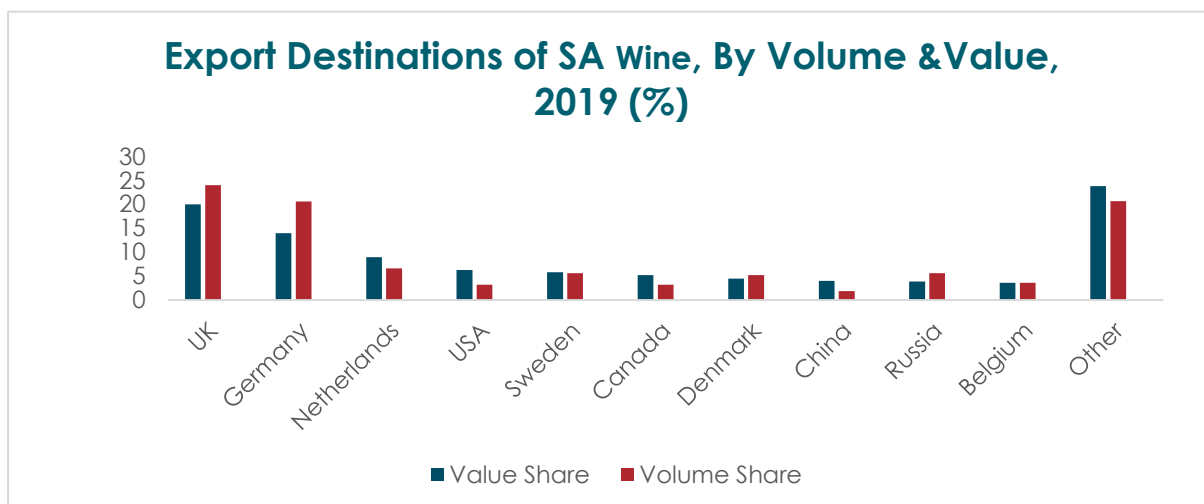
Source: SAWIS

4.2.4 Markets

In 2019, wine only contributed to 9% of the total alcohol consumption in SA (the domestic market is dominated by beer). Many wine cellars only supply the domestic market, so with the wine harvest and sales declining, this contributed to pressure on SA cellars to consider consolidation or developing a wider customer basis.

There has also been a sharp decrease in SA exports since 2017. In 2019, some 320 million litres of SA wine were exported, which was 24% less than 2018. Most wine in South Africa is exported in bulk. Bulk wine accounts for 55% of SA exports. The aim of the WISE programme is to reach a target of 60% for bottled wine, as opposed to bulk by 2025, to capitalise on the higher added value of this.

The top three export destinations for SA wine are the UK, Germany and the Netherlands. Other important export markets include other EU countries, the US and Canada, which make up most of the rest of SA exports.



Source: Wines of South Africa

The most important African market for SA exports is Kenya. Overall though, there is limited intra African trade to date. It is felt though, that there are opportunities for better market penetration in other regional/African markets per se in the future.

The SA wine industry has also identified China, the US, Kenya, Tanzania and Zambia as areas for strategic growth in exports.

4.2.5 The Impact of COVID - 19

COVID – 19 has severely impacted on the SA wine industry. While the full extent of the impact is not yet fully known, preliminary research suggests the restrictions on domestic sales and exports of alcoholic drinks resulted in the estimated loss in wine sales of the equivalent of £395 million in the first ban and £39 million in the second, with some 21,000 jobs lost in the first ban and just under 6,000 jobs lost in the second. Source: SAWIS

4.2.6 Employment

In 2019, SA's wine industry's operations supported a total of 269,100 jobs which is equivalent to 1.6% of the country's total employment (considering both informal and formal employment). There were 80,175 people directly employed (farming and processing) in the SA wine sector.

Therefore, out of the 269,100 there are some 188,925 people employed in the wider aspects in the wine industry, including the financial/business sectors and other community services.

The total number of jobs in SA accounted for by the wine industry has varied over the last 10 years, with an increase from 275,600 in 2009 to 289,200 in 2013. Since 2013, however, the number has dropped by about 7%.

The decline can be seen most in the indirect employment and induced employment (i.e. hired labour spending income to use local services (e.g. car mechanics). There has been a drop in induced employment from decreased local procurement and pressure on household income.

However, there has been an increase in direct employment by about 17,730 This would include some tourism.

The wine tourism industry in SA provides a total of some 36,400 employment opportunities (direct, indirect and induced employment). There are c. 5,800 people employed permanently on a direct basis in the wine tourism industry, with 4,415 casual employees in the peak season and a further 2,655 in the off season.

The number of people employed in wine tourism has grown over the last 10 years. Some 28,357 were employed in this sector in 2009.

4.2.7 The Role of Tourism

The role of the tourism in the SA wine industry has both a direct and indirect economic value.

The direct contribution of South African wine tourism in 2019 to GDP was the equivalent of some £115 million, with the combination of direct, indirect and induced (spending of those employed in liquor industry) contribution of a total of £345 million.

The WISE programme goal is to reach a contribution of the equivalent of £720 million by 2025.

In 2019, the tourism industry, as a whole, received 10.2 million foreign arrivals into SA. Between 2013 to 2019, there has been an annual growth rate of 2.2% in the number of foreign arrivals the South African tourism industry has received.

However, since COVID-19, wine tourism has ground to a standstill, with virtually no international visitors and only limited local travel.

The tourist “options” provided at wine cellars typically include:

- cellar door/tasting rooms
- restaurants, conference and event venues
- wine tours and experiences
- accommodation and wedding chapels

88% of the wine tourism industry made up of 4 main activities; wine tasting, overnight accommodation, food & beverage and conferences & events.

There is a difference between primary growers and wine cellars that crush grapes, in terms of tourism. Typically, primary growers do not provide any tourism outlets, but the wine cellars that crush the grapes do. Tourism contributes 14.7% to the total turnover on average for wine cellars that crush grapes.

However micro wine cellars, those that turnover less than SAR 10 million (£479,000) are much more dependent on tourism, with it contributing to 41.3% total turnover on average.

In the region between Cape Town and around Stellenbosch c. 60% of the total wine industry turnover is from tourism.

4.2.8 Future Developments in The SA Wine Sector

The wine industry is an important element of the support required to meet SA's commitments to both the Sustainable Development Goals (SDGs) and the National Development Plan.

The WISE programme looks to improve local wine sales up to 450 million litres in 2025 from the 350 million litre baseline from 2015, as well as having 100% of wine from SA as being ethically accredited. Currently in 2019, this sits at 61%.

Another very important goal is to increase black African owned land and water resources from 3% in 2019 to 20% by 2025.

The SA wine industry works closely with the Confronting Climate Change Initiative, the Fairtrade organisation and has a Sustainable Wine SA seal. All of this activity is to work to make the industry more sustainable in the future from a socio economic, political and climatic point of view.

4.3 New Zealand

4.3.1 History & Overview

Vine growing in New Zealand (NZ) was originally established towards the early part of 19th century, however, growth was hampered by a combination of vine diseases and the prohibitionist movement.

The industry re-emerged strongly during the Second World War, when duties were raised on imported wines, stimulating growth in domestic production. Production was dominated by North American vines and hybrid varieties, which cropped well, but generally produced wine of inferior quality to other the internationally recognised wine grape varieties.

