

Tabled at Hearing 08/05/2013

ECan Land and Water Regional Plan HEARING 8th May 2013

Evidence of Paul Donaldson on behalf of Pegasus Bay Winery

- My name is Paul Ivan Donaldson, and I am the general manager of Pegasus Bay Winery, a business that has been established by my family and operating in the Waipara Valley for the past 27 Years.
- To date, since I started in the family business 8 years ago, I have been to approximately 1 hearing every 1 to 1.5 years, either for specific consents, or to represent to company on the effects of plan changes to our current consents. As you can imagine, these are time consuming and expensive when considering that I also run our family business. The prospect of having to apply for further consents to develop land is not only unappealing from the financial perspective, but also from a straight time consideration. The unfortunate situation for us is that we have just completed the process of the ECan Waipara River Plan, which took over 10 years, and it is more than a little disheartening to be back at a hearing under a year later. This is regarding an issue that, to the best of my knowledge, was not raised at all in the 10 year history of the development of the plan.
- Our concern regarding the potential Red-Zoning of the Waipara Catchment is the effect it will have on businesses, such as our own, in regards to potential development of land purchased for a certain purpose, but not yet converted to that. We feel it may also narrow the options for people wishing to sell land, as potential buyers will be constrained in their future activities.
- Vineyards and wineries are highly labour intensive, and as such spread their economic benefit widely throughout the community.
- Pegasus Bay Vineyards and Winery are entirely family owned and operated. We grow grapes and make and sell wine. In order to support our wine sales we have run a winery tasting room and restaurant for over 20 years. The wines are sold locally and throughout New Zealand, as well as being exported to 25-30 different markets, including Australia, USA, Canada, UK, Ireland, Belgium, Holland, Denmark, Germany, Sweden, Dubai, Norway, Brazil, Japan, China, Singapore, Hong Kong and Malaysia.

- We employ approximately 75 staff (around 40 full time equivalents) and over 80% of these staff are based in the Waipara/Amberley area. In addition to producing our own fruit, we also have contracts with growers to buy grapes, many of which have come from outside of the Waipara Valley area. This has been to supply wine for a 2nd label we produce, which is called Main Divide. Generally speaking we have found it easier to get the quality of fruit that we require by growing it ourselves, rather than by working with growers. We would also like to concentrate our efforts on the Waipara Valley region. For these reasons, and because of increasing demand from developing markets, we decided to buy extra land in Waipara Valley for vineyard development. In June 2008 we purchased a block of land which runs from Purchas Road to the Waipara River. This block is divided by Georges Road. It was our intention that this land would be developed in vineyard to grow the extra grapes we require, however this land is within the designated proposed red zone.
- Viticulture and wine-making, spread their economic benefit widely through communities because they are labour intensive. Our producing vineyard represents only 3% of the area currently planted in vineyard in the Waipara Valley (1422.3 hectares – NZ Winegrowers Statistics). As such it is apparent that the grape growing and winemaking industry have a huge potential to benefit the local economy. Roger Lough, an agricultural economist, has estimated that the Waipara Valley wine region at present pays \$35.5 million in wages from an ex-winery value of wine of \$96 million. This is estimated to generate \$17-18 million in excise tax and GST. The Waipara Valley viticultural area is almost as large as that of Central Otago. Thus conversion of our own land into vineyard will have wide economic benefit throughout the community, particularly as we intend to run it along similar, but even more intensive lines to our present Pegasus Bay Vineyard, by going to closer planting of vines on this new vineyard. The decision of Dr Brent Cowie, the commissioner who heard the application for Pegasus Bay's current consent to take water, states "the use of water by the Donaldsons is highly efficient and there is certainly no waste of the water resource in the trickle irrigation of their vineyards". "I cannot imagine any more efficient or economically beneficial out of stream use of Waipara River water than to produce quality wine". Establishing a vineyard and making high quality wine requires very substantial investment and is a long term business. It is generally recognised that wine quality depends to a significant effect on vine age. Wines made from what the French term *vieille vigne* or old vines, generally fetch higher prices and it is widely felt that plants need to be over 20-30 years before they reach their full potential and are regarded as "old vines". This means that investment in vineyards will probably not reach

full potential for 20-30 or more years after planting. The permanence and economic life of this activity are therefore likely to have long lasting effects on the local community.

- We have spent many, many millions of dollars on developing the current Pegasus Bay Vineyard and Winery with its associated national and international markets. The capital investment required for the development for this additional property will be greater and will extend over many years. Ultimately though, it should return to the community a sustained level of employment, and hence a sustained level of funds.
- This site was chosen because it is within the designated viticultural zone in the Hurunui district plan and it had the aspect and soil type to produce high-quality wine grapes. It seems counterproductive for the Hurunui council to outline a zone for potential economic growth in an industry that should have very little to no effect on water quality, but then have parts if not all of this area made into a red zone for development by the regional council.
- Irrigation is essential to establish and successfully grow grapes on the property. The soil is ideal for grape production, however only with well monitored deficit irrigation in place.
- After a notified hearing in front of a Commissioner we have been given a consent to take and use sufficient water to irrigate the whole of this land, however due to both finances, and the need to be demand driven, the actually planting of this land may take some time. We have commenced on a phased development of this land, which must be sustainable, ie the income from grapes planted in the initial phases will finance the development of the subsequent ones. By necessity this must be a gradual process.
- We have put in an irrigation system including a large storage pond with related head works, pumps and pipes, at considerable cost. This is because we believe in the potential of this land, and to have this development process slowed would be reasonably disastrous for us from a financial perspective
- It is very difficult to obtain high-quality grafted grape vines and these must be ordered and financially committed to several years ahead. This means, of course, that any application of a red zone would push the timeframe out from land purchase to planting to what would potentially be an untenable length for anyone considering further development. We have

already planted the first block of vines, which will provide fruit next season, and have ordered plants for the next stage.

- We measure soil moisture and use deficit irrigation (which is the practice of not applying irrigation until the vines become water stressed and in need of water) because overwatering produces excessive vegetative growth of the vines and watery inferior quality wines. Thus, leaching is not an issue.
- The use of fertilisers is very restricted in the wine industry because it causes excessive vine growth to the detriment of grape berry and wine quality. So once again, the application of excessive fertilisers, which may cause an issue in the red-zone, is actually counterproductive to successful grape growing.
- We believe that any regulation, such as the institution of a red zone, which would slow or potentially prevent further development of this land would have serious financial implications for our business and our employees. Had such an institution been in place when my family were seeking prospective land to develop, it would almost certainly have posed as a significant deterrent, and would most likely have seen us invest our time and money in a different area of the country.
- We feel we have given much back to the local community in the way of development, employment, and the creation of a tourist destination (our restaurant has been awarded top winery restaurant in New Zealand by Cuisine magazine for 5 years in a row) which has benefited a far wider base than simply the Donaldson family, but this is, in fact, the nature of the wine industry. We would hope that any future development or expansion in this industry in Waipara was still maintained as an attractive proposition for others such as ourselves.