

Summary

- While the market for wine in the Netherlands is traditionally strong, sales of New Zealand wine have fallen since 2018. Consumers are shifting from bulk-produced wines to private label wines, which has affected some of our exports. Other challenges impacting the level and profitability of wine sales include inflation (consumers having less disposable income), rising energy and transportation costs, supply chain issues and increased costs of packaging material.
- Nevertheless we assess that there is opportunity for growth for New Zealand wine if New Zealand exporters can leverage New Zealand's brand identity and position New Zealand wines as unique and premium products with sustainability credentials. 'New world' wine sells well in luxury wine bars in the Netherlands.
- Furthermore, Dutch domestic wine production is small and not expected to expand in the near future. Land availability and increased costs, and climate conditions do not currently support increased large-scale wine production in the Netherlands.

Report

Facts & Figures

The wine market in the Netherlands is traditionally strong, with 372 million litres sold in 2021, a 0.4% increase from 2020 despite COVID-related lockdowns adversely affecting sales to the hospitality sector. Wine sales in the Netherlands are not expected to show much growth over 2022 however and instead are likely to remain constant.

The two largest supermarket chains in the Netherlands, Jumbo and Albert Heijn, are dominant in the Dutch wine consumer market and their most widely available New Zealand wine is The Falcon. They also sell **private label** New Zealand wines such as Flaxbourne in Albert Heijn and Villa Maria in Jumbo.

According to [New Zealand Wine](#) the value of New Zealand wine in international markets is stronger than ever, with exports for 12 months to September at an all-time high of \$2.03 billion, up 6% from the previous year. Despite this, **wine exports from New Zealand to the Netherlands have fallen steadily since 2018**, from 9,322 litres (NZ\$ 50,853 million export value) to an expected 2,734 litres (NZ\$ 23,485 million export value) in 2022. The largest export market for New Zealand wine remains the United States, where New Zealand wine is seen to be

doing well in terms of brand recognition and consumer trust. American consumers generally see New Zealand wine as a premium product and are willing to pay more for it, whereas consumers in the Netherlands are currently generally unwilling to pay premium prices for New Zealand wine.

Domestic production in the Netherlands is small. In 2021, the country produced 753,900 litres of wine, amounting to around one million bottles. In comparison, New Zealand produced 266,400,000 litres of wine that same year. The Netherlands mostly produces white wine (two-thirds of total production) with the rest being red wine and rosé. The most common grape species are Solaris, Johanniter, Auxerrois and Sauvignier Gris.

Stakeholders assess that **domestic production in the Netherlands has never been serious competition for imports, and that won't change.** The Netherlands does not produce Sauvignon Blanc as New Zealand does, as Dutch wine growers focus on Riesling. Importantly, land for wineries is expensive in the Netherlands, and the climate is currently not sufficiently suitable for large-scale wine production. The country's current nitrogen crisis makes expansion of wine production even less likely, as the Dutch agricultural sector is set to reduce in size due to the government's nitrogen emissions reduction commitments.

Challenges for export

Challenges currently facing the New Zealand wine export sector included the increase in **transport costs and the inconsistency and availability of shipping options** from New Zealand to the Netherlands. Delivery times can be up to 12 to 19 weeks, which is not ideal for the quality of the wine, which is impacted adversely by spending more time in transit (for example some routes have more exposure to temperature fluctuations, as well as issues such as light exposure and excessive movement of the product). Fresh produce gets priority, and wine is currently not classified as such. Some stakeholders are arguing for the classification of wine as a fresh product.

These challenges lead to a reduction in bulk wine exports to the Netherlands, which has hit some of our exporters. Stakeholders mention that they are paying more than double for transport per litre than in 2019 (from NZ\$ 3 to NZ\$ 6-7), making it **difficult to transport wine in bulk for competitive prices.**

Other issues include the rising price of energy, the relatively meagre grape harvest in 2021 (21% lower than the year before), labour shortages in the sector, and rising costs for glass packaging. This does mean, however, that wines benefit from stronger value growth, as the average unit price increases. Stakeholders consider wine has become a "seller's market" observing that demand is currently high.

In line with a wide range of other products, inflation and rising costs for consumers in the Netherlands impacting **consumer purchasing power** have also caused a fall in demand for New Zealand wines. This is compounded by the **change in legislation surrounding alcohol sales in the Netherlands.** Since 1 July 2021, retailers have been prohibited from offering more than 25% discounts on alcoholic drinks, thus, arguably making it less attractive for some consumers to buy wine in bulk.

Opportunities for the New Zealand exporters

Despite the obvious challenges, there are opportunities for the New Zealand wine industry, particularly for private labels as the competitiveness for bulk volume wines is decreasing. A key strategy for lifting demand is developing **greater name recognition** for New Zealand wines. New Zealand wines are still considered quite niche, especially in the hospitality sector.

Industry could look to boost the branding of **New Zealand wine as unique and premium with sustainability credentials**. 'New world' wine lands well with luxury wine bars in the Netherlands who differentiate their wines between old and new world producers.

There are also opportunities for producers of non-grape wines. In the Netherlands, demand for **non-grape wines** made from other fruits such as plums, pears, cherries and strawberries is increasing steadily, seeing a 13% increase to 1.9 million litres over 2021.

E-commerce is also an important tool to lift sales. E-commerce is growing in the Netherlands, most likely due to the change in buying habits due to the COVID-19 pandemic, during which more consumers started shopping online for their wines. Both major supermarket chains, as well as specialized websites have seen an increase in online wine sales.

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