The 1970s to 1990s saw the rise of crossing varietal Muller Thurgau as the dominant grape, producing slightly sweet, wines which were popular in their time.

Quality wine production in NZ took off with the introduction of "international" *Vitis Vinifera* grape varieties from the 2000's onwards, with the industry now boasting a strong domestic and export market.

The success of the wine industry in NZ was underpinned by their ability to transition from hybrid/crossing varieties to international varieties, paving the way for the development of otherwise untapped export markets. At the heart of this growth, was the emergence of *Sauvignon Blanc* as the nation's signature variety.

4.3.2 Scale & Growth of industry

30 years ago, there were 100 wineries in NZ - there are now close to 700.

The NZ wine industry celebrated the 200th anniversary of their first grape vine planting in 2020. Last year, the NZ harvest season yielded 457,000 tonnes of grapes from 39,935 ha of vineyards. The industry, having been first commercialised in the early 1960s, but only began to show large scale growth from 1975.

This resulted in a switch from Armagnac (distilled wine) production to the industry's current focus, Sauvignon Blanc.

The main grape varieties in NZ are:

- **White** – Sauvignon Blanc, Chardonnay, Riesling, Pinot Gris/Grigio, Gewurztraminer
- **Red** – Pinot Noir, Cabernet Sauvignon, Syrah, Merlot

NZ wine still, however, only accounts for 1% of total global production and has a 3% global market share. The focus on white wine varieties has resulted in a rapidly increasing export volume over the past 10 years.

In 2020, total export sales equalled the equivalent of some £989 million and domestic sales of £257 million. The COVID -19 pandemic damaged NZ wine tourism income in 2020, although in the 2018 -19, some 775,000 tourists visited vineyards across the country.

This provided an additional income of some £1.7 billion to the NZ economy.



Source: NZ Wine 2020 Annual Report

4.3.3 Industry Development

NZ viticulture and wine production is supported by NZ Wine (NZW) - a voluntary levy board. They support 717 wineries and c. 700 growers across the country. Whilst the number of wineries has remained relatively similar over the past 10 years, the number of growers has decreased from 853 to 694.

This consolidation is being driven by smaller growers leaving the industry or retiring and their land being absorbed into medium size vineyard enterprises. These winery and viticulture businesses are primarily domestically owned, however, 34% are owned by foreign investors, primarily US investment firms.

There is a growing trend for sheep farmers in NZ to diversify and lease out their lowland areas to viticulture enterprises. Generally, they reduce their flock size to a number suitable to graze upland areas of their farms, leaving the lower lying areas to be converted for grape production.

4.3.4 Employment & Sustainability

As of 2017, the NZ wine industry provided approximately 20,000 full time jobs, 46% of which are held by women. The seasonal aspect of many of these roles, especially harvesting, is offset by the wine tourism industry being an all year round based activity.

NZW also financially supports numerous schemes to promote gender equality, as well as bring more young people into the industry. A levy funded "NZ Women in Wine" advocacy group promotes networking and career opportunities for women in the sector.

The Young Viticulturalist and Winemaker of the Year are annual competitions designed to promote young producers (under 35) in the country.

As of 2020, NZW also utilised government funding to launch their Apprentice Boost scheme. This allows wine industry employers to claim the equivalent of some £6,000 for each apprentice employed in the first year and £3,000 in the second. This runs in conjunction with a general horticultural apprentice scheme, encouraging young people into the industry.

Despite progressive social sustainability initiatives, NZW has, in the past, been accused of not acting sufficiently enough to enhance environmental sustainability. In 2018, Wellington University conducted a survey of 500 wineries, asking about their plans to adapt to and mitigate against climate change. 63% of respondents had no plans to adapt to the changes they were experiencing. The most common reasons behind this were lack of data and the cost of environmental improvements.

As a result, in 2019, NZW hired their first Sustainability General Manager, as well as restructuring their Environment Division.

The NZ wine industry has also launched the "Sustainable Wine Growing New Zealand" scorecard system, in an effort to benchmark the industries environmental impacts. Since 2018, they have also used levies to fund the Bragato Institute as their in-house research unit, aiming at 6 key research priorities: quality, sustainability, climate change, diversification, biosecurity and viticulture extension.

Developing from this, the NZ industry has also set a target to be carbon neutral by 2050, along with commencing carbon foot printing.

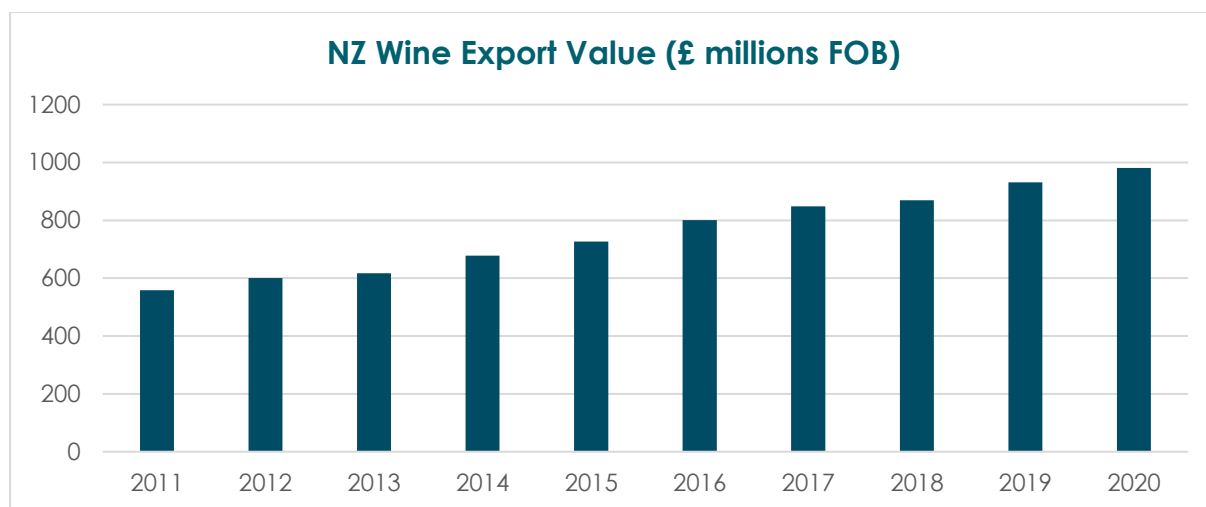
4.3.5 Markets

As well as progressing sustainability-based work, NZW also helps to promote NZ wine in international markets.

The US, the UK and Australia are all leading export markets for the NZ wine industry and between them, accounted for 75% of NZ wine exports, by value in 2020. This equated to £737 million in terms of export value. In September 2019, the NZW group hosted marketing events in San Francisco, Toronto and New York in a bid to showcase the country's sustainable wine production methods. A lot of the marketing emphasis is also put on New Zealand's organic wine offering, with a similar event in the UK, allowing guests to sample almost 100 of the country's organic wines.

As well as generic marketing on behalf of the wineries, NZW also offers short webinar courses on international trade and marketing for its members. This allows wineries the opportunity to

learn how to directly market themselves to tourists via social media, as well as building export market business themselves.



Source: NZ Wine 2020 Annual Report

NZW has developed a clear identity for themselves focused on international grape varieties and consumer friendly wine styles. They have a strong regional focus, communicating the styles and varieties favoured in each NZ region and their USP's. Exports were originally led by "halo" brands, such as Cloudy Bay, which paved the way for the rest of the industry.

Growers and the industry as a whole in NZ have worked well to avoid falling into the trap of over supply (unlike Australia) and have kept the average bottle price high, compared to other international competitors.

4.3.6 Wine Tourism Examples

A number of good wine tourism examples from NZ include:

- Cellar door facilities offering tastings, dining experiences, accommodation. Amongst the best examples include:
 - [Te Kano](#), Central Otago
 - [Amisfield](#), Central Otago
- Wine tours
 - [Helicopter Wine Tours](#) (with Richie McCaw), Christchurch
 - [Bubbly Grape Wine Tours](#), Marlborough
 - [Hop n Grape Wine and Beer Tour](#), Marlborough

4.3.7 The Future Development of the NZ Wine Sector

Sauvignon Blanc exports comprise c. 88% of total NZ wine export volume. *Pinot Noir* and *Pinot Gris* export volumes come in at 2nd and 3rd, comprising 3% each of total export volumes respectively. This quite narrow selection of wine types is exported to 3 main markets: the US, the UK and Australia.

In-turn, viticulture enterprises provide a valuable agri-tourism asset to the country's economy.

In the same way that they shifted away from *Armagnac* to *Sauvignon* in the 1970s, the NZ wine sector has now set its sights on becoming the world leader in sustainable wine production.

Their production, R&D efforts and marketing are industry-led, but supported by the NZ Government in the form of the development of free trade agreements.

For example, the "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)" reduced export tariffs for NZ wine into Canada and Japan, their 4th and 10th largest export markets respectively.

Alongside this, communication between the NZ wine industry and the Government is high in key areas, such as employment, trade, biosecurity and climate change.

Using the emphasis on adaptability and by working closely with the Government, NZW aims to overcome the tourism challenges brought by COVID-19 and also build on the additional export potential they believe exists in Canada, China and Continental Europe.

4.4 Nova Scotia

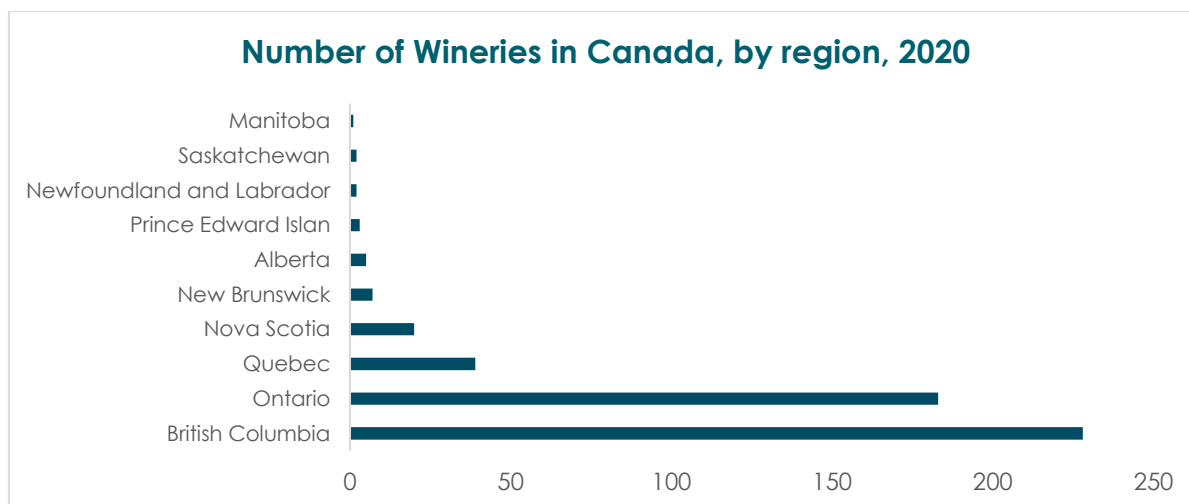
4.4.1 Scale & Growth of Industry

The very first vineyard was planted in Nova Scotia in 1611 by a French settler and since then, the industry has developed from private vineyards to commercial enterprises.

There is currently c. 90 grape growers, that work over 850 acres of vineyards in both an urban and rural setting. This has grown from 658 acres in 2011 and is likely to double over the next few years.

There are 70 different grape varieties, with over 18 wineries located in 7 wine regions. The province produces more than 1.75 million litres of wine annually.

Nova Scotia is only Canada's 4th largest wine producing region. The Canadian wine industry market value is equivalent to £5 billion per annum - with Nova Scotia bringing an economic impact of £126 million.



Source: Statista

4.4.2 The Organisational Structure of The NS Wine Industry

In 2002, the Winery Association of Nova Scotia was formed to build awareness of the Wines of Nova Scotia brand and work with the Government to grow the industry.

In 2020, this organisation was rebranded to Wine Growers Nova Scotia (WGNS) so that it aligned with Wine Growers Canada and other wine regions across the country.

The WGNS represents local farmers and vintners across the Nova Scotia wine industry, with 15 members. In Nova Scotia, about 50% of the grape acreage is held by the growers.

The Grape Growers' Association of Nova Scotia was established in 1982. It has been instrumental in the growth of grape production and the wine industry. The association enables education, training and research so that the best quality grapes are grown. There are over 100 members in the association. It is a founding member of the Canadian Grapevine Certification Network, which ensures grapevine material quality across Canada.

4.4.3 The Regionality Of Production

The vinicultural climate in Nova Scotia is unique, by having the world's highest tides, a mixture of sandstone and slate and large bodies of water surrounding the vineyards, with all vineyards only 20 km from the ocean.

The average growing season temperature in Nova Scotia is between 13 - 15°C. In terms of production, 60% of all wine made is white or sparkling wine, whilst red wines only make up 23% of production.

4.4.4 Markets

A vineyard in Nova Scotia typically produces c. 10,000 cases annually, whereas in total in Canada, 20.6 million x 9 litre cases are sold.

Canadians consume some 247 million bottles of Canadian wine a year. Sales of NS wine are typically undertaken through channels such as: direct to customers; direct to trade; through liquor boards; and via exports.

There are two classifications for wine produced in NS. This can be geographically designated wine, which is 85% wine grown in NS and 15% from Canada or Tidal Bay designated wine which is from specific grape varieties that are all grown in NS. This label was officially launched in 2012.

The industry suffered from frost in 2018, Hurricane Dorian in 2019 and then 2020 brought both COVID – 19 and an end to the Emerging Wine Regions Policy.

The World Trade Organisation (WTO) called for an end to the Emerging Wine Regions Policy following a complaint from Australia, that NS were breaking international law. The Emerging Wine Regions Policy reduced the NS liquor mark up from 100% to 43% for emerging region wine.

This policy will now be phased out over 4 years to preserve Canada's trade relationship with Australia.

4.4.5 Employment

In 2011, there were 854 people employed in the NS wine industry, with over 930 now employed. These are a mixture of full time and seasonal workers that work in the following sectors: wineries; liquor board; restaurant; retail stores; vineyard; tourism; winery suppliers; trucking/warehousing; research/education/consulting.

Every acre of grapes planted in Nova Scotia is estimated to create one new job.

4.4.6 The Role of Tourism

Nova Scotia wineries receive c. 112,000 visitors a year. The revenue from tourism is now equivalent to £25 million. Back in 2011, it was just £8 million. Other regions in Canada that are competitors to NS for tourism are British Columbia, Ontario and Quebec wineries, as well as California, France, Australia and New Zealand.

4.4.7 Training & Other Support for Development

The Nova Scotia Community College (Kingston based in Kentville) offers both introductory and intermediate grape growing courses.

The Vineyard Development and Expansion Program, 2019 - 2020 was a provincially funded programme that aimed to assist the NS wine grape industry by supporting increased production, enhancing competitiveness and capturing new markets.

If the required criteria were met for this, 50% financial assistance was offered for removal of existing vines and replanting.

4.5 England

4.5.1 History & Overview

There is some evidence of wine growing in the UK dating back to Roman times. The industry, however, is widely considered to have been established in Norman times at the beginning of the 11th century, when William the Conqueror introduced French Abbots and their monks who brought with them wine growing knowledge.

The Domesday Book records vineyards in 42 separate locations within Somerset, Gloucestershire, Herefordshire and Worcestershire all reportedly under vine. Over the next 600 years, vine growing in England gradually declined. It was almost non-existent until the industry experienced a revival in the 1950's.

There were significant new plantings from 1970's to 1990's and further and more substantial growth in recent times, with England's vineyard area more than doubling over the last 10 years - and quadrupling since 2000.

The early stages of England's vine growing revival focused on hybrid grapes and crossings which are well suited to cool climate production. These grapes tend to be resistant to disease and early ripening, ideal for cool climate production.

In recent years, plantings of international varieties have increased, particularly Champagne grapes; Chardonnay, Pinot Noir and Pinot Meunier. England has now established a widespread reputation for traditional method sparkling wine.

4.5.2 Top Producers

These include as follows:

- **well established:** Nye Timber, Gisborne, Ridgeview, Chapel Down
- **second wave:** Hattingly Valley, Wisden, Rathfinney, Exton Park, Hambledon
- **champagne growers:** Domaine Evermond, Kent (owned by Tatinger Champagne/Hatch Mansfield), Louis Pommery, Hampshire (owned by Pommery)

4.5.3 Factors for Growth

There are a number of factors that have helped develop the English wine sector over the last few years. These include:

- **knowledge** - viticultural and winemaking courses have been established at Plumpton College, with its wine research facility opened in 2014. Plumpton is renowned within the UK and beyond as a centre of excellence in regard to wine education
- **increasing investment** - there has been an increase in investment into the industry, particularly in the last 20 years
- **climate change** - the climate in the UK has undoubtedly become warmer over the last 10 years, aiding the production of quality wine and helping to increase yields. This has led to a more economically viable (and investable) industry

4.5.4 Wine Tourism

There are a number of good examples of wine tourism across England, these being:

- Regional collaborations
 - [Wine Garden of England](#) - Kent

- Cellar door facilities offering tastings, dining experiences, accommodation. The best examples include:
 - [The Nest](#) - Gusbourne (cellar door/vineyard tours)
 - [Tillingham](#) (cellar door, vineyard tours, accommodation)
 - [Hush Heath](#) (cellar door, vineyard tours, walks, accommodation, pubs)
 - [Denbies](#) (cellar door, vineyard tours, weddings, accommodation)

4.5.5 The Future

The increase in quality and quantity produced has enhanced the commerciality of English wine. The industry can now boast a growing domestic and export market. There are signs that production is beginning to outstrip demand, so the industry may face challenges in the coming years of oversupply.

Much of the current/future plantings are taking place in Essex/East Anglia. There is set to be an increase in grapes destined for Charmat method sparkling wine and still wine production.

There are ongoing R&D projects taking place to look at how yields can be increased in the future. This is to help to bring down costs of production, without effecting quality. There are also studies looking into suitability different grape varieties for still wine production, particularly as the climate continues to warm.

International varieties, such as *Chardonnay*, *Pinot Noir* and *Pinot Meunier* are expected to continue to grow in production. There may also be an increase in *Pinot Gris*, *Pinot Blanc*, *Riesling* and *Albarino*, as well as the well-established hybrid variety, *Bacchus*.

4.6 Tasmania

4.6.1 History & Overview

The Tasmanian wine industry dates back to the early 19th century with the first recorded vineyard planted in 1823 and Australia's first sparkling wine produced in 1826. Commercial and sustainable wine production started much later, from the 1950's onwards.

Located at a more southerly latitude to the rest of Australia's wine regions, Tasmania is considered a cool climate for grape growing, in the context of antipodean production.

In global terms, however, it can be described as a moderate, maritime climate - particularly of late, as the climate has warmed markedly. Production is dominated by international grape varieties, which are commercially attractive both domestically and for export markets.

Tasmania is particularly well known for producing high quality sparkling wine and can be considered amongst the top producers of high-quality sparkling wine in the 'new world'.

Production has grown dramatically over the last forty years. In 1987, there were 47 ha under vine, by 2003 that figure had grown to 800 ha and today there are over 2,000 ha under vine.

4.6.2 Top Producers

These include as follows:

- [Janz](#) - one of the pioneering producers to first put Tasmania on the map as a quality wine producing region.
- [Dalrymple Vineyards](#) - top quality Pinot Noir Dalrymple
- [Tamar Ridge](#)
- [Devil's Corner](#)

4.6.3 Main Grape Varieties

These include as follows:

- **White** – Sauvignon Blanc, Chardonnay, Riesling
- **Red** – Pinot Noir, Cabernet Sauvignon, Merlot (mostly Pinot Noir as suited to cool climate and sparkling production)

4.6.4 Factors for Growth

These include as follows:

➤ Pioneering Producers

Growth in the industry was led by pioneering producers, such as Janz, who proved that quality production was possible in Tasmania. This is common in cooler/marginal climates where the first producers provide the “leg work” and proof of viability before further investment and growth moves the market forward.

➤ Knowledge/Government Support

This includes as follows:

- TastTafe – wine industry operation courses
- access to huge programme of winemaking and viticultural courses on the Australian mainland
- Vineyards Association of Tasmania - this was founded in 1973 but disbanded in 2006/7 – they introduced the now disbanded TAO (Tasmanian Appellation of Origin) in 1986
- Wine Tasmania - a forward thinking and well-funded industry body representing the interests of the Tasmanian wine industry

➤ Image

Tasmania has a clear identity focusing on international grape varieties and consumer friendly wine styles.

There is a strong 'cool climate' movement in Australia, as the consumer focus has shifted towards, fresher styles with lower alcohol. Tasmania is at the heart of this movement, alongside Adelaide Hills and Mornington Peninsula.

4.6.5 Wine Tourism

Tasmania has a range of "cellar door" facilities offering tastings, dining experiences, accommodation.

The best examples include:

- [Clover Hill](#) – panoramic flights, tasting experiences, local produce experiences
- [Devil's Corner](#)
- [Wine Trails](#)
- [Bespoke Varietal Trails](#)
- [Visit Tasmania Wine Guide](#)

4.7 Transferable Lessons for Wales

We have provided a number of case studies in this report of the development of the wine sector and the associated tourism industry.

These were chosen to reflect a number of different types of industries. SA and NZ can be deemed to be world class in their own right and operate at large scale. NS and Tasmania are at the opposite end of the spectrum. They are much smaller in terms of overall size and so are more akin to the situation found in Wales.

The English industry is also relatively new but has grown rapidly especially in the last 10 - 15 years. All of these case studies, we believe, will provide some elements of "transferable lessons" for the Welsh industry.

Across all of them, though, there are a number of elements that they have in common in at least 2 - 3 cases and which might form a useful part of the learning/developmental curve that the Welsh industry will go up over the next 3 - 5/10 years.

Amongst the most important of these – are a combination of the following:

- there is an accepted link between the development of the wine sector and that of tourism related activity
- consolidation of the number of growers and wineries, is in the mid to long term, accepted as a fact of life
- viticulture is seen as part of a natural agricultural diversification process
- they look to sell strongly into their own local markets
- exports are seen as a longer-term objective

- international competition is welcomed to a certain extent
- external inward investment is seen as beneficial
- strong marketing is a key pillar upon which the industry is based – various models are used to develop this, but a combination of both national and regional imagery is possible over time
- the industries have developed strong trade associations etc. but in line with the scale of their sector
- government has provided some support at key stages of development, even if not direct funding
- there is often help for new entrants
- sustainability is seen as being a key attribute for the future
- the provenance of the production and supply base is seen as being key to success
- the focus is on the quality of the wine produced - although this is all relative, to some extent
- R & D is required for varietal development and associated training efforts
- small scale producers can operate in a collaborative supply chain

Not all these transferable lessons will apply to Wales, all of the time, and some might prove to be more important than others over a period.

What is clear though is that the Welsh wine industry, while still relatively small, is not operating in isolation of the rest of the wine economy. There are and will be numerous lessons that can be learnt from the way these other wine and associated tourism sectors have developed over time.

Section 5. SWOT Analysis



5.1 Strengths

The (Welsh) identity of the industry is one of its key strengths.

The small scale nature of the sector can also be turned to a strength - in the way that NS, Tasmania and even the English wine sector appear to have – as an out and out niche producer.

Having a stronger brand identity will help create more of a unique selling point (USP) for the Welsh industry and its products. In addition, there is a strong loyalty to Welsh food and drink from the domestic population and from some tourists³⁰. These factors, help to justify (in part), the higher price points that Welsh wine has at the POS

There can still be more done here in the future though. Both vineyard owners and Welsh stakeholders spoken to as part of this research project, understand that Wales will never compete on a mass market basis like SA, Australia or NZ.

As such, Wales must focus on its quality, the uniqueness of their product and the “Welsh story” behind it.

The perception of the Welsh wine quality/price relationship has historically been somewhat mixed. There are still some barriers in terms of quality/price concerns from merchants outside Wales. However, some of the larger vineyards in Wales are gaining a reputation for producing higher quality wine³¹. This is evident through awards that larger vineyards have gained for their wines and the serving of Welsh wines at events, such as the NATO summit and the Ryder Cup.

³⁰ Based on feedback from our interviews

³¹ It should be noted that this is not always confined to the larger vineyards

Improving still further the consistency of Welsh wine quality, however, must be a key objective for the future.

Welsh vineyards and tourism are intrinsically linked together. In order to grow the vineyard sector, there needs to be further development of the tourism offering. There are some very good examples of Welsh vineyards who have successfully developed this link through offering activities such as: vineyard tours, visitor centres, on-site cafes and restaurants, cellar door sales, on-site accommodation and hosting of corporate events.

Through our research work, it was clear that there were fewer Welsh vineyards in operation than initially thought. Our research work has led us to believe that there are only probably 28 vineyards in reality that are operating at any degree of scale.

The FSA suggest that the figure is even higher at 38.

However, of those identified, 62% believed their focus over the next five years will be to expand and grow the business. The small numbers actually involved the Welsh industry is perceived as a strength, as within these exist a core group who are leading the way within the sector. In addition, our interviews indicated that there are new entrants currently making the necessary set up investments.



5.2 Weaknesses

The small scale nature of the sector, as well as being a potential strength, also creates an area of weakness. Low production volumes across Wales means that growth of the sector needs to be carefully balanced against ensuring the required volume of supply can be achieved. A degree of planned growth must be a key focus over the next few years.

The sector could also benefit from further education and skills – there is still more the Welsh industry has to learn from other more established competitors. Those within the Welsh sector are keen to distance themselves from the English wine industry, potentially at the detriment of understanding how that sector has grown and developed and utilising those learnings for the Welsh sector.

Although some vineyards have established their wine as being of a high quality and reputation, other Welsh vineyards do not always meet the same price/quality ratio expectation. This is shown in part by a lack of acceptance for Welsh wines from many English based wine merchants and stockists. The high price at the POS is also a barrier vis a vis the perception of Welsh quality.

In terms of marketing and promoting of Welsh wine, there is a lack of focus. Over 60% of our respondents felt that there was a need for a collaborative Welsh wine brand. We tend to agree. That leaves c. 40% who do not. Typically, these vineyards felt that each (vineyard) had its own merits that were unique and would potentially be lost within a wider overarching brand.

There is a lack of pressing facilities in Wales: historically there has been just one vineyard having its own pressing facility³². 95% of the Welsh vineyards normally send their grapes to England for pressing, typically at either Halfpenny Green in Staffordshire or Three Choirs in Gloucestershire.

The majority of vineyards spoken with believed that utilising an English pressing facility is seen as "taking nothing away" from the wines' Welsh identity, as this is based on where the grapes have been grown. However, there are a few vineyards that are very much against this concept and are keen to only refer to wine as "Welsh" if pressed and bottled in the country.

There is a strong perception within the Welsh wine industry that the sector is not a key focus area for the WG, in regard to food and drink. The lack of R&D within the Welsh wine sector is seen as testament to the fact that it is not a key priority for the WG. To date, this is correct.



³² As our work came to an end, a second winery was opened. Both of these facilities are owned by the same family and both are based in Monmouthshire

5.3 Opportunities

The effective closure of the hospitality industry during COVID - 19 meant that the Welsh wine industry changed the way in which it sold its products. There has been a growth in online sales. This presents further opportunities for the sector moving forward. Typically, tourists visiting a vineyard will purchase a few bottles of wine after a tour/visit, however having an online presence means that those customers can continue to purchase bottles from the vineyard, regardless of their location.

In addition, online sales open up the vineyard's audience to a much larger capacity. Being able to sell wine from the cellar door or via online also takes away margins that wine merchants typically tend to add of c. 15 - 20% when selling via them, as well as a retail margin of anywhere between 30 - 40% on top of this.

In addition, since COVID - 19, and to some extent, Brexit, there has been an increase in sales of "local" food and drink products, with consumers keen to support local businesses. Many vineyards benefited from Welsh wine being used in Christmas hampers last year, as well as a boost in sales after the first lockdown was lifted.

Outside of Wales, there is the opportunity to grow sales within the rest of the UK. At this stage of the sector's development, exports to the rest of the world should be part of a much longer term strategy, mostly due to the lack of production available to sufficiently supply export markets. There is also a lack of export skills and knowledge in the Welsh wine sector.

Establishing Welsh wine within the wider UK market will help to boost awareness and sales, particularly if linked in with the forecasted "staycation" trend.

Recent data from Mintel indicates that in 2021, consumers in the UK will spend £7.1 billion on holiday's in the UK – "staycations". This trend may well continue over the next few years. The demand for staycations this summer, is set to exceed pre COVID - 19 levels, due to cautious consumers, who do not want to risk travelling abroad, or maybe not even allowed to do so.

This increase in domestic holidays presents a real opportunity for the vineyard and tourism sector to take advantage of "local" tourists who already understand the qualities of Welsh food and drink. In order to take full advantage of this vineyards should adopt a pro-active approach to attracting these tourists to their vineyards.

Working in collaboration with other vineyards, tourist attractions and other Welsh food and drink suppliers could help to strengthen vineyards tourism offerings and sales. Examples include:

- collaboration on a regional basis with other local vineyards producing a multi-location wine tour for visitors
- working with local tourist attractions to provide a regionalised tourist approach, with a wider focus than wine tourists. (e.g. a Conwy based vineyard could work alongside existing attractions such as Conwy Castle)
- where vineyards operate cafes and restaurants, ensure the utilisation of other Welsh food and drink items on the menu. Work with local suppliers (where appropriate) to cross promote pairings. (e.g. the best wine, to be served with a regional cheese). There are

some very good examples of other similar developments in Wales such as Aber Falls Distillery, Penderyn Distillery etc

Despite the strong prominence of the (Welsh) food and drink industry (especially within Wales) and the UK, there is an opportunity to still increase awareness of the Welsh wine sector further through a focused marketing campaign.



5.4 Threats

There is a lack of genuine strategy for the Welsh vineyard and tourism sector. Despite the small scale of the industry, there is a disjointed approach to the future direction of the sector.

The PDO/PGI status of the Welsh sector is one of the most divisive within the industry, with some feeling it was important - and others feeling it had little effect.

Those vineyards looking to market their brands as "Welsh" will need to consider their supply chain going forward. If vineyards are looking to have their wines sold as Welsh, then 85% of the grapes used must come from Welsh vines. At the moment, wine can be pressed in a contiguous county, such as Gloucester and still be classified as Welsh, as can those wines pressed in Staffordshire under a derogation.

The Welsh industry currently does not have enough production to justify further investment in a Welsh based pressing facility. We have commented on the need for a proper study on this issue. The location of vineyards in Wales is spread out, and as such determining a centralised location, could become problematic. Many Welsh vineyards might not utilise a local pressing facility as they have already built up good relationships with English facilities and are logistically close to them.

The sector feels that they do not get enough support from the WG, in terms of encouraging new entrants into the industry and supporting the development of existing vineyards into tourism offers.

Excise duties on wine are high. It is recognised that this is probably beyond the WG remit in regard to lowering these rates, however as such there are opportunities for the WG to support the development of the sector in additional ways.

Examples include that some vineyards have faced difficulties in getting planning requirements for adding in tourism facilities on their existing sites which has prevented growth. There is also a concern that providing funding to new entrants could flood the market and dilute the high quality product offering.

If the government don't fully understand the industry they won't be able to support.

The link to tourism for the wine sector is critical – without this it is probably not profitable.

If people plant vineyards they struggle to get permission to build the tourism they need to support it.

The Welsh wine industry has no defined USP to exploit. There is no concerted effort to develop better production or attracting inward investment.

There is a need to work more with WG, more can be done to show people what's on their doorstep.

There is a real division within the industry on certain topics and no real strategy focus.

There is a lack of opportunity for Welsh vineyards to access grants.

Section 6. The Four Stage Welsh Producer Model

The Four Stage Producer Model detailed below is based upon previous Promar experience.

These four types of producers often exist across all agri-food sectors (including wine), as well as across Wales, the UK and beyond.

The distribution of producer types is dependent on a number of factors, such as size (of vineyard), the ownership structure, the business culture and aspiration of the vineyard, physical infrastructure and capacity, employee numbers, sales channels, tourism offering and R&D strategies.

THE WELSH VITICULTURE 4 STAGE MODEL

1

PART TIME & HOBBYISTS

- Small scale (c. 1 acre) - part time operation
- Only sell from the cellar door
- No linked tourism activity
- No formal accreditations
- Limited range of wines available
- Limited R & D Activity



2

DO - ERS

- Sell through cellar door and supply local foodservice
- Fledgling tourism activity
- No industry accreditations
- No formal planned R & D activity
- Limited wider customer engagement

3

MANAGERS

- Less resilience on cellar door sales - customers across Wales and rest of UK
- More established tourism related activity with paid employees
- Some industry accreditations
- Undertake some R&D activity
- Some wider customer engagement



4

LEADERS

- Multiple sales channels: cellar door, hospitality, online, exports etc.
- Have own bottling facility
- Fully linked tourism offer with paid employees
- Have a full range of industry accreditations
- Dedicated marketing resources and activity
- Wide range of wines produced



The characteristics of each stage of the model are not intended to be totally exclusive.

The majority of vineyards in Wales sit within Stages 1 and 2 ("part time and hobbyists" and "do-ers", with fewer classified as "managers" or "leaders" within the industry.

6.1 Stage 1 - Part Time & Hobbyists

Vineyards falling within this category are typically small, often at c. 1 acre in size. The vineyard itself is seen almost as a hobby, or something that is done on a part time basis alongside the owner's main "day job".

Typically, wine from producers in this stage will be sold from the "cellar door", with a limited wine range of products available. There will be no well-developed linked tourism activity and the vineyard itself will not have undertaken any formal accreditations.

All labour requirements are met through their own resources, with occasional help from students/others looking for part time work etc.

6.2 Stage 2 - Do – ers

These vineyards will sell the majority of their wine via the "cellar door", but will also branch out by selling into local foodservice businesses, such as restaurants, cafes and hotels.

There will be some sort of tourism activity linked to the vineyard, most likely a small shop or the offer of vineyard tours.

There will be no industry accreditations achieved and no formal R&D plans to develop the vineyard further. Local labour, who are often friends and family, are used at peak times of activity.

6.3 Stage 3 - Managers

In stage three, there is less reliance on wine sales via the "cellar door", with a greater expansion across local foodservice, and potentially some online sales.

As a result, customers will be based both within Wales and across the rest of the UK. There will be a much more well-established tourism offering that provides jobs for the local economy, for example larger scale shops, cafes, restaurants, wine tasting courses etc.

The wine produced will have some form of accreditation and some R&D activity will be undertaken to develop the future market/customer proposition.

There is some contracted labour at peak times of activity.

6.4 Stage 4 - Leaders

Those in the "leader" category will sell their wine through a range of sales channels, including, "cellar door", hospitality, online and some small-scale exports. A vertical supply chain will be in place, whereby the vineyard will undertake their own pressing and bottling on-site.

There will be a well-developed and linked tourism offering, which provides jobs for a larger number of people. Wines produced by those in this stage will have a full range of

accreditations and there will also be a wide variety of wines produced. Dedicated marketing resources and activity will continually be undertaken.

Employment opportunities are more focused on the tourism side of the business rather than the vineyard itself.

6.5 How to Move Around the 4 Stage Model

The key to the future development of the viticulture industry in Wales is for vineyards - over time - to move around the different stages of this model. This is far easier said than done in our experience.

It is also recognised that for whatever reason, some producers might not chose to move around the stages of the model. These are often for reasons of personal aspiration, as much as anything else.

For a small-scale industry, such as the Welsh vineyard and associated tourism sector, it is difficult to see that this can be achieved though, even for the "best in class" without a good deal of external help from a combination of the WG itself and the Wine SIG.

There might be no perfect or "off the shelf" blueprint for how this is achieved. Based, however, on the research work that has been carried out in this study and by learning any appropriate "transferable lessons" from the international case studies, a combination of the following is required:

- the development of an industry strategy bought in to by key players and industry stakeholders - in order to set out a sense of mid to long term direction
- for Welsh vineyards to increase in size over time, but in a planned and controlled manner
- the development of its own strong Welsh identity, but also being prepared to learn from other wine sectors around the world too
- for vineyards and the SIG to develop a stronger marketing proposition for Welsh wine
- help from the WG and its associated organisations, such as FC, Menter A Busnes and Visit Wales, not least with a clear statement(s) on planning applications for future development of both vineyards and tourism activity
- to invest as much in the tourism side of the business, as much as the actual production of vines
- mid to long term, create a bespoke training and educational facility in Wales for the viticulture sector and associated factors such as succession planning and apprenticeship schemes
- looking to constantly improve the overall professionalism of the sector without losing its inherent character and nature
- mid to long term, find a way of pressing more vines in Wales, rather than doing this in the rest of the UK
- to constantly think about improving and increasing the quality of Welsh wine

-
- to focus in the short term on the local “Welsh” market and then mid to longer term, the rest of the UK. Exports to other parts of the world on a regular basis are still some way off and should not be the priority
 - having a consolidated point of contact/focus for the future development of the sector rather than the fragmented approach, as it stands, of 2 trade associations and the SIG

This is quite a “shopping list” of things that need to happen.

Little of it will happen in the very short term. This does not imply that a start should not be made as soon as possible. As a result, a mid to long term view stretching out over a 3/5 - 10 year period is required by all stakeholders in the Welsh vineyard and tourism sector. This includes the WG, the SIG and not least, of course, the vineyards themselves.

Section 7. Conclusions & Next Steps

7.1 Conclusions

These are summarised as follows:

- it is estimated that there is c. 164 acres of wine grape vines planted in Wales currently. Of this total, the majority of planted area is found in South Wales at 62 acres and West Wales at 61 acres
- the latest data from FSA indicates that the industry brings in an average revenue of c. £337,000 per annum from wine production. Many vineyards stated that they would not operate profitably without a tourism offering
- there is a strong correlation between both the Welsh vineyard and the tourism sector. The majority of accessible vineyards involved in our interview procedure either provided a tourism offer to their customers, or planned to in the future, albeit of differing scales and natures
- tourism accounts for up to 50% of revenue for some businesses, particularly those producing low volumes. We estimate the direct value of wine-based tourism to the Welsh industry is estimated to be in the region of £10 million per annum compared to the value of actual wine production at some £337,000 per annum
- there are c. 300 people being employed on a part time basis within the Welsh vineyard and tourism sector, and a further 100 people employed on a full-time basis. The majority of those employed within the sector are employed on the tourism side. A large number of employees working within the industry are not formal workers e.g. they may be family members used on an ad hoc basis or friends, utilised at peak harvest periods
- as such, a number of those working within the sector are not formally paid for their involvement
- for those employed on a formal basis, just under £4 million per annum is spent on wages
- looking towards the future, growth, in terms of jobs and investment will come from the tourism side of the industry much sooner than that of the vineyard production side
- while the overall contribution towards the Welsh economy from the vineyard sector is currently small, the industry is still at a fledgling, almost developmental stage. It has, however, the potential to grow much bigger in the future
- there is a general feeling of optimism within the sector, with many looking to expand their vineyard and tourism offer in the future. This is also a very proud industry - proud of its heritage and proud of its "Welshness"
- the majority of Welsh vineyards sell the bulk of their wine via the "cellar door" (i.e. from the actual vineyard itself to local foodservice outlets, private individuals and tourists/other visitors). This accounts for c. 77% of all sales across the sector

- additional sales channels include off trade (local shops) 9%; online sales at 7%; on trade (hotels, restaurants, cafes); as well as wholesale sales – these are some 3%. The impact of COVID - 19 has meant that a number of vineyards have seen their sales to the on-trade sector fall in 2020, as these venues were placed into long periods of closure. As a result, sales shifted for some towards the online channel, typically through the development of individual websites. For some vineyards, online sales now account for c. 50% of their total sales
- a very small number of Welsh producers (just two, as far as we are aware) have been involved with exporting wine. The volumes involved are very small indeed
- with the exception of one³³ historical pressing operation in Wales, existing facilities in England (Staffordshire and Gloucester) at the moment often adequately fulfil the sector's pressing requirements, at present
- a study on the feasibility of additional pressing facilities in Wales should be planned sooner rather than later
- despite the close relationship with English based wineries, it is also clear that no one in the Welsh vineyard sector has any aspiration other than to be seen as a standalone industry - and not just an adjunct to the English wine sector
- the majority of existing vineyards in Wales have not fundamentally increased the size of their grape bearing acres in the last 5/10 years, with the exception of some recently planted sites
- based on the increased interest in Welsh wine, over half (68%) of vineyard owners already have plans in place or will be planning on increasing the size of their business in the next 5-10 years. This could be either to increase total number of vines, increase the tourism offer in terms of infrastructure, or setting up a small winery on site
- at the moment, there is no dedicated training and/or educational facility in Wales for the viticulture sector. The main centre of excellence for this in the UK is often deemed by most to be at Plumpton College in Sussex. In the short term, the potential to develop a strong link with Plumpton should be explored.
- a wider study of the opportunity for a Welsh based centre of excellence should be considered
- increasing awareness and sales of wine both in Wales and then the rest of the UK is also a key focus for increasing production and revenue. Exports to the rest of the EU or emerging markets in Asia as an example are probably not a realistic short-term goal for Welsh vineyards as the majority of demand is on a still local basis. Welsh production is not sufficient enough to look too further afield at the moment
- bespoke consumer research is a good idea on the Welsh wine consumer
- the Welsh wine sector can play an active part in the wider policy initiatives being adopted by the WG

³³ Now known to be 2 - both in Monmouthshire

- our respondents were asked to rank a number of future support requirements options on a scale of 1 - 7 (with 1 being not needed, and 7 being most needed). The results indicated that in moving forward, the most needed forms of support for the sector are:
 - additional PR activity in domestic and wider UK market, linking into Visit Wales initiatives etc
 - skills development and bespoke training facilities/sites in Wales
 - development of robust and collaborative supply chains
 - quality improvement, varietal development etc
- sustainability was a common focus area for vineyard owners/proprietors, as a driver for both innovation and addressing environmental concerns. Other wine sectors in countries such as SA and NZ have well developed sustainability plans for their industries
- there is currently no strong USP for Welsh wine, other than that of the individual, unique small (Welsh) businesses. A Welsh brand would be beneficial to the industry, although still in keeping with each individual stamp, so as not to lose the much valued and important regional identity
- Wales should look to embrace the variety of Welsh production that exists. It should focus on the quality of its production, not the specific type. This could support the overall Welsh "brand". The specialisation along with the regionality of production can follow later
- in the last 12 months, it would appear that the SIG has come far more in to its own, as a result of the challenges presented by the COVID - 19 pandemic

7.2 Recommendations

7.2.1 The Future Role of the WG

The future role of the WG in the vineyard and tourism sector can be summarised as follows:

- clarify if vineyards are classified as being an agricultural enterprise or part of the tourism sector
- contribute to setting out its own aspiration for the sector
- take a mid to long term view of the contribution and future contribution of the wine and associated tourism sector in Wales
- provide clearer information as to what help might be available to vineyards in Wales
- engage with and encourage organisations such as local councils, FC and Menter a Busnes to provide support to the vineyard sector
- continue to promote the new UK GI scheme and current/future Welsh GI family members, in order to increase consumer awareness of the scheme and highlight the quality products Wales has to offer

7.2.2 The Future Role of the SIG

In terms of the role of the SIG, this should be as follows:

- to carry on the good work that has been carried out in particular over the last 12 months
- to facilitate the development of a stronger industry strategy – this should include a study on the demand for wine pressing facilities in Wales in the mid to long term and the development of a Welsh brand for the viticulture sector
- to consider the development of a sustainability plan for the Welsh wine industry
- to develop a stronger link to the WG, FC and Menter a Busnes to encourage the development of a link with Plumptre College with a view to developing a Welsh centre of excellence in the mid to long term – a study on this needs to be carried out
- to lead on the assessment of potential demand/location of more pressing facilities in Wales
- to lead on a market research study as to the profile of the Welsh wine consumer
- to facilitate more engagement with Visit Wales
- to encourage participation in promotional events such as Welsh wine week
- to consider the development of an apprentice scheme/succession planning scheme as is found in NZ

7.2.3 The Future Role of the Vineyards

The role of the private sector within the Welsh vineyard and tourism sector is similar, in part to the positions and focus of both the WG and Wine SIG. Vineyard owners believe their role is about driving the sector forward as much as driving their own business forward. There are a lot of passionate owners in the sector who are keen to push their industry forward and this can be summarised as follows:

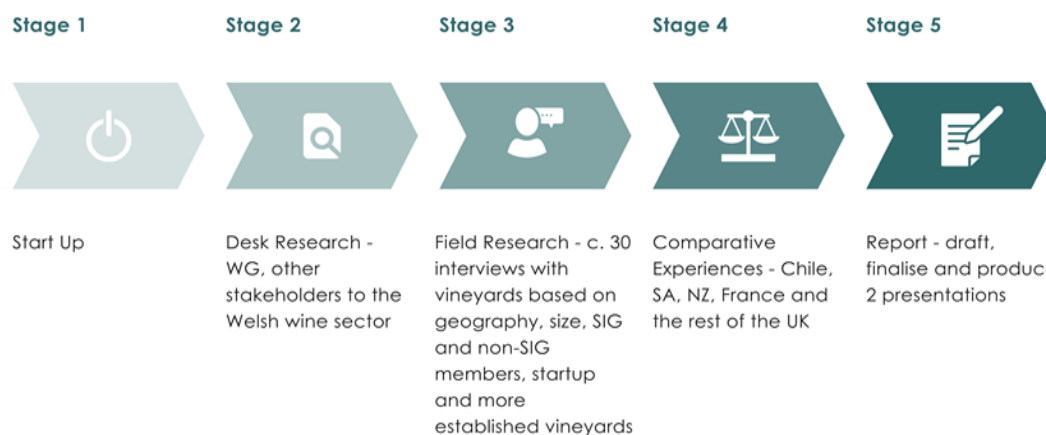
- to get fully behind the SIG
- look for common areas of interest for the betterment of the sector per se not areas of division
- develop with the SIG, an inclusive strategy for the industry's future development
- engage in succession planning and mentoring activity as appropriate
- support industry marketing efforts
- find out more about financial support and help from the WG that is available
- engage with local councils to overcome bottle necks and constraints
- take responsibility for its own development
- show how it can contribute to the wider objectives of the WG

As we have commented, this is quite an ambitious agenda but one that needs to be grasped if the sector is to fulfil its potential over the next 5 – 10 years.

Section 8. Appendices

8.1 Appendix 1 - Methodology

Promar International undertook this project for the Welsh Government (WG) utilising the following five stage methodology:



As part of this research we undertook 26 interviews with both vineyard owners (19) and sector stakeholders (7)³⁴. Those that we spoke to are listed below for information:

Vineyards

- Ancre Hill Estate
- Bryn Ceiliog Vineyard
- Conwy Vineyard
- Gwinllan y Dryffryn/Vale Vineyard
- Gwynfyd Mon
- Hebron Vineyard
- Jabaiak Vineyard
- Kerry Vale Vineyard³⁵
- Llaethliw Vineyard

³⁴ Due to the CV – 19 pandemics, these were carried out remotely

³⁵ Kerry Vale is located right on the English/Welsh border but on the English side - data from Kerry Vale has not been included in our calculations

- Llanerch Vineyard
- Llwyn Pur
- Mawddach
- Pant Du Vineyard
- Parva Farm Vineyard
- Red Wharf Bay Vineyard
- Sticle Vineyard
- The Dell Vineyard
- Velfrey Wines
- White Castle Vineyard

Sector Stakeholders

- Business Wales
- Levercliff – managers of the Wine SIG
- Visit Wales
- Welsh Food Standards Agency
- Welsh Vineyard Association
- Vineyards of Wales
- Wines of Great Britain

8.2 Appendix 2 – FSA Vineyard List

Ty Croes Vineyard	Anglesey
Lonisaf Vineyard	Vale of Glamorgan
Penarth Vineyard	Powys
The Dell Vineyard	Monmouthshire
Ancre Hill Estates	Monmouthshire
Meadow View Vineyard	Vale of Glamorgan
Jabajak Vineyard	Carmarthenshire
Great House Vineyard	Vale of Glamorgan
White Castle Vineyard	Monmouthshire
Llaethliw Vineyard	Ceredigion
Pant Du Vineyard	Gwynedd
Vyrnwy Vineries	Powys
Spring Hollow Vineyard & Winery	Carmarthenshire
Velfrey Vineyard	Pembrokeshire
Gwinllan Conwy Vineyard	Conwy
Montgomery Vineyard	Powys
Red Wharf Bay Vineyard	Anglesey
Llwynhudol Plas	Gwynedd
The Great Esgrape Vineyard	Anglesey
Gwinllan Y Dyffryn / Vale Vineyard	Denbighshire
Ffynnon Lefrith	Carmarthenshire
Hebron Vineyard	Carmarthenshire
Guidfa Farm	Powys
Sticle Vineyard	Carmarthenshire
Whinyard Rocks	Powys
David Morris Winery	Monmouthshire
Stonebird Wines	Monmouthshire
Llwyn Pur Vineyard	Sir Gar Cymru
Glyndwr Vineyard	Vale of Glamorgan
Croffta Vineyard	Vale of Glamorgan
Monnow Valley Vineyard	Gwent
Parva Farm Vineyard	Monmouthshire
Llanerch Vineyard	Vale of Glamorgan
Cwm Deri Vineyard	Pembrokeshire
Sugar Loaf Vineyard	Gwent
Bryn Ceiliog Vineyard	Vale of Glamorgan
Gelynys Vineyard	Vale of Glamorgan